

HUERFANO SCHOOL DISTRICT RE-1
WALSENBURG, COLORADO
BASIC FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT
AND CERTAIN SUPPLEMENTAL INFORMATION
PRESENTED FOR PURPOSES OF A SINGLE AUDIT
JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT

February 26, 2024

Board of Education
Huerfano School District RE-1
Walsenburg, Colorado 81089

Opinions

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Huerfano School District RE-1 (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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Huerfano School District RE-1, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Gardner Valley School, a discretely presented component unit, which represents 100% of the assets, net position, and revenues of the aggregate discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Gardner Valley School is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Audit 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.

Responsibility of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 judgement, 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, budgetary comparison information and GASB required pension and OPEB information on pages i through xiii, and 39 through 44 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Huerfano School District RE-1's basic financial statements. The accompanying combining and individual nonmajor fund financial statements, other schedules, and State required schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

**HUERFANO SCHOOL DISTRICT RE-1
201 EAST FIFTH STREET
WALSENBURG, COLORADO 81089
(719) 738-1520 FAX (719)738-3148**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FY 2022-23**

This section of the Huerfano School District RE-1's annual financial report offers readers of the District's financial statements its discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with additional information furnished in the District's financial statements, which immediately follow this section.

Financial Highlights

- Revenues totaled \$20,078,244 for 2022-23 compared to \$12,230,748 the prior year. General revenues, primarily property taxes and state equalization payments, account for approximately \$5.871 million or 29 percent of all revenues. Program specific revenues for services, grants, and contributions totaled \$14,506,393 compared to \$5,933,045 the prior year.
- The District had \$9,258,019 in expenses related to governmental activities compared to \$7,102,749 the prior year.
- The District's General Fund, which includes Fund 10/General Fund, and Fund 19/CPP, started the fiscal year with a fund balance of \$2,428,215. After revenues of \$6,068,621 and program expenditures and transfers totaling \$6,145,166, the ending fund balance at June 30, 2023 was \$2,351,670.
- The Capital Projects Fund had a beginning fund balance of \$684,644. Total revenues of \$16,178 were comprised of interest earned on investments and other revenue. Other sources included a transfer from the general fund totaling \$25,000. Expenditures totaled \$54,612 for capital outlay, leaving an ending fund balance of \$671,210.
- The Bond Redemption Fund had a beginning fund balance of \$1,411,057. Revenues, primarily from property taxes, totaled \$1,101,447 of which \$1,488,515 was used to pay principal, interest, and fiscal charges related to the Series 2011, 2021S, and 2022 Bonds. The ending fund balance in the Bond Redemption Fund increased to \$1,023,989.
- The Building Fund had a beginning fund balance of \$16,931,558. Interest earnings of \$328,747 and \$11,705,343 in BEST Grant revenue. The expenditures totaled \$17,026,457 for an ending fund balance of \$11,939,191.
- Government Designated Purpose Grants had a beginning fund balance of \$1,846 and accounted for \$1,245,611 of the revenue and \$1,243,765 expenditures related to governmental activities with an ending fund balance of \$0.
- Non-major governmental funds include student activities with a beginning fund balance of \$143,889 and food services with a beginning fund balance of \$99,167. Revenues totaled

\$460,020 including transfers from the general fund totaling \$189,250. After expenditures of \$683,851, the ending fund balances totaled \$72,762 for student activities and \$135,713 for food services.

Overview of the Financial Statements

The annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Huerfano School District RE-1 as a financial whole, or as an entire operating activity. Information for Gardner Valley School has been presented separately as required by the State of Colorado. District and Charter School financials have been combined in this discussion and analysis. The basic financial statements consist of three parts – management’s discussion and analysis (this section), the basic financial statements and required supplementary information.

The basic financial statements include two kinds of statements that present different views of the District. The basic financial statements are government-wide financial statements that provide both long-term and short-term information about the District’s overall financial status.

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. Detailed in the following diagram are how the various parts of this annual report are arranged and related to one another.

Government-wide Statements

The government-wide statements are designed to provide readers a broad overview of the finances of Huerfano School District RE-1, in a manner similar to private-sector business.

The Statement of Net Position includes all of the District’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid. The Statement of Net Position presents information on all of the District’s assets and liabilities, with the differences between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Huerfano School District RE-1 is improving or deteriorating. To assess the District’s overall health, you need to consider additional non-financial factors such as the condition of school buildings and other facilities.

The Statement of Activities presents information showing how the government’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in future fiscal periods.

Both of the district-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Included in governmental activities are most of the District’s basic services such as regular and special education, transportation, maintenance and operations, food services and administration.

The basic district-wide financial statements can be found starting on page 4 of the audited financial statements.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds, not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Certain funds are required by law while other funds control and manage money for particular purposes (such as federal grants or student activity).

The District's services are included in governmental funds, which focus on (1) inflows and outflows of cash and other financial assets and (2) balances remaining at year-end which are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine financial resources that may be available in the near term to finance the District's programs. Because this information does not encompass the long-term focus of the district-wide statements, a reconciling schedule is included on the governmental funds statements explaining the relationship (or difference) between them.

Huerfano School District RE-1 maintains seven governmental funds: General Fund including a sub-fund for the Colorado Preschool Program, Food Service, Government Designated Grants, Student Activity, Bond Redemption, Building Fund and Capital Projects. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for these funds. Supplementary information includes budget-to-actual information for all government funds as required by State law. The basic governmental fund financial statements can be found starting on page 6 of the audited financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found starting on page 10.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information starting on page 39. This includes budget-to-actual information for all funds as dictated by State law.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

All financial activities of the District are reported on the accrual basis of accounting. This section explains the differences between the current and prior year's assets, liabilities, and changes in the net position. The table below provides a comparison of the District's net position as of June 30, 2023 to June 30, 2022.

Huerfano School District RE-1 Condensed Statement of Net Position

	6/30/2023 Governmental Activities	6/30/2022 Governmental Activities	Net Change
ASSETS			
Current & Other Assets	\$ 21,970,739	\$ 23,361,828	\$ (1,391,089)
Capital Assets	\$ 28,571,841	\$ 12,062,523	\$ 16,509,318
Total Assets	\$ 50,542,580	\$ 35,424,351	\$ 15,118,229
DEFERRED OUTFLOWS OF RESOURCES			
Bond Refunding	\$ -	\$ 2,425	\$ (2,425)
Pension Cost - Investment Change	\$ 738,410	\$ 2,884,984	\$ (2,146,574)
Other Post Employment Benefits	\$ 53,532	\$ 54,853	\$ (1,321)
Total Deferred Outflows of Resources	\$ 791,942	\$ 2,942,262	\$ (2,150,320)
Current Liabilities	\$ 6,284,698	\$ 1,375,483	\$ 4,909,215
Non-Current Liabilities	\$ 26,304,799	\$ 26,650,442	\$ (345,643)
Total Liabilities	\$ 32,589,497	\$ 28,025,925	\$ 4,563,572
DEFERRED INFLOWS OF RESOURCES			
Related to Leases	\$ 13,964	\$ 21,447	\$ (7,483)
Deferred Pension Earnings	\$ 717,520	\$ 3,807,557	\$ (3,090,037)
Other Post Employment Benefits	\$ 119,552	\$ 85,940	\$ 33,612
Total Deferred Inflows of Resources	\$ 851,036	\$ 3,914,944	\$ (3,063,908)
Net Position			
Net Investment in Capital Assets	\$ 26,143,149	\$ 12,363,793	\$ 13,779,356
Restricted For:			
TABOR	\$ 183,000	\$ 194,900	\$ (11,900)
Preschool	\$ 170,230	\$ 126,198	\$ 44,032
Debt	\$ 12,963,180	\$ 1,522,595	\$ 11,440,585
Food Service	\$ -	\$ -	\$ -
Unrestricted	\$ (21,565,570)	\$ (7,781,742)	\$ (13,783,828)
Total Net Position	\$ 17,893,989	\$ 6,425,744	\$ 11,468,245

The Statement of Net Position reports all financial and capital resources. The statement presents assets and liabilities in order of relative liquidity. Liabilities reported as current include accounts payable, accrued salaries and benefits and amounts due on general obligation bonds within one year. The difference between the District's assets and liabilities is its net position.

Current Assets decreased by \$1,391,089 and Capital Assets increased by \$16,509,318 due to the addition of capital assets, specifically the new Walsenburg Jr/Sr High School.

Total Liabilities increased by \$4,563,572 due to the 2022 issuance of Bonds for Capital Construction.

Net position increased \$11,468,245 due to the increase in Capital Assets, specifically the new Walsenburg Jr/Sr High School.

Changes in Net Assets

The District's Governmental Activities are reported on the accrual basis of accounting. Table 4 provides a summary of the changes in Net Position and comparison of revenues and expenditures from FY 2022-23 to FY 2021-22.

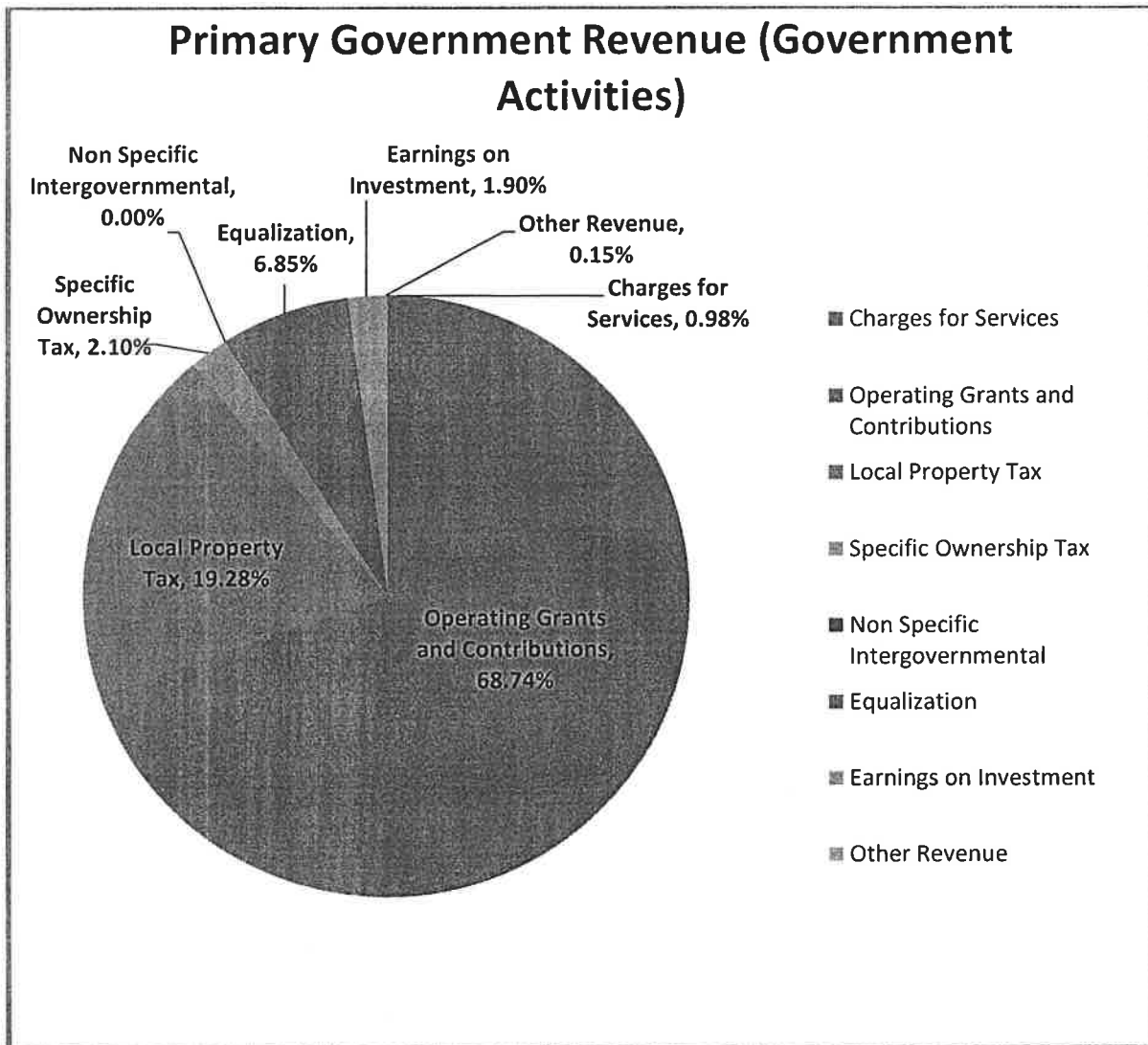
Huerfano School District RE-1 Condensed Statement of Changes in Net Position

	6/30/2023 Governmental Activities	6/30/2022 Governmental Activities	Net Change
Program Revenues			
Charges for Services	\$ 203,793	\$ 470,445	\$ (266,652)
Operating Grants & Contributions	\$ 2,597,257	\$ 3,874,935	\$ (1,277,678)
Capital Grants & Contributions	\$ 11,705,343	\$ 1,587,665	\$ 10,117,678
General Revenues			
Property Taxes	\$ 4,010,707	\$ 4,500,216	\$ (489,509)
Specific Ownership Taxes	\$ 436,168	\$ 290,463	\$ 145,705
Non Specific Intergovernmental	\$ -	\$ -	\$ -
School Finance Act (Equalization)	\$ 1,424,405	\$ 1,431,790	\$ (7,385)
Earnings on Investments	\$ 396,068	\$ 22,011	\$ 374,057
Other Revenue	\$ 31,967	\$ 53,223	\$ (21,256)
Charter Per Pupil Revenue	\$ (727,464)	\$ (728,687)	\$ 1,223
Total General Revenues	\$ 5,571,851	\$ 5,569,016	\$ 2,835
Total Revenues	\$ 20,078,244	\$ 11,502,061	\$ 8,576,183
Expenses			
Direct Instruction	\$ 4,960,313	\$ 3,656,769	\$ 1,303,544
Indirect Instruction	\$ 1,165,233	\$ 234,893	\$ 930,340
Student Transportation	\$ 364,229	\$ 423,709	\$ (59,480)
Custodial & Maintenance	\$ 668,401	\$ 681,442	\$ (13,041)
Other Support Services	\$ 1,405,770	\$ 1,470,634	\$ (64,864)
General Administration	\$ 240,476	\$ 278,422	\$ (37,946)
Interest on Long-Term Debt	\$ 453,597	\$ 356,880	\$ 96,717
Capital Outlay	\$ -	\$ -	\$ -
Pension Amortization	\$ -	\$ -	\$ -
OPEB Expense	\$ -	\$ -	\$ -
Total Expenses	\$ 9,258,019	\$ 7,102,749	\$ 2,155,270
Changes in Net Position	\$ 11,547,689	\$ 5,127,999	\$ 6,420,913
Net Position, Beginning Restated	\$ 6,425,744	\$ 1,207,620	\$ 5,138,680
Prior Period Adjustment	\$ (79,444)	\$ 90,125	\$ (90,125)
Net Position, Ending	\$ 17,893,989	\$ 6,425,744	\$ 11,469,468

Revenues increased overall by \$8,576,183 primarily due to capital grants.

