

**PUEBLO COUNTY SCHOOL
DISTRICT NO. 70**

FINANCIAL STATEMENTS
With Independent Auditors' Report

Year Ended June 30, 2023

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
Pueblo County School District No. 70

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Pueblo County School District No. 70, as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the Pueblo County School District No. 70's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Pueblo County School District No. 70, 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.

We did not audit the financial statements of Swallows Charter Academy, which represent 52 percent, 82 percent, and 54 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units as of June 30, 2023, and the respective changes in financial position, for the year then ended. Those statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Swallows Charter Academy, is based solely on the reports of the other auditor.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Pueblo County School District No. 70 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pueblo County School District No. 70's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pueblo County School District No. 70'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 Pueblo County School District No. 70's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pueblo County School District No. 70's basic financial statements. The accompanying combining and individual fund statements and schedules and schedules and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules and schedules and schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2024 on our consideration of the Pueblo County School District No. 70's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Pueblo County School District No. 70's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pueblo County School District No. 70's internal control over financial reporting and compliance.

Hoelting & Company Inc.

Colorado Springs, Colorado
February 21, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS
Pueblo County School District No. 70
Pueblo County, Colorado
June 30, 2023

As management of the Pueblo County School District No. 70, Pueblo County, Colorado (the District), we offer readers of the District's financial statements this narrative and analysis of the financial activities of the District for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with the financial statements, which immediately follow this section.

Financial Highlights

- Since July 1, 2014, the District has been required to apply the Governmental Accounting Standards Board (GASB) Statement No. 68 *Accounting and Financial Reporting for Pensions* (GASB 68). The GASB pronouncement is discussed in more detail under Accounting Pronouncements on page viii.
- GASB 68 revises and establishes financial reporting requirements for governments that provide their employees with pension benefits. The District provides its employees with pension benefits through a multiple employer cost-sharing defined benefit retirement program administered by the Public Employees' Retirement Association of Colorado (PERA).
- Among other requirements, the District is now required to report its proportionate share of the total PERA Net Pension Liability (NPL) in its government-wide financial statements. The District's share of the PERA NPL is \$124.2 million as of June 30, 2023. Inclusion of this figure in the government-wide financial statements does not indicate that the District has a liability to pay the amount shown. The District's liability is limited to the annually required contributions established by the State Legislature.
- Fund level statements, including the General Fund statements, are not impacted by GASB 68 reporting.
- Due to the effect of GASB 68, the District has a negative net position. The governmental liabilities and deferred inflows of resources exceed its assets and deferred outflows of resources by \$40.8 million.
- The net position of the District includes \$53.4 million invested in capital assets, net of related debt; \$20.03 million restricted for debt service payments; \$3.2 million restricted for emergencies, as defined under the Taxpayer Bill of Rights; \$82,000 restricted for Preschool; and an unrestricted net position balance of (\$117.57) million. The unrestricted balance is negative due to the effects of GASB 68. The unrestricted balance is also different than what would be reflected on a governmental fund accounting basis due to the accounting treatment in the government-wide statements of accrued salaries and benefits earned but unpaid and compensated absences payable.
- The total net position of the District increased by \$25,899,675 for the year ended June 30, 2023, primarily due to the accounting treatment of the Net Pension Liability.

- Fund balance of the District's governmental funds decreased by \$27,264,793 resulting in an ending fund balance of \$69,543,784. This decrease was due primarily to the spenddown of General Obligation Bonds by the District in 2022-23.
- During the current fiscal year, the fund balance in the District's General Fund (including the Capital Reserve) decreased by \$1,404,661 from \$20,133,706 to \$18,729,045. This was primarily due to implementing buy back of frozen years.
- The District's long-term obligations increased by \$25,205,503 to \$287,668,335. Current year principal payments on existing General Obligation debt totaled \$5,200,000.

Overview of the Financial Statements

This annual report consists of three parts: Management's Discussion and Analysis (MD&A), the basic financial statements, and supplementary information. The MD&A provides an analysis of the District's overall financial position and results of the previous year's operations to assist the users of financial statements to assess whether the government's finances have improved or deteriorated. The basic financial statements include two kinds of statements that present different views of the District.

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- The governmental funds statements tell how basic services, such as instruction, were financed in the short-term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationship in which the District acts solely as a trustee or agent for the benefit of others.

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

Government-wide Financial Statements

The Government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The two Government-wide statements report the District's net position and how they have changed. Net position - the difference between the District's assets and liabilities - are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively. Implementation of GASB

68, however, has a significant impact on the Net Position and should be taken into consideration in evaluating the District's financial health.

- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the Government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as instruction, transportation, custodial and maintenance, other support services, and administration. The School Finance Act of 1994, as amended, made up of property taxes and state equalization, finances most of these activities.
- *Component Units:* The District has four separate charter schools, Swallows Charter Academy, Villa Bella Expeditionary, Connect School, and PCA. These component units are important because the District is financially accountable for them.

Accounting Pronouncements

PERA adopted GASB No. 67, *Financial Reporting for Pension Plans* (GASB 67), effective for the year ending December 31, 2014. GASB 67 establishes a shift in financial disclosure requirements from a funding-based approach to an accounting-based approach. The actuarial valuation for accounting purposes emphasizes the obligation an employer incurs to employees through the employment-exchange process. The primary purpose of the valuation for accounting purposes is to provide a consistent, standardized methodology that allows comparability of amounts and increased transparency of the pension liability. GASB 67 requires a different approach for determining the Net Pension Liability ("NPL") as opposed to the previously disclosed Unfunded Accrued Actuarial Liability ("UAAL").

Actuarially Determined Contributions ("ADC") have replaced Annual Required Contributions ("ARC") as the gauge of the adequacy of the State's statutory contribution rates. GASB 67 requires the disclosure of the amount of contributions, the ADC amount and the difference between those amounts. The ADC is calculated using the investment rate of return and discount rate assumptions according to the PERA Board's Funding Policy (currently 7.25%). An ADC deficiency arises when contributions are less than the ADC.

The District has no legal obligation to fund PERA's UAAL or ADC, nor does it have any ability to affect funding, benefits or annual required contribution decisions made by PERA in administering the defined benefit pension plan.

Effective with Fiscal Year 2014-2015, the District was required to apply GASB 68. GASB 68 significantly changed pension accounting and financial reporting by requiring an NPL on the Statement of Net Position. Historically, an unfunded pension obligation for employers in a cost-sharing plan, such as PERA, was considered to be a liability to be reported in future periods. Information about the total liability, unfunded and funded, was disclosed only in the notes to the financial statements and as required supplemental information. Financial statements now reflect an NPL based on a model similar to single employer plans.

The current period pension expense primarily results from changes in the components of the NPL. NPL is computed as the difference between the employer's obligation to provide pension benefits earned and funding of those benefits (the plan assets being held in trust); pension amounts earned by current and former employees for past services are recorded as a liability in current statements, not in future statements. Most causes of change in the NPL are included in pension expense immediately. Changes resulting from certain causes are introduced into pension expense over multiple periods. See Note 8 on pages 28-35 in the Notes to Basic Financial Statements for the full disclosure related to PERA.

Fund Financial Statements

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

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

The District has two kinds of funds, as described below.

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. Governmental fund types used by the District include the General Fund, Debt Service Fund, Capital Projects Fund, and Special Revenue Funds.
- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements. An *enterprise fund* (one type of proprietary fund) statement is the same as a business-type activity statement but provides more detail and additional information such as cash flows. *Internal service funds* (the other kind of proprietary funds) are used by Districts to report activities that provide supplies and services for its other programs and activities.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes can be found on pages 18-46 of this report.

District-wide Financial Analysis

The assets of the District are classified as current assets and capital assets. Cash, investments, receivables, inventories, accrued revenue, and prepaid expenses are current assets. These assets are available to provide resources for the near-term operations of the District. The majority of the current assets are the result of the property tax collection process; the District receives approximately 62.6% of the annual property tax assessment in April, May and June.

Capital assets are used in the operations of the District. These assets are land, improvements, buildings, equipment and vehicles. Capital assets are discussed in greater detail in the section titled, Capital assets and Debt Administration, elsewhere in this analysis.

Current and long-term liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable, accrued salaries and benefits, unearned revenues, and current debt obligations. The liquidation of current liabilities is anticipated to be either from currently available resources, current assets, or new resources that become available during Fiscal Year 2023. Long-term liabilities such as long-term debt obligations and compensated absences payable will be liquidated from resources that will become available after Fiscal Year 2023.

The liabilities of the District activities exceed assets by \$40,824,458 and the Unrestricted Net Position is negative (\$117,566,837). This negative net position is due to the implementation of GASB 68, as discussed earlier, which increased Liabilities with the inclusion of the Net Pension Liability of (\$124,250,708). Measures continue to be successfully implemented by the District to eliminate the negative unrestricted balance (net of the Pension Liability) which existed at June 30, 2014 and to maintain a positive unrestricted balance, net of the Pension Liability.

The District has a net investment of \$53,423,071 in land, improvements, building, equipment, and vehicles, net of related debt, which provide the services to the District's 10,377 public school students. Net position of \$20,037,108 accumulated due to voter approved bonded debt mill levy assessments, has been restricted to provide resources to liquidate the current general obligation bond principal and related interest payments. The legally required TABOR reserves have also been restricted in the amount of \$3,200,000.

Table 1 provides a condensed summary of the District's net position for 2023 compared to 2022:

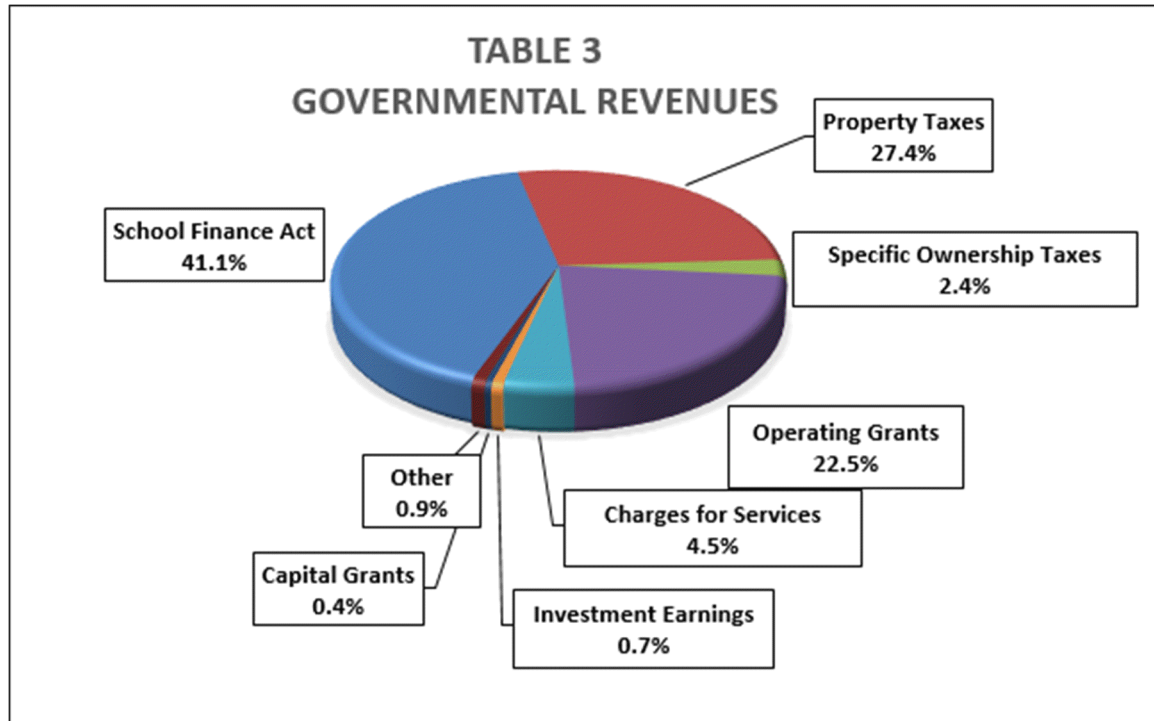
Table 1 Comparative Statement of Net Position <u>As of June 30, 2023</u>		
	Governmental Activities	
	<u>2023</u>	<u>2022</u>
<u>Assets</u>		
Current and Other Assets	89,183,199	118,426,181
Capital Assets	<u>168,843,595</u>	<u>147,671,932</u>
Total Assets	258,026,794	266,098,113
<u>Liabilities</u>		
Current Liabilities	17,991,753	27,498,271
Non-Current Liabilities	<u>287,668,335</u>	<u>257,352,093</u>
Total Liabilities	305,660,108	284,850,364
<u>Deferred Inflow/Outflow of Resources</u>		
Deferred Outflow	29,895,479	22,306,213
Deferred Inflow	23,086,623	71,460,585
<u>Net Position</u>		
Invested in Capital Assets, Net of Related Debt	53,423,071	51,087,279
Restricted	23,319,308	76,052,293
Unrestricted	<u>(117,566,837)</u>	<u>(192,847,710)</u>
Total Net Position	(40,824,458)	(65,708,138)
See PERA Discussion on page 6 for explanation of "Unrestricted" Change		

Table 2 shows the changes in net position for fiscal year 2023 compared to 2022:

