

South Routt School District RE-3
Management's Discussion and Analysis



South Routt School District RE-3 Management's Discussion and Analysis June 30, 2023

As management of South Routt School District RE-3 (the "District"), we offer readers of the District's annual financial report this narrative overview 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 District's financial statement, which follow this section.

Financial Highlights

The District had the following financial results in 2023:

- The District's General Fund balance at the end of fiscal year 2023 was \$5,914,801. This is an increase from the prior year of \$1,381,281.
- Total revenues for 2023 fell \$6,247,939 from 2022, while aggregate expenses also fell \$1,338,103.
- The District's ending General Fund balance consists of 36% of the current year expenditures and outgoing transfers.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Financial Statements – The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The government-wide financial statements include the statement of net position and the statement of activities.

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

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. Changes in net position are reported as soon as the underlying event effecting the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and changes in long-term compensated absences).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities). The category that is reported in the District-wide financial statements is as follows:

- **Governmental activities:** All of the District's basic services are included here, such as instructional services, transportation services, support services, food services, and student activities.

The government-wide financial statements can be found on pages 4 and 5 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The fund financial statements provide more detailed information about the operations of the District by fund instead of the District as a whole. All of the funds of the District are governmental funds.

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental fund and governmental activities.

The District's most significant, or "major" governmental funds include the General Fund, the Bond Redemption Fund, Capital Reserve Fund, and the Supplemental Capital Construction, Technology and Maintenance Fund.

The District adopts an annual appropriated budget for all of its funds. A budgetary comparison statement has been provided for all funds to demonstrate compliance with state budget statutes.

The basic major governmental fund statements start on page 6.

Notes to the Financial Statements

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.

As noted earlier, net position may serve over time as a useful indicator of a district's financial position. For the year ended June 30, 2023, the District's total net position was \$7,072,082, which included the District's net pension liability of \$8,631,657 and net other post-employment benefits ("OPEB") liability of \$299,907. The net pension and OPEB liabilities are the District's proportionate share of the School Division Trust Fund pension liability and Health Care Trust Fund's collective OPEB liability, respectively, administered by the Public Employees' Retirement Association of Colorado. This was determined by an actuarial valuation as of December 31, 2020. Standard update procedures were used to roll forward the total pension and OPEB liabilities to December 31, 2022.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The assets of the District are classified as current assets and capital assets. Current 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 process, with the majority of these taxes received in March, May, and June.

Capital assets are made up of land, buildings, and equipment/vehicles. Current and long-term liabilities are classified based upon anticipated liquidation, either in the near-term or in the future

Summary of Net Position

The following table provides a summary of the District's net position as of the fiscal year ended June 30, 2023.

South Routt School District RE-3's Net Position

	Governmental Activities	
	2023	2022
Assets:		
Current and other assets	\$ 7,407,086	7,133,790
Capital assets, net	8,170,332	8,657,336
Total Assets	15,577,418	15,791,126
 Deferred outflow of resources	 2,133,168	 1,533,929
Liabilities:		
Other liabilities	661,803	1,700,954
Long-term liabilities	9,029,760	6,351,273
Total Liabilities	9,691,563	8,052,227
 Deferred inflow of resources	 946,941	 3,187,749
 Net Position:		
Invested in capital assets, net of related debt	1,765,436	8,657,336
Restricted	880,757	622,000
Unrestricted	4,425,889	(3,194,257)
Total Net Position	\$ 7,072,082	6,085,079

Of the District's total assets, 52% are capital assets (e.g. land, buildings, and equipment). The District uses these assets to provide instruction and related services to its students.

Long-term liabilities increased leading to an increase in Net Position. See more information on the pension and other-post employment benefit liabilities in the Notes to the Financial Statements.

Summary of Activities

Net position for governmental activities increased by \$987,003. The following graph summarizes the District's change in net position:

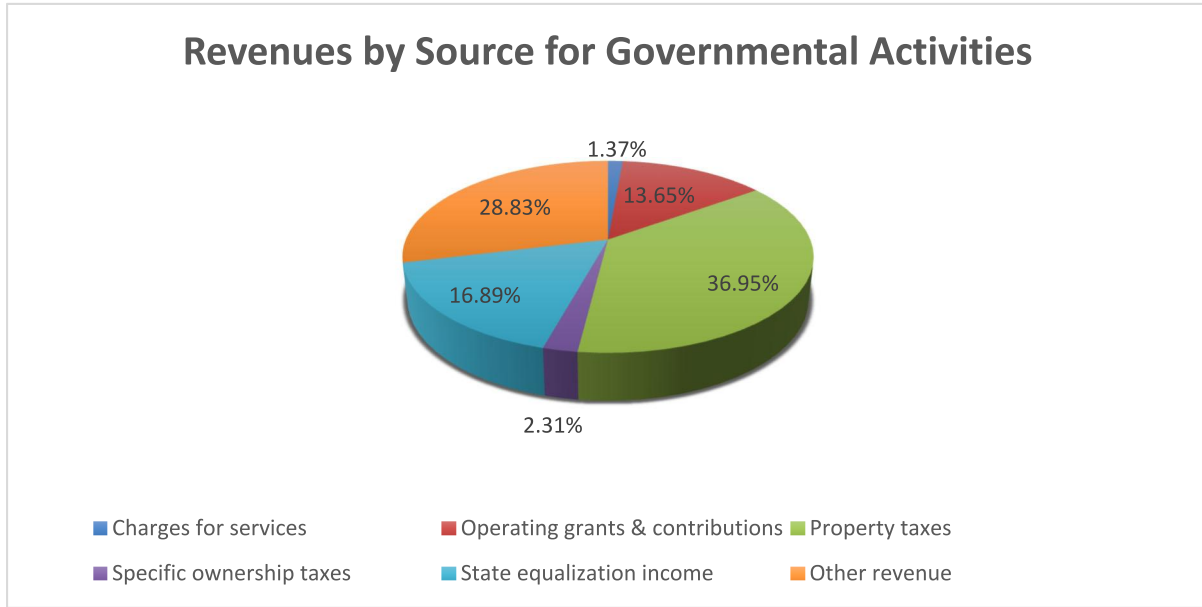
South Rount School District RE-3's Net Position

	Governmental Activities	
	2023	2022
Revenues:		
Program revenues:		
Charges for services	\$ 157,169	\$ 111,807
Operating grants & contributions	1,562,728	1,835,034
Capital grants & contributions	-	-
General revenues:		
Property taxes	4,229,613	4,115,699
Specific ownership taxes	264,151	275,901
State equalization income	1,933,125	1,737,305
Grants and contributions not restricted to specific programs	3,114,695	6,716,186
Investment income	182,179	12,988
Gain on disposal of assets	2,748	1,676
	11,446,408	14,806,596
Expenses:		
Direct instruction	7,765,419	9,380,506
Indirect instruction	208,281	333,742
General administration	610,509	517,946
Support services	296,996	249,882
Custodial and maintenance	843,001	589,230
Transportation	313,162	277,271
Food service	221,237	183,370
Student activities	232,422	258,261
Interest on long-term debt	(31,622)	7,300
	10,459,405	11,797,508
Change in Net Position	987,003	3,009,088
Net Position - Beginning of Year	6,085,079	3,075,991
Net Position - End of Year	\$ 7,072,082	6,085,079