Expenses increased by \$2,155,270 over the prior year due to the increase in capital grants.

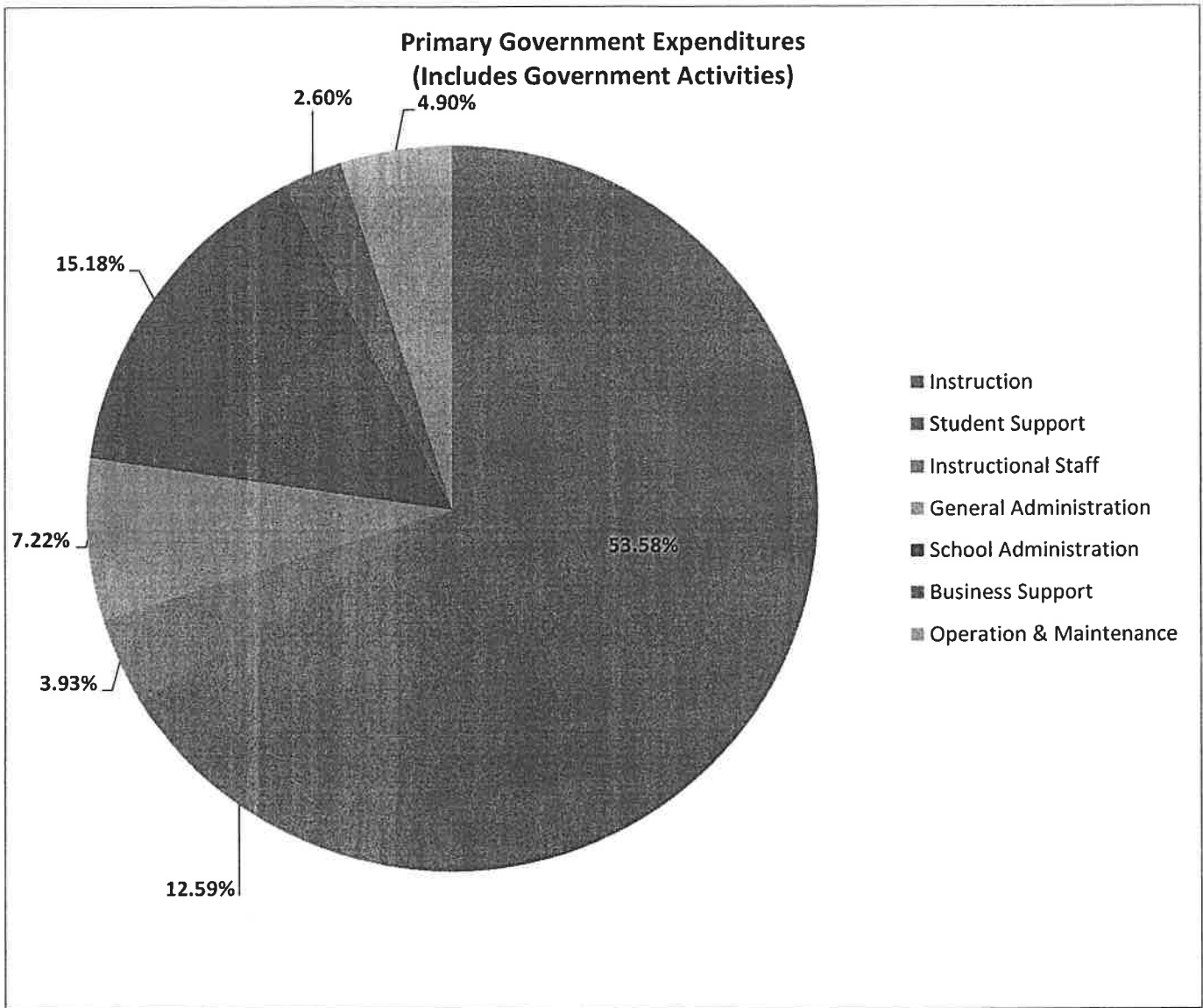
**Huerfano School District RE-1
Government-Wide
Total Revenues FY 2022-23**



**PRIMARY GOVERNMENT REVENUE
(Government Activities)**

Charges for Services	\$ 203,793	0.98%
Operating Grants and Contributions	\$ 14,302,600	68.74%
Local Property Tax	\$ 4,010,707	19.28%
Specific Ownership Tax	\$ 436,168	2.10%
Non Specific Intergovernmental	\$ -	0.00%
Equalization	\$ 1,424,405	6.85%
Earnings on Investment	\$ 396,068	1.90%
Other Revenue	\$ 31,967	0.15%
	<u>\$ 20,805,708</u>	<u>100.00%</u>

**Huerfano School District RE-1
Government Wide
Total Expenditures FY 2022-23**



**Primary Government Expenditures
(Includes Government Activities)**

Direct Instruction	\$ 4,960,313	53.58%
Indirect Instruction	\$ 1,165,233	12.59%
Transportation	\$ 364,229	3.93%
Custodial & Maintenance	\$ 668,401	7.22%
Other Support Services	\$ 1,405,770	15.18%
General Administration	\$ 240,476	2.60%
Interest Expense, unallocated	\$ 453,597	4.90%
	<u>\$ 9,258,019</u>	<u>100.00%</u>

The primary source of operating revenue for school districts comes from the Public School Finance Act of 1994. Under this Act, the District received \$10,467 per funded in-school student compared to \$9,914 the prior year. The District's actual funded pupil count on October 1, 2022 was 508.60 compared to 512 the prior year. Statute provides for averaging with prior years for declining enrollment districts.

Total Program Funding from the School Finance Act comes from property taxes, specific ownership taxes, and state equalization. The District received \$5,323,574 under the School Finance Act compared to \$5,155,333 the prior year. The state share decreased to 40%. The local share, which includes property taxes and specific ownership taxes, makes up the other 60% of funding from school finance.

The statement of activities provides the cost of program services and the related charges for services and grants offsetting those costs. The Net Cost of Governmental Activities schedule reflects each program's net cost (total cost less fees generated by the programs and intergovernmental aid provided for specific programs).

**Huerfano School District RE-1
Net Cost of Governmental Activities
Comparison from FY 2022-23 to 2021-22**

	FY 2022-23 Total Cost of Service	FY 2022-23 Service Fees Grants and Contributions	FY 2022-23 Net Cost Of Services	FY 2021-22 Total Cost of Service	FY 2021-22 Service Fees Grants and Contributions	FY 2021-22 Net Cost Of Services	Net Change
Governmental Activities							
Direct Instruction	\$ 4,960,313	\$ 1,529,069	\$ (3,431,244)	\$ 3,656,769	\$ 2,779,160	\$ (877,609)	\$ (2,553,635)
Indirect Instruction	\$ 1,165,233	\$ 471,024	\$ (694,209)	\$ 234,893	\$ 450,072	\$ 215,179	\$ (909,388)
Transportation	\$ 364,229	\$ 17,324	\$ (346,905)	\$ 423,709	\$ 85,072	\$ (338,637)	\$ (8,268)
Custodial & Maintenance	\$ 668,401	\$ 52,818	\$ (615,583)	\$ 681,442	\$ 127,789	\$ (553,653)	\$ (61,930)
Other Support Services	\$ 1,405,770	\$ 12,365,858	\$ 10,960,088	\$ 1,470,634	\$ 2,371,407	\$ 900,773	\$ 10,059,315
General Administration	\$ 240,476	\$ 70,300	\$ (170,176)	\$ 278,422	\$ 119,545	\$ (158,877)	\$ (11,299)
Interest Expense, unallocated	\$ 453,597	\$ -	\$ (453,597)	\$ 356,880	\$ -	\$ (356,880)	\$ (96,717)
Pension Amortization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
OPEB Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
						\$ -	
Total Primary Government	<u>\$ 9,258,019</u>	<u>\$ 14,506,393</u>	<u>\$ 5,248,374</u>	<u>\$ 7,102,749</u>	<u>\$ 5,933,045</u>	<u>\$ (1,169,704)</u>	<u>\$ 6,418,078</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

The focus of the District's governmental funds report is to provide information on near term inflows, outflows, and balances of spend-able resources. Such information is useful in assessing the District's financial requirements. In particular, unreserved fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

General Fund (Includes Fund 10/General Fund, Fund 19/CPP)

The General Fund is the major operating fund of the District, providing the majority of the resources for education and support programs. For fiscal year 2022-23 the beginning Fund Balance in the General Fund was \$2,428,215. Revenues in the General Fund totaled \$6,068,621 while expenditures totaled \$5,930,916 and transfers to other funds totaled \$214,250. The ending fund balance in the General Fund decreased by \$76,545 from current operations resulting in an ending fund balance of \$2,351,670 as of June 30, 2023 including \$183,000 reserved for TABOR in accordance with Colorado statute regarding emergency reserves.

The General Fund is solvent and remains in sound financial condition. The District continues to make budget adjustments as needed to ensure that expenditures do not continually exceed revenues in order to maintain an appropriate fund balance.

Government Designated Grants Fund/Special Revenue (Fund 22)

The Government Designated Grants Fund is used to record financial transactions for grants received for designated purposes funded by the federal government. Special revenue funds are legally restricted to expenditures for specific purposes. Revenue in the Government Designated Grants Fund, which includes the Federal Consolidated Grants, totaled \$1,245,611. The District reported \$1,243,765 in expenditures from federal sources including the following grants over \$100,000:

Title I, Part A
21st Century
ESSER III

Bond Redemption (Fund 31)

Revenues from a tax levy for the purpose of satisfying bonded indebtedness obligations, both principal and interest, are recorded in the Bond Redemption Fund, but are administered by a third-party custodian. The District's approved third-party custodian for the Bond Redemption Fund is UMB Bank. The 2023 bond mill levy was 9.532. Revenue, including property tax and specific ownership tax, in the Bond Redemption Fund totaled \$1,101,447. Bond principal and interest payments in the amount of \$1,488,515 were made in FY 2022-23. The Ending Fund Balance in the Bond Redemption Fund was \$1,023,989 at June 30, 2023 compared to \$1,411,057 the prior year.

Building Fund (Fund 41)

The District was successful in passing a bond issue and being awarded a BEST grant. The building fund was created to account for these funds for Capital Construction.

The beginning balance was \$16,931,558. Revenues totaled \$12,034,090 with BEST Grant, state sourced revenue of \$11,705,343. The total expenditures were \$17,026,457. The ending fund balance as of June 30, 2023 was \$11,939,191.

Capital Projects Capital Reserve Fund (Fund 43)

The District uses a Capital Projects Fund to account for major projects that may take several years to complete and gifts and grants designated for the specific project are expected to be a major source of funding for that project.

The FY 2022-23 beginning Fund Balance in the Capital Projects Fund (43) was \$684,644. Revenues totaled \$16,178 and \$25,000 from transfers from the General Fund. Expenditures totaled \$54,612 of which was capital outlay. The Fund Balance as of June 30, 2023 was \$671,210.

Student Activity (Fund 23)

The Student Activity Fund is used to record financial transactions related to school-sponsored pupil intra-scholastic and inter-scholastic athletics and other related activities. These activities are supported in whole or in part by revenue from pupils, gate receipts, and other fund-raising activities.

The beginning Fund Balance in the Student Activity Fund was \$143,889. Revenues in the Student Activity Fund totaled \$86,535 and \$89,250 of transfers from the General Fund. Expenditures totaled \$246,912. The Fund Balance in the Student Activity Fund as of June 30, 2023 was \$72,762.

Food Service (Fund 21)

The Food Service Fund is used to record financial transactions related to the hot lunch and breakfast programs. The beginning Fund Balance in the Food Service Fund was \$99,167. Revenues in the Food Service Fund totaled \$373,485 including federal meal revenue of \$354,184, state revenue of \$1,627, other sources totaling \$17,674 and transfers from General Fund of \$100,000. Expenditures totaled \$436,939 leaving an ending Fund Balance in the Food Service Fund as of June 30, 2023 of \$135,713.

BUDGET ANALYSIS

The Board of Education approved a budget in June 2022 based on enrollment projections for the 2022-23 school year. Statute permits a district to amend its budget through January 31st each year, which the Board of Education approved at its meeting in January 2023. Budget comparisons appear on pages 39 through 40 and 47 through 51. Following is a discussion of significant variances of actual results compared to final budgets.

General Fund revenues were over budget by \$498,660. Expenditures were under budget by \$1,491,058 with variance spread to all functions.

Operating revenues from food sales were \$28,575 over budget. Expenditures were under budget by \$79,971. There was a General Fund transfer of \$100,000. The District budgeted for use of fund balance in the amount of \$72,000 but did not use it which resulted as increase in the fund balance by \$36,546.

Grant revenues were more than expenditures and revenues were less than budget by \$63,891 and expenditures were more than budget by \$65,737, this is primarily due to timing and receiving funds on a reimbursement basis.

Revenues in the Pupil Activities Special Revenue Fund were over budget by \$15,447 while expenditures were under budget by \$55,366. The subsidy from General Fund was \$89,250 equal to the amount budgeted. Overall, the fund balance decreased by \$71,127.

Revenues in the Bond Redemption Debt Service Fund were \$96,854 under budget. Spending was \$484,055 under budget primarily due to not spending appropriated reserves, which will be used for future bond payments. Ending fund balance decreased \$387,068.

In the Capital Projects Capital Reserve Fund, revenues were over budget by \$12,178. Expenditures were \$626,932 below budget due to appropriated reserves that were not spent.