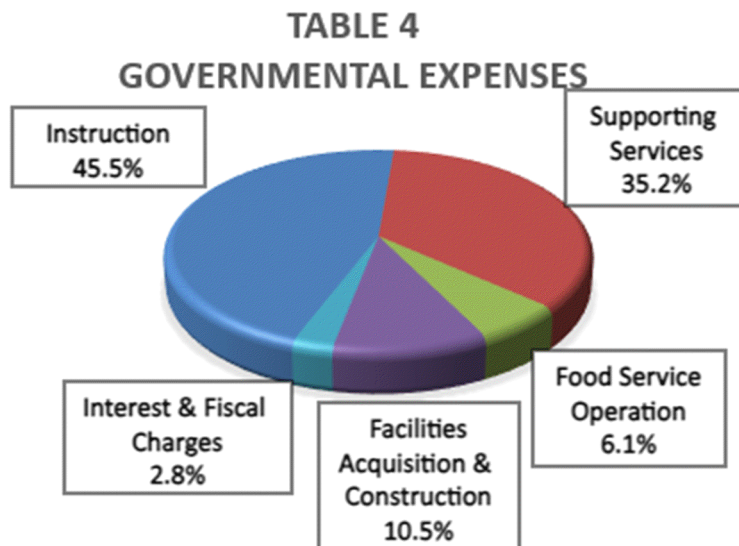
Table 2 Changes in Net Position <u>As of June 30, 2023</u>		
	Governmental Activities	
	<u>2023</u>	<u>2022</u>
<u>Revenues</u>		
Program Revenues:		
Charges for Services	5,813,706	7,899,510
Operating Grants & Contributions	28,880,191	19,675,562
Capital Grants and Contributions	551,235	6,040,223
General Revenues:		
Taxes:		
Local Property Taxes	35,116,710	34,652,511
Specific Ownership Taxes	3,131,986	3,091,500
School Finance Act	52,822,873	50,137,021
Earnings on Investments	920,531	98,721
Other	<u>1,136,298</u>	<u>509,285</u>
Total Revenues	128,373,530	122,104,333
<u>Expenses</u>		
Governmental Activities:		
Instruction	46,627,674	40,086,725
Supporting Services	36,066,190	29,495,504
Food Service Operation	6,210,345	-
Facilities acquisition and construction	10,717,992	4,480,680
Interests and Fiscal Charges	2,851,654	3,188,930
Transportation	-	<u>3,458,893</u>
Total Expenses	102,473,855	80,710,732
Change in Net Position	25,899,675	41,393,601
Net Position - July 1 Restated	(66,724,133)	(107,101,739)
Net Position - June 30	(40,824,458)	(65,708,138)

As shown in **Table 3** below, State equalization and taxes (Property Taxes and Specific Ownership Taxes) accounted for most of the District's total revenue. As shown in the graph below, State Equalization (School Finance Act) contributed 41.1% of total revenues, while Property Taxes and Specific Ownership Taxes contributed 29.8% of every dollar raised. Another 22.9% came from

state and federal grants for specific programs and the remaining 6.2% from fees charged for services, investment earnings and miscellaneous sources. As a percentage of total revenue, the State Equalization component and property taxes changed slightly from the prior year. These amounts are determined annually by the state in accordance with the School Finance Act.



As shown in **Table 4** below, a total of 80.7% of the District's expenses are related to instructing and caring for (pupil services) students. This is an increase from 73.1% in the prior year. Food service operation accounts for 6.1% of District expenses. The District's administrative expenses accounted for only 2.8% of total costs.



Governmental Activities

The primary source of operating revenue for school districts comes from the School Finance Act of 1994 (SFA). Under the SFA the District received \$9,371 per funded student in FY 2022-23. This is up \$851 from \$8,520 per funded student in FY 2021-22. In Fiscal Year 2022-23 the funded pupil count was 10,377. This is an increase of 277 from the prior year. For the 2022-23 fiscal year the District continued to be one of the lowest funded districts in the state. Funding for the SFA comes from property taxes, specific ownership tax and state equalization. The District receives approximately 70.2% of SFA funding from state equalization while the remaining amounts come from property taxes and specific ownership taxes. The District's assessed valuation generated \$34,713,777 in total property taxes (for both operations and bond redemption payments) in fiscal year 2022-23.

ear.

The District sets the bond mill rate annually in an amount sufficient to make the annual debt service payment. As a result of significant enrollment growth, the District has requested and received voter approval for bond issues in 1994, 1995, 1999, 2002, 2012, and 2020. Accordingly, the bond redemption mill levy increased from 12.925 mills in fiscal year 1996 to 21.964 mills in fiscal year 2005. Subsequently, however, due primarily to growth and the corresponding increase in assessed valuation, the District has experienced a decrease in the bond redemption mill levy. For fiscal year 2022-23, the bond redemption mill levy is 12.963 mills.

Financial Analysis of the District's Funds

Detailed information about the District's major funds starts on page 5. These funds are accounted for using the modified accrual basis of accounting. For FY 2021-22, all government funds had total revenues, including other financing sources, of \$125,697,375 and expenditures of \$152,962,168. The Bond Redemption Fund experienced a increase in fund balance, increasing by \$3,010,631. The General Fund change in fund balance, after considering Capital Leases and Transfers, was a decrease of (\$1,404,661).

General Fund Budgetary Highlights.

The District's budget is prepared according to Colorado law and is based on accounting for certain transactions on a basis of cash receipts and disbursements. The most significant budgeted fund is the General Fund.

The District budgets adequate resources to sustain programs designed to ensure that every child has a high quality educational experience. In recent years, state funding reductions and School Finance rescissions has created significant challenges as the District seeks to align resources with the educational goals of the District.

Capital Assets and Debt Administration

By the end of Fiscal 2023, the District had invested \$27,394,144 in land, buildings, Construction in Progress, equipment and transportation vehicles. As shown in **Table 5** below, this is a 11.57% increase in Fiscal 2023 compared to 2022. The District has substantially completed plant and equipment improvements resulting from the successful 2012 bond election.

Table 5
Capital Assets at June 30, 2023 and 2022

	Governmental Activities		Total Percentage Change
	2023	2022	2022-2023
Land	659,080	659,080	0.00%
Construction in Progress	25,185,938	25,815,852	-2.44%
Building & Improvements	228,443,238	201,862,626	13.17%
Furniture & Fixtures	14,271,725	12,527,436	13.92%
Automotive Equipment	4,598,413	3,656,909	25.75%
Leased Assets	235,750	511,658	-53.92%
Total Capital Assets	273,394,144	245,033,561	11.57%

Long-term Debt.

At June 30, 2023, the District had total bonded debt outstanding of \$123,185,000 backed by the full faith and credit of the District. Additionally, the District has long-term debt obligations for Capital Leases in the amount of \$11,725,812 outstanding at the end of the current fiscal year. This is a decrease of \$1,708,037 from the end of the prior year. Energy efficiencies undertaken by the District in recent years comprise a significant portion of the Capital Lease obligations.

The net total District General Obligation Bonds outstanding- decreased by \$5,200,000 during the fiscal year as a result of District bond principal payments. No new General Obligation Bonds were issued by the District.

One of the District bond ratings did change in the 2021. Upon the issuance of the Series 2021 bonds, Moody's Investors Service increased the District's bond rating from "A2" to "A1". The Standard & Poor's Corporation continued to maintain an "A" rating for the District.

State statutes limit the amount of General Obligation debt that the District may issue. Additional increases in Assessed Valuation, combined with the scheduled payment of principal, is projected to free up more capacity in the ensuing fiscal years, thus providing the needed capacity for future bond issues to be presented to the voters should the need arise. The amount and timing of additional debt issuance in the future, subject to statutory debt limitations and voter approval, will depend on the rate of enrollment growth, capital needs, assessed valuation growth, and the continuing repayment of existing debt.

Additional information on the District's long-term obligations can be found in Notes 9 & 10 -on pages 20-23 of this report.

Economic Factors and Next Year's Budget and Rates

In November, 2000, the voters of Colorado passed a statewide ballot issue to amend the State Constitution, Amendment 23. This amendment required that the state fund public education at a minimum of growth of inflation plus one percent for the next ten years beginning with fiscal year 2001-2002 and thereafter at inflation.

- For calendar year 2021, the inflation rate was 4.7%. Accordingly, in accordance with Amendment 23, the District should have received additional funding of 4.7% for the 2022-23 school year. Because of the State financial crisis in the 2008 - 2012 timeframe, the District has experienced, and continues to experience, a severe shortfall in funding compared with the amounts contemplated under Amendment 23. Thus, because of adjustments, the actual change was a decrease for the 2022-23 school year of -4.69%. Adjustments continue to be made to the funding formula. Nevertheless, the District continues to receive per pupil revenue well below the Amendment 23 formula amounts, thus causing continued financial strain on the District.

The District is committed to an ongoing review of its programs and services for both effectiveness and efficiency. To accomplish this, the District examines how to best provide essential services on a cost-effective basis and to re-direct resources to the schools.

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. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Pueblo County School District No. 70
Office of the Director of Business Services
24951 Highway 50 East
Pueblo, Colorado 81006

BASIC FINANCIAL STATEMENTS

PUEBLO COUNTY SCHOOL DISTRICT NO. 70
STATEMENT OF NET POSITION
JUNE 30, 2023

	Primary Government Governmental Activities	Component Units Charter Schools
ASSETS		
Cash and investments	\$ 27,782,387	\$ 8,166,188
Restricted cash and investments	53,453,775	1,125,929
Taxes receivable	2,372,349	-
Grants receivable	4,247,943	-
Intergovernmental receivables	-	677,141
Other receivables	933,284	181,062
Prepaid items	282,243	239
Inventories	111,218	-
Capital assets, not being depreciated	25,845,018	308,449
Capital assets, net of depreciation	142,998,577	17,296,203
Total assets	<u>258,026,794</u>	<u>27,755,211</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	3,316,364	-
Deferred pension outflows	25,880,111	4,017,587
Deferred OPEB outflows	699,004	171,069
Total deferred outflows of resources	<u>29,895,479</u>	<u>4,188,656</u>
LIABILITIES		
Accounts payable and other current liabilities	6,908,272	198,021
Accrued salaries and benefits	8,655,058	691,934
Accrued interest	463,081	59,780
Unearned revenues	1,214,197	743
Due to component units	677,141	-
Due to fiduciary funds	74,004	-
Long-term liabilities:		
Due within one year	7,976,627	723,371
Due in more than one year	151,208,002	16,921,376
Net pension liabilities	124,250,708	14,193,216
Net OPEB liabilities	4,233,018	483,678
Total liabilities	<u>305,660,108</u>	<u>33,272,119</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred lease inflows	716,071	-
Deferred pension inflows	20,860,466	816,247
Deferred OPEB inflows	1,510,086	176,417
Total deferred inflows of resources	<u>23,086,623</u>	<u>992,664</u>
NET POSITION		
Net investment in capital assets	53,423,071	1,189,061
Restricted for:		
Emergency reserve (TABOR)	3,200,000	400,500
Debt service	20,037,108	35,256
Preschool	82,200	-
Unrestricted	(117,566,837)	(3,945,733)
Total net position	<u>\$ (40,824,458)</u>	<u>\$ (2,320,916)</u>

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

PUEBLO COUNTY SCHOOL DISTRICT NO. 70
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Functions/ <u>Programs</u>	Program Revenue				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary	Component
					Government	Units
					Governmental Activities	Charter Schools
Primary government						
Governmental activities						
Instruction	\$ 46,627,674	\$ 3,978,123	\$ 22,248,416	\$ 551,235	\$ (19,849,900)	\$ -
Supporting services	36,066,190	129,255	1,704,110	-	(34,232,825)	
Food service operations	6,210,345	1,706,328	3,712,000	-	(792,017)	
Facilities acquisition and construction	10,717,992	-	1,215,665	-	(9,502,327)	
Interest and fiscal charges	2,851,654	-	-	-	(2,851,654)	
Total governmental activities	<u>\$ 102,473,855</u>	<u>\$ 5,813,706</u>	<u>\$ 28,880,191</u>	<u>\$ 551,235</u>	<u>(67,228,723)</u>	<u>(12,856,671)</u>
Component units						
Charter schools	<u>\$ 15,020,587</u>	<u>\$ 430,583</u>	<u>\$ 1,370,386</u>	<u>\$ 362,947</u>		
General revenues:						
Property Tax					35,116,710	-
Specific ownership taxes					3,131,986	-
Per pupil revenue					52,822,873	12,558,168
Grants and contributions not restricted to specific programs					249,300	80,383
Investment earnings					920,531	49,211
Miscellaneous					72,528	146,773
Gain (loss) on sale of capital assets					814,470	-
Total general revenues					93,128,398	12,834,535
Change in net position					25,899,675	(22,136)
Net position - beginning					(65,708,138)	(2,522,936)
Prior period adjustments					1,015,995	224,156
Net position - beginning, as restated (deficit)					(66,724,133)	(2,298,780)
Net position - ending (deficit)					\$ (40,824,458)	\$ (2,320,916)

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

PUEBLO COUNTY SCHOOL DISTRICT NO. 70
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