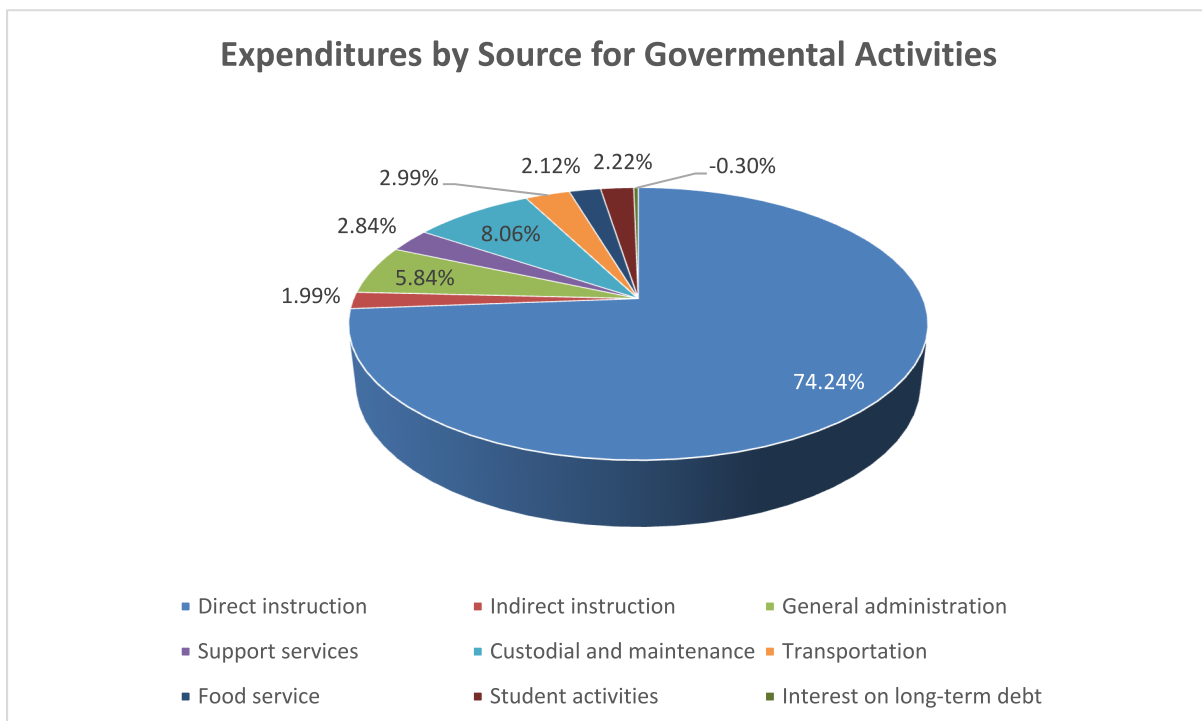
Property taxes, specific ownership tax, and per pupil state formula revenue (School Finance Act- State Equalization) account for most of the District's revenue. The remainder comes from grants and contributions with the remainder from fees charged for services and miscellaneous sources.

The District's expenses predominantly relate to instruction and support services, which include support for students and instructional staff, administration, operations and maintenance, and transportation. Given that the District is a service organization providing education services to students, the majority of the expenses are paid in the form of compensation (salaries and benefits) to the District's employees. A portion of the increase in net position is attributed to the reduction in the District's proportionate share of PERA's pension and other post-employment benefit liabilities.

The following chart displays the revenues by source for the total District:



The following chart displays the expenses by source for the total District:



Financial Analysis of the District's Funds: As mentioned earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned balances may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year. The District did increase its unassigned balance, or fund balance, at the end of this fiscal year; a focus must be made to make an increase each year to that balance to ensure the fiscal health of the District.

At the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$7,072,082. This is an increase of \$987,003 from the prior year ending fund balances. The increase mainly relates to an increase in both grants received and local donations in support of various District projects.

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 original budget is prepared based on a conservative estimate of enrolled students. This guarantees the District does not overstaff or overextend its financial capabilities. The District's student count experiences significant fluctuations due largely to changes in the local coal and ranching industry. The District budgeted a large contingency to ensure the District was able to stay "live within the District's means".

One of the most important variances to discuss is budgeted versus actual revenues and expenditures in the General Fund. Actual revenues were favorable to the final budget by \$3,100,038 primarily due to conservative budgeting for property and specific ownership taxes and grants. Actual expenditures were unfavorable to the final budget by \$1,373,637.

Capital Assets: The District's investment in capital assets for governmental activities as of June 30, 2023 amounts to \$7,072,082, (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, equipment, and vehicles.

Additional information as well as a detailed classification of the District's net capital assets can be found in the Notes to the Financial Statement section of this report.

Long-Term Debt: As of June 30, 2023, the District had an outstanding debt of \$9,029,760 consisting of the District's net pension and OPEB liabilities and compensated absences payable. The District's net pension liability increased \$266,682, while the net OPEB liability increased \$11,805 from the previous year.

Additional information as well as a detailed classification of the District's long-term liabilities can be found in the Notes to the Financial Statement section of this report.

Economic Factors: The Public School Finance Act is the largest source of revenue for the District's operating funds. The School Finance Act calculates per-pupil funding by school District based upon a formula that takes into consideration the cost of living, number of students, District size, personnel vs. non-personnel, and number of at-risk students. The purpose of this act was to establish a financial base of support for public education, to move towards a uniform mill levy tax statewide for all Districts, and to limit future growth of and reliance upon property tax to support public education. Funding sources for the School Finance Act is derived by the following formula:

Total Program Funding = local property taxes + general specific ownership taxes + state equalization.

Next Year's Budget and Rates: The District's General Fund balance at the end of fiscal year 2023 was \$5,914,801. The District anticipates a balanced budget for FY25.

Request for Information:

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

South Routt School District RE-3
Finance/Business Manager
P.O. Box 158
Oak Creek, CO 80467

South Routt School District RE-3

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South Routt School District RE-3
Oak Creek, Colorado

Financial Statements
with Independent Auditor's Report

June 30, 2023

South Routt School District RE-3

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Financial Section

Independent Auditor's Report

Board of Education
South Routt School District RE-3
Oak Creek, Colorado

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South Routt School District RE-3 (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated (Date), on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 the District's internal control over financial reporting and compliance.

Englewood, Colorado
(Date)

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Basic Financial Statements

South Routt School District RE-3
Statement of Net Position
June 30, 2023

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	<u>Governmental Activities</u>
Assets	
Cash and Cash Equivalents	\$ 543,162
Investments	6,042,623
Accounts Receivable	49,172
Taxes Receivable	360,181
Due from Other Governments	408,365
Inventories	3,583
Capital Assets, <i>Not Being Depreciated</i>	1,765,436
Capital Assets, <i>Net of Accumulated Depreciation</i>	<u>6,404,896</u>
Total Assets	<u>15,577,418</u>
Deferred Outflows of Resources	
OPEB, <i>Net of Accumulated Amortization</i>	187,333
Pensions, <i>Net of Accumulated Amortization</i>	<u>1,945,835</u>
Total Deferred Outflows of Resources	<u>2,133,168</u>
Liabilities	
Accounts Payable	266,187
Retainage Payable	205,132
Accrued Salaries and Benefits	182,840
Unearned Revenue	7,644
Due in More Than One Year	
Accrued Compensation	98,196
Net OPEB Liability	299,907
Net Pension Liability	<u>8,631,657</u>
Total Liabilities	<u>9,691,563</u>
Deferred Inflows of Resources	
Deferred Property Taxes	171,832
OPEB, <i>Net of Accumulated Amortization</i>	149,973
Pensions, <i>Net of Accumulated Amortization</i>	<u>625,136</u>
Total Deferred Inflows of Resources	<u>946,941</u>
Net Position	
Net Investment in Capital Assets	1,765,436
Restricted	880,757
Unrestricted	<u>4,425,889</u>
Total Net Position	<u>\$ 7,072,082</u>

South Routt School District RE-3
Statement of Activities
For the Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
<i>Governmental Activities</i>				
Instruction	\$ 7,045,189	\$ 83,792	\$ 3,492,440	\$ (3,468,957)
Supporting Services				
Student support	296,996	-	-	(296,996)
Instructional staff	208,281	-	-	(208,281)
General administration	610,509	-	-	(610,509)
School administration	232,344	-	-	(232,344)
Business services	78	-	-	(78)
Operations and maintenance	843,001	-	-	(843,001)
Student transportation	313,162	-	-	(313,162)
Community services operations	-	-	-	-
Central and other support services	720,230	-	-	(720,230)
Food Service	221,237	73,377	3,114,695	2,966,835
Interest on Long-Term Debt	(31,622)	-	-	31,622
Total Governmental Activities	<u>\$ 10,459,405</u>	<u>\$ 157,169</u>	<u>\$ 6,607,135</u>	<u>(3,695,101)</u>
General Revenues				
				4,229,613
Local Property Taxes				264,151
Specific Ownership Taxes				3,413
State Equalization				182,179
Investment Income				2,748
Other				<u>2,748</u>
Total General Revenues				<u>4,682,104</u>
Change in Net Position				<u>987,003</u>
Net Position, Beginning of Year				<u>6,085,079</u>
Net Position, End of Year				<u>\$ 7,072,082</u>