CAPITAL ASSET AND LONG-TERM DEBT

Capital assets: The Huerfano School District RE-1 owns land with a carrying value of \$247,347 and construction in progress at \$19,062,288. Building and improvements capitalized at \$18,745,966 at June 30, 2023. Equipment and vehicles totaled \$1,904,486. In addition, the Districts Food Service Fund has equipment with a carrying value of \$313,123. The net carrying value of capital assets after subtracting accumulated depreciation is \$9,262,206 from governmental activities.

Long-term debt: District voters approved a general obligations bond of \$16,400,000 in 2020. General Obligation Bonds were issued for the original amount of \$16,396,581. Series 2021S State of Colorado BEST Program bonds of \$9,361,581 are due in semi-annual installments with annual payments ranging from \$591,125 to \$598,865 through December 1, 2041 with an interest rate of 2.467%. The Series 2022 General Obligation Bonds of \$7,035,000 are due in semi-annual installments with annual payments ranging from \$443,400 to \$448,400 through December 1, 2046 with an interest rate range of 3.00% to 4.00%. The \$4,140,000 Series 2011 general obligation bonds, due semi-annually with payments ranging from \$345,925 to \$405,600 through December 1, 2022, with interest rates ranging from 2.00% to 4.00% had a final payment of \$390,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could significantly affect its financial health in the future:

- There continues to be a pattern of decline in the funded pupil count. Huerfano's enrollment has been steadily declining with few increases in the past few years. In Districts with declining enrollment such as Huerfano RE-1, the state averages the previous 5 years to determine an average funded count. The District's average "Funded Pupil Count" for 2022-23 was 508.60 compared to 520 for 2021-22, 526.5 for 2020-21, 529.1 for 2019-20, and 517.0 for 2018-19.
- Deficit spending had been a chronic problem, but the District has addressed the issue and has continued to have an operating surplus for over five years. Districts should keep at least three to four months operating costs in reserves for unexpected economic changes in addition to required TABOR reserves. The District needs to continue to monitor its reserves and not rely on them to balance the budget.

**CONTACTING THE FINANCIAL MANAGEMENT TEAM OF
HUERFANO SCHOOL DISTRICT RE-1**

This financial report is designed to provide the District's taxpayers, citizens, investor, and creditors with a general overview of the District's financial status and to demonstrate the District's accountability for the money it receives.

If there are questions regarding this report or additional information is needed, contact Superintendent Michael Moore or Business Manager Julie Valdez at Huerfano School District RE-1, 201 East Fifth Street, Walsenburg, CO 81089.

BASIC FINANCIAL STATEMENTS

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

STATEMENT OF NET POSITION
HUERFANO SCHOOL DISTRICT RE-1
June 30, 2023

	Primary Government	Component Units
	Governmental Activities	Charter School
<u>Assets</u>		
Cash and investments - unrestricted	\$ 3,626,036	\$ 214,844
Receivables	3,899,372	261,997
Restricted cash and investments	14,370,399	-
Inventories	9,032	-
Prepaid expenses	65,900	15,098
Capital Assets		
Non-depreciable	19,309,635	18,730
Depreciable - net	9,262,206	24,631
Total Assets	50,542,580	535,300
<u>Deferred Outflow of Resources</u>		
Related to OPEB	53,532	43,619
Related to pensions	738,410	768,999
Total Deferred Outflows of Resources	791,942	812,618
<u>Liabilities</u>		
Accounts payable and accrued liabilities	4,777,973	73,086
Accrued salaries	437,244	43,063
Unearned revenue	462,713	1,619
Long-Term Liabilities		
Due within one year	606,768	-
Due in more than one year	16,468,658	-
Net OPEB liability	324,455	45,220
Net pension liability	9,511,686	1,325,482
Total Liabilities	32,589,497	1,488,470
<u>Deferred Inflow of Resources</u>		
Related to leases	13,964	-
Related to OPEB	119,552	16,635
Related to pensions	717,520	139,425
Total Deferred Inflows of Resources	851,036	156,060
<u>Net Position</u>		
Investment in capital assets, net of related debt	26,143,149	43,361
Restricted	13,316,410	30,200
Unrestricted	(21,565,570)	(370,173)
Total Net Position	\$ 17,893,989	\$ (296,612)

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

STATEMENT OF ACTIVITIES
HUERFANO SCHOOL DISTRICT RE-1
For the year ended June 30, 2023

					Net (Expense) Revenue and Changes in Net Position	
	Expenditures	Charges for Services	Program Revenue	Capital Grants and Contributions	Primary Government	Charter School
Governmental Activities						
Direct instruction	\$ 4,960,313	\$ 126,016	\$ 1,403,053	\$ -	\$ (3,431,244)	\$ -
Indirect instruction	1,165,233	-	471,024	-	(694,209)	-
Transportation	364,229	-	17,324	-	(346,905)	-
Custodial and maintenance	668,401	-	52,818	-	(615,583)	-
Other support services	1,405,770	17,674	642,841	11,705,343	10,960,088	-
General administration	240,476	60,103	10,197	-	(170,176)	-
Interest expense, unallocated	453,597	-	-	-	(453,597)	-
Total Governmental Activities	<u>9,258,019</u>	<u>203,793</u>	<u>2,597,257</u>	<u>11,705,343</u>	<u>5,248,374</u>	<u>-</u>
Component Unit - Charter School	<u>\$ 1,689,430</u>	<u>\$ -</u>	<u>\$ 317,620</u>	<u>\$ 13,180</u>	<u>\$ -</u>	<u>\$ (1,358,630)</u>
General Revenues						
Local property taxes					\$ 4,010,707	\$ -
Specific ownership taxes					436,168	-
School finance act					1,424,405	727,464
Earnings on investments					396,068	-
Other					31,967	277,595
Total General Revenues					<u>6,299,315</u>	<u>1,005,059</u>
Changes in Net Position					11,547,689	(353,571)
Net Position - July 1 - Restated					<u>6,346,300</u>	<u>56,959</u>
Net Position - June 30					<u>\$ 17,893,989</u>	<u>\$ (296,612)</u>

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

GOVERNMENTAL FUND
FINANCIAL STATEMENTS

BALANCE SHEET
GOVERNMENTAL FUNDS
 HUERFANO SCHOOL DISTRICT RE-1
 June 30, 2023

<u>Assets</u>	<u>General Fund</u>	<u>Designated Purpose Grants Fund</u>	<u>Debt Service Fund</u>	<u>Building Fund</u>	<u>Capital Reserve Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and investments - unrestricted	\$ 3,031,437	\$ 3,105	\$ -	\$ -	\$ 373,560	\$ 217,934	\$ 3,626,036
Restricted cash	-	-	995,020	13,375,379	-	-	14,370,399
Accounts and other receivables	292,222	366,219	55,968	3,159,060	-	25,903	3,899,372
Due from other funds	181,516	-	-	-	300,000	26,824	508,340
Inventories	-	-	-	-	-	9,032	9,032
Prepaid expenses	28,523	-	-	-	-	-	28,523
Total Assets	<u>\$ 3,533,698</u>	<u>\$ 369,324</u>	<u>\$ 1,050,988</u>	<u>\$ 16,534,439</u>	<u>\$ 673,560</u>	<u>\$ 279,693</u>	<u>\$ 22,441,702</u>
 Liabilities							
Accounts payable	139,772	-	-	4,595,248	-	2,887	4,737,907
Accrued salaries and benefits	401,230	36,014	-	-	-	-	437,244
Due to other funds	320,772	126,356	-	-	2,350	58,862	508,340
Unearned revenue	246,290	206,954	-	-	-	9,469	462,713
Total Liabilities	<u>\$ 1,108,064</u>	<u>\$ 369,324</u>	<u>\$ -</u>	<u>\$ 4,595,248</u>	<u>\$ 2,350</u>	<u>\$ 71,218</u>	<u>\$ 6,146,204</u>
 Deferred Inflow of Resources							
Property taxes	60,000	-	26,999	-	-	-	86,999
Leases	13,964	-	-	-	-	-	13,964
Total Deferred Inflow of Resources	<u>\$ 73,964</u>	<u>\$ -</u>	<u>\$ 26,999</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,963</u>
 Fund Balance							
Nonspendable	28,523	-	-	-	-	9,032	37,555
Restricted	353,230	-	1,023,989	11,939,191	-	-	13,316,410
Committed	-	-	-	-	671,210	-	671,210
Assigned	-	-	-	-	-	199,443	199,443
Unassigned	1,969,917	-	-	-	-	-	1,969,917
Total Fund Balances	<u>\$ 2,351,670</u>	<u>\$ -</u>	<u>\$ 1,023,989</u>	<u>\$ 11,939,191</u>	<u>\$ 671,210</u>	<u>\$ 208,475</u>	<u>\$ 16,194,535</u>

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

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

Total Fund Balances - Governmental Fund		\$	16,194,535
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			28,571,841
Revenues, such as property taxes, not available to pay for current period expenditures and are therefore shown as deferred inflows in the governmental funds but recorded as general revenues in the statement of net position.			86,999
Other long-term assets are not available to pay for current period expenditures and are therefore not recorded in the governmental funds but recorded as prepaid amounts or receivables in the statement of net position.			37,377
<p>Deferred inflows and outflows of resources represent an acquisition or consumption of net position that applies to future periods and are therefore not reported in the governmental funds:</p>			
Deferred outflows - OPEB related amounts	\$	53,532	
Deferred outflows - pension related amounts		738,410	
Deferred inflows - OPEB related amounts		(119,552)	
Deferred inflows - pension related amounts		<u>(717,520)</u>	(45,130)
<p>Long-term liabilities, including long-term debt are not due and payable in the current period and therefore are not reported in the governmental funds:</p>			
General Obligation Bonds		(15,804,071)	
Bond premiums		(1,183,893)	
Compensated absences		(87,462)	
Accrued interest		(40,066)	
Net OPEB obligation		(324,455)	
Net pension obligation		<u>(9,511,686)</u>	<u>(26,951,633)</u>
Total Net Position - Governmental Activities			\$ <u>17,893,989</u>

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

HUERFANO SCHOOL DISTRICT RE-1

June 30, 2023

	<u>General Fund</u>	<u>Designated Purpose Grants Fund</u>	<u>Debt Service Fund</u>	<u>Building Fund</u>	<u>Capital Reserve Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues							
Local property tax	\$ 2,942,968	\$ -	\$ 1,081,740	\$ -	\$ -	\$ -	\$ 4,024,708
Specific ownership tax	436,168	-	-	-	-	-	436,168
State sources	2,999,504	-	-	11,705,343	-	1,627	14,706,474
Federal sources	14,644	1,243,765	-	-	-	354,184	1,612,593
Other sources	402,801	1,846	19,707	328,747	16,178	104,209	873,488
Fund allocations	<u>(727,464)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(727,464)</u>
Total Revenues	<u>6,068,621</u>	<u>1,245,611</u>	<u>1,101,447</u>	<u>12,034,090</u>	<u>16,178</u>	<u>460,020</u>	<u>20,925,967</u>
Expenditures							
Direct instruction	3,028,337	948,739	-	-	-	246,912	4,223,988
Indirect instruction	829,840	182,322	-	-	-	-	1,012,162
Transportation	335,388	8,292	-	-	-	-	343,680
Custodial and maintenance	623,172	45,229	-	-	-	-	668,401
Other support services	860,144	59,183	-	-	44,761	436,939	1,401,027
General administration	236,193	-	-	-	-	-	236,193
Capital outlay	17,842	-	-	17,026,457	9,851	-	17,054,150
Debt service:							
Principal retirement	-	-	982,510	-	-	-	982,510
Interest and fiscal charges	-	-	506,005	-	-	-	506,005
Debt issuance costs	-	-	-	-	-	-	-
Total Expenditures	<u>5,930,916</u>	<u>1,243,765</u>	<u>1,488,515</u>	<u>17,026,457</u>	<u>54,612</u>	<u>683,851</u>	<u>26,428,116</u>
Excess of Revenues Over (Under) Expenditures	<u>137,705</u>	<u>1,846</u>	<u>(387,068)</u>	<u>(4,992,367)</u>	<u>(38,434)</u>	<u>(223,831)</u>	<u>(5,502,149)</u>
Other Financing Sources (Uses)							
Transfers to other funds	(214,250)	-	-	-	-	-	(214,250)
Transfers from other funds	-	-	-	-	25,000	189,250	214,250
Bond proceeds	-	-	-	-	-	-	-
Premium on issuance	-	-	-	-	-	-	-
Total Other Financing Sources	<u>(214,250)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,000</u>	<u>189,250</u>	<u>-</u>
Net Change in Fund Balances	<u>(76,545)</u>	<u>1,846</u>	<u>(387,068)</u>	<u>(4,992,367)</u>	<u>(13,434)</u>	<u>(34,581)</u>	<u>(5,502,149)</u>
Fund Balances - July 1 - Restated	<u>2,428,215</u>	<u>(1,846)</u>	<u>1,411,057</u>	<u>16,931,558</u>	<u>684,644</u>	<u>243,056</u>	<u>21,696,684</u>
Fund Balances - June 30	<u>\$ 2,351,670</u>	<u>\$ -</u>	<u>\$ 1,023,989</u>	<u>\$ 11,939,191</u>	<u>\$ 671,210</u>	<u>\$ 208,475</u>	<u>\$ 16,194,535</u>

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

**RECONCILIATION OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

HUERFANO SCHOOL DISTRICT RE-1

For the year ended June 30, 2023

Total Change in Fund Balances - Governmental Funds \$ (5,502,149)

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

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense.

Capital outlay	\$ 17,054,150	
Depreciation expense	(544,832)	16,509,318

Revenue, such as property taxes, not available to pay for current period expenditures are not recognized as revenue in the governmental funds.

Property taxes	(14,001)	
Other	(106,258)	(120,259)

Expenditures for services which benefit a future period are reported as prepaid amounts in the statement of net position and are not recognized in the governmental funds.

13,226

The issuance of long-term obligations (e.g. bonds, leases) provide current financial resources to the governmental funds, while repayment of the principal of long-term obligations consumes the current financial resources of the governmental funds. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of long-term obligations and related items.

Principal payments on long-term obligations	982,510	
Amortization of deferred refunding amounts	(2,425)	
Amortization of bond premiums	52,260	
Change in accrued interest	2,573	1,034,918

In the statement of activities, certain operating expenses - compensated absences (sick and vacation), pension benefits, are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used or due (essentially, the amounts actually paid). This amount represents the net effect of compensated absences, pension and OPEB amounts on the statement of activities.