	General Fund	Governmental Designated- Purpose Grants Fund	Bond Redemption Fund	Capital Projects Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS						
Cash and investments	\$ 25,390,060	\$ 22,363	\$ -	\$ -	\$ 2,369,964	\$ 27,782,387
Restricted cash and investments	-	-	19,809,298	33,644,477	-	53,453,775
Taxes receivable	1,677,553	-	694,796	-	-	2,372,349
Grants receivable	93,340	3,775,437	-	-	379,166	4,247,943
Other receivables	780,581	-	-	-	152,703	933,284
Due from internal balances	953,758	-	-	1,176,681	115,925	2,246,364
Inventories and prepaid items	282,243	-	-	-	111,218	393,461
Total assets	<u>\$ 29,177,535</u>	<u>\$ 3,797,800</u>	<u>\$ 20,504,094</u>	<u>\$ 34,821,158</u>	<u>\$ 3,128,976</u>	<u>\$ 91,429,563</u>
LIABILITIES						
Accounts payable and other current liabilities	\$ 407,723	\$ 77,420	\$ -	\$ 6,407,661	\$ 15,468	\$ 6,908,272
Accrued salaries and benefits	7,583,901	696,962	-	-	374,195	8,655,058
Due to interfunds	-	2,230,253	-	-	16,111	2,246,364
Due to charter school	495,893	40,846	-	-	140,402	677,141
Due to fiduciary funds	-	74,004	-	-	-	74,004
Unearned revenue	317,217	678,315	466,986	-	218,666	1,681,184
Total liabilities	<u>8,804,734</u>	<u>3,797,800</u>	<u>466,986</u>	<u>6,407,661</u>	<u>764,842</u>	<u>20,242,023</u>
DEFERRED INFLOWS OF RESOURCES						
Lease related	716,071	-	-	-	-	716,071
Unavailable revenue-property taxes	927,685	-	-	-	-	927,685
Total deferred inflows of resources	<u>1,643,756</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,643,756</u>
FUND BALANCES						
Nonspendable for:						
Inventories and prepaid items	282,243	-	-	-	111,218	393,461
Restricted for:						
Emergency reserve (TABOR)	3,200,000	-	-	-	-	3,200,000
Debt service	-	-	20,037,108	-	-	20,037,108
Capital projects	-	-	-	28,413,497	-	28,413,497
Committed for:						
Food service operations	-	-	-	-	773,944	773,944
Pupil activities	-	-	-	-	1,476,784	1,476,784
Foundation activities	-	-	-	-	2,188	2,188
Assigned for:						
Risk management	3,114,022	-	-	-	-	3,114,022
Capital projects	3,894,791	-	-	-	-	3,894,791
Preschool	82,200	-	-	-	-	82,200
Unassigned	8,155,789	-	-	-	-	8,155,789
Total fund balances	<u>18,729,045</u>	<u>-</u>	<u>20,037,108</u>	<u>28,413,497</u>	<u>2,364,134</u>	<u>69,543,784</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 29,177,535</u>	<u>\$ 3,797,800</u>	<u>\$ 20,504,094</u>	<u>\$ 34,821,158</u>	<u>\$ 3,128,976</u>	<u>\$ 91,429,563</u>

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

PUEBLO COUNTY SCHOOL DISTRICT NO. 70
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2023

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

Total fund balance - governmental funds		\$ 69,543,784
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets, not being depreciated	\$ 25,845,018	
Capital assets, net of depreciation	<u>142,998,577</u>	168,843,595
Property tax receivable is not available to pay current period expenditures and, therefore, is not reported in the funds.		1,394,672
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in government funds:		
Deferred charges on refunding	\$ 3,316,364	
Net pension liabilities	(124,250,708)	
Pension outflows	25,880,111	
Pension inflows	(20,860,466)	
Net OPEB liabilities	(4,233,018)	
OPEB outflows	699,004	
OPEB inflows	(1,510,086)	
Accrued interest	(463,081)	
Compensated absences	(6,803,264)	
Leases payable	(127,700)	
Notes payable	(11,598,112)	
Bonds payable	<u>(140,655,553)</u>	<u>(280,606,509)</u>
Net position of governmental activities in the statement of net position		<u><u>\$ (40,824,458)</u></u>

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

PUEBLO COUNTY SCHOOL DISTRICT NO. 70
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	General Fund	Governmental Designated- Purpose Grants Fund	Bond Redemption Fund	Capital Projects Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES						
Local sources	\$ 27,934,332	\$ 438,740	\$ 11,634,317	\$ 123,487	\$ 4,682,269	\$ 44,813,145
State sources	62,120,838	1,878,713	-	1,215,665	83,150	65,298,366
Federal sources	1,525,604	10,431,410	-	-	3,628,850	15,585,864
Total revenues	91,580,774	12,748,863	11,634,317	1,339,152	8,394,269	125,697,375
EXPENDITURES						
Instruction	49,197,165	8,381,458	-	1,095	3,194,651	60,774,369
Supporting services	40,105,007	3,970,105	-	27,863	1,193,104	45,296,079
Food service operations	-	104,680	-	-	6,557,246	6,661,926
Facilities acquisition and construction	294,665	291,629	-	29,176,467	-	29,762,761
Debt service	1,842,356	991	8,623,686	-	-	10,467,033
Total expenditures	91,439,193	12,748,863	8,623,686	29,205,425	10,945,001	152,962,168
Excess (deficiency) of revenues over expenditures	141,581	-	3,010,631	(27,866,273)	(2,550,732)	(27,264,793)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	1,546,242	1,546,242
Transfers out	(1,546,242)	-	-	-	-	(1,546,242)
Total other financing sources (uses)	(1,546,242)	-	-	-	1,546,242	-
Net change in fund balances	(1,404,661)	-	3,010,631	(27,866,273)	(1,004,490)	(27,264,793)
Fund balances - beginning	19,362,072	692,216	17,026,477	56,279,770	3,504,509	96,865,044
Prior period adjustments	771,634	(692,216)	-	-	(135,885)	(56,467)
Fund balances - beginning, as restated	20,133,706	-	17,026,477	56,279,770	3,368,624	96,808,577
Fund balances - ending	\$ 18,729,045	\$ -	\$ 20,037,108	\$ 28,413,497	\$ 2,364,134	\$ 69,543,784

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

PUEBLO COUNTY SCHOOL DISTRICT NO. 70
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

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

Net change in fund balances - total governmental funds:	\$ (27,264,793)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital outlays	\$ 28,636,491	
Depreciation/amortization	<u>(7,446,790)</u>	21,189,701

In the statement of activities, the disposition of capital assets generates a gain or loss and is reported as such. The gain or loss on disposition is not a current financial resource or use and, thus, is not reported in the funds.	414,620
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Governmental funds only present property tax revenues that are available to pay current obligations. In contrast, such revenues are reported in the statement of activities when earned.	986,672
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal paid on bonds	\$ 5,389,341	
Principal paid on notes	1,345,200	
Principal paid on leases	<u>55,710</u>	6,790,251

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 the governmental funds.

Accrued interest on long-term debt	\$ 65,115	
Amortization of bond premiums and discounts	1,108,113	
Amortization of deferred on refunding	(349,091)	
Compensated absences	(74,556)	
Changes in pension liabilities and related items	22,459,563	
Changes in OPEB liabilities and related items	<u>574,080</u>	<u>23,783,224</u>

Change in net position of governmental activities	<u><u>\$ 25,899,675</u></u>
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The accompanying notes are an integral part of these financial statements.

PUEBLO COUNTY SCHOOL DISTRICT NO. 70
STATEMENT OF NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE, 30 2023

	Private-Purpose Trust Fund
ASSETS	
Due from primary government	\$ 74,004
Total assets	<u>\$ 74,004</u>
LIABILITIES	
Total liabilities	<u>\$ -</u>
NET POSITION	
Held in trust for individuals:	
Expendable	<u>74,004</u>
Total net position	<u>74,004</u>
Total liabilities and net position	<u>\$ 74,004</u>

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

PUEBLO COUNTY SCHOOL DISTRICT NO. 70
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE, 30 2023

	Private-Purpose Trust Fund
ADDITIONS	
Donations	\$ 36,922
Total additions	36,922
DEDUCTIONS	
Scholarship expenses	35,908
Total deductions	35,908
Change in net position	1,014
Net position - beginning, as restated	72,990
Net position - ending	\$ 74,004

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

PUEBLO COUNTY SCHOOL DISTRICT NO. 70
COMPONENT UNITS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2023

	Villa Bella Expeditionary School	The Connect Charter School	Swallows Charter Academy	TOTAL
ASSETS				
Cash and investments	\$ 1,493,310	\$ 2,183,887	\$ 4,488,991	\$ 8,166,188
Restricted cash and investments	35,256	-	1,090,673	1,125,929
Intergovernmental receivables	309,618	267,125	100,398	677,141
Accounts receivable	-	-	181,062	181,062
Prepaid expenses	-	-	239	239
Capital assets, not being depreciated	-	157,537	150,912	308,449
Capital assets, net of accumulated depreciation	6,775,179	2,229,265	8,291,759	17,296,203
Total assets	8,613,363	4,837,814	14,304,034	27,755,211
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension outflows	1,483,399	646,112	1,888,076	4,017,587
Deferred OPEB outflows	50,340	20,923	99,806	171,069
Total deferred outflows of resources	1,533,739	667,035	1,987,882	4,188,656
LIABILITIES				
Accounts payable and accrued liabilities	10,968	7,154	179,899	198,021
Accrued salaries and benefits	186,336	177,103	328,495	691,934
Accrued interest	-	-	59,780	59,780
Unearned revenue	743	-	-	743
Long-term liabilities				
Due within one year	471,369	97,002	155,000	723,371
Due in more than one year	5,918,713	1,157,663	9,845,000	16,921,376
Net pension liability	3,273,586	3,101,992	7,817,638	14,193,216
Net OPEB liability	111,526	105,680	266,472	483,678
Total liabilities	9,973,241	4,646,594	18,652,284	33,272,119
DEFERRED INFLOWS OF RESOURCES				
Deferred pension inflows	-	311,945	504,302	816,247
Deferred OPEB inflows	44,968	37,597	93,852	176,417
Total deferred outflows of resources	44,968	349,542	598,154	992,664
NET POSITION				
Net investment in capital assets	385,097	1,270,620	(466,656)	1,189,061
Restricted for:				
Emergency reserve (TABOR)	98,500	76,000	226,000	400,500
Debt service	35,256	-	-	35,256
Unrestricted	(389,960)	(837,907)	(2,717,866)	(3,945,733)
Total net position	\$ 128,893	\$ 508,713	\$ (2,958,522)	\$ (2,320,916)

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

PUEBLO COUNTY SCHOOL DISTRICT NO. 70
COMPONENT UNITS
COMBINING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

	Villa Bella Expeditionary School	The Connect Charter School	Swallows Charter Academy	TOTAL
REVENUES				
Per pupil revenue	\$ 3,175,977	\$ 2,368,371	\$ 7,013,820	\$ 12,558,168
Charges for services	423,069	-	7,514	430,583
Operating grants and contributions	575,043	114,673	680,670	1,370,386
Capital grants and contributions	-	92,530	270,417	362,947
Unrestricted grants and contributions	27,029	53,354	-	80,383
Unrestricted investment earnings	31,885	-	17,326	49,211
Miscellaneous	6,915	7,717	132,141	146,773
Total revenues	4,239,918	2,636,645	8,121,888	14,998,451
EXPENSES				
Instruction	2,962,809	1,365,389	4,162,478	8,490,676
Supporting services	1,862,280	692,511	3,285,163	5,839,954
Interest	171,675	44,857	473,425	689,957
Total expenses	4,996,764	2,102,757	7,921,066	15,020,587
Change in net position	(756,846)	533,888	200,822	(22,136)
Net position - beginning	714,452	(78,044)	(3,159,344)	(2,522,936)
Prior period adjustment	171,287	52,869	-	224,156
Net position - beginning (deficit), as restated	885,739	(25,175)	(3,159,344)	(2,298,780)
Net position - ending (deficit)	\$ 128,893	\$ 508,713	\$ (2,958,522)	\$ (2,320,916)

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

NOTES TO FINANCIAL STATEMENTS

PUEBLO COUNTY SCHOOL DISTRICT NO. 70
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Pueblo County School District No. 70 (the District) have been prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the District are discussed below.

A. REPORTING ENTITY

The District was consolidated from 34 smaller school districts in 1950 and is organized under the Constitution of the State of Colorado. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms. The Board of Education maintains oversight for the District's instructional facilities and support departments to provide services to meet the needs of approximately 10,000 students and other community members.

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

Blended component unit. The School District No. 70 Education Foundation is an Internal Revenue Code 501(c)(3) nonprofit entity organized to further educational programs for District students. The Foundation is reported as a special revenue fund and does not issue separate financial statements.

Discretely Presented Component Units. The District's Board of Education has authorized four charter schools for operation. Three of the schools are considered discretely presented component units: The Connect Charter School, Villa Bella Expeditionary School, and Swallows Charter Academy. These charter schools are fiscally dependent on the District since the District provides the majority of support to each school in the form of per pupil revenue. Also, the potential exists that their exclusion from the District's reporting entity would cause the District's statements to be misleading or incomplete.

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

The Connect Charter School
104 E 7th Street
Pueblo, CO 81003

Villa Bella Expeditionary School
2390 Rawlings Blvd
Pueblo, CO 81001

Swallows Charter Academy
101 Civic Center Dr.
Pueblo West, CO 81007

Pueblo Classical Academy (PCA) is one of the District's charter schools; however, it is not considered a component unit. Financial information for PCA can be obtained by writing to the following: Pueblo Classical Academy 694 E. Spaulding Ave. Pueblo West, CO 81007.

PUEBLO COUNTY SCHOOL DISTRICT NO. 70
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION

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

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

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

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

The District reports the following major governmental funds:

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

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

The *Bond Redemption Fund* accounts for the accumulation of resources for and the payment of principal, interest and related expenses on long-term general obligation debt.

The *Capital Projects Fund* accounts for the purposes and limitations specified by Section 22-45-103(1)(c), C.R.S., including the acquisition of sites, buildings, equipment, and vehicles.

PUEBLO COUNTY SCHOOL DISTRICT NO. 70
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Additionally, the District reports the following fund types:

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

The *Food Service Fund* accounts for the District's food service program. This fund is required to account for USDA school breakfast and lunch money received by the District.