South Rount School District RE-3 Balance Sheet Governmental Funds June 30, 2023

	General	Debt Service Bond Redemption	Nonmajor Governmental	Total
Assets				
Cash and cash equivalents	\$ 423,645	\$ -	\$ 119,517	\$ 543,162
Investments	6,042,643	(20)	-	6,042,623
Accounts Receivable	12,557	-	45,991	58,548
Taxes Receivable	169,514	-	-	169,514
Interfund Receivables	-	266,310	428,530	694,840
Due from Other Governments	394,580	-	13,785	408,365
Inventories	-	-	3,583	3,583
Total Assets	\$ 7,042,939	\$ 266,290	\$ 611,406	\$ 7,920,635
Liabilities				
Accounts Payable	\$ 250,389	\$ -	\$ 220,930	\$ 471,319
Accrued Salaries	149,631	-	33,209	182,840
Interfund Payables	587,968	-	70,257	658,225
Unearned Revenues	-	-	7,644	7,644
Total Liabilities	987,988	-	332,040	1,320,028
Deferred Inflows of Resources				
Property Taxes	140,150	-	31,682	171,832
Fund Balances				
Nonspendable Inventories	-	-	3,583	3,583
Restricted	614,467	266,290	-	880,757
Committed	-	-	132,614	132,614
Assigned	-	-	111,487	111,487
Unassigned	5,300,334	-	-	5,300,334
Total Fund Balances	5,914,801	266,290	247,684	6,428,775
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 7,042,939	\$ 266,290	\$ 611,406	\$ 7,920,635

See Notes to the Financial Statements.

South Routt School District RE-3 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position For the Year Ended June 30, 2023

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:

Total Fund Balances of Governmental Funds	\$ 6,428,775
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	8,170,332
Long-term assets are not available to pay current year expenditures and, therefore, are deferred in governmental funds. This amount represents property taxes earned but not available as current financial resources.	144,676
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in governmental funds:	
Accrued compensated absences	(98,196)
Net pension liability	(8,631,657)
Pension-related deferred outflows of resources	1,945,835
Pension-related deferred inflows of resources	(625,136)
Net OPEB liability	(299,907)
OPEB-related deferred outflows of resources	187,333
OPEB-related deferred inflows of resources	<u>(149,973)</u>
Total Net Position of Governmental Activities	\$ <u>7,072,082</u>

South Routt School District RE-3
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2023

	General	Debt Service Bond Redemption	Nonmajor Governmental	Total
Revenues				
Taxes	\$ 3,579,964	\$ -	\$ 913,800	\$ 4,493,764
Intergovernmental	6,440,601	-	169,947	6,610,548
Earnings on Investments	180,407	959	812	182,178
Other	86,239	-	73,682	159,921
Total Revenues	10,287,211	959	1,158,241	11,446,411
Expenditures				
Current				
Instruction	4,227,949	-	0	4,227,949
Supporting Services				
Student support	311,787	-	-	311,787
Instructional staff	208,281	-	-	208,281
General administration	599,126	-	7,996	607,122
School administration	232,344	-	-	232,344
Business services	78	-	-	78
Operations and maintenance	553,286	-	644,515	1,197,801
Student transportation	13,500	-	274,440	287,940
Central and other support services	533,434	-	138,154	671,588
Food Service	-	-	218,509	218,509
Debt Service				
Interest and Fiscal Charges	(31,622)	-	-	(31,622)
Capital Outlay	2,162,532	-	62,983	2,225,515
Total Expenditures	8,810,695	-	1,346,597	10,157,292
Excess (deficiency) of revenues over expenditures	1,476,516	959	(188,356)	1,289,119
Other Financing Sources and (Uses) including transfers				
Transfers In (Out)	(95,235)	-	95,235	-
Net Change in Fund Balances	1,381,281	959	(93,121)	1,289,119
Fund Balances, Beginning of Year	4,533,520	265,331	340,805	5,139,656
Fund Balances, End of Year	\$ 5,914,801	\$ 266,290	\$ 247,684	\$ 6,428,775

South Rouff School District RE-3
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2023

**Amounts Reported for Governmental Activities in the
Statement of Activities are Different Because:**

Net Change in Fund Balances of Governmental Funds	\$ 1,289,119
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:	
Capital outlay	326,913
Depreciation expense	(813,917)
Revenues that do not provide current financial resources are deferred in the governmental fund financial statements but are recognized in the government-wide financial statements. This amount represents the change in deferred property taxes.	
	-
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This includes the changes in the following:	
Accrued compensated absences	-
Net pension liability	(2,666,682)
Pension-related deferred outflows of resources	508,883
Pension-related deferred inflows of resources	2,240,654
Net OPEB liability	(11,805)
OPEB-related deferred outflows of resources	90,356
OPEB-related deferred inflows of resources	<u>23,482</u>
Change in Net Position	<u>\$ 987,003</u>

South Routt School District RE-3

Notes to Financial Statements

June 30, 2023

Note 1: Summary of Significant Accounting Policies

South Routt School District RE-3 (the District) is a public school district within Routt County, Colorado. The District provides academic and vocational curriculum, student transportation, food service, athletic and cultural extracurricular activities, maintenance and general administrative services. The District is located in Oak Creek, Colorado, and operates the following schools:

<u>Elementary School</u> South Routt Elementary	<u>Middle School</u> Soroco Middle School	<u>High School</u> Soroco High School
<u>Preschool and Kindergarten</u> Soroco Preschool at Yampa		

The District operates under an elected Board of Education with five members and provides educational services to approximately 1,200 students.

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

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

Reporting Entity

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

Based upon the application of this criteria, no additional organizations are included in the District's reporting entity.

South Routt School District RE-3
Notes to Financial Statements
June 30, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements

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

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

Separate financial statements are provided for the governmental funds and the fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

South Routt School District RE-3
Notes to Financial Statements
June 30, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

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

Taxes, intergovernmental revenues, grants, and interest associated with the current year are considered to be susceptible to accrual and have been recognized as revenues of the current year. Property taxes are reported as receivables and deferred inflows when levied and as revenues when due for collection in the following year and determined to be available. Grants and entitlement revenues are recognized when compliance with matching requirements is met. All other revenues are considered to be measurable and available only when cash is received by the District.

Expenditures are recorded when a liability is incurred, as under accrual accounting. However, general obligation bond and capital lease debt service expenditures, as well as expenditures related to compensated absences, are recorded when payment is due.

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures, or expenses, as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. In the fund financial statements, the District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources that are not required to be legally or by sound financial management to be accounted for in another fund.

The *Designated Purposes Grants Fund* accounts for restricted local, state, and federal grant revenues and the related expenditures which must be expended as designated by the grantor agency.

The *Debt Service Bond Redemption Fund* is a debt service fund. This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. The fund's primary revenue source is local property taxes levied specifically for debt service.

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

South Routt School District RE-3
Notes to Financial Statements
June 30, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

Assets, Liabilities and Fund Balances/Net Position

Cash and Investments - Cash represents amounts on deposit with financial institutions or held by the District. The District considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

Receivables - All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Property taxes levied for the current year but not received at year end are reported as taxes receivable, presented net of an allowance for uncollectible amounts and recorded as deferred inflows of resources in the fund financial statements. Program grants are recorded as receivables and revenues at the time reimbursable project costs are incurred.

Inventories - The cost of all inventories is recorded as an asset when individual items are purchased and as an expenditure when consumed. Food Services Fund inventories consist of purchased and donated commodities. Materials and supplies inventories are stated at cost. Purchased inventories are recorded at cost. Donated inventories, received at no cost under a program supported by the federal government, are valued at their estimated fair value on the date of receipt.