Pension income	(441,191)	
OPEB income	33,779	
Change in compensated absences	20,047	(387,365)

Total Change in Net Position - Governmental Activities \$ 11,547,689

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

NOTES TO FINANCIAL STATEMENTS

HUERFANO SCHOOL DISTRICT RE-1
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Huerfano School District RE-1, (the District) conform to generally accepted accounting principles, as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The District's more significant accounting policies are described below.

Reporting Entity

Huerfano School District RE-1 of Huerfano County was organized by a vote of qualified electorate on April 14, 1959, under the provisions of the Colorado School Organization Act of 1957. The District operates under an elected Board of Education with seven members. The District is the lowest level of government, which is considered to be financially accountable over all activities related to public school education in Huerfano School District RE-1. 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 accompanying financial statements represent the District and component unit for which the District is considered to be financially accountable.

The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the District.

Discretely Presented Component Unit - Charter School

The Legislature of the State of Colorado enacted the "Charter School Act - Colorado Revised Statutes (CRS) Section 22-30.5-101" in 1993. This Act permits the District to contract with individuals and organizations for the operation of schools within the District. The statutes define these contracted schools as "Charter Schools." Charter Schools are financed from a portion of the District's school finance act revenues, property taxes and from revenues generated by the charter school, within the limits established by the Charter School Act. Charter Schools generally have separate governing boards; however, the Huerfano School District's Board of Education must approve all Charter School applications and budgets. The Charter School is required to be presented as a component unit by the Colorado Department of Education and is required to have an individual audit. The District considers the Charter School to be a non-major component unit because the school does not have a significant enough relationship to require separate reporting within the basic financial statements. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual is included within the supplementary section of this report. The Charter School is reported as a discretely presented component unit in a separate column titled "Component Unit" in the government-wide financial statements.

The Charter School has issued separate financial statements for the fiscal year ended June 30, 2023. Complete financial statements may be obtained at the school's administrative offices: Gardner Valley School, P.O. Box 181, Gardner, CO 81040.

Government-Wide and Fund Financial Statements

The Government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

HUERFANO SCHOOL DISTRICT RE-1
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the later are excluded from the government-wide financial statements. Major governmental funds (General Fund, Capital Reserve Fund, Building Fund, Grants Special Revenue Fund, and Debt Service Fund) are reported as separate columns in the fund financial statements.

Reconciliation of Government-Wide and Fund Financial Statements

The governmental funds balance sheet includes a reconciliation between fund balances - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. Additionally, the governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net change in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities.

These reconciliations detail items that require adjustment to convert from the current resources measurement and modified accrual basis for governmental fund statements to the economic resources measurement and full accrual basis used for government-wide statements. However, certain items having no effect on measurement and basis were eliminated from the governmental fund statements during the consolidation of governmental activities.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the District's governmental and business-type activities. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property and specific ownership 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 are met. A receivable is established when the related expenditures exceed revenue receipts.

Expenditures are recorded when the related fund liability is incurred with the exception of general obligation and lease debt service which is recognized when due and certain sick and personal pay which are accounted for as expenditures when expected to be liquidated with expendable financial resources.

The proprietary fund type is accounted for on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. The measurement focus in these funds is on the flow of economic resources and emphasizes the determination of net income. All assets and all liabilities associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total position.

HUERFANO SCHOOL DISTRICT RE-1
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)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing goods and services in connection with a proprietary fund's ongoing operations. The principal operating revenues of the District's proprietary funds are charges to customers for sales and services. Operating expenses include cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses. The District has no proprietary funds.

Fund Accounting

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, liabilities, deferred inflows, fund balance, revenues and expenditures/expenses. 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. The funds presented in the accompanying basic financial statements are as follows:

Governmental Fund Types

The focus of the governmental fund types measurement is upon determination of financial position and changes in financial position rather than upon net income. The following is a description of the major and nonmajor governmental fund types of the School District:

General Fund

The General Fund, a major fund, records financial transactions for the current educational operations of the School District. All revenues and expenditures not allocated by law or contractual agreement to a special fund are accounted for in this fund. Activities relating to the Preschool have been included in the General Fund.

Designated-Purpose Grants Fund

The Designated Grants Fund, a major fund, is used to account for financial resources received from the federal government and other designated-purpose grants for expenditures incurred in carrying out the objectives of these programs.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources which are legally restricted to expenditures for specified purposes. The Special Revenue Funds consist of the Designated-Purpose Grants Fund, Pupil Activity Fund, and the Food Service Fund.

The Food Service Fund is used to account for the revenue and expenses related to providing breakfast, lunch and snacks to District students. Revenues include federal and state grants and food sales.

The Pupil Activity Fund accounts for funds related to school sponsored organizations and activities.

Debt Service Fund

The Debt Service Fund, a major fund, is used to account for the accumulation of resources and payments of interest and principal on long-term debt.

Capital Projects Funds

The Building Fund, a major fund, is used to account for bond proceeds expended for the purpose of improving, equipping, and furnishing District buildings and other property.

The Capital Reserve Fund, a major fund, is used to account for the acquisition of sites, buildings, equipment, and vehicles.

HUERFANO SCHOOL DISTRICT RE-1
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Investments

Cash on hand, cash in the bank and all highly liquid investments with a maturity of three months or less when purchased or subject to withdrawal, are considered to be cash and cash equivalents.

The District's policy is to state investments at their fair value and categorizes its fair value measurements 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 valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Level 3 inputs are significant unobservable inputs.

All investment income, including changes in fair value of investments are reported as investment income in the District's financial statements. Cash and investments are subject to Colorado State Statutes as described in Note 3.

Lease Receivable

In June 2017, The GASB issued GASB Statement No. 87, Leases. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principal that leases are financings of the right to use an underlying asset. Under this standard, a lease is required to recognize a liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The District adopted the requirements of the guidance effective July 1, 2021 and has applied the provisions of this standard to the beginning of the period of adoption.

Inventories

Purchased inventories of the Food Service Fund are stated at cost using the first-in, first-out method of determining inventories on hand. Commodity inventories in the Food Service Fund are stated at their fair market value on the date received. Perpetual inventory records are maintained for food service inventories. Physical counts were made of all inventories as of June 30, 2023. Inventories were adjusted to reflect the amounts determined by physical count.

Capital Assets

All capital assets are capitalized at cost or estimated historical cost. Donated assets are recorded at fair market value at the time of donation. The costs of normal maintenance, repairs and minor renovations are recorded as expenditures when incurred. Major additions and improvements are capitalized. The proceeds from the sale of assets used in the operations of the governmental fund types are recorded as revenues in the appropriate fund. The School District does not capitalize interest on the construction of capital assets. The School District maintains a capitalization threshold of \$5,000.

Capital assets are depreciated using the straight-line method over the estimated useful lives of the assets. Depreciation of all capital assets used in governmental activities and by proprietary funds is charged as an expense against their operations. Depreciation is recorded starting in the month the asset is placed in service. Estimated useful lives are as follows:

	<u>ESTIMATED USEFUL LIFE</u>
Buildings and improvements	20-50 years
Furniture and fixtures	5-20 years
Automotive equipment	5-10 years

HUERFANO SCHOOL DISTRICT RE-1
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unearned Revenue

Unearned revenue in the government-wide and the fund financial statements consists primarily of unearned tuition, fees, and grants.

Accounts Payable

Accounts payable represent obligations due to vendors for goods delivered or services rendered prior to June 30, 2023.

Property Taxes

The School District's ad valorem property tax is levied by each December 15 for all real and business personal property located in the District. The assessed value of the roll on January 1, 2023, upon which the levy for the 2023 fiscal year was based, was \$620,888,000.

The tax rates assessed for the year ended June 30, 2023 to finance general fund operations and the payment of principal and interest on general long-term debt were \$25.922 and \$9.532 per \$1,000 valuation, respectively, for a total of \$35.454 per \$1,000 valuation.

Property taxes attach as an enforceable lien on property as of January 1 following the levy date. Taxes are payable in two equal payments due before the last day of February and the 15th day of June or in one full payment before the last day of April.

Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of net position and/or balance sheets will sometimes report separate sections for deferred outflows of resources and deferred inflows of resources. A deferred outflow of resources is a consumption of net assets by the District that is applicable to a future reporting period, and a deferred inflow of resources is an acquisition of net assets by the District that is applicable to future reporting periods. Both deferred inflow and deferred outflows are reported in the statement of net position but are not reported as revenue or expenditures until the period(s) to which they relate.

The District reports deferred outflows for amounts related to pensions and OPEB. The pension and OPEB amounts consist of several components and are more fully described in Notes 11 and 13. A deferred loss on refunding results from the difference in the carrying value of the refunded debt and the refunding debt. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Property tax revenue is considered a deferred inflow of resources in the year the taxes are levied and measurable, and are recognized as an inflow of resources in the period they are collected.

The District reports deferred inflows for the amounts related to pensions and OPEB. The pension and OPEB amounts consist of several components and are more fully described in Notes 11 and 13.

Deferred inflows related to leases have been recorded as of June 30, 2023, which is measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that related to future periods.

Compensated Absences

The Board shall provide sick leave for all regular full-time and part-time employees of the District in direct relation to the full time equivalency of the employee (e.g. a full-time employee shall receive 100% of the sick leave provided for full-time employees whereas a "3/4 time" employee shall receive 75% of sick leave benefits provided for full-time employees). Those part-time employees who work the same number of days as full-time employees, but only work as a reduced day, such as a four hour day; shall receive the same number of days of paid sick leave as the full time employees; however the pay for such days shall equal the per diem then being received by the part-time employee. Substitute employees such as substitute teachers and temporary staff are not eligible for any sick leave benefits.

HUERFANO SCHOOL DISTRICT RE-1
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences (Continued)

Compensated absences are reported as non-current liabilities in the government-wide financial statements.

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

Budgets and Budgetary Data

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

1. Prior to June 1, the Business Manager submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public notices are released to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted through passage of a resolution.
4. The Business Manager is authorized to transfer budgeted amounts between categories within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.
5. Formal budgetary integration should be employed as a management control device during the year for all funds.
6. Budgets for funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

All appropriations lapse at the end of the fiscal year. Authorization to transfer budgeted amounts between programs and/or departments within any fund and the reallocation of budget line items within any program and/or department rests with the Superintendent of the Schools and may be delegated to an appropriate level of management. Revisions and/or supplemental appropriations that alter the total expenditures or any fund must be approved by the Board of Education.

Budgetary amounts reported in the accompanying basic financial statements are as originally adopted and amended by the Superintendent and/or the Board of Education throughout the year.

On-Behalf Payments

GAAP requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third-party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of Colorado makes direct on-behalf payments for retirement benefits to Colorado PERA. Beginning of July 1, 2018, the State of Colorado is required to make a payment to PERA each year equal to \$225 million. PERA allocates the contribution to the trust funds of the State, School, Denver Public Schools, and Judicial Division Trust Funds of PERA, as proportionate to the annual payroll of each division. This annual payment is required on July 1st of each year until there are no unfunded actuarial accrued liabilities of any division of PERA that receives direct distribution. House Bill 20-1379 suspended the \$225 million direct distribution payable on July 1, 2020 for the State's 2020-21 fiscal year. In accordance with C.R.S. §24-51-414, the direct distribution payment from the State of Colorado recommences annually starting July 1, 2021. The on-behalf payments of \$236,386 were made for the District by the State of Colorado have been recorded in the fund financial statements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

HUERFANO SCHOOL DISTRICT RE-1
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Risk Management

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, and natural disaster. The District maintains commercial insurance for all risks of loss. Settled claims have not exceeded this commercial coverage during the fiscal year.

Risks and Uncertainties

In March 2020, the COVID-19 virus was declared a global pandemic as it continued to spread rapidly. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, was severely impacted for months and may continue to impact the economy. Management has been carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty.

NOTE 3 - CASH AND INVESTMENTS

Deposits

Colorado State statutes govern the School District's deposits of cash. The statutes specify eligible depositories for public cash deposits which must be Colorado institutions and must maintain federal insurance (FDIC or FSLIC) on deposits held.

Each eligible depository with deposits in excess of the insured levels must pledge a collateral pool of defined eligible assets maintained by another institution or held in trust for all of its local government depositors as a group with a market value at least equal to the total uninsured deposits held by that institution. The State Regulatory Commissions for banks and savings and loan associations are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pool. At June 30, 2023, the District had deposits over \$250,000 in the amount of \$695,947. These deposits are required to be collateralized under State Statutes.

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District's policy for custodial risk parallels Colorado statutes.

A summary of cash and deposits held at year end follows:

<u>Cash and Deposits</u>	<u>Carrying Amount</u>	<u>Less Than One Year</u>	<u>Less Than Five Years</u>
<u>Deposits</u>			
Cash	\$ 1,160,921	\$ 1,160,921	\$ -
Cash held by County Treasurer	344,739	344,739	-
<u>Investments</u>			
State investment pool (ColoTrust)	10,899,607	10,899,607	-
Money market	915,173	915,173	-
U.S. Government Securities	4,890,839	4,890,839	-
Total Deposits	\$ 18,211,279	\$ 18,211,279	\$ -
Governmental Activities	\$ 17,996,435		
Component Unit	214,844		
	\$ 18,211,279		

HUERFANO SCHOOL DISTRICT RE-1
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 3 – CASH AND INVESTMENTS (Continued)

Investments

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest. The law outlines the types of securities that public entities in Colorado may acquire and hold as investments. These include U.S. government and agency securities, certain bonds of political subdivisions, banker's acceptances, commercial paper, local government investment pools, repurchase agreements, money market funds and guaranteed insurance contracts. The statute also includes a provision limiting any investment to a five year maturity unless the governing body authorizes a longer period.

The District and component unit has invested funds in the Colorado Government Liquid Asset Trust (ColoTrust), an investment vehicle established for local government entities in Colorado to pool surplus funds. ColoTrust operates similarly to a money market fund and each share is equal in value to \$1. Their investments consist of U.S. Treasury bills, notes and note strips, and repurchase agreements collateralized by U.S. Treasury securities.

A designated custodial bank provides safekeeping and depository services to ColoTrust in connection with the direct investment and withdrawal functions of ColoTrust. Substantially all securities owned by both entities are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by ColoTrust.

The District categorizes its fair value measurement of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. 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. The District does not have any investments that are measured using Level 2 or 3 inputs.