The *Pupil Athletic Fund* is used to account for funds used for all student athletics.

The *Pupil Activity Fund* is used to account for the revenues and expenditures related to school sponsored student intrascholastic and interscholastic athletic and other related activities.

The *School District No. 70 Education Foundation* is used to present the activities of the blended component unit.

Fiduciary Funds account for assets held by the District in a trustee capacity or as an agent on behalf of individuals or private organizations.

The *Private-Purpose Trust Fund* reports trust arrangements under which the principal and income benefit scholarship recipients and are not used as part of operations of the District.

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

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

PUEBLO COUNTY SCHOOL DISTRICT NO. 70
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

Cash and cash equivalents

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

Investments

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

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

PUEBLO COUNTY SCHOOL DISTRICT NO. 70
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables

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

Inventories and prepaid items

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

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

Capital assets

Capital assets include tangible and intangible assets that are reported in the governmental activities column in the government-wide financial statements. Capital assets, except for lease assets, are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. For lease assets, only those intangible lease assets that cost more than \$75,000 are reported as capital assets.

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

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

Buildings and improvements	20 - 50 years
Furniture and fixtures	5 - 20 years
Automotive equipment	5 - 10 years

Accrued Salaries and Benefits

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

PUEBLO COUNTY SCHOOL DISTRICT NO. 70
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unearned Revenue

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

Deferred outflows/inflows of resources

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

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

Leases

Lessee: The District is a lessee for noncancellable leases of equipment. The District recognizes a lease liability and an intangible right-to-use lease assets in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of \$75,000 or more.

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

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

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

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

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

PUEBLO COUNTY SCHOOL DISTRICT NO. 70
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Lessor: The District is a lessor for a noncancellable lease of cell towers. The District recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

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

- The District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

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

Long-term liabilities

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

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

Pensions

Pueblo County School District No. 70 participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position (FNP) and additions to/deductions from the FNP of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

PUEBLO COUNTY SCHOOL DISTRICT NO. 70
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

OPEB

Pueblo County School District No. 70 participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position (FNP) and additions to/deductions from the FNP of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

Net position

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

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

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

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

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

Fund balance classification

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

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

PUEBLO COUNTY SCHOOL DISTRICT NO. 70
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

E. REVENUES AND EXPENDITURES/EXPENSES

Property Taxes

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

The District is permitted to levy taxes on the assessed valuation for general governmental services and for the payment of principal and interest on long-term debt. The tax rate for the year ended December 31, 2023 is 27.000 mills for general operating expenses and 12.963 for the payment of general obligation bonds. The District's assessed valuation for the collection year 2023 is \$888,510,287. Taxes are assessed on \$868,647,923 which is the assessed valuation net of tax increment financing.

Specific Ownership Taxes

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

PUEBLO COUNTY SCHOOL DISTRICT NO. 70
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

The School District affords certain employees annual leave benefits which are vesting, accumulating rights and are carried forward to subsequent years. Payment of unused annual leave, a liability of the School District to the employee, if any, is payable only upon termination of an employee with ten years of continuous service to the District. The benefits are paid at varied rates applied to varied maximum accumulated days, depending on the employee group.

The annual leave benefits are recognized at the time of the employee absence. The School District also affords certain employees vacation benefits. These benefits are earned based upon the length of service and accumulation is limited to a maximum of 40 days. Accrued vacation is paid to employees upon termination of employment.

Amounts recognized as expenditures on the fund financial statements are those which have been paid in the current year or are expected to be liquidated with currently available expendable financial resources.

Total accrued vacation and annual leave is included in the government-wide financial statements.

F. ESTIMATES

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

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

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

PUEBLO COUNTY SCHOOL DISTRICT NO. 70
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

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

NOTE 3 – DEPOSITS AND INVESTMENTS

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

Deposits	\$ 8,751,408
Investments	<u>72,484,754</u>
Total	<u>\$ 81,236,162</u>

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

Cash and investments	\$ 27,782,387
Restricted cash and investments	<u>53,453,775</u>
Total	<u>\$ 81,236,162</u>

Cash deposits with financial institutions

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

The carrying amount of the District's deposits at June 30, 2023 was \$8,751,408 and the bank balances were \$10,718,970. Of the bank balances, \$250,000 were covered by federal deposit insurance, and the remaining balance was uninsured but collateralized in accordance with the provisions of the PDPA.

PUEBLO COUNTY SCHOOL DISTRICT NO. 70
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

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

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

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

<u>Investment Type</u>	<u>Year-end Balance</u>	<u>Measurement</u>	<u>Maturity</u>	<u>Standard & Poor's Rating</u>
ColoTrust	\$ 11,338,337	Net asset value	Less than 90 days	AAAm
Money Market	61,124,054	Amortized cost	Less than 90 days	AAA
Certificates of Deposit	<u>22,363</u>	Amortized cost	Up to one year	AAA
	<u>\$ 72,484,754</u>			

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

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

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

Concentration of Credit Risk – Concentration of credit risk is the risk of loss that may be caused by the District's investment in a single issuer. The District places no limit on the amount it may invest in any one issuer. More than 20 percent of the District's investments are in Money Markets. These investments are 84.33% of the District's total investments.

PUEBLO COUNTY SCHOOL DISTRICT NO. 70
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

District investments measured at net asset value or amortized cost fall under the existing exemptions to fair value measurement.

NOTE 4 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Receivables and Payables

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

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

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 953,758	\$ -
Governmental Designated Purpose Grants Fund	-	2,230,253
Capital Projects Fund	1,176,681	-
Nonmajor Funds	<u>115,925</u>	<u>16,111</u>
Total	<u>\$ 2,246,364</u>	<u>\$ 2,246,364</u>

Interfund transfers

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

	<u>Transfers From Other Funds</u>	<u>Transfers To Other Funds</u>
General Fund	\$ -	\$ 1,546,242
Nonmajor Funds	<u>1,546,242</u>	<u>-</u>
Total	<u>\$ 1,546,242</u>	<u>\$ 1,546,242</u>

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

PUEBLO COUNTY SCHOOL DISTRICT NO. 70
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 5 - CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<i>Governmental activities</i>				
Capital assets not being depreciated:				
Land	\$ 659,080	\$ -	\$ -	\$ 659,080
Construction in progress	<u>25,815,852</u>	<u>26,210,680</u>	<u>(26,840,594)</u>	<u>25,185,938</u>
Total capital assets not being depreciated	<u>26,474,932</u>	<u>26,210,680</u>	<u>(26,840,594)</u>	<u>25,845,018</u>
Capital assets being depreciated:				
Buildings and improvements	201,862,626	26,580,612	-	228,443,238
Furniture and fixtures	12,527,436	1,744,289	-	14,271,725
Automotive equipment	<u>3,656,909</u>	<u>941,504</u>	<u>-</u>	<u>4,598,413</u>
Total capital assets being depreciated	<u>218,046,971</u>	<u>29,266,405</u>	<u>-</u>	<u>247,313,376</u>
Less accumulated depreciation for:				
Buildings and improvements	(84,651,514)	(6,636,451)	-	(91,287,965)
Furniture and fixtures	(10,431,707)	(393,477)	-	(10,825,184)
Automotive equipment	<u>(1,973,388)</u>	<u>(369,712)</u>	<u>-</u>	<u>(2,343,100)</u>
Total accumulated depreciation	<u>(97,056,609)</u>	<u>(7,399,640)</u>	<u>-</u>	<u>(104,456,249)</u>
Total capital assets being depreciated, net	<u>120,990,362</u>	<u>21,866,765</u>	<u>-</u>	<u>142,857,127</u>
Lease assets being amortized:				
Equipment	<u>511,658</u>	<u>-</u>	<u>(275,908)</u>	<u>235,750</u>
Total lease assets being amortized	<u>511,658</u>	<u>-</u>	<u>(275,908)</u>	<u>235,750</u>
Less accumulated amortization for:				
Equipment	<u>(305,020)</u>	<u>(47,150)</u>	<u>257,870</u>	<u>(94,300)</u>
Total accumulated amortization	<u>(305,020)</u>	<u>(47,150)</u>	<u>257,870</u>	<u>(94,300)</u>
Total lease assets being amortized, net	206,638	(47,150)	(18,038)	141,450
Capital assets, net of accumulated depreciation/amortization	<u>121,197,000</u>	<u>21,819,615</u>	<u>(18,038)</u>	<u>142,998,577</u>
Total governmental activities capital assets	<u>\$ 147,671,932</u>	<u>\$ 48,030,295</u>	<u>\$ (26,858,632)</u>	<u>\$ 168,843,595</u>

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

Governmental Activities

Instruction	\$ 299,282
Supporting services	537,632
Food service operations	117,985
Facilities acquisition and construction	<u>6,491,891</u>
Total depreciation/amortization expense	<u>\$ 7,446,790</u>

PUEBLO COUNTY SCHOOL DISTRICT NO. 70
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 6 – LEASES

District as lessee

The District, as a lessee, has entered into lease agreements involving equipment with lease terms of 5 years. The total costs of these right-to-use lease assets are recorded as \$235,750, less accumulated amortization of \$94,300. The District has determined that as of June 30, 2023, there is no loss associated with an impairment of the right-to-use lease asset.

The future lease payments under lease agreements as of June 30, 2023 are as follows:

Fiscal Year <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 59,298	\$ 8,224	\$ 67,522
2025	63,116	4,405	67,521
2026	<u>5,286</u>	<u>340</u>	<u>5,626</u>
Total	<u>\$ 127,700</u>	<u>\$ 12,969</u>	<u>\$ 140,669</u>

District as lessor

The District, as a lessor, has entered into lease agreements with third parties involving cell phone towers. The leases range from 10 to 16 years and the District receives average monthly payments of \$4,875. The total amount of inflows of resources, including lease revenue, interest revenue, and other lease-related inflows, recognized during the fiscal year was \$52,335. As of June 30, 2023, the District receivable for lease payments was \$716,071. Also, the District has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of June 30, 2023, the balance of the deferred inflow of resources was \$716,071.

NOTE 7 – LONG-TERM LIABILITIES

General Obligation Bonds

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

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

	<u>Original Borrowing</u>	<u>Interest Rates</u>	<u>Final Maturity</u>	<u>Outstanding at Year-end</u>
<i>Governmental Activities</i>				
General Obligation Bonds 2021A	\$ 73,045,000	3.00% - 4.00%	2042	\$ 72,110,000
General Obligation Bonds 2021B	53,135,000	0.16% - 1.74%	2033	<u>51,075,000</u>
Total				<u>\$ 123,185,000</u>

PUEBLO COUNTY SCHOOL DISTRICT NO. 70
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 7 – LONG-TERM LIABILITIES (CONTINUED)

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

<u>Fiscal Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2024	\$ 6,675,000	\$ 3,325,088
2025	6,690,000	3,296,872
2026	6,685,000	3,230,578
2027	6,875,000	3,124,017
2028	6,995,000	3,002,135
2029 – 2033	33,405,000	12,849,284
2034 – 2038	30,150,000	7,710,700
2039 – 2042	<u>25,710,000</u>	<u>1,868,850</u>
Total	<u>\$ 123,185,000</u>	<u>\$ 38,407,524</u>

Defeased Debt

The District has also defeased general obligation in prior years by placing the proceeds of new bonds and the District's own resources into irrevocable trust accounts to provide for all future debt service payments on the old bonds. Accordingly, those trust account assets and the liability for those defeased bonds are not included in the District's financial statements. At June 30, 2023, \$43,395,000 of defeased bonds remain outstanding. All defeased debt is expected to be redeemed on December 1, 2023.

Legal Debt Margin

Assessed valuation	<u>\$ 888,510,287</u>
Debt limit – 20% of assessed valuation	177,702,057
General obligation debt	<u>(123,185,000)</u>
	<u>\$ 54,517,057</u>

Notes Payable

The District has entered into several notes and related financing arrangements as follows:

	<u>Original Borrowing</u>	<u>Interest Rates</u>	<u>Final Maturity</u>	<u>Outstanding at Year-end</u>
<i>Governmental Activities</i>				
Bank of America – energy improvements	\$ 12,207,702	2.20%	2034	\$ 10,461,233
Bank of San Juans - equipment	1,500,000	2.15%	2026	<u>1,136,879</u>
Total				<u>\$ 11,598,112</u>

PUEBLO COUNTY SCHOOL DISTRICT NO. 70
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 7 – LONG-TERM LIABILITIES (CONTINUED)

Annual debt service requirements to maturity for notes payable are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2024	\$ 1,242,329	\$ 205,841
2025	1,265,414	182,756
2026	1,288,932	159,237
2027	917,522	135,277
2028	933,432	119,367
2029 – 2033	4,915,630	348,363
2034	<u>1,034,854</u>	<u>14,944</u>
Total	<u>\$ 11,598,112</u>	<u>\$ 1,165,785</u>

Changes in Long-Term Liabilities

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

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u> <u>Balance</u>	<u>Amount</u> <u>Due Within</u> <u>One year</u>
<i>Governmental Activities</i>					
General obligation bonds	\$ 128,385,000	\$ -	\$ (5,200,000)	\$ 123,185,000	\$ 6,675,000
Bond premiums	<u>18,578,666</u>	<u>-</u>	<u>(1,108,113)</u>	<u>17,470,553</u>	<u>-</u>
	146,963,666	-	(6,308,113)	140,655,553	6,675,000
Quality zone academy bond	189,341	-	(189,341)	-	-
Notes payable	12,943,312	-	(1,345,200)	11,598,112	1,242,329
Lease obligations	490,537	-	(362,837)	127,700	59,298
Compensated absences	6,728,708	74,556	-	6,803,264	-
Net pension liability	90,837,436	65,780,516	(32,367,244)	124,250,708	-
Net OPEB liability	<u>4,309,852</u>	<u>1,441,390</u>	<u>(1,518,224)</u>	<u>4,233,018</u>	<u>-</u>
<i>Total Governmental Activities</i>	<u>\$ 262,462,852</u>	<u>\$ 67,296,462</u>	<u>\$ (42,090,959)</u>	<u>\$ 287,668,355</u>	<u>\$ 7,976,627</u>

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

PUEBLO COUNTY SCHOOL DISTRICT NO. 70
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 – DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan description. Eligible employees of the Pueblo County School District No. 70 are provided with pensions through the SCHDTF—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

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

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

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

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

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

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

PUEBLO COUNTY SCHOOL DISTRICT NO. 70
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

Contributions provisions as of June 30, 2023: Eligible employees of, Pueblo County School District No. 70 and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Eligible employees are required to contribute 11.00% of their PERA-includable salary during the period of July 1, 2022 through June 30, 2023. Employer contribution requirements are summarized in the table below:

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

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the Pueblo County School District No. 70 is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from Pueblo County School District No. 70 were \$11,373,504 for the year ended June 30, 2023.