Interfund Receivables/Payables - During the course of operations, certain transactions occur between individual funds. The resulting receivables and payables are classified in the fund financial statements as *interfund receivables* and *interfund payables*.

Capital Assets - Capital assets, which include property, vehicles and equipment, are utilized for general District operations and are capitalized at actual or estimated cost. Capital assets are defined as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at the estimated acquisition value on the date of donation.

The costs of maintenance, repairs and minor renovations that do not add to the value of the assets or materially extend asset lives are recorded as expenditures when incurred. Major additions and improvements are capitalized. When assets used in the operation of the governmental fund types are sold, the proceeds of the sale are recorded as revenues in the appropriate fund.

South Routt School District RE-3
Notes to Financial Statements
June 30, 2023

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

The District's capital assets are depreciated using the straight-line method over the estimated useful lives of the capital assets. Depreciation of all capital assets is charged as an expense against their operations. Depreciation is recorded in the year of acquisition and any remaining depreciation is recorded in the year of disposition. The estimated useful lives are as follows:

Buildings and Improvements	5 -50 years
Equipment and Vehicles	5 - 25 years
Equipment - food services	5 - 20 years

Accrued Salaries and Benefits - Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve-month period from August to July but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, are reported as a liability in the financial statements.

Unearned Revenues - Unearned revenues include grants received before eligibility requirements established by the provider have been met, and resources received by the District before it has a legal claim to them, including fees.

Long-Term Debt - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. The District's general obligation bonds are serviced from property taxes and other revenues of the General Fund and the Capital Reserve Capital Projects Fund. Long-term accumulated unpaid accrued sick leave is serviced from property taxes and other revenues by the respective fund type from future appropriations. Debt premiums, discounts and accounting losses resulting from debt refundings are deferred and amortized over the life of the debt. In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses.

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

Compensated Absences and Accumulated Leave - District policy allows accumulation of leave to a maximum of 180 days. Payment for unused leave days is made based upon an employee's retirement at the rate of one-fourth of the salary amount for step "A" of the salary schedule the employee is on at the time, not to exceed one-half of the substitute teacher rate of pay.

These compensated absences are recognized as expenditures in the governmental funds when due. A long-term liability is reported in the government-wide financial statements for the accrued compensated absences when earned.

South Routt School District RE-3
Notes to Financial Statements
June 30, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

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

Deferred Outflows and Inflows of Resources - In addition to assets, the statement of financial position and the fund balance sheet report a separate section for *deferred outflows of resources*. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District's deferred outflows of resources relate to the deferred loss on refunding and the District's pension and other post-employment benefits (OPEB) plans.

In addition to liabilities, the statement of financial position and the fund balance sheet report a separate section for *deferred inflows of resources*. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The deferred inflows of resources in the governmental fund financial statements include property taxes earned but not available as current financial resources and the District's pension and OPEB plans.

Pensions - The District participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position (FNP), and additions to/deductions from the FNP of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

OPEB - The District participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado (PERA). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position (FNP), and additions to/deductions from the FNP of the HCTF's 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.

South Routt School District RE-3
Notes to Financial Statements
June 30, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

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

Net Position/Fund Balances - GASB has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB No. 54). This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB No. 54 requires the fund balance amounts to be properly reported within one of the following fund balance categories:

Nonspendable - Amounts associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned).

Restricted - Amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed - Amounts that can be used only for the specific purposes determined by a formal action of the School District Board of Directors (the District's highest level of decision-making authority). This fund balance reporting is required by the School Board, either because of a School Board Policy in the School Board Policy Manual, or because of motions that passed at School Board meetings.

Assigned - Amounts intended to be used by the government for specific purposes that do not meet the criteria to be classified as restricted or committed. This fund balance reporting occurs by the School Board Administration authority under the direction of the District's Chief Business Officer.

Unassigned - The residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. In the government-wide and fund financial statements, net position and fund balances are restricted when constraints placed on the use of resources are externally imposed.

The District has not established a formal policy for its use of restricted and unrestricted fund balances. However, if both restricted and unrestricted fund balances are available for a specific purpose, the District uses restricted fund balance first, followed by committed, assigned, and unassigned balances. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

South Routt School District RE-3
Notes to Financial Statements
June 30, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

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

Property Taxes

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

Subsequent Events

The District has evaluated subsequent events through (Date), the date the financial statements were available to be issued.

Note 2: Cash and Investments

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

Deposits	\$ 543,162
Local government investment pool	<u>6,042,623</u>
Total	<u>\$ 6,585,785</u>

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2023, the District had bank deposits of \$274,756 collateralized with securities held by the financial under the PDPA.

South Routt School District RE-3
Notes to Financial Statements
June 30, 2023

Note 2: Cash and Investments (Continued)

Investments

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

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

Fair value - The District categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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

Credit Risk - State statutes limit certain investments to those with specified ratings from nationally recognized statistical rating organizations, depending on the type of investment.

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

Local Government Investment Pools - At June 30, 2023, the District had \$6,042,643 invested in the Colorado Local Government Liquid Asset Trust (Colotrust). The pool is an investment vehicle established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating the pools. The pools operate in conformity with the Securities and Exchange Commission's Rule 2a-7. The pools are measured at the net asset value per share, with each share valued at \$1. The pools are rated AAAM by Standard and Poor's. Investments of the pools are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

South Routt School District RE-3
Notes to Financial Statements
June 30, 2023

Note 3: Interfund Balances and Transactions

Transactions between the various funds of the District can result in receivables and payables at year-end. Interfund receivable and payable balances at June 30, 2023 were:

	Receivable Fund	Payable Fund
Due From		
General	\$ -	\$ (624,583)
Debt Service Bond Redemption	266,310	-
Capital Construction	337,567	-
Nonmajor Governmental	20,765	(59)
Total	\$ 624,642	\$ (624,642)

During the course of normal operations, the District transfers resources between funds to finance various programs reported in other funds. Transfer 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) provide additional resources for current operations or debt service.

South Routt School District RE-3
Notes to Financial Statements
June 30, 2023

Note 4: Capital Assets

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

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

Governmental Activities	Balance 6/30/22	Additions	Transfers	Deletions	Balance 6/30/23
Direct Instruction				\$	761,822
General Administration					2,795
Custodial & Maintenance					7,389
Transportation					39,182
Food Service					2,729
Total				\$	813,917
<hr/>					
Total Capital Assets, Being Depreciated	2,122,900	829,917			2,952,817
<hr/>					
Less Accumulated Depreciation					
Buildings and Site Improvements	(16,842,143)	(738,165)	-	-	(17,580,308)
Equipment and vehicles	(813,991)	(73,023)	-	-	(887,014)
Equipment - food services	(48,355)	(2,729)	-	-	(51,084)
	<u>(17,704,489)</u>	<u>(813,917)</u>	<u>-</u>	<u>-</u>	<u>(18,518,406)</u>
<hr/>					
Total Capital Assets, Being Depreciated, net	6,891,900	(487,004)	-	-	6,404,896
<hr/>					
Governmental Activities Capital Assets, net	\$ 8,657,336	\$ (487,004)	\$ -	\$ -	\$ 8,170,332

South Routt School District RE-3
Notes to Financial Statements
June 30, 2023

Note 5: Defined Benefit Pension Plan

General Information

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

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

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

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

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

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

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

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

South Routt School District RE-3
Notes to Financial Statements
June 30, 2023

Note 5: Defined Benefit Pension Plan

General Information

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 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

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

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of a disability. The disability benefit amount is based on the lifetime retirement benefit formula(s) shown above considering a minimum of 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) in place under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

Contributions provisions as of June 30, 2023 - Eligible employees of the District and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Eligible employees are required to contribute 11.00% of their PERA-includable salary during the period of July 01, 2022 through June 30, 2023. The District's contribution rate was 20.38% of covered salaries for July 01, 2022 through June 30, 2023. However, a portion of the District's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 6). Contribution rates for the SCHDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District were \$736,553 for the year ended June 30, 2023.