- U.S. Government Securities are valued on quoted market prices (Level 1 inputs).
- Investments in ColoTrust are reported at fair value. However, this investment is not subject to the fair value hierarchy,

Interest rate risk - The District's policy of limiting investment maturities as a means of managing its exposure to fair value losses arising from increasing rates parallels Colorado statutes. Specifically, all securities are limited to a maximum maturity of five years from the date of purchase unless the governing body authorizes a longer period.

Credit risk - The District does not have a policy that would further limit its choices beyond the requirements of Colorado statutes. As of June 30, 2023, the District's investment in ColoTrust was rated AAm by Standard and Poor's. The U.S. Government Securities are assigned the highest credit ratings by S&P and Moody.

NOTE 4 – RECEIVABLES

Receivables at June 30, 2023 consisted of taxes, accounts (rents and fees), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of Federal funds.

HUERFANO SCHOOL DISTRICT RE-1
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 4 – RECEIVABLES (Continued)

A summary of the principal items of receivables follows:

General Fund			
Property taxes	\$	205,975	
Leases		13,964	
Grants		3,412	
Accounts receivable – other		-	
Component unit		68,871	\$ 292,222
Bond Redemption Fund			
Property taxes			55,968
Building Fund			
Grants			3,159,060
Designated Purposes Grant			
Grants			366,219
Non-major Funds			
Food Service		25,903	
Pupil Activity		-	25,903
Total Receivables		-	\$ 3,899,372

NOTE 5 – INTERFUND BALANCES AND TRANSFERS

A summary of the interfund receivables and payables at June 30, 2023 as reported in the balance sheet for government funds follows:

		<u>Due From Other Funds</u>		<u>Due To Other Funds</u>
General Fund	\$	181,516	\$	320,772
Nonmajor Governmental Funds		26,824		58,862
Major Governmental Funds		300,000		128,706
Totals All Funds	\$	508,340	\$	508,340

The General Fund receivable is a result of financing programs in other funds. The General Fund payable is a result of amounts due to food service for amounts withheld from employees. Other balances are a result of miscellaneous reimbursements.

Transfers and allocations are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them or to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers during the fiscal year ending June 30, 2023 consisted of transfers to other governmental funds from the general fund in the amount of \$214,250.

NOTE 6 – LEASES

The District, acting as lessor, leases property to various telecommunications companies for the placement of cell phone towers and building rental under long-term noncancelable lease agreements. The leases expire at various dates through 2028 and provide for a renewal option of three additional years. During the year ended June 30, 2023, the District recognized \$14,316 and \$313 in lease revenue and interest revenue, respectively, pursuant to the contracts. The leases provide for future increases to minimum annual rental payments based on formulas outlined in the contracts.

HUERFANO SCHOOL DISTRICT RE-1
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 6 – LEASES (Continued)

The leases provide for future increases to minimum annual rental payments based on formulas outlined in the contracts. Total future minimum lease payments to be received under the lease agreements are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 6,862	\$ 197	\$ 7,059
2025	1,981	119	2,100
2026	2,019	81	2,100
2027	2,058	42	2,100
2028	1,044	6	1,050
Total	\$ 13,964	\$ 445	\$ 14,409

NOTE 7 - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	<u>July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2023</u>
<u>Governmental Activities</u>				
Non-Depreciable Assets:				
Land	\$ 247,347	\$ -	\$ -	\$ 247,347
Construction in Progress	2,035,831	17,026,457	-	19,062,288
Total Non-Depreciable Assets	2,283,178	17,026,457	-	19,309,635
Depreciable Assets:				
Buildings & Improvements	18,745,966	-	-	18,745,966
Equipment & Vehicles	2,121,968	27,693	245,175	1,904,486
Food Service	313,123	-	-	313,123
Total Depreciable Assets	21,181,057	27,693	245,175	20,963,575
Less Accumulated Depreciation for:				
Building & Improvements	9,579,806	449,263	-	10,029,069
Equipment & Vehicles	1,511,379	94,919	245,175	1,361,123
Food Services	310,527	650	-	311,177
Total Accumulated Depreciation	11,401,712	544,832	245,175	11,701,369
Total Capital Assets, Net	\$ 12,062,523	\$ 16,509,318	\$ -	\$ 28,571,841

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

Governmental Activities:	
Direct instruction	\$ 519,350
Transportation	4,283
Custodial and maintenance	20,549
Other support services	650
Total Depreciation Expense – Governmental Activities	\$ 544,832

NOTE 8 - ACCRUED SALARIES AND BENEFITS

Salaries and benefits of certain contractually employed personnel are paid over a twelve-month period from September to August but are earned during a school year of approximately nine months. Accrued benefits represents the School District's 21.4% contribution to P.E.R.A. on the accrued salaries. The salaries and benefits earned, but unpaid, as of June 30, 2023, are \$437,244 and will be paid during the 2023-2024 fiscal year. Accordingly, the accrued salaries are reflected as a liability in the accompanying financial statements.

HUERFANO SCHOOL DISTRICT RE-1
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 9 – LONG-TERM LIABILITIES

Changes in long-term liabilities for the District were as follows:

	<u>July 1, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2023</u>	<u>Current Portion</u>
General Obligation					
Bonds	\$ 16,786,581	\$ -	\$ 982,510	\$ 15,804,071	\$ 556,568
Bond Premiums	1,236,153	-	52,260	1,183,893	50,200
Compensated Absences	107,509	-	20,047	87,462	-
Total GO Bonds and Other Obligations	18,130,243	-	1,054,817	17,075,426	606,768
Net pension liability	8,127,032	1,384,654	-	9,511,686	-
Net OPEB liability	393,167	-	68,712	324,455	-
Total Long-Term Liabilities	\$ 26,650,442	\$ 1,384,654	\$ 1,123,529	\$ 26,911,567	\$ 606,768

General Obligation Bonds

The District issues general obligation (G.O.) bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. The legal debt limit and debt margin as of June 30, 2023 are \$22,483,095 and \$6,679,023, respectively. Management of the District believes it is in compliance with the legal debt limits.

General obligation bonds outstanding at June 30, 2023, consist of the following:

\$9,361,581 Series 2021S State of Colorado Building Excellent Schools Today Program Bonds, due in semi-annual installments with annual payments ranging from \$591,125 to \$593,683 through December 1, 2041. Interest rate is 2.467%. \$ 8,989,071

\$7,035,000 Series 2022 General Obligation Bonds, due in semi-annual installments with annual payments ranging from \$443,400 to \$448,400 through December 1, 2046. Interest rates range from 3.00% to 4.00% 6,815,000
\$ 15,804,071

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 556,568	\$ 484,165	\$ 1,040,733
2025	570,857	469,361	1,040,218
2026	585,377	454,174	1,039,551
2027	600,130	438,601	1,038,731
2028	620,124	420,682	1,040,806
2029-2033	3,384,390	1,813,688	5,198,078
2034-2038	3,918,940	1,271,367	5,190,307
2039-2043	3,952,685	645,040	4,597,725
2044-2047	1,615,000	164,800	1,779,800
Total	\$ 15,804,071	\$ 6,161,878	\$ 21,965,949

Prior Years' Debt Defeasance

In 2011, the District has defeased the 2002 General Obligation Bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. Government securities that were placed in trust funds. The investments and fixed earnings from the investments are enough to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the District's government-wide financial statements. The final payment was made in 2023 and as of June 30, 2023, the amount of the defeased debt outstanding was \$0.

HUERFANO SCHOOL DISTRICT RE-1
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Tax, Revenue, Spending and Debt Limitation

In November 1992, Colorado voters approved Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR imposes tax raising, revenue, spending and debt limitations on local government entities within the State of Colorado. These limitations became effective for the first fiscal year beginning after December 31, 1992, which for the District was the year ended June 30, 1994. On November 5, 1996, the registered voters approved a ballot resolution authorizing Huerfano School District RE-1 to collect, retain and expend all revenues from any source provided that no property tax mill levy be increased, or any new tax be imposed. The amendment is complex and subject to judicial interpretation. The District has made certain interpretations of the amendment's language in order to determine its compliance. The District believes it is in compliance with the tax raising, revenue, spending, debt and other limitations.

In addition to the tax raising, revenue, spending and debt limitation provisions of TABOR, there is also a requirement that every entity to which TABOR applies establish an "emergency reserve". To be used for declared emergencies only, each entity must reserve 3% or more of its fiscal year spending excluding bonded debt service. For the year ended June 30, 2023, the School District's reserve requirement was approximately \$183,000 which represents 3% of fiscal year spending. The District has recognized the emergency reserve in the General Fund.

Federal and State Grants

Federal and State grants are subject to audit by the grantor agencies and any adjustments may become a liability of the appropriate fund. Management believes these adjustments, if any, will not materially affect the District's results of operations or financial position.

Economic Dependency

Funding provided by the State to all public school systems in Colorado is primarily based upon the October 1 student count. The State provided \$14,706,474, which represents approximately 70% of the District's total governmental fund revenues for the year. The School District issued general obligation bonds for the purpose of financing voter approved capital construction projects.

Arbitrage Liability

An arbitrage liability is the requirement to refund a portion of the investment earnings on bond proceeds temporarily invested until construction payments are made if certain statutory spend down requirements are not met. The potential arbitrage liability is not yet determinable. When such a liability, if any, is determined it would be recorded in the government-wide statement of net assets as long-term debt until it is required to be refunded to the Federal government and becomes a current liability.

NOTE 11 – DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies

Pensions

Huerfano School District RE-1 participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position (FNP) and additions to/deductions from the FNP of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

Plan Description

Eligible employees of the Huerfano School District RE-1 are provided with pensions through the SCHDTF - a cost-sharing multiple-employer defined benefit pension plan administered by PERA.

HUERFANO SCHOOL DISTRICT RE-1
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 11 – DEFINED BENEFIT PENSION PLAN (Continued)

Plan Description (Continued)

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 comprehensive financial report (ACRF) 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 the years of service credit.
- The value of the retiring employee's member contribution account plus a 100% match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

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

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

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

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned.

If eligible, the member may receive a match of either 50% or 100% on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

Upon meeting certain criteria, benefit recipients who elect to receive a lifetime retirement benefit generally receive post-retirement cost-of-living-adjustments, referred to as annual increases in the C.R.S. Subject to the automatic adjustment provision (AAP) under C.R.S. §24-51-413, eligible benefit recipients under the PERA benefit structure who began membership before January 1, 2007, and all eligible benefit recipients of the DPS benefit structure will receive the maximum annual increase (AI) or AI cap of 1.00% unless adjusted by the AAP. Eligible benefit recipients under the PERA benefit structure who began membership on or after January 1, 2007, will receive the lessor 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.

HUERFANO SCHOOL DISTRICT RE-1
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 11 – DEFINED BENEFIT PENSION PLAN (Continued)

Benefits Provided as of December 31, 2022 (Continued)

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

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

Contributions Provisions as of June 30, 2023

Eligible employees of Huerfano School District RE-1 and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. §24-51-401, *et seq.* and §24-51-413. Eligible employees are required to contribute 11.00% of their PERA-includable salary during the period of July 1, 2022 through June 30, 2023. Employer contribution requirements are summarized in the table below.

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

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the Huerfano School District RE-1 is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from Huerfano School District RE-1 were \$811,180 for the year ended June 30, 2023.

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

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

The net pension liability for the SCHDTF was measured as of December 31, 2022, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. Standard update procedures were used to roll-forward the TPL to December 31, 2022.

HUERFANO SCHOOL DISTRICT RE-1
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 11 – DEFINED BENEFIT PENSION PLAN (Continued)

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

The Huerfano School District RE-1 proportion of the net pension liability was based on Huerfano School District RE-1 contributions to the SCHDTF for the calendar year 2022 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

At June 30, 2023, the Huerfano School District RE-1 reported a liability of \$9,511,686 for its proportionate share of the net pension liability that reflected an increase for support from the State as a nonmember contributing entity. The amount recognized by the Huerfano School District RE-1 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 Huerfano School District RE-1 were as follows:

The District's proportionate share of the net pension liability	\$	9,511,686
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the District		2,771,801
Total	\$	12,283,487

At December 31, 2022, the Huerfano School District RE-1 proportion was .0522399438%, which was a decrease of .0175960328% from its proportion measured as of December 31, 2021.

For the year ended June 30, 2023, the Huerfano School District RE-1 recognized pension expense of \$441,191 and revenue of \$236,386 for support from the State as a nonemployer contributing entity. At June 30, 2023, the Huerfano School District RE-1 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 62,964	\$ -
Changes of assumptions or other inputs	117,578	-
Net difference between projected and actual earnings on pension plan investments	2,076,229	717,520
Changes in proportion and differences between contributions recognized and proportionate share of contributions	(1,921,981)	-
Contributions subsequent to the measurement date	403,620	-
Total	\$ 738,410	\$ 717,520

\$403,620 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2024	\$ (102,292)
2025	126,744
2026	181,270
2027	(407,652)
2028	(180,800)
	\$ (382,730)

HUERFANO SCHOOL DISTRICT RE-1
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 11 – DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions

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

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

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

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

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

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

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

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

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

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

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

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

HUERFANO SCHOOL DISTRICT RE-1
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2023

NOTE 11 – DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions (Continued)

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% 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	100.00%	

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

Discount Rate

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200 and required adjustments resulting from the 2018 and 2020 AAP assessment. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200 and required adjustments resulting from the 2018 and 2020 AAP assessment. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

HUERFANO SCHOOL DISTRICT RE-1
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2023

NOTE 11 – DEFINED BENEFIT PENSION PLAN (Continued)

Discount Rate (Continued)

- As specified in law, the State, as a nonemployer contributing entity, will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- HB 22-1029, effective upon enactment in 2022, required the State treasurer to issue, in addition to the regularly scheduled \$225 million (actual dollars) direct distribution, a warrant to PERA in the amount of \$380 million (actual dollars). The July 1, 2023 direct distribution is reduced by \$190 million (actual dollars) to \$35 million (actual dollars). The July 1, 2024 direct distribution will not be reduced from \$225 million (actual dollars) due to PERA’s negative investment return in 2022.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial FNP, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the FNP and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

Sensitivity of the Huerfano School District RE-1 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 <u>(6.25%)</u>	Current Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
Proportionate share of the net pension liability	\$ <u>12,447,526</u>	\$ <u>9,511,686</u>	\$ <u>7,059,960</u>

Pension Plan Fiduciary Net Position

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

NOTE 12 – DEFINED CONTRIBUTION PENSION PLAN

Voluntary Investment Program (PERAPlus 401(k) Plan)

Plan Description

Employees of the Huerfano School District RE-1 that are also members of the SCHDTF may voluntarily contribute to the Voluntary Investment Program (PERAPlus 401(k) Plan), an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees.