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

PUEBLO COUNTY SCHOOL DISTRICT NO. 70
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

The net pension liability for the SCHDTF was measured as of December 31, 2022, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. Standard update procedures were used to roll-forward the TPL to December 31, 2022. The Pueblo County School District No. 70 proportion of the net pension liability was based on Pueblo County School District No. 70 contributions to the SCHDTF for the calendar year 2022 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

At June 30, 2023, the Pueblo County School District No. 70 reported a liability of \$124,250,708 for its proportionate share of the net pension liability that reflected an increase for support from the State as a nonemployer contributing entity. The amount recognized by the Pueblo County School District No. 70 as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with Pueblo County School District No. 70 were as follows:

Pueblo County School District No. 70 proportionate share of the net pension liability	\$ 124,250,708
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the Pueblo County School District No. 70	36,207,905
Total	\$ 160,458,613

At December 31, 2022, the Pueblo County School District No. 70 proportion was 0.6823413430%, which was a decrease of 0.0988368801% from its proportion measured as of December 31, 2021.

PUEBLO COUNTY SCHOOL DISTRICT NO. 70
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

For the year ended June 30, 2023, the Pueblo County School District No. 70 recognized pension expense of \$(22,459,563) and revenue of \$4,257,829 for support from the State as a nonemployer contributing entity. At June 30, 2023, the Pueblo County School District No. 70 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 1,175,899	\$ -
Changes of assumptions or other inputs	2,200,885	-
Net difference between projected and actual earnings on pension plan investments	16,691,448	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	20,860,466
Contributions subsequent to the measurement date	5,811,879	N/A
Total	\$ 25,880,111	\$ 20,860,466

\$5,811,879 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2024	\$ (13,445,295)
2025	(1,658,646)
2026	4,603,034
2027	9,708,673
2028	-
Thereafter	-

PUEBLO COUNTY SCHOOL DISTRICT NO. 70
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

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

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

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

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

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

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

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

PUEBLO COUNTY SCHOOL DISTRICT NO. 70
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

The actuarial assumptions used in the December 31, 2021, valuation were based on the results of the 2020 experience analysis for the period January 1, 2016, through December 31, 2019, and were reviewed and adopted by the PERA Board at their November 20, 2020, meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared at least every five years for PERA. The most recent analyses were outlined in the Experience Study report dated October 28, 2020.

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

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

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

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

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

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

PUEBLO COUNTY SCHOOL DISTRICT NO. 70
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200 and required adjustments resulting from the 2018 and 2020 AAP assessments. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200 and required adjustments resulting from the 2018 and 2020 AAP assessments. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State, as a nonemployer contributing entity, will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- HB 22-1029, effective upon enactment in 2022, required the State treasurer to issue, in addition to the regularly scheduled \$225 million (actual dollars) direct distribution, a warrant to PERA in the amount of \$380 million (actual dollars). The July 1, 2023, direct distribution is reduced by \$190 million (actual dollars) to \$35 million (actual dollars). The July 1, 2024, direct distribution will not be reduced from \$225 million (actual dollars) due to PERA's negative investment return in 2022.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial FNP, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the FNP and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

PUEBLO COUNTY SCHOOL DISTRICT NO. 70
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Sensitivity of the Pueblo County School District No. 70 proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$ 162,601,444	\$ 124,250,708	\$ 92,223,925

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

NOTE 9 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

General Information about the OPEB Plan

Plan description. Eligible employees of the Pueblo County School District No. 70 are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended, and sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended by the Colorado General Assembly. PERA issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

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

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

PUEBLO COUNTY SCHOOL DISTRICT NO. 70
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

**NOTE 9 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

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

PERA Benefit Structure

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

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

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

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the Pueblo County School District No. 70 is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from Pueblo County School District No. 70 were \$569,242 for the year ended June 30, 2023.

PUEBLO COUNTY SCHOOL DISTRICT NO. 70
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

**NOTE 9 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

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

At June 30, 2023, the Pueblo County School District No. 70 reported a liability of \$4,233,018 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2022, and the total OPEB liability (TOL) used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2021. Standard update procedures were used to roll-forward the TOL to December 31, 2022. The Pueblo County School District No. 70 proportion of the net OPEB liability was based on Pueblo County School District No. 70 contributions to the HCTF for the calendar year 2022 relative to the total contributions of participating employers to the HCTF.

At December 31, 2022, the Pueblo County School District No. 70 proportion was 0.5184478133%, which was an increase of 0.0084029547% from its proportion measured as of December 31, 2021.

For the year ended June 30, 2023, the Pueblo County School District No. 70 recognized OPEB expense of \$(574,080). At June 30, 2023, the Pueblo County School District No. 70 reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 550	\$ 1,023,686
Changes of assumptions or other inputs	68,036	467,194
Net difference between projected and actual earnings on OPEB plan investments	258,545	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	80,989	19,206
Contributions subsequent to the measurement date	290,884	N/A
Total	\$ 699,004	\$ 1,510,086

PUEBLO COUNTY SCHOOL DISTRICT NO. 70
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

**NOTE 9 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

\$290,884 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2024	\$ (411,062)
2025	(385,326)
2026	(173,250)
2027	(16,920)
2028	(94,170)
Thereafter	(21,238)

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

Actuarial cost method	Entry age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation	3.40% - 11.00%
Long-term investment rate of return, net of OPEB	
plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00%
PERACare Medicare plans	6.50% in 2022, gradually decreasing to 4.50% in 2030
Medicare Part A premiums	3.75% in 2022, gradually increasing to 4.50% in 2029
DPS benefit structure:	
Service-based premium subsidy	0.00%
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

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

PUEBLO COUNTY SCHOOL DISTRICT NO. 70
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

**NOTE 9 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

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

Age-Related Morbidity Assumptions

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

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

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

The 2022 Medicare Part A premium is \$499 (actual dollars) per month.

PUEBLO COUNTY SCHOOL DISTRICT NO. 70
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

**NOTE 9 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

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

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2021, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The PERA benefit structure health care cost trend rates that were used to measure the TOL are summarized in the table below:

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

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

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

PUEBLO COUNTY SCHOOL DISTRICT NO. 70
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

**NOTE 9 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

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

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

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

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

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

The following health care costs assumptions were updated and used in the roll-forward calculation for the HCTF:

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

Actuarial assumptions pertaining to per capita health care costs and their related trend rates are analyzed and updated annually by PERA Board's actuary, as discussed above.

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

The actuarial assumptions used in the December 31, 2021, valuation were based on the results of the 2020 experience analysis for the period January 1, 2016, through December 31, 2019, and were reviewed and adopted by the PERA Board at their November 20, 2020, meeting.

PUEBLO COUNTY SCHOOL DISTRICT NO. 70
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

**NOTE 9 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared at least every five years for PERA. The most recent analyses were outlined in the Experience Study report dated October 28, 2020.

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

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

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

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

Sensitivity of the Pueblo County School District No. 70 proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates. The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate ¹	5.25%	6.25%	7.25%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	3.00%	4.00%	5.00%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	\$ 4,113,204	\$ 4,233,018	\$ 4,363,386

¹For the January 1, 2023, plan year.

PUEBLO COUNTY SCHOOL DISTRICT NO. 70
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

**NOTE 9 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2022, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

Sensitivity of the Pueblo County School District No. 70 proportionate share of the net OPEB liability to changes in the discount rate. The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25%, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.25%) or one-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ 4,907,321	\$ 4,233,018	\$ 3,656,270

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

PUEBLO COUNTY SCHOOL DISTRICT NO. 70
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, and natural disasters.

The District purchases commercial insurance for property, liability and worker's compensation risks of loss. Settlements have not exceeded premiums for each of the past three fiscal years.

NOTE 11 – JOINTLY GOVERNED ORGANIZATION

The District is a participant with other school districts in a joint venture known as South Central Board of Cooperative Educational Services (Cooperative). The Cooperative is organized under provisions of Colorado law to provide special education services to member school districts in the Cooperative's general area. The member school districts provide approximately 7% of the Cooperative's total annual financial resources and each member district appoints a member of its board of education to serve on the governing body of the Cooperative. For the year ended June 30, 2023, the District purchased no services from the Cooperative. Complete financial statements for the Cooperative can be obtained from their administrative office at 323 S. Purcell Boulevard; Pueblo West, CO, 81007.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Grants

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

NOTE 13 - TAX, SPENDING, AND DEBT LIMITATIONS

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

The amendment requires emergency reserves be established. These reserves must be at least 3% of fiscal year spending. The District is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary and benefit increases. At June 30, 2023 there is a \$3,200,000 reservation of fund balance in the General Fund for the amendment.

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

PUEBLO COUNTY SCHOOL DISTRICT NO. 70
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 13 - TAX, SPENDING, AND DEBT LIMITATIONS (CONTINUED)

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

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

NOTE 14 – COLORADO SCHOOL DISTRICT/BOCES, ELECTRONIC DATA INTEGRITY CHECK FIGURES

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

NOTE 15 – RESTATEMENTS

Correction of errors

During the year, it was determined that several adjustments were needed to adjust the financial statement beginning balances. As a result, the beginning net position for the governmental activities has been restated to reflect the cumulative effect of the corrections.

Restatements had the following impact on previously reported balances:

Governmental Activities

Net Position, June 30, 2022, as originally stated	\$ (65,708,138)
Adjustment to recognize Villa Bella assets within Villa Bella statements	(112,812)
Adjustment to recognize Connect assets within Connect statements	(38,973)
To adjust opening balance for inter-entity transfer	(782,579)
Adjustment to move risk management assets to the charter schools	<u>(81,631)</u>
Net Position, June 30, 2022, as Restated (deficit)	\$ <u>(66,724,133)</u>

PUEBLO COUNTY SCHOOL DISTRICT NO. 70
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 15 – RESTATEMENTS (CONTINUED)

Governmental Funds

Total fund balances, June 30, 2022, as originally stated	\$ 96,865,044
Adjustment to recognize prepaids and receivables	833,997
Adjustment for recognize other assets	108,405
Adjustment to recognize Villa Bella assets within Villa Bella statements	(112,812)
Adjustment to recognize Connect assets within Connect statements	(38,973)
To adjust opening balance for inter-entity transfer	(883,092)
Adjustment to move risk management assets to the charter schools	(81,631)
Adjustment to Grant fund beginning balances	<u>117,639</u>
Fund Balance, June 30, 2022, as Restated	<u>\$ 96,808,577</u>

REQUIRED SUPPLEMENTARY INFORMATION

PUEBLO COUNTY SCHOOL DISTRICT NO. 70
SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2023

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
District's proportion of the net pension liability (asset)	0.6823413430%	0.7811782231%	0.8757122500%	0.7918274458%	0.7911085754%	0.9053082053%	0.8594107336%	0.8440463694%	0.8709059842%	0.8762041253%
District's proportionate share of the net pension liability (asset)	\$ 124,250,708	\$ 90,837,436	\$ 132,326,867	\$ 118,241,565	\$ 140,043,850	\$ 292,709,997	\$ 255,845,307	\$ 129,059,082	\$ 118,019,596	\$ 111,759,600
State's proportionate share of the net pension liability (asset) associated with the District	36,207,905	-	-	-	-	-	-	-	-	-
Total	<u>\$ 160,458,613</u>	<u>\$ 90,837,436</u>	<u>\$ 132,326,867</u>	<u>\$ 118,241,565</u>	<u>\$ 140,043,850</u>	<u>\$ 292,709,997</u>	<u>\$ 255,845,307</u>	<u>\$ 129,059,082</u>	<u>\$ 118,019,596</u>	<u>\$ 111,759,600</u>
District's covered payroll	\$ 52,634,756	\$ 48,874,584	\$ 46,826,480	\$ 46,547,737	\$ 43,481,809	\$ 42,055,165	\$ 40,257,198	\$ 37,389,300	\$ 36,719,056	\$ 36,636,231
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	236.06%	185.86%	282.59%	254.02%	322.07%	696.01%	635.53%	345.18%	321.41%	305.05%
Plan fiduciary net position as a percentage of the total pension liability	61.8%	74.9%	67.0%	64.5%	57.0%	44.0%	43.1%	59.2%	62.8%	64.1%

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

See the accompanying independent auditors' report.