South Routt School District RE-3
Notes to Financial Statements
June 30, 2023

Note 5: Defined Benefit Pension Plan (Continued)

General Information (Continued)

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 ERA in the amount of \$380 million (actual dollars), upon enactment. The July 1, 2023, payment is reduced by \$190 million (actual dollars) to \$35 million (actual dollars). The July 1, 2024, payment will not be reduced due to PERA's negative investment return in 2022. Senate Bill (SB) 23-056, enacted June 2, 2023, requires an additional direct distribution of approximately \$14.5 million (actual dollars), for a total of approximately \$49.5 million (actual dollars) to be contributed July 1, 2023.

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

The net pension liability for the SCHDTF was measured at December 31, 2022, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. Standard update procedures were used to roll forward the TPL to December 31, 2022. The District proportion of the net pension liability was based on the District contributions to the SCHDTF for the calendar year, 2022 relative to the total contributions of participating employers and State as a nonemployer contributing entity.

At June 30, 2023, the District reported a liability of \$8,631,657, 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 District as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the District were as follows:

District Proportionate share of net pension liability	\$ 11,147,002
The State's proportionate share of net pension liability as a nonemployer contributing entity associated with the District	<u>(2,515,345)</u>
Proportionate share of the net pension liability	<u>\$ 8,631,657</u>

South Routt School District RE-3
Notes to Financial Statements
June 30, 2023

Note 5: Defined Benefit Pension Plan (Continued)

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

At December 31, 2022, the District's proportion was .0474020329%, which was a decrease of .0038979671% from its proportion measured at December 31, 2021.

For the year ended June 30, 2023, the District recognized pension expense of \$2,094,916 and benefit of \$295,789 for support from the State as a nonemployer contributing entity. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 81,692	\$ -
Changes of assumptions and other inputs	152,895	-
Net difference between projected and actual earnings on plan investments	1,159,552	-
Changes in proportion	156,151	625,136
Contributions subsequent to the measurement date	395,545	-
Total	<u>\$ 1,945,835</u>	<u>\$ 625,136</u>

\$395,545 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30,</u>	
2024	\$ (167,286)
2025	52,688
2026	365,292
2027	674,460
Total	<u>\$ 925,154</u>

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Note 5: Defined Benefit Pension Plan (Continued)

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

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

Actuarial cost method	Entry age
Price inflation	2.3%
Real wage growth	0.7%
Wage inflation	3.0%
Salary increases, including wage inflation	3.4% - 11.0%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Post retirement benefit increases:	
Hired prior to 1/1/2007	1.25%
Hired after 12/31/2006	Financed by AIR

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 PubT-2010 Contingent Survivor Table, adjusted as follows:

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

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

South Routt School District RE-3
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Note 5: Defined Benefit Pension Plan (Continued)

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

The actuarial assumptions used in the December 31, 2021, valuation were based on the results of the 2020 experience analysis for the periods 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. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020.

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

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

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

South Routt School District RE-3

Notes to Financial Statements

June 30, 2023

Note 5: Defined Benefit Pension Plan (Continued)

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

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

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in Senate Bill (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, required adjustments resulting from the 2018 and 2020 AAP assessments. Employer contributions also include the current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State, as a nonemployer contributing entity, will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- 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.

South Routt School District RE-3
 Notes to Financial Statements
 June 30, 2023

Note 5: Defined Benefit Pension Plan (Continued)

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

- The AIR balance was excluded from the initial FNP, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the FNP 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 determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25%. There was no change in the discount rate from the prior measurement date.

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$ 11,295,870	\$ 8,631,657	\$ 6,406,766

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.

South Routt School District RE-3
Notes to Financial Statements
June 30, 2023

Note 6: Postemployment Healthcare Benefits

General Information

Plan description - Eligible employees of the District are provided with OPEB through the HCTF - a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended, and sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended by the Colorado General Assembly. PERA issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

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

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

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

South Routt School District RE-3
Notes to Financial Statements
June 30, 2023

Note 6: Postemployment Healthcare Benefits (Continued)

General Information (Continued)

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

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

DPS Benefit Structure

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

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

Contributions - Pursuant to Title 24, Article 51, Section 208(1)(f) of the CRS, 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.

South Routt School District RE-3
Notes to Financial Statements
June 30, 2023

Note 6: Postemployment Healthcare Benefits (Continued)

General Information (Continued)

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the District was \$17,067 for the year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of \$299,907 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured at 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 total OPEB liability to December 31, 2022. The District's proportion of the net OPEB liability was based on the District's contributions to the HCTF for the calendar year ended December 31, 2022, relative to the contributions of all participating employers to the HCTF.

At December 31, 2022, the District's proportion was .0367318000% which was an increase of .00333180000% from its proportion measured at December 31, 2021.

For the year ended June 30, 2023, the District recognized OPEB expense of \$162,213. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 37	\$ 72,529
Changes in assumptions and other inputs	4,817	33,101
Net difference between projected and actual earnings on plan investments	18,316	-
Changes in proportion	144,366	44,343
Contributions subsequent to the measurement date	19,797	-
Total	<u>\$ 187,333</u>	<u>\$ 149,973</u>

South Routt School District RE-3
Notes to Financial Statements
June 30, 2023

Note 6: Postemployment Healthcare Benefits (Continued)

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

\$19,797 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

<u>Year Ended June 30,</u>			
2024	\$	46,327	
2025		(20,546)	
2026		(14,922)	
2027		9,170	
2028		(1,808)	
Thereafter		(658)	
 Total	 \$	 17,563	

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	2.3%
Real wage growth	0.7%
Wage inflation	3.0%
Salary increases, including wage inflation	3.4% - 11.0%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates:	
<i>PERA Benefit Structure</i>	
Service-based premium subsidy	0.0%
PERACare Medicare plans	
4.5% in 2021, 6.0% in 2022, gradually decreasing to 4.5% in 2029	
Medicare Part A premiums:	
3.75% in 2021, gradually increasing to 4.5% in 2029	
<i>DPS Benefit Structure</i>	
Service-based premium subsidy	0.0%
PERACare Medicare plans	N/A
Medicare Part A premiums:	N/A

South Routt School District RE-3
Notes to Financial Statements
June 30, 2023

Note 6: Postemployment Healthcare Benefits (Continued)

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

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

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

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

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

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

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

South Routt School District RE-3
 Notes to Financial Statements
 June 30, 2023

Note 6: Postemployment Healthcare Benefits (Continued)

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

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

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

Mortality assumptions used in the December 31, 2021, valuation for the determination of the total pension liability for each of the Division Trust Funds as shown below are 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 State and Local Government Divisions (members other than State Troopers) were based upon the PubG-2010 Employee Table with generational projection using scale MP-2019.

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

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

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

South Routt School District RE-3

Notes to Financial Statements

June 30, 2023

Note 6: Postemployment Healthcare Benefits (Continued)

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

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

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

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

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

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

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

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

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

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

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

South Routt School District RE-3
Notes to Financial Statements
June 30, 2023

Note 6: Postemployment Healthcare Benefits (Continued)

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

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

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

Effective for the December 31, 2022, measurement date, the timing of the retirement decrement was adjusted to middle-of-year within the valuation programming used to determine the TOL, reflecting a recommendation from the 2022 actuarial audit report, dated October 14, 2022, summarizing the results of the actuarial audit performed on the December 31, 2021, actuarial valuation.

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

South Routt School District RE-3
Notes to Financial Statements
June 30, 2023

Note 6: Postemployment Healthcare Benefits (Continued)

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

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, as presented previously (See Note 5).

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 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.

South Routt School District RE-3
Notes to Financial Statements
June 30, 2023

Note 6: Postemployment Healthcare Benefits (Continued)

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

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

Sensitivity of the District's proportionate share of 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, as follows:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ 347,682	\$ 299,907	\$ 259,045

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the Healthcare Cost Trend Rates - The following presents the net OPEB liability using the current healthcare cost trend rates applicable to the PERA benefit structure, ranging from 3.00% to 7.25%, as well as if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rates, as follows:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Proportionate share of the net OPEB liability	\$ 291,419	\$ 299,907	\$ 309,144

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.