HUERFANO SCHOOL DISTRICT RE-1
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 12 – DEFINED CONTRIBUTION PENSION PLAN (Continued)

Plan Description (Continued)

PERA issues a publicly available ACFR which includes additional information on the PERAPlus 401(k) Plan. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy

The PERAPlus 401(k) Plan is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions, employer contributions and investment earnings. For the year ended June 30, 2023 program members contributed \$10,898.

NOTE 13 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

Summary of Significant Accounting Policies

OPEB

Huerfano School District RE-1 participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position (FNP) and additions to/deductions from the FNP of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the OPEB Plan

Plan Description

Eligible employees of Huerfano School District RE-1 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 (ACRF) 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.

HUERFANO SCHOOL DISTRICT RE-1
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 13 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

Benefits Provided (Continued)

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

PERA Benefit Structure

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

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

DPS Benefit Structure

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

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

Contributions

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the Huerfano School District RE-1 is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from Huerfano School District RE-1 were \$41,132 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 Huerfano School District RE-1 reported a liability of \$324,455 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2022, and the total OPEB liability (TOL) used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2021. Standard update procedures were used to roll-forward the TOL to December 31, 2022.

HUERFANO SCHOOL DISTRICT RE-1
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 13 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

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

The Huerfano School District RE-1 proportion of the net OPEB liability was based on Huerfano School District RE-I contributions to the HCTF for the calendar year 2022 relative to the total contributions of participating employers to the HCTF.

At December 31, 2022, the Huerfano School District RE-I proportion was 0.0397383010%, which was a decrease of 0.0058592833% from its proportion measured as of December 31, 2021.

For the year ended June 30, 2023, the Huerfano School District RE-1 recognized OPEB income of \$33,779. At June 30, 2023, the Huerfano School District RE-1 reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 34	\$ 72,126
Changes of assumptions or other inputs	4,256	32,925
Net difference between projected and actual earnings on OPEB plan investments	29,041	14,501
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	20,201	-
Total	<u>\$ 53,532</u>	<u>\$ 119,552</u>

\$20,201 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,	
2024	\$ (11,796)
2025	(17,356)
2026	(17,356)
2027	(17,356)
2028	(17,354)
2029	557
2030	(5,560)
	<u>\$ (86,221)</u>

Actuarial Assumptions

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

HUERFANO SCHOOL DISTRICT RE-1
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 13 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

Actuarial Assumptions (Continued)

	<u>State Division</u>	<u>School Division</u>	<u>Local Government Division</u>	<u>Judicial Division</u>
Actuarial cost method		Entry age		
Price inflation		2.30%		
Real wage growth		.70%		
Wage inflation		3.00%		
Salary increases, including wage inflation:				
Members other than State Troopers	3.30%-10.90%	3.4%-11.00%	3.2%-11.30%	2.80%-5.30%
State Troopers	3.20%-12.40%	N/A	3.20%-12.40%	N/A
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation		7.25%		
Discount rate		7.25%		
Health care cost trend rates				
PERA benefit structure:				
Service-based premium subsidy		0.00%		
PERACare Medicare plans		6.50% in 2022, gradually decreasing to 4.50% in 2030		
Medicare Part A premiums		3.75% in 2022, gradually increasing to 4.5% in 2029		
DPS benefit structure:				
Service-based premium subsidy		0.00%		
PERACare Medicare plans		N/A		
Medicare Part A premiums		N/A		

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

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

Age-Related Morbidity Assumptions

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

HUERFANO SCHOOL DISTRICT RE-1
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 13 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

Actuarial Assumptions (Continued)

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

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

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

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

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and industry methods developed by health plan actuaries and administrators. I

In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2021, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

<u>Year</u>	<u>PERACare Medicare Plans</u>	<u>Medicare Part A Premiums</u>
2022	6.50%	3.75%
2023	6.36%	4.00%
2024	6.00%	4.00%
2025	5.75%	4.00%
2026	5.50%	4.25%
2027	5.25%	4.25%
2028	5.00%	4.25%
2029	4.75%	4.50%
2030+	4.50%	4.50%

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

HUERFANO SCHOOL DISTRICT RE-1
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 13 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

Actuarial Assumptions (Continued)

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

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

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

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

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

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

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

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

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

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

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

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

- Per capita health care costs in effect as of the December 31, 2021 valuation date for those PERACare enrollees under the PERA benefit structure who are expected to be age 65 and older and are not eligible for premium-free Medicare Part A benefits have been updated to reflect costs for the 2022 plan year.

HUERFANO SCHOOL DISTRICT RE-1
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 13 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

Actuarial Assumptions (Continued)

- The December 31, 2021 valuation utilizes premium information as of January 1, 2022 as the initial per capita health care cost. As of the date, PERACare health benefits administration is performed by United-HealthCare. 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 capital health care costs and their related trend rates are analyzed and updated annually by PERA Board’s actuary, as discussed above.

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

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

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

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

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

<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	100.00%	

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

Sensitivity of the Huerfano School District RE-1 Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

HUERFANO SCHOOL DISTRICT RE-1
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 13 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

Sensitivity of the Huerfano School District RE-1 proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates (Continued)

	<u>1% Decrease in Trend Rates</u>	<u>Current Trend Rates</u>	<u>1% Increase in Trend Rates</u>
Initial PERACare Medicare trend rate*	5.25%	6.25%	7.25%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	3.00%	4.00%	5.00%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	\$ 315,271	\$ 324,455	\$ 334,447

*For the January 1, 2023 plan year

Discount Rate

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

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

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

Sensitivity of the Huerfano School District RE-1 Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

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

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Proportionate share of the net OPEB liability	\$ 376,139	\$ 324,455	\$ 280,248

HUERFANO SCHOOL DISTRICT RE-1
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 13 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

OPEB Plan Fiduciary Net Position

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

NOTE 14 – NET POSITION AND FUND BALANCES

Government-Wide Net Assets:

Government-wide and proprietary fund net positions are divided into three components:

- Invested in capital assets, net of related debt – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- Restricted net position – consist of net position that is restricted by the District's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted – all other net position is reported in this category.

Governmental Fund Balances

The District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definition." This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. In the fund financial statements the following classifications describe the relative strength of the spending constraints.

- Non-spendable fund balance – The portion of fund balance that cannot be spent because it is either not in spendable form (such as inventory) or is legally or contractually required to be maintained intact.
- Restricted fund balance - The portion of fund balance constrained to being used for a specific purpose by external parties (such as grantors or bondholders), constitutional provisions or enabling legislation.
- Committed fund balance - The portion of fund balance constrained for specific purposes according to limitations imposed by the District's highest level of decision making authority, the Board of Education, prior to the end of the current fiscal year. The constraint may be removed or changed only through formal action of the Board of Education.
- Assigned fund balance - The portion of fund balance set aside for planned or intended purposes. The intended use may be expressed by the Board of Education or other individuals authorized to assign funds to be used for a specific purpose. Assigned fund balances in special revenue funds will also include any remaining fund balance that is not restricted or committed. This classification is necessary to indicate that those funds are, at a minimum intended to be used for the purpose of that particular fund.
- Unassigned fund balance - The residual portion of fund balance that does not meet any of the above criteria. The District will only report a positive unassigned fund balance in the General Fund.

If both restricted and unrestricted amounts of fund balance are available for use when an expenditure is incurred, it is District policy to use restricted amounts first. Unrestricted fund balance will be used in the following order; committed, assigned and unassigned.

The specific purposes for each fund balance classification on the balance sheet are detailed in the table below:

HUERFANO SCHOOL DISTRICT RE-1
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 14 – NET POSITION AND FUND BALANCES (Continued)

	<u>General Fund</u>	<u>Grants Fund</u>	<u>Debt Service Fund</u>	<u>Building Fund</u>	<u>Capital Reserve Fund</u>	<u>Nonmajor Funds</u>	<u>Total Government Funds</u>
Nonspendable							
Inventory	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,032	\$ 9,032
Prepaid Exp.	28,523	-	-	-	-	-	28,523
Restricted							
Emergencies	183,000	-	-	-	-	-	183,000
Capital	-	-	-	11,939,191	-	-	11,939,191
Debt Service	-	-	1,023,989	-	-	-	1,023,989
Preschool	170,230	-	-	-	-	-	170,230
Committed							
Capital Res.	-	-	-	-	671,210	-	671,210
Assigned							
Pupil Act.	-	-	-	-	-	72,762	72,762
Food Service	-	-	-	-	-	126,681	126,681
Unassigned							
General Govt	1,969,917	-	-	-	-	-	1,969,917
Total Fund Balances	<u>\$ 2,351,670</u>	<u>\$ -</u>	<u>\$1,023,989</u>	<u>\$11,939,191</u>	<u>\$671,210</u>	<u>\$208,475</u>	<u>\$ 16,194,535</u>

NOTE 15 - COLORADO SCHOOL DISTRICT SELF INSURANCE POOL

The District belongs to the Colorado School District's Self-Insurance Pool. The Pool 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, workers' compensation and other coverage. The Board of Directors is composed of eight persons; seven of whom are appointed by the Board of Directors of CASB and the executive director of CASB. The Pool is managed by an independent manager chosen by the 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 General Fund.

NOTE 16 - JOINT VENTURES

The School District is a participant with other school districts in a joint venture known as South Central Board of Cooperative Educational Services (Cooperative). The Cooperative is organized under provisions of Colorado law to provide special education services to member school districts in the Cooperative's general area. The member school districts provided approximately 7% of the Cooperative's total annual local resources and each member district appoints a member of its Board of Education to serve on the governing body of the Cooperative.

The BOCES is not included as a component unit of the District as the financial responsibility is minimal, there is no financial interdependency, the District does not have the ability to significantly influence the operations of the BOCES and the District is not accountable for fiscal matters of the BOCES. The BOCES is audited annually and a copy of the audit report is filed with the Colorado State Auditor's Office. Complete financial statements for the Cooperative can be obtained from their administrative office at 323 South Purcell Boulevard, Pueblo West, Colorado, 81007.

HUERFANO SCHOOL DISTRICT RE-1
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2023

NOTE 17 – RESTATEMENT OF NET POSITION AND FUND BALANCE

At June 30, 2022, receivables for specific ownership taxes required restatement. The following adjustment was required to restate beginning net position and fund balances:

	<u>Net Position</u>	<u>General Fund</u>	<u>Debt Service</u> <u>Fund</u>
Balance as previously stated	\$ 6,425,744	\$ 2,396,121	\$ 1,522,595
Changes in accrual for specific ownership tax	(79,444)	32,094	(111,538)
Balances as restated	<u>\$ 6,346,300</u>	<u>\$ 2,428,215</u>	<u>\$ 1,411,057</u>

REQUIRED SUPPLEMENTARY INFORMATION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL (BUDGET BASIS)

GENERAL FUND

HUERFANO SCHOOL DISTRICT RE-1

For the year ended June 30, 2023

	<u>Budgeted Amount</u>			Variance With Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Local property tax	\$ 2,926,307	\$ 2,898,183	\$ 2,942,968	\$ 44,785
Specific ownership tax	281,770	273,507	436,168	162,661
State sources	2,866,871	2,810,382	2,999,504	189,122
Federal sources	-	-	14,644	14,644
Other sources	219,999	315,353	402,801	87,448
Allocation to charter school	<u>(777,173)</u>	<u>(727,464)</u>	<u>(727,464)</u>	<u>-</u>
Total Revenues	<u>5,517,774</u>	<u>5,569,961</u>	<u>6,068,621</u>	<u>498,660</u>
Expenditures				
Instruction	3,452,825	3,280,339	3,028,337	252,002
Indirect Instruction	227,285	283,447	829,840	(546,393)
General administration	1,141,618	1,144,063	236,193	907,870
Operations and maintenance	709,865	686,333	623,172	63,161
Student transportation	307,131	309,138	335,388	(26,250)
Other support	418,748	416,600	877,986	(461,386)
Contingency	<u>1,167,161</u>	<u>1,302,054</u>	<u>-</u>	<u>1,302,054</u>
Total Expenditures	<u>7,424,633</u>	<u>7,421,974</u>	<u>5,930,916</u>	<u>1,491,058</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,906,859)</u>	<u>(1,852,013)</u>	<u>137,705</u>	<u>1,989,718</u>
Other Financing Sources (Uses)				
Transfers to other funds	<u>(214,250)</u>	<u>(214,250)</u>	<u>(214,250)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(214,250)</u>	<u>(214,250)</u>	<u>(214,250)</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(2,121,109)</u>	<u>(2,066,263)</u>	<u>(76,545)</u>	<u>1,989,718</u>
Fund Balances - July 1 - Restated	<u>2,121,109</u>	<u>2,066,263</u>	<u>2,428,215</u>	<u>361,952</u>
Fund Balances - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,351,670</u>	<u>\$ 2,351,670</u>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGET BASIS)
GOVERNMENTAL DESIGNATED-PURPOSE GRANTS FUND
 HUERFANO SCHOOL DISTRICT RE-1
 June 30, 2023

	Budgeted Amount		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Federal sources	\$ 1,454,844	\$ 1,309,502	\$ 1,243,765	\$ (65,737)
State sources	-	-	-	-
Other sources	-	-	1,846	1,846
Total Revenues	<u>1,454,844</u>	<u>1,309,502</u>	<u>1,245,611</u>	<u>(63,891)</u>
Expenditures				
Instruction	1,310,883	933,477	948,739	(15,262)
Indirect instruction	143,961	376,025	182,322	193,703
General administration	-	-	-	-
Operations and maintenance	-	-	45,229	(45,229)
Student transportation	-	-	8,292	(8,292)
Other support	-	-	59,183	(59,183)
Total Expenditures	<u>1,454,844</u>	<u>1,309,502</u>	<u>1,243,765</u>	<u>65,737</u>
Excess of Revenues Over (Under) Expenditures	-	-	1,846	1,846
Fund Balances - July 1	-	-	(1,846)	(1,846)
Fund Balances - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE -
SCHOOL DIVISION TRUST FUND
HUERFANO SCHOOL DISTRICT RE-1
Last 10 Fiscal Years**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Primary Government					
School's proportion (percentage) of the net pension liability	0.0522%	0.0698%	0.0680%	0.0629%	0.0687%
School's proportionate share of the net pension liability	\$ 9,511,686	\$ 8,127,032	\$ 10,273,117	\$ 9,399,545	\$ 11,326,334
School's covered payroll	\$ 4,032,504	\$ 4,364,527	\$ 3,597,013	\$ 3,837,049	\$ 3,563,334
School's proportionate share of the net pension liability as a percentage of covered payroll	235.88%	186.21%	285.60%	244.97%	317.86%
Plan fiduciary net position as a percentage of the total pension liability	61.79%	74.86%	66.99%	64.52%	57.01%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Primary Government					
School's proportion (percentage) of the net pension liability	0.0687%	0.0632%	0.0648%	0.0693%	0.0711%
School's proportionate share of the net pension liability	\$ 22,203,031	\$ 18,809,938	\$ 9,903,932	\$ 9,393,782	\$ 9,064,806
School's covered payroll	\$ 3,402,518	\$ 2,936,339	\$ 2,825,918	\$ 2,901,147	\$ 2,746,805
School's proportionate share of the net pension liability as a percentage of covered payroll	652.55%	640.59%	350.47%	323.80%	330.01%
Plan fiduciary net position as a percentage of the total pension liability	43.96%	43.13%	59.16%	62.80%	64.06%

The amounts presented for each fiscal year were determined as of December 31.