PUEBLO COUNTY SCHOOL DISTRICT NO. 70
SCHEDULE OF THE EMPLOYER'S PAYROLL CONTRIBUTIONS - PENSION
JUNE 30, 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 11,373,504	\$ 9,716,267	\$ 9,190,090	\$ 9,222,844	\$ 8,630,680	\$ 7,940,512	\$ 7,402,323	\$ 6,632,003	\$ 6,142,030	\$ 5,785,691
Contributions in relation to the contractually required contribution	(11,373,504)	(9,716,267)	(9,190,090)	(9,222,844)	(8,630,680)	(7,940,512)	(7,402,323)	(6,632,003)	(6,142,030)	(5,785,691)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 55,807,182	\$ 48,874,584	\$ 46,826,480	\$ 47,589,491	\$ 45,115,943	\$ 42,055,165	\$ 40,257,198	\$ 37,389,300	\$ 36,719,056	\$ 36,636,231
Contributions as a percentage of covered payroll	20.38%	19.88%	19.63%	19.38%	19.13%	18.88%	18.39%	17.74%	16.73%	15.79%

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

See the accompanying independent auditors' report.

PUEBLO COUNTY SCHOOL DISTRICT NO. 70
SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
JUNE 30, 2023

	2022	2021	2020	2019	2018	2017	2016
District's proportion of the net OPEB liability (asset)	0.5184478133%	0.5100448586%	0.5065622890%	0.5174000000%	0.5142000000%	0.5144000000%	0.4885000000%
District's proportionate share of the net OPEB liability (asset)	\$ 4,233,018	\$ 4,309,852	\$ 3,967,297	\$ 5,800,731	\$ 6,921,161	\$ 6,687,047	\$ 6,333,560
District's covered payroll	\$ 52,634,756	\$ 48,874,584	\$ 46,826,480	\$ 46,547,737	\$ 43,481,809	\$ 41,760,630	\$ 38,571,889
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	8.04%	8.82%	8.47%	12.46%	15.92%	16.01%	16.42%
Plan fiduciary net position as a percentage of the total OPEB liability	38.6%	39.4%	32.8%	24.5%	17.0%	17.5%	16.7%

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

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

See the accompanying independent auditors' report.

PUEBLO COUNTY SCHOOL DISTRICT NO. 70
SCHEDULE OF THE EMPLOYER'S PAYROLL CONTRIBUTIONS - OPEB
JUNE 30, 2023

	2023	2022	2021	2020	2019	2018	2017
Contractually required contribution	\$ 569,242	\$ 498,521	\$ 477,630	\$ 485,412	\$ 460,182	\$ 428,963	\$ 410,623
Contributions in relation to the contractually required contribution	(569,242)	(498,521)	(477,630)	(485,412)	(460,182)	(428,963)	(410,623)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 55,807,182	\$ 48,874,584	\$ 46,826,480	\$ 47,589,491	\$ 45,115,943	\$ 42,055,165	\$ 40,257,199
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%

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

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

See the accompanying independent auditors' report.

GENERAL FUND

The General Fund accounts for all transactions of the District not required to be accounted for in other funds. This fund represents an accounting for the District's ordinary operations financed primarily from property taxes and state aid. It is the most significant fund of the District.

Included in this presentation are the Capital Reserves, Insurance Reserve, and Preschool Sub-Funds of the General Fund. These funds allow the District to separate the accounting and maintain a self-balancing set of records specific to these activities.

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

PUEBLO COUNTY SCHOOL DISTRICT NO. 70
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2023

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Local sources:				
Property taxes	\$ 23,191,811	\$ 23,208,728	\$ 22,920,294	\$ (288,434)
Specific ownership taxes	2,055,268	2,942,572	3,131,986	189,414
Other local sources	1,366,411	2,017,411	1,882,052	(135,359)
Total local sources	26,613,490	28,168,711	27,934,332	(234,379)
State sources:				
State equalization	54,076,276	53,606,916	52,822,873	(784,043)
Other state funding	6,948,591	9,394,940	9,297,965	(96,975)
Total state sources	61,024,867	63,001,856	62,120,838	(881,018)
Federal sources	1,605,000	1,665,000	1,525,604	(139,396)
Total revenues	89,243,357	92,835,567	91,580,774	(1,254,793)
EXPENDITURES				
Instruction	53,871,245	56,808,155	49,197,165	7,610,990
Supporting services:				
Student services	4,194,449	4,931,140	4,850,286	80,854
Instructional staff	3,465,985	3,950,929	4,675,514	(724,585)
General administration	1,190,150	1,361,908	1,183,360	178,548
School administration	5,895,679	7,044,271	7,278,981	(234,710)
Business services	1,257,723	1,469,163	1,484,857	(15,694)
Operation and maintenance	6,714,588	7,646,871	12,049,371	(4,402,500)
Student transportation	3,679,502	3,679,502	3,476,893	202,609
Central services	5,445,924	6,226,041	5,102,319	1,123,722
Other support services	120,900	368,510	3,426	365,084
Facilities acquisition and construction	-	-	294,665	(294,665)
Debt service	2,108,590	1,999,592	1,842,356	157,236
Contingency reserves	12,742,988	9,047,234	-	9,047,234
Total expenditures	100,687,723	104,533,316	91,439,193	13,094,123
Excess (deficiency) of revenues over expenditures	(11,444,366)	(11,697,749)	141,581	11,839,330
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,457,000)	(1,657,000)	(1,546,242)	110,758
Total other financing sources (uses)	(1,457,000)	(1,657,000)	(1,546,242)	110,758
Net change in fund balance	(12,901,366)	(13,354,749)	(1,404,661)	11,950,088
Fund balance - beginning, as restated	12,901,366	13,354,749	20,133,706	6,778,957
Fund balance - ending	\$ -	\$ -	\$ 18,729,045	\$ 18,729,045

See the accompanying independent auditors' report.

GOVERNMENTAL DESIGNATED-PURPOSE GRANTS FUND

This fund is authorized by Colorado state law to record financial transactions for grants received for designated programs funded by federal, state or local resources.

The Governmental Designated-Purpose Grants Fund is deemed to be a major fund for financial reporting purposes.

PUEBLO COUNTY SCHOOL DISTRICT NO. 70
GOVERNMENTAL DESIGNATED-PURPOSE GRANTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Local sources:				
Other local sources	<u>\$ 12,399,198</u>	<u>\$ 4,371,755</u>	<u>\$ 438,740</u>	<u>\$ (3,933,015)</u>
State sources:				
Other state funding	<u>466,258</u>	<u>468,758</u>	<u>1,878,713</u>	<u>1,409,955</u>
Federal sources	<u>8,924,171</u>	<u>13,739,932</u>	<u>10,431,410</u>	<u>(3,308,522)</u>
Total revenues	<u>21,789,627</u>	<u>18,580,445</u>	<u>12,748,863</u>	<u>(5,831,582)</u>
EXPENDITURES				
Instruction	19,353,041	15,492,389	8,381,458	7,110,931
Supporting services:				
Student services	557,815	880,408	815,145	65,263
Instructional staff	1,462,669	1,694,759	2,683,759	(989,000)
General administration	37,503	112,463	81,356	31,107
School administration	265,770	286,626	153,517	133,109
Operation and maintenance	-	971	222,497	(221,526)
Other support services	12,829	12,829	13,831	(1,002)
Food service operations	100,000	100,000	104,680	(4,680)
Facilities acquisition and construction	-	-	291,629	(291,629)
Debt service	<u>-</u>	<u>-</u>	<u>991</u>	<u>(991)</u>
Total expenditures	<u>21,789,627</u>	<u>18,580,445</u>	<u>12,748,863</u>	<u>5,831,582</u>
Net change in fund balance	-	-	-	-
Fund balance - beginning, as restated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See the accompanying independent auditors' report.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

BOND REDEMPTION FUND

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

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

PUEBLO COUNTY SCHOOL DISTRICT NO. 70
BOND REDEMPTION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES			
Local sources:			
Property taxes	\$ 10,126,541	\$ 11,209,744	\$ 1,083,203
Other local sources	115,000	424,573	309,573
Total local revenues	<u>10,241,541</u>	<u>11,634,317</u>	<u>1,392,776</u>
EXPENDITURES			
Debt service	8,627,594	8,623,686	3,908
Contingency reserves	<u>1,613,947</u>	<u>-</u>	<u>1,613,947</u>
Total expenditures	<u>10,241,541</u>	<u>8,623,686</u>	<u>1,617,855</u>
Net change in fund balance	-	3,010,631	3,010,631
Fund balance - beginning	<u>-</u>	<u>17,026,477</u>	<u>17,026,477</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 20,037,108</u>	<u>\$ 20,037,108</u>

See the accompanying independent auditors' report.

CAPITAL PROJECTS FUND

This fund is used to account for significant capital expenditures of the District, including the acquisition of sites, buildings, equipment, and vehicles.

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

PUEBLO COUNTY SCHOOL DISTRICT NO. 70
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES			
Local sources:			
Other local sources	\$ -	\$ 123,487	\$ 123,487
State sources:			
Other state funding	3,000,000	1,215,665	(1,784,335)
Total revenues	3,000,000	1,339,152	(1,660,848)
EXPENDITURES			
Instruction	55,200,000	1,095	55,198,905
Supporting services:			
Central services	-	27,863	(27,863)
Facilities acquisition and construction	255,541	29,176,467	(28,920,926)
Contingency reserves	4,776,112	-	4,776,112
Total expenditures	60,231,653	29,205,425	31,026,228
Net change in fund balance	(57,231,653)	(27,866,273)	29,365,380
Fund balance - beginning	57,231,653	56,279,770	(951,883)
Fund balance - ending	<u>\$ -</u>	<u>\$ 28,413,497</u>	<u>\$ 28,413,497</u>

See the accompanying independent auditors' report.

NON-MAJOR GOVERNMENTAL FUNDS

In addition to the funds identified as major governmental funds for financial reporting, the District reports the following non-major funds:

Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for specified purposes. The District has the following Special Revenue Funds:

Food Service Fund

This fund accounts for all financial activities associated with the District's school lunch program.

Pupil Athletic Fund

This fund is used to record all student athletics.

Education Foundation

This fund is used to operate exclusively for educational and charitable purposes exclusively for the benefit of the School District.

Pupil Activity Fund

This fund is used to record financial transactions related to school sponsored organizations and activities.

PUEBLO COUNTY SCHOOL DISTRICT NO. 70
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2023

	Food Service Fund	Pupil Athletic Fund	Education Foundation	Pupil Activity Fund	Total Nonmajor Governmental Funds
ASSETS					
Cash and investments	\$ 708,932	\$ 13,641	\$ 2,188	\$ 1,645,203	\$ 2,369,964
Intergovernmental receivables	379,166	-	-	-	379,166
Other receivables	152,703	-	-	-	152,703
Due from internal balances	15,242	100,683	-	-	115,925
Inventories and prepaid expenses	111,218	-	-	-	111,218
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 1,367,261</u>	<u>\$ 114,324</u>	<u>\$ 2,188</u>	<u>\$ 1,645,203</u>	<u>\$ 3,128,976</u>
LIABILITIES					
Accounts payable and other current liabilities	\$ 1,072	\$ 2,490	\$ -	\$ 11,906	\$ 15,468
Accrued salaries and benefits	262,361	111,834	-	-	374,195
Due to interfunds	-	-	-	16,111	16,111
Due to charter school	-	-	-	140,402	140,402
Unearned revenue	218,666	-	-	-	218,666
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>482,099</u>	<u>114,324</u>	<u>-</u>	<u>168,419</u>	<u>764,842</u>
FUND BALANCES					
Nonspendable for:					
Inventories and prepaid items	111,218	-	-	-	111,218
Committed for:					
Food service operations	773,944	-	-	-	773,944
Pupil Activities	-	-	-	1,476,784	1,476,784
Foundation activities	-	-	2,188	-	2,188
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>885,162</u>	<u>-</u>	<u>2,188</u>	<u>1,476,784</u>	<u>2,364,134</u>
Total liabilities and fund balances	<u>\$ 1,367,261</u>	<u>\$ 114,324</u>	<u>\$ 2,188</u>	<u>\$ 1,645,203</u>	<u>\$ 3,128,976</u>

See the accompanying independent auditors' report.

PUEBLO COUNTY SCHOOL DISTRICT NO. 70
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2023

	Food Service Fund	Pupil Athletic Fund	Education Foundation	Pupil Activity Fund	Total Nonmajor Governmental Funds
REVENUES					
Local sources	\$ 1,746,178	\$ 500,077	\$ 2,158	\$ 2,433,856	\$ 4,682,269
State sources	83,150	-	-	-	83,150
Federal sources	3,628,850	-	-	-	3,628,850
Total revenues	5,458,178	500,077	2,158	2,433,856	8,394,269
EXPENDITURES					
Instruction	-	1,452,392	-	1,742,259	3,194,651
Supporting services	22,927	537,604	-	632,573	1,193,104
Food service operations	6,557,246	-	-	-	6,557,246
Total expenditures	6,580,173	1,989,996	-	2,374,832	10,945,001
Excess (deficiency) of revenues over expenditures	(1,121,995)	(1,489,919)	2,158	59,024	(2,550,732)
OTHER FINANCING SOURCES (USES)					
Transfers in	34,927	1,511,315	-	-	1,546,242
Net change in fund balances	(1,087,068)	21,396	2,158	59,024	(1,004,490)
Fund balances - beginning	1,972,230	(21,396)	30	1,553,645	3,504,509
Prior period adjustments	-	-	-	(135,885)	(135,885)
Fund balances - beginning, as restated	1,972,230	(21,396)	30	1,417,760	3,368,624
Fund balances - ending	\$ 885,162	\$ -	\$ 2,188	\$ 1,476,784	\$ 2,364,134

See the accompanying independent auditors' report.