South Routt School District RE-3
Notes to Financial Statements
June 30, 2023

Note 7: 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, or natural disasters. The District maintains commercial insurance for all risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Litigation

At times, the District may be subject to various claims and legal proceedings covering a wide range of matters that arise in the ordinary course of business. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the financial condition or results of operations of the District.

Colorado School Districts Self Insurance Pool

The District belongs to the Colorado School Districts Self-Insurance Pool that was established by the Colorado Association of School Boards (CASB) to provide insurance coverage to participants in the areas of General Liability, Errors and Omissions, Automobile Liability, Auto Physical Damage, Auto Personal Injury Protection, Real and Personal Property, Crime and other coverage. The Board of Directors is composed of nine persons who are appointed by the existing Board of Directors. Each member's initial contribution and subsequent contributions are determined by the Pool based on factors including, but not limited to, the Aggregate Pool claims, the cost of administrative and other operating expenses, the number of participants, the adequacy of both operating and reserve funds and other factors touching on the status of the Pool or an individual participant, and as approved by the Colorado Insurance Commissioner.

As the District did not exercise oversight responsibility nor have sufficient control over Pool activities, the Pool is not a component unit of the District and only the District's share of contributions to the Pool is recorded as Expenditures in the Insurance Reserve Fund.

The District's share in the Pool is not determinable from current information but is estimated to be less than 1%. The District's share, if calculated, would not be material to the Pool's financial information at June 30, 2023.

Reporting to the Division of Insurance, as well as an audit and actuary study is conducted annually. These reports may be obtained by contacting the Pool's administrative offices at 6857 South Spruce Street, Centennial, Colorado 80112.

South Routt School District RE-3
Notes to Financial Statements
June 30, 2023

Note 8: Commitments and Contingencies

Claims and Judgments

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

TABOR Amendment

In November 1992, Colorado voters passed the TABOR Amendment to the State Constitution which limits state and local government taxing powers and imposes spending limitations. The District is subject to the Amendment.

In November 1999, voters within the District authorized the District to collect, retain, and expend all excess revenues and other funds received from every source, without limitation, in the 1999-2000 budget year and each subsequent budget year thereafter without future voter approval, notwithstanding the limitations of the Amendment. The Amendment is subject to many interpretations, but the District believes it is in substantial compliance with the Amendment.

In accordance with the Amendment, the District has established a reserve for emergencies, representing 3% of qualifying expenditures. At June 30, 2023, the reserve was reported as restricted fund balance in the General Fund, in the amount of \$614,467.

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Required Supplementary Information

South Routt School District RE-3
 Required Supplementary Information
 Schedule of Proportionate Share of the Net Pension Liability and Contributions
 Public Employees' Retirement Association of Colorado School Division Trust Fund
 June 30, 2023

Measurement Date	12/31/22	12/31/21	12/31/20	12/31/19	12/31/18
Proportionate Share of the Net Pension Liability					
District's Proportion of the Net Pension Liability	0.0474020329%	0.0513000000%	0.0492000000%	0.0555000000%	0.5099000000%
Net Pension Liability					
District's Proportionate Share of the State's Proportionate Share	\$ 8,631,657	\$ 5,964,975	\$ 7,434,295	\$ 8,298,268	\$ 9,029,534
	2,515,345	613,480	-	937,057	1,086,148
Total Proportionate Share	\$ 11,147,002	\$ 6,578,455	\$ 7,434,295	\$ 9,235,325	\$ 10,115,682
District's Covered-employee Payroll	\$ 3,635,155	\$ 3,198,007	\$ 2,631,998	\$ 3,262,842	\$ 2,797,122
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered-employee Payroll	307%	206%	282%	283%	362%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62%	75%	67%	65%	44%
Reporting Date	6/30/23	6/30/22	6/30/21	6/30/20	6/30/19
District Contributions					
Statutorily Required Contribution	\$ 658,352	\$ 649,374	\$ 496,580	\$ 631,319	\$ 561,615
Contributions in Relation to the Statutorily Required Contribution	(658,352)	(649,374)	(496,580)	(631,319)	(561,615)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered-employee Payroll	3,216,037	\$ 3,266,468	\$ 2,497,886	\$ 3,299,350	\$ 2,935,731
Contributions as a Percentage of Covered-employee Payroll	20.47%	19.88%	19.88%	19.13%	19.13%

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

(Continued)

South Routt School District RE-3
 Required Supplementary Information
 Schedule of Proportionate Share of the Net Pension Liability and Contributions
 Public Employees' Retirement Association of Colorado School Division Trust Fund
 June 30, 2023
 (Continued)

Measurement Date	12/31/17	12/31/16	12/31/15	12/31/14
Proportionate Share of the Net Pension Liability				
District's Proportion of the Net Pension Liability	0.0593000000%	0.0595000000%	0.0610000000%	0.0650000000%
Net Pension Liability				
District's Proportionate Share of the State's Proportionate Share	\$ 19,182,556	\$ 17,729,293	\$ 9,332,061	\$ 8,808,268
	-	-	-	-
Total Proportionate Share	\$ 19,182,556	\$ 17,729,293	\$ 9,332,061	\$ 8,808,268
District's Covered-employee Payroll	\$ 2,686,182	\$ 2,670,527	\$ 2,658,341	\$ 2,705,094
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered-employee Payroll	714%	664%	351%	326%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	44%	43%	59%	63%
Reporting Date	6/30/18	6/30/17	6/30/16	6/30/15
District Contributions				
Statutorily Required Contribution	\$ 522,932	\$ 491,718	\$ 474,283	\$ 435,873
Contributions in Relation to the Statutorily Required Contribution	(522,932)	(491,718)	(474,283)	(435,873)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
District's Covered-employee Payroll	\$ 2,741,172	\$ 2,675,329	\$ 2,675,315	\$ 2,580,911
Contributions as a Percentage of Covered-employee Payroll	19.08%	18.38%	17.73%	16.89%

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

South Routt School District RE-3
 Required Supplementary Information
 Schedule of Proportionate Share of the Net OPEB Liability and Contributions
 Public Employees' Retirement Association of Colorado Health Care Trust Fund
 June 30, 2023

Measurement Date	12/31/22	12/31/21	12/31/20
Proportionate Share of the Net OPEB Liability			
District's Proportion of the Net OPEB Liability	0.0367318000%	0.0334000000%	0.0285000000%
District's Proportionate Share of the Net OPEB Liability	\$ 347,682	\$ 288,102	\$ 270,452
District's Covered Payroll	\$ 3,635,155	\$ 3,198,007	\$ 2,631,998
District's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	10%	9%	10%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	39%	39%	33%
Reporting Date	6/30/23	6/30/22	6/30/21
District's Contributions			
Statutorily Required Contribution	\$ 37,336	\$ 33,318	\$ 25,478
Contributions in Relation to the Statutorily Required Contribution	<u>(37,336)</u>	<u>(33,318)</u>	<u>(25,478)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 3,216,037	\$ 3,266,468	\$ 2,497,886
Contributions as a Percentage of Covered Payroll	1.16%	1.02%	1.02%

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

(Continued)

South Routt School District RE-3
 Required Supplementary Information
 Schedule of Proportionate Share of the Net OPEB Liability and Contributions
 Public Employees' Retirement Association of Colorado Health Care Trust Fund
 June 30, 2023
 (Continued)

Measurement Date	12/31/19	12/31/18	12/31/17
Proportionate Share of the Net OPEB Liability			
District's Proportion of the Net OPEB Liability	0.0363000000%	3.3200000000%	0.0337000000%
District's Proportionate Share of the Net OPEB Liability	\$ 407,873	\$ 450,959	\$ 438,048
District's Covered Payroll	\$ 3,299,350	\$ 2,797,122	\$ 2,686,182
District's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	12%	16%	16%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	24%	17%	18%
Reporting Date	6/30/20	6/30/19	6/30/18
District's Contributions			
Statutorily Required Contribution	\$ 33,227	\$ 29,944	\$ 27,980
Contributions in Relation to the Statutorily Required Contribution	(33,227)	(29,944)	(27,980)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 3,299,350	\$ 2,935,731	\$ 2,741,172
Contributions as a Percentage of Covered Payroll	1.01%	1.02%	1.02%