The schedule is presented to show information for ten years.

SCHEDULE OF DISTRICT'S CONTRIBUTIONS - SCHOOL DIVISION TRUST FUND
HUERFANO SCHOOL DISTRICT RE-1
Last 10 Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Primary Government					
Statutorily required contributions	\$ 811,180	\$ 867,668	\$ 715,086	\$ 743,663	\$ 681,666
Contributions in relation to the statutorily required contributions	<u>811,180</u>	<u>867,668</u>	<u>715,086</u>	<u>743,663</u>	<u>681,666</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 4,032,504	\$ 4,364,527	\$ 3,597,013	\$ 3,837,049	\$ 3,563,334
Contribution as a percentage of covered payroll	20.12%	19.88%	19.88%	19.38%	19.13%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Primary Government					
Statutorily required contributions	\$ 642,463	\$ 537,922	\$ 501,438	\$ 496,814	\$ 448,202
Contributions in relation to the statutorily required contributions	<u>642,463</u>	<u>537,922</u>	<u>501,438</u>	<u>489,859</u>	<u>439,669</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,955</u>	<u>\$ 8,533</u>
Covered payroll	\$ 3,402,518	\$ 2,936,339	\$ 2,825,918	\$ 2,901,147	\$ 2,746,805
Contribution as a percentage of covered payroll	18.88%	18.32%	17.74%	16.89%	16.01%

The amounts presented for each fiscal year were determined as of June 30.

The schedule is presented to show information for ten years.

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE -
HEALTH CARE TRUST FUND
HUERFANO SCHOOL DISTRICT RE-1
Last 10 Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Primary Government					
School's proportion (percentage) of the net OPEB liability	0.0397%	0.0456%	0.3940%	0.0411%	0.0416%
School's proportionate share of the net OPEB liability	\$ 324,455	\$ 393,167	\$ 373,919	\$ 462,180	\$ 565,681
School's covered payroll	\$ 4,032,504	\$ 4,364,527	\$ 3,597,013	\$ 3,837,049	\$ 3,563,334
School's proportionate share of the net OPEB liability as a percentage of covered payroll	8.05%	9.01%	10.40%	12.05%	15.88%
Plan fiduciary net position as a percentage of the total OPEB liability	38.57%	39.40%	32.78%	24.49%	17.03%
	<u>2018</u>	<u>2017</u>			
Primary Government					
School's proportion (percentage) of the net OPEB liability	0.0390%	0.0359%			
School's proportionate share of the net OPEB liability	\$ 507,023	\$ 465,585			
School's covered payroll	\$ 3,402,518	\$ 2,936,339			
School's proportionate share of the net OPEB liability as a percentage of covered payroll	14.90%	15.86%			
Plan fiduciary net position as a percentage of the total OPEB liability	17.53%	16.71%			

The amounts presented for each fiscal year were determined as of December 31.

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

SCHEDULE OF DISTRICT'S CONTRIBUTIONS - HEALTH CARE TRUST FUND
HUERFANO SCHOOL DISTRICT RE-1
 Last 10 Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Primary Government					
Statutorily required contributions	\$ 41,132	\$ 44,518	\$ 36,690	\$ 39,138	\$ 36,346
Contributions in relation to the statutorily required contributions	<u>41,132</u>	<u>44,518</u>	<u>36,690</u>	<u>39,138</u>	<u>36,346</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 4,032,504	\$ 4,364,527	\$ 3,597,013	\$ 3,837,049	\$ 3,563,334
Contribution as a percentage of covered payroll	1.02%	1.02%	1.02%	1.02%	1.02%
	<u>2018</u>	<u>2017</u>			
Primary Government					
Statutorily required contributions	\$ 34,706	\$ 29,951			
Contributions in relation to the statutorily required contributions	<u>34,706</u>	<u>29,951</u>			
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>			
Covered payroll	\$ 3,402,518	\$ 2,936,339			
Contribution as a percentage of covered payroll	1.02%	1.02%			

The amounts presented for each fiscal year were determined as of June 30.

The schedule is presented to show information for ten years. Until information for the full ten year period is available, information will be presented for the years it is available.

OTHER SUPPLEMENTARY INFORMATION

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
HUERFANO SCHOOL DISTRICT RE-1
June 30, 2023

	Food Service Fund	Pupil Activity Fund	Totals
<u>Assets</u>			
Cash in bank and on hand	\$ 118,750	\$ 99,184	\$ 217,934
Accounts receivable	25,903	-	25,903
Due from other funds	10,772	16,052	26,824
Inventories	<u>9,032</u>	<u>-</u>	<u>9,032</u>
Total Assets	<u>164,457</u>	<u>115,236</u>	<u>279,693</u>
<u>Liabilities</u>			
Accounts payable	-	2,887	2,887
Due to other funds	19,275	39,587	58,862
Unearned revenue	<u>9,469</u>	<u>-</u>	<u>9,469</u>
Total Liabilities	<u>28,744</u>	<u>42,474</u>	<u>71,218</u>
<u>Fund Balance</u>			
Nonspendable	9,032	-	9,032
Assigned	<u>126,681</u>	<u>72,762</u>	<u>199,443</u>
Total Fund Balances	<u>\$ 135,713</u>	<u>\$ 72,762</u>	<u>\$ 208,475</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
HUERFANO SCHOOL DISTRICT RE-1
For the year ended June 30, 2023

	Food Service Fund	Pupil Activity Fund	Totals
Revenues			
State sources	\$ 1,627	\$ -	\$ 1,627
Federal sources	354,184	-	354,184
Other sources	17,674	86,535	104,209
Total Revenues	<u>373,485</u>	<u>86,535</u>	<u>460,020</u>
Expenditures			
Direct instruction	-	246,912	246,912
Indirect instruction	-	-	-
Transportation	-	-	-
Custodial and maintenance	-	-	-
Other support services	436,939	-	436,939
Capital outlay	-	-	-
Total Expenditures	<u>436,939</u>	<u>246,912</u>	<u>683,851</u>
Excess of Revenues Over (Under) Expenditures	<u>(63,454)</u>	<u>(160,377)</u>	<u>(223,831)</u>
Other Financing Sources (Uses)			
Transfers from other funds	100,000	89,250	189,250
Total Other Financing Sources (Uses)	<u>100,000</u>	<u>89,250</u>	<u>189,250</u>
Net Change in Fund Balance	36,546	(71,127)	(34,581)
Fund Balances - July 1	<u>99,167</u>	<u>143,889</u>	<u>243,056</u>
Fund Balances - June 30	<u>\$ 135,713</u>	<u>\$ 72,762</u>	<u>\$ 208,475</u>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGET BASIS)
DEBT SERVICE FUND
HUERFANO SCHOOL DISTRICT RE-1
For the year ended June 30, 2023

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,197,801	\$ 1,197,801	\$ 1,081,740	\$ (116,061)
Other sources	<u>500</u>	<u>500</u>	<u>19,707</u>	<u>19,207</u>
Total Revenues	<u>1,198,301</u>	<u>1,198,301</u>	<u>1,101,447</u>	<u>(96,854)</u>
Expenditures				
Debt service:				
Principal retirement	1,208,328	1,208,328	982,510	225,818
Interest and fiscal charges	244,842	244,842	506,005	(261,163)
Contingency	<u>519,400</u>	<u>519,400</u>	<u>-</u>	<u>519,400</u>
Total Expenditures	<u>1,972,570</u>	<u>1,972,570</u>	<u>1,488,515</u>	<u>484,055</u>
Excess of Revenues Over (Under) Expenditures	<u>(774,269)</u>	<u>(774,269)</u>	<u>(387,068)</u>	<u>387,201</u>
Fund Balances - July 1	<u>774,269</u>	<u>1,329,229</u>	<u>1,411,057</u>	<u>81,828</u>
Fund Balances - June 30	<u>\$ -</u>	<u>\$ 554,960</u>	<u>\$ 1,023,989</u>	<u>\$ 469,029</u>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL (BUDGET BASIS)

BUILDING FUND

HUERFANO SCHOOL DISTRICT RE-1

For the year ended June 30, 2023

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
State sources	\$ 30,198,650	\$ 30,198,650	\$ 11,705,343	\$ (18,493,307)
Investment earnings	2,500	100,000	328,747	228,747
Total Revenues	<u>30,201,150</u>	<u>30,298,650</u>	<u>12,034,090</u>	<u>(18,264,560)</u>
Expenditures				
Capital outlay	38,488,660	38,488,660	17,026,457	21,462,203
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	500	500	-	500
Debt issuance costs	-	-	-	-
Contingency	2,000	99,500	-	99,500
Total Expenditures	<u>38,491,160</u>	<u>38,588,660</u>	<u>17,026,457</u>	<u>21,562,203</u>
Excess of Revenues Over (Under) Expenditures	<u>(8,290,010)</u>	<u>(8,290,010)</u>	<u>(4,992,367)</u>	<u>3,297,643</u>
Other Financing Sources (Uses)				
Bond proceeds	7,035,000	7,035,000	-	(7,035,000)
Premium on issuance	1,255,010	1,255,010	-	(1,255,010)
Total Other Financing Sources	<u>8,290,010</u>	<u>8,290,010</u>	<u>-</u>	<u>(8,290,010)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>-</u>	<u>-</u>	<u>(4,992,367)</u>	<u>(4,992,367)</u>
Fund Balances - July 1	<u>-</u>	<u>-</u>	<u>16,931,558</u>	<u>16,931,558</u>
Fund Balances - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,939,191</u>	<u>\$ 11,939,191</u>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGET BASIS)
CAPITAL RESERVE FUND
HUERFANO SCHOOL DISTRICT RE-1
For the year ended June 30, 2023

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local sources	\$ 650	\$ 4,000	\$ 4,000	\$ -
Other	-	-	12,178	12,178
Total Revenues	<u>650</u>	<u>4,000</u>	<u>16,178</u>	<u>12,178</u>
Expenditures				
Purchased services	50	50	-	50
Supplies	10,000	10,000	44,761	(34,761)
Capital outlay	129,245	129,245	9,851	119,394
Contingency	337,942	542,249	-	542,249
Total Expenditures	<u>477,237</u>	<u>681,544</u>	<u>54,612</u>	<u>626,932</u>
Excess of Revenues Over (Under) Expenditures	(476,587)	(677,544)	(38,434)	639,110
Other Financing Sources (Uses)				
Transfers from other funds	25,000	25,000	25,000	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(451,587)	(652,544)	(13,434)	639,110
Fund Balances - July 1	<u>451,587</u>	<u>652,544</u>	<u>684,644</u>	<u>32,100</u>
Fund Balances - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 671,210</u>	<u>\$ 671,210</u>

STATEMENT OF REVENUES EXPENSES AND CHANGE IN NET ASSETS
BUDGET AND ACTUAL (BUDGET BASIS)
PUPIL ACTIVITY FUND
HUERFANO SCHOOL DISTRICT RE-1
For the year ended June 30, 2023

	<u>Budgeted Amount</u>			Variance With Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Federal sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-
Local sources	<u>84,150</u>	<u>71,088</u>	<u>86,535</u>	<u>15,447</u>
Total Revenues	<u>84,150</u>	<u>71,088</u>	<u>86,535</u>	<u>15,447</u>
Expenditures				
Salaries	54,500	40,000	54,387	(14,387)
Fringe benefits	12,726	9,340	12,231	(2,891)
Purchased services	36,344	31,128	41,505	(10,377)
Supplies	120,189	96,860	119,733	(22,873)
Capital outlay	5,000	11,000	10,938	62
Other	7,714	6,975	8,118	(1,143)
Contingency	<u>66,643</u>	<u>106,975</u>	<u>-</u>	<u>106,975</u>
Total Expenditures	<u>303,116</u>	<u>302,278</u>	<u>246,912</u>	<u>55,366</u>
Excess of Revenues Over (Under) Expenditures	(218,966)	(231,190)	(160,377)	70,813
Other Financing Sources (Uses)				
Transfers from other funds	<u>89,250</u>	<u>89,250</u>	<u>89,250</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(129,716)	(141,940)	(71,127)	70,813
Fund Balances - July 1	<u>129,716</u>	<u>141,940</u>	<u>143,889</u>	<u>1,949</u>
Fund Balances - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72,762</u>	<u>\$ 72,762</u>

STATEMENT OF REVENUES EXPENSES AND CHANGE IN NET ASSETS

BUDGET AND ACTUAL (BUDGET BASIS)