PUEBLO COUNTY SCHOOL DISTRICT NO. 70
FOOD SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES			
Local sources:			
Other local sources	\$ 2,519,957	\$ 1,746,178	\$ (773,779)
State sources:			
Other state funding	171,000	83,150	(87,850)
Federal sources	4,488,000	3,628,850	(859,150)
Total revenues	7,178,957	5,458,178	(1,720,779)
EXPENDITURES			
Supporting services:			
Operation and maintenance	20,000	20,379	(379)
Central services	5,000	2,548	2,452
Food service operations	7,153,957	6,557,246	596,711
Total expenditures	7,178,957	6,580,173	598,784
Excess (deficiency) of revenues over expenditures	-	(1,121,995)	(1,121,995)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	34,927	34,927
Net change in fund balance	-	(1,087,068)	(1,087,068)
Fund balance - beginning	-	1,972,230	1,972,230
Fund balance - ending	\$ -	\$ 885,162	\$ 885,162

See the accompanying independent auditors' report.

PUEBLO COUNTY SCHOOL DISTRICT NO. 70
PUPIL ATHLETIC FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES			
Local sources:			
Other local sources	\$ 481,346	\$ 500,077	\$ 18,731
	<u>481,346</u>	<u>500,077</u>	<u>18,731</u>
EXPENDITURES			
Instruction	1,611,351	1,452,392	158,959
Supporting services:			
Student services	235,734	241,933	(6,199)
Business services	24,261	41,470	(17,209)
Student transportation	267,000	254,201	12,799
Total expenditures	<u>2,138,346</u>	<u>1,989,996</u>	<u>148,350</u>
Excess (deficiency) of revenues over expenditures	(1,657,000)	(1,489,919)	167,081
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>1,657,000</u>	<u>1,511,315</u>	<u>(145,685)</u>
Net change in fund balance	-	21,396	21,396
Fund balance - beginning	<u>-</u>	<u>(21,396)</u>	<u>(21,396)</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See the accompanying independent auditors' report.

PUEBLO COUNTY SCHOOL DISTRICT NO. 70
EDUCATION FOUNDATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES			
Local sources:			
Other local sources	\$ 25,000	\$ 2,158	\$ (22,842)
Total revenues	<u>25,000</u>	<u>2,158</u>	<u>(22,842)</u>
EXPENDITURES			
Instruction	<u>25,000</u>	<u>-</u>	<u>25,000</u>
Total expenditures	<u>25,000</u>	<u>-</u>	<u>25,000</u>
Net change in fund balance	-	2,158	2,158
Fund balance - beginning	<u>-</u>	<u>30</u>	<u>30</u>
Fund balance - ending	<u><u>\$ -</u></u>	<u><u>\$ 2,188</u></u>	<u><u>\$ 2,188</u></u>

See the accompanying independent auditors' report.

PUEBLO COUNTY SCHOOL DISTRICT NO. 70
PUPIL ACTIVITY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES			
Local sources:			
Other local sources	\$ 3,476,772	\$ 2,433,856	\$ (1,042,916)
Total revenues	<u>3,476,772</u>	<u>2,433,856</u>	<u>(1,042,916)</u>
EXPENDITURES			
Instruction	3,476,772	1,742,259	1,734,513
Supporting services:			
Student services	<u>-</u>	<u>632,573</u>	<u>(632,573)</u>
Total expenditures	<u>3,476,772</u>	<u>2,374,832</u>	<u>1,101,940</u>
Net change in fund balance	-	59,024	59,024
Fund balance - beginning, as restated	<u>-</u>	<u>1,417,760</u>	<u>1,417,760</u>
Fund balance - ending	<u><u>\$ -</u></u>	<u><u>\$ 1,476,784</u></u>	<u><u>\$ 1,476,784</u></u>

See the accompanying independent auditors' report.

COMPLIANCE SECTION

SINGLE AUDIT

PUEBLO COUNTY SCHOOL DISTRICT NO. 70
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Additional Award Identification	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Agriculture					
<i>Child Nutrition Cluster</i>					
Passed Through Colorado Department of Education					
School Breakfast Program	10.553		4553	\$ -	\$ 788,684
National School Lunch Program	10.555		4555,6555		2,346,124
Summer Food Service Program for Children	10.559		4559		27,273
Passed Through Colorado Department of Human Services					
National School Lunch Program	10.555		4555		466,769
<i>Total Child Nutrition Cluster</i>					3,628,850
Passed Through Colorado Department of Education					
Pandemic EBT Administrative Costs	10.649	COVID-19	4649		3,135
Total U.S. Department of Agriculture					3,631,985
U.S. Department of Defense					
Direct Programs					
Reserve Officer Training Corps (ROTC)	12.Unknown				150,762
Total Department of Defense					150,762
U.S. Department of Education					
Passed Through Colorado Department of Education					
<i>Special Education Cluster</i>					
Special Education: Grants to States IDEA Part B	84.027		4027,6027, 9027		1,652,643
Special Education: Preschool Grants	84.173		4173		26,723
<i>Total SPED Cluster</i>					1,679,366
Every Child Succeeds Act, Title I, Part A	84.010		4010		1,266,465
Migrant Education to Local Educational Agencies	84.011		4011		747,058
Charter Schools	84.282		5282		265,360
English Language Learners, Title III, Part A	84.365A		4365		23,898
Quality Teacher, Title II, Part A	84.367		4367		254,768
Comprehensive Literacy Development	84.371		5371		265,158
Student Support and Academic Enrichment Program	84.424A		4424		67,404
Education Stabilization Fund					
ESSER III	84.425W	COVID-19	8425, 8426		60,284
ESSER III	84.425U	COVID-19	4431, 4418, 9418, 4414, 4436, 9414		3,399,128
ESSER II	84.425D	COVID-19	4419,4430, 4420, 4445		2,049,940
Passed through Colorado Community College System					
Vocational Education - Carl Perkins	84.048		4048		48,767
Total U.S. Department of Education					10,127,596
U.S. Department of Health and Human Services					
<i>CCDF Cluster</i>					
Direct Programs					
Child Care and Development Block Grant	93.575				303,813
<i>Total CCDF Cluster</i>				-	303,813
Total Federal Awards				\$ -	\$ 14,214,156

See the accompanying independent auditors' report.

PUEBLO COUNTY SCHOOL DISTRICT NO. 70
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Pueblo County School District No. 70 under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Pueblo County School District No. 70, it is not intended to and does not present the financial position, changes in net position, or cash flows of Pueblo County School District No. 70.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Pass-through entity identifying numbers are presented where available. ROTC does not have an ALN number, so the Federal ALN number on the Schedule of Expenditures of Federal Awards identifies the Department followed by "Unknown".

NOTE 3 – INDIRECT COST RATE

Pueblo County School District No. 70 has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4 – NON-CASH ASSISTANCE

During the year end June 30, 2023, Pueblo County School District No. 70 received \$466,769 in non-cash assistance in the form of food commodities. Valuation of commodities is based on fair market value at the time of receipt.



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

To the Board of Education
Pueblo County School District No. 70

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Pueblo County School District No. 70, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Pueblo County School District No. 70's basic financial statements and have issued our report thereon dated February 21, 2024. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component units as described in our report on the Pueblo County School District No. 70's financial statements. The financial statements of the discretely presented component units were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with those component units.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Pueblo County School District No. 70's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pueblo County School District No. 70's internal control. Accordingly, we do not express an opinion on the effectiveness of Pueblo County School District No. 70's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2023-001, 2023-002, 2023-003, 2023-004, and 2023-005 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2023-06, 2023-07, and 2023-08 to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pueblo County School District No. 70's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Pueblo County School District No. 70's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Pueblo County School District No. 70's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Pueblo County School District No. 70's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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

Hoelting & Company Inc.

Colorado Springs, Colorado
February 21, 2024



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

To the Board of Education
Pueblo County School District No. 70

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Pueblo County School District No. 70's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Pueblo County School District No. 70's major federal programs for the year ended June 30, 2023. Pueblo County School District No. 70's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Pueblo County School District No. 70 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of Pueblo County School District No. 70 and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Pueblo County School District No. 70's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Pueblo County School District No. 70's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Pueblo County School District No. 70's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Pueblo County School District No. 70's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Pueblo County School District No. 70's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Pueblo County School District No. 70's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Pueblo County School District No. 70's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies

in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

Hoelting & Company Inc.

Colorado Springs, Colorado
February 21, 2024

**PUEBLO COUNTY SCHOOL DISTRICT NO. 70
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

Section I—Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☒ yes ☐ no
 - Significant deficiency(ies) identified? ☒ yes ☐ none reported
- Noncompliance material to financial statements noted? ☐ yes ☒ no

Federal Awards

Internal control over major programs?

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified? ☐ yes ☒ none reported

Type of auditors' report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

☐ yes ☒ no

Identification of major programs:

ALN Number(s)

Name of Federal Program or Cluster

ALN 10.553, 10.555, 10.559

Child Nutrition Cluster

ALN 84.010

Every Child Succeeds Act, Title I, Part A

ALN 84.367

Quality Teacher, Title II Part A

ALN 84.425

Education Stabilization Fund

Dollar threshold used to distinguish between type A and type B programs?

\$750,000

Auditee qualified as low-risk auditee?

☒ yes ☐ no

**PUEBLO COUNTY SCHOOL DISTRICT NO. 70
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

Section II—Financial Statement Findings

2023-001 Year-End Closing Procedures

Criteria: Year-end closing procedures should include a review of transactions at or near year-end to ensure activity is recorded in the correct accounting period. A closing process should also ensure that beginning balances are recorded correctly. Additionally, a closing process should be in place that requires all balance sheet and other significant accounts in each fund be reconciled to supporting schedules.

Condition: During our walkthrough we observed how the District completed the monthly close. It was noted that reconciliations of material accounts were not performed timely throughout the year. During field work it was noted that the District did not have a process in place for ensuring that beginning balances reconcile to prior audited financial statements. It was also noted that a historic practice of recording prior period fund balance as revenue and an offsetting expenditure was being used account for budget carryforward.

Cause: Lack of effective closing procedures, fund balance reconciliations, and accounting for budget carryovers.

Effect: The District needed to make corrections to beginning fund balance, throughout the year material accounts went unreconciled, and expenditures were overstated,

Context: This finding was noted during interim audit work, walkthroughs, and substantive testing of balance sheet and other significant accounts. It is our understanding that these are historical practices that the new management is working to remedy.

Recommendation: We recommend that management develop year-end closing procedures that provide for review of transactions and balances for appropriate accounting treatment and should define the responsibilities of performing those procedures. We also recommend that management develop processes and procedures to ensure that beginning balances agree to audited prior year balances. Additionally, we recommend that management improve on the process for tracking budgets.

Management response: Management will continue to implement procedures that provide for improved closing processes and a more thorough review of financial statements and supporting schedules as staffing allows.

2023-002 Inventory

Criteria: Procedures over inventory should include counting and reconciling inventory listings to the physical inventory as well as the general ledger.

Condition: During our interim testing we were unable to successfully recount food service inventory.

Cause: Lack of effective inventory management procedures.

**PUEBLO COUNTY SCHOOL DISTRICT NO. 70
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

Section II—Financial Statement Findings (continued)

2023-002 Inventory (continued)

Effect: Potential misstatement in inventory balances in balance sheet and other significant accounts.

Context: This finding was noted during interim work. We performed the inventory count tests on multiple occasions and were unable to complete the counts without exceeding the number of allowed exceptions.

Recommendation: We recommend that management develop inventory management procedures that ensure that inventory is able to tracked accurately.

Management response: Management will continue to implement procedures that provide for improved inventory tracking and reconciliation processes as staffing allows.

2023-003 Prepaid Items

Criteria: A schedule of prepaid expenditures should be maintained throughout the year. Additionally, a review of cutoff should be performed at year end to ensure that only expenditures for the current year are recorded in the current year financial statements.

Condition: The District historically does not track prepaid items. Additionally, it was determined that these prepaid items were not reported correctly in the prior period financial statements.

Cause: The prior management of the District did not track prepaid items and did not adequately review the cutoff assertion.

Effect: The prior period financial statements were misstated by a material amount resulting in a prior period adjustment in the current fiscal year.

Context: This finding was note during interim work and through the review of the prior period financial statements. Our testing revealed that the District does not maintain a listing of prepaid items. Additionally, prepaids were not recorded on the fund statements. It is our understanding that these are historical practices that the new management is working to remedy.

Recommendation: We recommend that management develop procedures to ensure that prepaid items are tracked and accounted for correctly.

Management response: Management will continue to implement procedures that ensure prepaid expenditures are tracked throughout the year.

**PUEBLO COUNTY SCHOOL DISTRICT NO. 70
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

Section II—Financial Statement Findings (continued)

2023-004 Fixed Assets

Criteria: A listing of capital assets should be maintained throughout the year and should be reconciled on a timely basis at year end. Additionally, construction projects that are ongoing should be tracked throughout the year.

Condition: The District is unable to provide a schedule of fixed assets that reconciles to previously audited financial statements. The District is unable to provide a schedule of construction in progress.

Cause: Historically, the District has not effectively taken control of its fixed asset schedules and without outside help cannot report on such activities.

Effect: The District cannot timely produce a listing of fixed assets or construction in progress and required significant outside help to recreate for the current fiscal year.