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

South Routt School District RE-3
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2023

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	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
<i>Local Sources</i>				
Property Taxes	\$ 3,275,832	\$ 3,275,832	\$ 3,315,888	\$ 40,056
Specific Ownership Taxes	138,328	138,328	264,076	125,748
County Revenue	2,500	2,500	2,447	(53)
Earnings on Investments	7,500	7,500	180,407	172,907
Tuition	75,000	75,000	83,792	8,792
Other Revenues	401,722	401,722	540,009	138,287
Total Local Sources	3,900,882	3,900,882	4,386,619	485,737
State Revenue	3,175,705	3,175,705	5,047,820	1,872,115
Total State Sources	3,175,705	3,175,705	5,047,820	1,872,115
<i>Federal Sources</i>				
Federal Sources	110,586	110,586	852,772	742,186
Total Revenue	7,187,173	7,187,173	10,287,211	3,100,038
Expenditures				
<i>Instruction</i>	4,039,259	4,039,259	4,227,949	(188,690)
<i>Supporting Services</i>				
Student Support	571,628	571,628	311,787	259,841
Instructional Staff	236,925	236,925	208,281	28,644
General Administration	653,755	653,755	599,126	54,629
School Administration	523,854	523,854	232,344	291,510
Business Services	-	-	78	(78)
Operations and Maintenance	704,946	704,946	553,286	151,660
Student Transportation	-	-	13,500	(13,500)
Community Service	-	-	-	-
Central Support	281,806	281,806	530,284	(248,478)
Student Activities	-	-	3,150	(3,150)
Other Support	424,885	424,885	-	424,885
Total Supporting Services	3,397,799	3,397,799	2,451,836	945,963
Capital Outlay	-	-	2,162,532	(2,162,532)
Interest and Fiscal Charges	-	-	(31,622)	31,622
	-	-	2,130,910	(2,130,910)
Total Expenditures	\$ 7,437,058	\$ 7,437,058	\$ 8,810,695	\$ (1,373,637)

(Continued)

South Routt School District RE-3
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2023
(Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Excess Revenues Over (Under) Expenditures	\$ (249,885)	(249,885)	1,476,516	\$ 1,726,401
Other Financing Sources (Uses)				
Transfers	<u>(175,000)</u>	<u>(175,000)</u>	<u>(95,235)</u>	<u>79,765</u>
Net Change in Fund Balance	(424,885)	(424,885)	1,381,281	1,806,166
Fund Balance, Beginning of Year	<u>3,409,250</u>	<u>3,409,250</u>	<u>4,533,520</u>	<u>1,124,270</u>
Fund Balance, End of Year	<u>\$ 2,984,365</u>	<u>\$ 2,984,365</u>	<u>\$ 5,914,801</u>	<u>\$ 2,930,436</u>

South Routt School District RE-3
Notes to Required Supplementary Information
June 30, 2023

Note 1: Schedule of Proportionate Share of the Net Pension Liability and Contributions

The Public Employees' Retirement Association of Colorado (PERA) School Division Trust Fund's net pension liability and associated amounts are measured annually at December 31, based on an actuarial valuation as of the previous December 31. The District's contributions and related ratios represent cash contributions and any related accruals that coincide with the District's fiscal year ending on June 30.

Changes in Assumptions and Other Inputs

For the year ended June 30, 2023, the total pension liability was determined by an actuarial valuation as of December 31, 2021. The following revised economic and demographic assumptions were effective as of December 31, 2021.

- Investment rate of return assumption of 7.25% per year, compounded annually. This assumption did not change from the prior year.
- Price inflation assumption of 2.3% per year. This assumption did not change from the prior year.
- Real rate of investment return assumption of 4.85% per year, net of investment expenses. The rate reflected in the roll-forward calculation of the collective total pension liability to the measurement date was 7.25%. This assumption did not change from prior year.
- Wage inflation assumption of 3.0% per year. This assumption did not change from the prior year.
- Healthy and disabled mortality assumptions are based on the PubT-2010 Employee Tables.

Note 2: Stewardship, Compliance and Accountability

Budgetary Information

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

- Management submits to the Board of Education a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted by the Board of Education to obtain taxpayer comments.
- Prior to June 30, the budget is adopted by formal resolution.
- Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures of any fund must be approved by the Board of Education.
- All budget appropriations lapse at fiscal year-end.

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Supplementary Information

South Rouff School District RE-3
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2023

	Special Revenue				Total
	Food Service	Pupil Activity	Transportation	Capital Construction	
Assets					
Cash and Investments	\$ 119,157	\$ 360	\$ -	\$ -	\$ 119,517
Accounts Receivables	-	-	5,169	40,822	45,991
Interfund Receivables	-	43,690	47,273	337,567	428,530
Due from Other Governments	12,616	-	288	881	13,785
Inventories	3,583	-	-	-	3,583
	<u>3,583</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,583</u>
Total Assets	\$ <u>135,356</u>	\$ <u>44,050</u>	\$ <u>52,730</u>	\$ <u>379,270</u>	\$ <u>611,406</u>
Liabilities					
Accounts Payable	\$ -	\$ 300	\$ 3,954	\$ 216,676	\$ 220,930
Accrued Salaries	18,726	-	14,483	-	33,209
Interfund Payables	70,198	59	-	-	70,257
Unearned Revenue	7,644	-	-	-	7,644
	<u>7,644</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,644</u>
Total Liabilities	<u>96,568</u>	<u>359</u>	<u>18,437</u>	<u>216,676</u>	<u>332,040</u>
Deferred Inflows of Resources					
Property Taxes	-	-	1,702	29,980	31,682
	<u>-</u>	<u>-</u>	<u>1,702</u>	<u>29,980</u>	<u>31,682</u>
Fund Balances					
Nonspendable Inventories	3,583	-	-	-	3,583
Committed	-	-	-	132,614	132,614
Assigned	35,205	43,691	32,591	-	111,487
	<u>35,205</u>	<u>43,691</u>	<u>32,591</u>	<u>-</u>	<u>111,487</u>
Total Fund Balances	<u>38,788</u>	<u>43,691</u>	<u>32,591</u>	<u>132,614</u>	<u>247,684</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ <u>135,356</u>	\$ <u>44,050</u>	\$ <u>52,730</u>	\$ <u>379,270</u>	\$ <u>611,406</u>

See Accompanying Independent Auditor's Report.

DRAFT**South Routt School District RE-3**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2023

	Special Revenue			Capital Construction	Total
	Food Service	Student Activity	Transportation		
Revenues					
Taxes	\$ -	\$ -	\$ 237,307	\$ 676,493	\$ 913,800
Intergovernmental	73,159	96,766	22	-	169,947
Earnings on Investments	8	-	611	193	812
Other	73,377	-	-	305	73,682
Total Revenues	<u>146,544</u>	<u>96,766</u>	<u>237,940</u>	<u>676,991</u>	<u>1,158,241</u>
Expenditures					
Current					
Supporting Services					
General administration	-	-	-	7,996	7,996
Operations and maintenance	-	48,311	313,878	282,326	644,515
Student transportation	-	-	-	274,440	274,440
Central and other support services	-	-	-	138,154	138,154
Food Service	218,509	-	-	-	218,509
Capital Outlays	-	-	-	62,983	62,983
Total Expenditures	<u>218,509</u>	<u>48,311</u>	<u>313,878</u>	<u>765,899</u>	<u>1,346,597</u>
Revenues Over (Under) Expenditures	(71,965)	48,455	(75,938)	(88,908)	(188,356)
Other Financing Sources and (Uses)					
Transfers In (Out)	100,000	(4,765)	-	-	95,235
Net Change in Fund Balance	<u>28,035</u>	<u>43,690</u>	<u>(75,938)</u>	<u>(88,908)</u>	<u>(93,121)</u>
Fund Balances, Beginning of Year	<u>10,753</u>	<u>1</u>	<u>108,529</u>	<u>221,522</u>	<u>340,805</u>
Fund Balances, End of Year	<u>\$ 38,788</u>	<u>\$ 43,691</u>	<u>\$ 32,591</u>	<u>\$ 132,614</u>	<u>\$ 247,684</u>

See Accompanying Independent Auditor's Report.