FOOD SERVICE FUND

HUERFANO SCHOOL DISTRICT RE-1

For the year ended June 30, 2023

	<u>Budgeted Amount</u>			<u>Variance With Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Federal sources	\$ 299,500	\$ 336,728	\$ 354,184	\$ 17,456
State sources	2,400	1,627	1,627	-
Local sources	18,400	6,555	17,674	11,119
Total Revenues	<u>320,300</u>	<u>344,910</u>	<u>373,485</u>	<u>28,575</u>
Expenditures				
Salaries	207,276	202,653	181,676	20,977
Fringe benefits	73,185	107,062	78,770	28,292
Purchased services	1,000	1,950	448	1,502
Supplies	176,500	186,310	176,045	10,265
Capital outlay	-	5,000	-	5,000
Contingency	2,107	13,935	-	13,935
Total Expenditures	<u>460,068</u>	<u>516,910</u>	<u>436,939</u>	<u>79,971</u>
Excess of Revenues Over (Under) Expenditures	(139,768)	(172,000)	(63,454)	108,546
Other Financing Sources (Uses)				
Transfers from other funds	100,000	100,000	100,000	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(39,768)	(72,000)	36,546	108,546
Fund Balances - July 1	<u>39,768</u>	<u>72,000</u>	<u>99,167</u>	<u>27,167</u>
Fund Balances - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 135,713</u>	<u>\$ 135,713</u>

COMPLIANCE SECTION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

HUERFANO SCHOOL DISTRICT RE-1

For the year ended June 30, 2023

	<u>Federal CFDA Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>			
Passed Through Colorado Department of Education			
School Breakfast Program	10.553	4553	\$ 58,363
National School Lunch Program	10.555	4555, 5555, 6555	280,993
P-EBT Administrative Costs Grants	10.649	4649	<u>1,223</u>
Total Passed Through Colorado Department of Education			<u>340,579</u>
Passed Through Colorado Department of Human Services			
National School Lunch Program-Commodities	10.555	4555	<u>13,605</u>
Total U.S. Department of Agriculture			<u>354,184</u>
<u>U.S. Department of Education</u>			
Passed Through Colorado Department of Education			
Title 1 - Grants to Local Educational Agencies	84.010	4010	346,745
Colorado Charter Schools - Program & Grant	84.282A	5282	5,108
Twenty-First Century Community Learning Centers	84.287C	6287	116,437
Rural Education and Achievement Program	84.358B	6358	9,620
Improving Teacher Quality State Grants	84.367	4367	47,484
Student Support and Academic Enrichment Program	84.424	4424	24,077
Elementary & Secondary School Emergency Relief Fund	84.425D	4420, 4425, 5425	72,011
American Rescue Plan - Elementary & Secondary School Emergency Relief Fund	84.425U	4414, 9414, 4434	<u>619,528</u>
Total Passed Through Colorado Department of Education			<u>1,241,010</u>
Passed Through Colorado Community College System			
Career and Technical Education - Basic Grants to States	84.048	4048	<u>2,755</u>
Total U.S. Department of Education			<u>1,243,765</u>
<u>U.S. Department of Health and Human Services</u>			
Passed Through Colorado Office of Early Childhood			
Child Care and Development Block Grant	93.575	7575	<u>14,644</u>
Total Federal Assistance			<u>\$ 1,612,593</u>

The accompanying notes are an integral part of this schedule.

HUERFANO SCHOOL DISTRICT RE-1
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2023

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal award activity of the Huerfano School District RE-1 under programs of the federal government for the year ended June 30, 2022. The information is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following cost principles contained in the Uniform Guidance and /or OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 - INDIRECT COSTS

The District has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4 – RISK BASED AUDIT APPROACH

The dollar threshold used to distinguish between Type A and Type B programs is \$750,000. The District does not qualify as a low-risk auditee.

NOTE 5 - FOOD DISTRIBUTION

Commodities donated to the District by the U.S. Department of Agriculture (USDA) of \$13,605 are valued based on the USDA's Donated Commodity Price List.

NOTE 6 - SUBRECIPIENTS

No payments were made to subrecipients in the fiscal year ended June 30, 2023.

Garren, Ross & DeNardo, Inc.

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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*

INDEPENDENT AUDITOR'S REPORT

February 26, 2024

Board of Education
Huerfano School District RE-1
Walsenburg, Colorado 81089

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Huerfano School District RE-1 (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 26, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

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

Board of Education
Huerfano School District RE-1

Huerfano School District RE-1's Response to Findings

The School District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

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 the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Jarvis, Ross & DeNardo, LLC

Garren, Ross & DeNardo, Inc.

CERTIFIED PUBLIC ACCOUNTANTS

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Report on Compliance for Each major Program and on Internal Control Over Compliance Required by the Uniform Guidance

INDEPENDENT AUDITOR'S REPORT

February 26, 2024

Board of Education
Huerfano School District RE-1
Walsenburg, Colorado 81089

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Huerfano School District RE-1's (the District) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of 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 of the District 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 of 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists.

The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgement 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 including 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 the 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 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 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.

Garrett, Ron | Jellardo, Inc.

HUERFANO SCHOOL DISTRICT RE-1
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the year ended June 30, 2023

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
• Material weakness(es) identified?	_____ yes	_____ <u>X</u> no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____ <u>X</u> yes	_____ no
Noncompliance material to financial statements noted?	_____ yes	_____ <u>X</u> no
Federal Awards		
Internal control over major programs:		
• Material weakness(es) identified?	_____ yes	_____ <u>X</u> no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____ yes	_____ <u>X</u> no
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____ yes	_____ <u>X</u> no
The programs tested as major programs were:		

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.425D	Elementary & Secondary School Emergency Relief Fund
84.425U	Elementary & Secondary School Emergency Relief Fund

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	_____ <u>X</u> yes _____ no

SECTION II - FINANCIAL STATEMENT FINDINGS

SIGNIFICANT DEFICIENCIES

2023-001 Reconciliation of Key Accounts
(Repeat finding 2022-001)

Condition and Context:

Balances carried over from the prior fiscal year for accrued and deferred revenues, accounts payable, and accrued salaries were not adjusted during the current fiscal year.

Criteria:

The balances should have been adjusted and or reversed in the current fiscal year as those transactions took place.

Cause:

The control in place was not followed.

Effect:

Balances on budgetary comparisons were inaccurate as well as grant requests and submissions were inaccurate.

HUERFANO SCHOOL DISTRICT RE-1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2023

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

2023-001 Reconciliation of Key Accounts (Continued)

Recommendation:

Reconcile key accounts on a monthly basis and investigate and correct any discrepancies.

Response:

The School District will review their current procedures along with this recommendation.

2023-002 Reimbursement claim forms/reports
(Repeat finding 2022-002)

Condition and Context:

Reimbursement claim form/reports submitted to CDE or other granting/oversight agencies should be reconciled to the detailed transactions recorded in the general ledger prior to submitting such forms. The Business Manager should verify their records and any variances should be investigated and corrected on a timely basis.

Criteria:

The reimbursement forms should be reconciled to the detailed transactions recorded in the general ledger. The information reported on the reimbursement forms should be reviewed and verified for accuracy.

Cause:

The controls in place were not followed at times and the underlying expenditures requested for reimbursement were not reconciled to the general ledger.

Effect:

The reimbursement claims could be incorrect if controls that are in place are not followed.

Recommendation:

Reimbursement claim forms/reports submitted for government grants should be reconciled to the detailed transactions recorded in the general ledger prior to submitting such claims. The claims also need to be traced to receipt.

Response:

The School District will review their current procedures along with this recommendation.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

SECTION IV - PRIOR YEAR FINDINGS

None.

FINDINGS - FEDERAL AWARDS

None.

RECONCILIATION OF AUDITOR'S ELECTRONIC FINANCIAL DATA INTEGRITY
CHECK FIGURES TO GOVERNMENTAL FUND FINANCIAL STATEMENTS
 HUERFANO SCHOOL DISTRICT RE-1
 For the year ended June 30, 2023

	Balance Per <u>CDE</u>	<u>Rounding</u>	Balance Per Governmental Fund Financial <u>Statements</u>
<u>Gardner Valley School / Component Unit</u>			
Beginning fund balance / Net position	\$ 294,853	1	\$ 294,854
<u>General Fund/Preschool Fund</u>			
Beginning fund balance	2,428,214	1	2,428,215
Expenditures	5,930,914	2	5,930,916
<u>Bond Redemption Fund</u>			
Beginning fund balnace	1,411,058	(1)	1,411,057
Revenues	1,101,446	1	1,101,447
<u>Capital Reserve Fund</u>			
Revenues	41,179	(1)	41,178
Expenditures	54,613	(1)	54,612
<u>Total Beginning Fund Balance</u>	21,991,539	(1)	21,991,538
<u>Total Revenues</u>	22,249,343	1	22,249,344
<u>Total Ending Fund Balance</u>	16,568,707	(1)	16,568,706

The accompanying notes are an integral part of this schedule.

RECONCILIATION OF AUDITOR'S ELECTRONIC FINANCIAL DATA INTEGRITY
CHECK FIGURES TO GOVERNMENTAL FUND FINANCIAL STATEMENTS
 HUERFANO SCHOOL DISTRICT RE-1
 For the year ended June 30, 2023

	Balance Per <u>CDE</u>	<u>Rounding</u>	Item Reclassification on Balance Sheet	Balance per Governmental Fund Financial <u>Statements</u>
<u>Bolded Balance Sheet Report</u>				
<u>General Fund/Preschool Fund</u>				
Interfund loans receivable	\$ 171,516	\$ -	\$ 10,000	\$ 181,516
Total assets	3,523,698	-	10,000	3,533,698
Interfund payables	310,772	-	10,000	320,772
Total liabilities and deferred inflow	1,172,028	-	10,000	1,182,028
Restricted fund balance - preschool	170,231	(1)	-	170,230
Total fund equity	2,351,671	(1)	-	2,351,670
<u>Special Revenue Funds</u>				
Interfund loans receivable	6,052	-	10,000	16,052
Total assets	474,560	-	10,000	484,560
Interfund payables	155,943	-	10,000	165,943
Total liabilities and deferred inflow	401,797	1	10,000	411,798
<u>Capital Projects Funds</u>				
Cash and investments	8,858,100	-	4,890,839	13,748,939
Cash with fiscal agent	4,890,839	-	(4,890,839)	-
<u>Charter School / Component Unit</u>				
Unassigned fund balance	328,874	(1)	-	328,873
Total liabilities and fund equity	491,940	(1)	-	491,939
<u>Total Assets</u>	22,913,642	(1)	20,000	22,933,641
<u>Total Liabilities</u>	6,344,935	-	20,000	6,364,935
<u>Total Fund Equity</u>	16,568,707	(1)	-	16,568,706
<u>Total Liabilities and Fund Equity</u>	22,913,642	(1)	20,000	22,933,641

The accompanying notes are an integral part of this schedule.

**COLORADO SCHOOL DISTRICT AUDITOR'S ELECTRONIC
FINANCIAL DATA INTEGRITY CHECK FIGURES**

HUERFANO SCHOOL DISTRICT RE-1

For the year ended June 30, 2023

	<u>Balance Per CDE</u>	<u>Balance Per District</u>	<u>Variance</u>	<u>Explanation</u>
Warnings				
Sources 1954 - 0594 / 0595				Difference of \$97,490.35 for prior year administration billing received 9/28/2022
Sources 3954 - 0594				Difference of \$250.11 for Grant 3113 & \$7,763.49 for Grant 3192 (Recorded by Charter under 3954, District sent funds in the prior year)
Fund 10 - Fund Balance				
Formula driven beginning fund balance	\$ 2,302,016.05			
Previous years ending fund balance	\$ 2,269,922.37		\$ 32,093.68	Prior period adjustment made to receivables for specific ownership tax
Fund 11 - Fund Balance				
Formula driven beginning fund balance	\$ 294,853.45			
Previous years ending fund balance	\$ 294,859.44		\$ (5.99)	Unexplained difference with the Charter School
Fund 31 - Fund Balance				
Formula driven beginning fund balance	\$ 1,411,057.96			
Previous years ending fund balance	\$ 1,522,595.64		\$ (111,537.68)	Prior period adjustment made to receivables for specific ownership tax
Capital Construction-Charter				
Grant Code: 3113				
Receipts	\$ 13,180.14	\$ 12,679.91	\$ 500.23	1,087.15 - Receivable at June 30, 2023 (837.03) - Receivable at June 30, 2022 1,087.14 - CDE receipt dated June 30, 2023, District received July-2023 (837.03) - CDE receipt dated June 30, 2022, District received July-2022
State Transportation				
Grant Code: 3160				
Receipts	\$ 60,877.17	\$ 58,552.56	\$ 2,324.61	2,324.61 - CDE receipt dated June 30, 2023, District received July-2023
Title I				
Grant Code: 4010				
Receipts	\$ 339,552.39	\$ 307,789.37	\$ 31,763.02	50,629.90 - Gardner Valley Charter School Receivable at June 30, 2023 (18,866.88) - Gardner Valley Charter School Receivable at June 30, 2022
Title II				
Grant Code: 4367				
Receipts	\$ 37,572.46	\$ 37,121.28	\$ 451.18	6,873.86 - Gardner Valley Charter School Receivable at June 30, 2023 (6,422.68) - Gardner Valley Charter School Receivable at June 30, 2022
ARP ESSER III				
Grant Code: 4414				
Receipts	\$ 504,435.26	\$ 383,158.04	\$ 121,277.22	136,637.73 - Gardner Valley Charter School Receivable at June 30, 2023 (15,360.51) - Gardner Valley Charter School Receivable at June 30, 2022
ESSER II				
Grant Code: 4420				
Receipts	\$ 269,914.11	\$ 296,765.72	\$ (26,851.61)	(26,851.61) - Gardner Valley Charter School Receivable at June 30, 2022
Title IV-A				
Grant Code: 4424				
Receipts	\$ 28,467.92	\$ 27,792.85	\$ 675.07	3,485.42 - Gardner Valley Charter School Receivable at June 30, 2023 (2,810.35) - Gardner Valley Charter School Receivable at June 30, 2022
Title V - B				
Grant Code: 5282				
Receipts	\$ 101,859.19	\$ 198,609.96	\$ (96,750.77)	96,750.77 - Gardner Valley Charter School Receivable at June 30, 2022
Twenty-First Century Community Learning				
Grant Code: 6287				
Receipts	\$ 102,040.74	\$ 110,364.27	\$ (8,323.53)	8,323.53 - CDE receipt dated June 30, 2022, District received July-2022
Title V-B, Rural and Low Income Schools				
Grant Code: 6358				
Receipts	\$ 5,727.88	\$ 1,163.16	\$ 4,564.72	6,264.72 - Receivable at June 30, 2023 (1,700.00) - Receivable at June 30, 2022

The accompanying notes are an integral part of this schedule.