Context: This finding was discovered during field work. Our testing revealed that the District is not able to reconcile the fixed asset listing that is produced from the District's accounting software to the audited financial statements. Additionally, the District issued roughly \$80 million in General Obligation bonds for capital improvements and cannot provide a schedule showing how those funds were spent on the various projects, what projects were completed during the fiscal year, or what projects are still outstanding at year end. It is our understanding that these are historical practices that the new management is working to remedy.

Recommendation: We recommend that management retain an outside consultant to assist in the understanding of the Districts fixed asset software, complete an inventory of fixed assets, and develop processes to ensure that fixed asset additions are identified timely.

Management response: Management will review and cleanup its fixed asset schedule. Management will also work with the facilities department to ensure that all bond project activity is tracked and recorded throughout the year.

2023-005 Component Unit Accounting

Criteria: The accounting records for component units should be kept separate from that of the District. Flow through funds should be passed through to component units in a timely manner, and PPR should be allocated per the correct methodology.

Condition: The District has been hired by two of its four charter schools to perform accounting and business services for them. It was discovered that the two charter schools are accounted for in the same system as the District which led to comingling of funds. Additionally, the District did not timely flow through capital construction funds to its charter schools. The Districts also did not use the correct PPR allocations which resulted in the District not allocating enough funds to its charter schools.

**PUEBLO COUNTY SCHOOL DISTRICT NO. 70
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

Section II—Financial Statement Findings (continued)

2023-005 Component Unit Accounting (continued)

Cause: The District does not use multiple accounting systems or databases when accounting for its charter schools. Additionally, there are not good controls in place for reviewing the activity that is entered between entities or to hold the District accountable for the timely payment of flow through funding.

Effect: Prior period adjustments were needed to correct comingling in prior years. Additionally, adjustments were needed to record amounts owed to the charter schools for capital construction and PPR.

Context: This finding was discovered during field work. Our testing revealed that District staff miscoded multiple items which led to the items that were the charter schools being recorded in district funds. Due to turnover in the finance department flow through funds were not provided to the Districts charter schools in a timely manner and the allocation of PPR was not calculated correctly.

Recommendation: We recommend that management separate the accounting systems for the charter schools that it provides accounting services for. Additionally, we recommend that the District implement procedures to ensure that the charter schools are able to take responsibility of the work that the District performs on their behalf.

Management response: Management will work to separate the accounting systems of the charter schools from the Districts systems. Management will work with the charter school liaison as well as the schools directly to ensure that flow through items are remitted timely to the schools and PPR is accurate.

2023-006 Segregation of Duties

Criteria: The system of internal controls should ensure that there is adequate segregation of duties between the various levels of staff and for the various tasks that are performed.

Condition: During our walkthrough we observed that there was a historic lack of segregation of duties between the former CFO and the staff that worked directly below the former CFO.

Cause: Due to a lack of segregation of duties there was not adequate review of transactions before they were processed.

Effect: The District was unable to substantiate various transactions that were inspected during our walkthroughs.

Context: We were made aware of various instances where the former CFO and the previous accountant requested transactions to be processed by one another without adequate support for the transaction being processed. It is our understanding that these are historical practices that the new management is working to remedy.

Recommendation: We recommend that management develop and implement procedures that allow for appropriate segregation of duties.

**PUEBLO COUNTY SCHOOL DISTRICT NO. 70
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

Section II—Financial Statement Findings (continued)

2023-006 Segregation of Duties (continued)

Management response: Management will continue to implement procedures that provide for appropriate segregation of duties.

2023-007 Grant Accounting

Criteria: Grants should be accounted for in such a way that awarded funds can be reconciled in a timely manner.

Condition: Prior to and during field work we were made aware that multiple state and federal awards were not reconciled timely. Additionally, certain federal awards contained portions related to fund balance.

Cause: Management did not have procedures in place to ensure that grants would be reconciled in a timely manner.

Effect: Due to the lack of appropriate controls over grant accounting various adjustments were required to correct grants in the current year.

Context: Prior to field work management brought to our attention the fact that grants had not been reconciled throughout the year and historically had not been reconciled prior to year-end.

Recommendation: We recommend that management develop and implement procedures that allow for appropriate accounting for state and federal grant awards

Management response: Management will reconcile local, state, and federal grants throughout the year and will ensure that federal awards are reimbursed within the correct period.

2023-008 Salary Contract Testing

Criteria: Employee contracts and any changes should be reviewed and signed off on by the employee at the time the contract was initiated or the change was made.

Condition: The District could not show that some employees accepted their employment contracts.

Cause: The District was not following up on unsigned contracts.

Effect: Due to the lack of appropriate controls over grant accounting various adjustments were required to correct grants in the current year.

Context: During our field work testing it was discovered that several employment contracts were not signed by the employees.

**PUEBLO COUNTY SCHOOL DISTRICT NO. 70
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

Section II—Financial Statement Findings (continued)

2023-008 Salary Contract Testing (continued)

Recommendation: We recommend that management ensure that employee contracts are signed by all employees and that any unsigned contracts are followed up on.

Management response: Management will work with the human resources department to ensure that employment contracts are signed timely and will follow up on unsigned contracts.

Section III—Findings and Questioned Costs for Federal Awards

No findings reported.



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

The Summary Schedule of Prior Audit Findings (the Summary) summarizes the status of the audit findings reported in the Pueblo County School District No. 70 Schedule of Findings and Questioned Costs for the year ended June 30, 2022. If the prior audit finding was fully addressed, the Summary indicates that the corrective action described in the prior audit report was taken or that corrective action is no longer needed. Otherwise, the Summary references the page number of the June 30, 2023 single audit report where a repeat recommendation, description of the planned corrective action, or reason for not implementing the recommendation is presented.

<u>Finding Number</u>	<u>ALN Number</u>	<u>Program/ Cluster Title</u>	<u>Finding</u>	<u>Status of Finding</u>
2022-001	NA	NA	Capital Asset Expenditures	Corrected
2022-002	NA	NA	Reconciliation of Payroll Reports	Corrected
2022-003	NA	NA	Salary Contract Testing	Not Corrected. Reported as finding 2023-008. See page 73.
2022-004	NA	NA	Charter School Transactions	Not Corrected. Reported as finding 2023-005. See page 71.
2022-005	NA	NA	Formalizing Process to Produce Monthly Financial Statements	Not Corrected. Reported as finding 2023-001. See page 69.
2022-006	NA	NA	Reimbursement Claim Forms/Reports	Corrected



**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2023**

2023-001 Year-End Closing Procedures

Criteria: Year-end closing procedures should include a review of transactions at or near year-end to ensure activity is recorded in the correct accounting period. A closing process should also ensure that beginning balances are recorded correctly. Additionally, a closing process should be in place that requires all balance sheet and other significant accounts in each fund be reconciled to supporting schedules.

Condition: During our walkthrough we observed how the District completed the monthly close. It was noted that reconciliations of material accounts were not performed timely throughout the year. During field work it was noted that the District did not have a process in place for ensuring that beginning balances reconcile to prior audited financial statements. It was also noted that a historic practice of recording prior period fund balance as revenue and an offsetting expenditure was being used account for budget carryforward.

Management Response and Planned Corrective Actions Criteria: Management agrees with this finding and will continue to implement procedures that provide for improved closing processes and a more thorough review of financial statements and supporting schedules as staffing allows.

Responsibility for Corrective Action: Amanda Wittman, CFO

Anticipated Completion Date: Summer 2024

2023-002 Inventory

Criteria: Procedures over inventory should include counting and reconciling inventory listings to the physical inventory as well as the general ledger.

Condition: During our interim testing we were unable to successfully recount food service inventory.

Management Response and Planned Corrective Actions Criteria: Management agrees with this finding and will continue to implement procedures that provide for improved inventory tracking and reconciliation processes as staffing allows.

Responsibility for Corrective Action: Amanda Wittman, CFO

Anticipated Completion Date: Summer 2024

2023-003 Prepaid Items

Criteria: A schedule of prepaid expenditures should be maintained throughout the year. Additionally, a review of cutoff should be performed at year end to ensure that only expenditures for the current year are recorded in the current year financial statements.

Condition: The District historically does not track prepaid items. Additionally, it was determined that these prepaid items were not reported correctly in the prior period financial statements.

Management Response and Planned Corrective Actions Criteria: Management will continue implement procedures that ensure prepaid expenditures are tracked throughout the year.

Responsibility for Corrective Action: Amanda Wittman, CFO

Anticipated Completion Date: Summer 2024

2023-004 Capital Assets

Criteria: A listing of capital assets should be maintained throughout the year and should be reconciled on a timely basis at year end. Additionally, construction projects that are ongoing should be tracked throughout the year.

Condition: The District was unable to provide a schedule of fixed assets that reconciles to previously audited financial statements. The District was unable to provide a schedule of construction in progress.

Management Response and Planned Corrective Actions Criteria: Management will review and cleanup its fixed asset schedule. Management will also work with the facilities department to ensure that all bond project activity is tracked and recorded throughout the year.

Responsibility for Corrective Action: Amanda Wittman, CFO

Anticipated Completion Date: Summer 2024

2023-005 Component Unit Accounting

Criteria: The accounting records for component units should be kept separate from that of the District. Flow through funds should be passed through to component units in a timely manner, and PPR should be allocated per the correct methodology.

Condition: The District has been hired by two of its four charter schools to perform accounting and business services for them. It was discovered that the two charter schools are accounted for in the same system as the District which led to comingling of funds. Additionally, the District did not timely flow through capital construction funds to its charter schools. The Districts also did not use the correct PPR allocations which resulted in the District not allocating enough funds to its charter schools.

Management Response and Planned Corrective Actions Criteria: Management will work to separate the accounting systems of the charter schools from the Districts systems. Management will work with the charter school liaison as well as the schools directly to ensure that flow through items are remitted timely to the schools and PPR is accurate.

Responsibility for Corrective Action: Amanda Wittman, CFO

Anticipated Completion Date: Summer 2024

2023-006 Segregation of Duties

Criteria: The system of internal controls should ensure that there is adequate segregation of duties between the various levels of staff and for the various tasks that are performed.

Condition: During our walkthroughs procedures, we observed that there was a historic lack of segregation of duties between the former CFO and the staff that worked directly below the former CFO.

Management Response and Planned Corrective Actions Criteria: Management will continue to implement procedures that provide for appropriate segregation of duties.

Responsibility for Corrective Action: Amanda Wittman, CFO

Anticipated Completion Date: Summer 2024

2023-007 Grant Accounting

Criteria: Grants should be accounted for in such a way that awarded funds can be reconciled in a timely manner.

Condition: Prior to and during field work, we were made aware that multiple state and federal awards were not reconciled timely. Additionally, certain federal awards contained portions related to fund balance.

Management Response and Planned Corrective Actions Criteria: Management will reconcile local, state, and federal grants throughout the year and will ensure that federal awards are reimbursed within the correct period.

Responsibility for Corrective Action: Amanda Wittman, CFO

Anticipated Completion Date: Summer 2024

2023-008 Salary Contract Testing

Criteria: Employee contracts and any changes should be reviewed and signed off on by the employee at the time the contract was initiated or the change was made.

Condition: The District could not show that some employees accepted their employment contracts.

Management Response and Planned Corrective Actions Criteria: Management will work with the human resources department to ensure that employment contracts are signed timely and will follow up on unsigned contracts.

Responsibility for Corrective Action: Amanda Wittman, CFO

Anticipated Completion Date: Summer 2024

STATE COMPLIANCE



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

To the Board of Education
Pueblo County School District No. 70

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Pueblo County School District No. 70, as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the Pueblo County School District No. 70's basic financial statements as listed in the table of contents. Our report thereon, dated February 21, 2024, expressed an unmodified opinion on those financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pueblo County School District No. 70's basic financial statements. The accompanying *Colorado School District/BOCES, Auditor's Integrity Report* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for the portion marked "11 Charter School Fund," 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. That information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, that information is fairly stated, in all material respects, in relation to the basic financial statements as a whole. The information marked "11 Charter School Fund" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Hoelting & Company Inc.

Colorado Springs, Colorado
March 21, 2024



Colorado Department of Education

Auditors Integrity Report

District: 2700 - Pueblo County 70

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
Governmental	+		-	=
10 General Fund	17,137,037	87,220,324	88,824,538	15,532,823
18 Risk Mgmt Sub-Fund of General Fund	2,950,294	1,338,963	1,175,234	3,114,022
19 Colorado Preschool Program Fund	46,375	1,475,246	1,439,422	82,200
Sub-Total	20,133,706	90,034,533	91,439,194	18,729,045
11 Charter School Fund	8,063,776	17,947,146	16,751,062	9,259,860
20.26-29 Special Revenue Fund	1,417,790	2,436,014	2,374,832	1,478,972
06 Supplemental Cap Const, Tech, Main, Fund	0	0	0	0
07 Total Program Reserve Fund	0	0	0	0
21 Food Service Spec Revenue Fund	1,972,230	5,493,105	6,580,173	885,162
22 Govt Designated-Purpose Grants Fund	0	12,748,863	12,748,863	0
23 Pupil Activity Special Revenue Fund	-21,396	2,011,392	1,989,996	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	17,026,477	11,634,317	8,623,686	20,037,108
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	56,279,770	1,339,152	29,205,425	28,413,497
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
Totals	104,872,354	143,644,521	165,713,229	78,803,645
Proprietary				
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0	0
60.65-69 Other Internal Service Funds	0	0	0	0
Totals	0	0	0	0
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	72,990	36,922	35,909	74,004
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	0	0	0	0
79 GASB 34/Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
Totals	72,990	36,922	35,909	74,004
FINAL				