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South Rount School District RE-3
Budgetary Comparison Schedule
Food Service Fund
For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Local Sources	\$ 250	\$ 250	\$ 8	\$ (242)
Intergovernmental	7,500	7,500	73,159	65,659
Charges for Services	-	-	73,377	73,377
Total Revenues	<u>7,750</u>	<u>7,750</u>	<u>146,544</u>	<u>138,794</u>
Expenditures				
Salaries	125,255	125,255	94,072	31,183
Benefits	52,250	52,250	42,522	9,728
Purchased Services	25,189	25,189	1,025	24,164
Operations and maintenance	-	-	-	-
Supplies and materials	<u>26,885</u>	<u>26,885</u>	<u>80,889</u>	<u>(54,004)</u>
Total Expenditures	<u>229,579</u>	<u>229,579</u>	<u>218,508</u>	<u>11,071</u>
Excess of Revenues Over (Under) Expenditures	(221,829)	(221,829)	(71,964)	149,865
Other Financing Sources				
Transfers	<u>175,000</u>	<u>175,000</u>	<u>100,000</u>	<u>(75,000)</u>
Net Change in Fund Balance	(46,829)	(46,829)	28,036	74,865
Fund Balance, Beginning of Year	<u>40,379</u>	<u>40,379</u>	<u>10,752</u>	<u>(29,627)</u>
Fund Balance, End of Year	<u><u>\$ (6,450)</u></u>	<u><u>\$ (6,450)</u></u>	<u><u>\$ 38,788</u></u>	<u><u>\$ 45,238</u></u>

See Accompanying Independent Auditor's Report.

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South Routt School District RE-3
Budgetary Comparison Schedule
Student Pupil Activity Fund
For the Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues				
<i>Local Sources</i>				
Intergovernmental	\$ -	\$ -	\$ 96,766	\$ 96,766
Total Revenues	<u>-</u>	<u>-</u>	<u>96,766</u>	<u>96,766</u>
Expenditures				
Operations and maintenance	<u>-</u>	<u>-</u>	<u>48,311</u>	<u>(48,311)</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>48,311</u>	<u>(48,311)</u>
Other Financing Sources				
Transfers	<u>-</u>	<u>-</u>	<u>(4,765)</u>	<u>(4,765)</u>
Net Change in Fund Balance	<u>-</u>	<u>-</u>	<u>43,690</u>	<u>43,690</u>
Fund Balance, Beginning of Year	<u>12,335</u>	<u>12,335</u>	<u>1</u>	<u>(12,334)</u>
Fund Balance, End of Year	<u>\$ 12,335</u>	<u>\$ 12,335</u>	<u>\$ 43,691</u>	<u>\$ 31,356</u>

See Accompanying Independent Auditor's Report.

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South Routt School District RE-3
Budgetary Comparison Schedule
Bond Redemption Fund
For the Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues				
Local Sources				
Investment Income	\$ <u> -</u>	\$ <u> -</u>	\$ <u> 960</u>	\$ <u> 960</u>
Total Revenues	<u> -</u>	<u> -</u>	<u> 960</u>	<u> 960</u>
Expenditures				
Debt Service	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>
Total Expenditures	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>
Net Change in Fund Balance	<u> -</u>	<u> -</u>	<u> 960</u>	<u> 960</u>
Fund Balance, Beginning of Year	<u> 75,313</u>	<u> 75,313</u>	<u> 265,330</u>	<u> 190,017</u>
Fund Balance, End of Year	\$ <u> 75,313</u>	\$ <u> 75,313</u>	\$ <u> 266,290</u>	\$ <u> 190,977</u>

See Accompanying Independent Auditor's Report.

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South Routt School District RE-3
Budgetary Comparison Schedule
Transportation Fund
For the Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues				
Local Sources	\$ <u>213,961</u>	\$ <u>213,961</u>	\$ <u>237,940</u>	\$ <u>23,979</u>
Total Revenues	<u>213,961</u>	<u>213,961</u>	<u>237,940</u>	<u>23,979</u>
Expenditures				
Instruction	<u>289,274</u>	<u>289,274</u>	<u>313,876</u>	<u>(24,602)</u>
Total Expenditures	<u>289,274</u>	<u>289,274</u>	<u>313,876</u>	<u>(24,602)</u>
Net Change in Fund Balance	(75,313)	(75,313)	(75,936)	(623)
Fund Balance, Beginning of Year	<u>75,313</u>	<u>75,313</u>	<u>108,527</u>	<u>33,214</u>
Fund Balance, End of Year	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>32,591</u></u>	\$ <u><u>32,591</u></u>

See Accompanying Independent Auditor's Report.

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South Routt School District RE-3
Budgetary Comparison Schedule
Capital Construction, Technology and Maintenance Fund
For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Local Sources	\$ 668,025	\$ 668,025	\$ 676,686	\$ 8,661
Total Revenues	<u>668,025</u>	<u>668,025</u>	<u>676,686</u>	<u>8,661</u>
Expenditures				
General Administration	-	-	7,996	(7,996)
Operations and Maintenance	951,478	951,478	282,326	669,152
Student Transportation	-	-	274,440	(274,440)
Central Support	-	-	138,154	(138,154)
Capital Outlay	-	-	62,983	(62,983)
Total Expenditures	<u>951,478</u>	<u>951,478</u>	<u>765,899</u>	<u>185,579</u>
Net Change in Fund Balance	(283,453)	(283,453)	(89,213)	194,240
Fund Balance, Beginning of Year	<u>283,453</u>	<u>283,453</u>	<u>221,827</u>	<u>(61,626)</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 132,614</u>	<u>\$ 132,614</u>

See Accompanying Independent Auditor's Report.

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Compliance Section

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Single Audit

**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***

Board of Education
South Routt School District RE-3
Oak Creek, Colorado

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South Routt School District RE-3 (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the basic financial statements of the District, and have issued our report thereon dated (Date).

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting to determine the 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering South Routt School District RE-3's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Englewood, Colorado
(Date)

Independent Auditor's Report on Compliance for Each Major Federal Program, Internal Control Over Compliance, and the Schedule of Expenditures of Federal Awards Required by The Uniform Guidance

Board of Education
South Routt School District RE-3
Oak Creek, Colorado

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited South Routt School District RE-3's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2023. The District'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, the District 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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (Government Auditing Standards); and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District 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 the District'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 the District'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 the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District'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 the District'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 District'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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the basic financial statements of the District. We issued our report thereon dated March 30, 2023, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Englewood, Colorado

(Date)

South Routt School District RE-3
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

Section I: Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP): Unmodified

Internal control over financial reporting:

- Material weaknesses identified? Yes No
- Significant deficiencies identified? Yes None Reported

Noncompliance material to the financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

- Material weaknesses identified? Yes No
- Significant deficiencies identified? Yes None Reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of major federal program:

<u>CFDA Number</u>	<u>Name of Federal Cluster/Program</u>
84.425C	
84.425D	
84.425U	
84.425W	Education Stabilization Fund Cluster

Dollar threshold used to distinguish
Between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

South Routt School District RE-3
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

Section II: Financial Statement Findings

No current year findings or questioned costs were reported.

Section III: Federal Award Findings and Questioned Costs

No current year findings or questioned costs were reported.

South Routt School District RE-3
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2023

Findings Required to be reported by the Uniform Guidance

No matters are reportable.

South Routt School District RE-3
Notes to Schedule of Expenditures of Federal Awards
June 30, 2023

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards 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*, using the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in the financial statements.

Note 2: Indirect Costs

The District does not charge the 10% *de minimis* indirect cost rate allowed under Uniform Guidance.

Note 3: Subrecipients

The District passed through federal funds to two sub-recipients during the year ended June 30, 2023.

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State Compliance