

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, 2024

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INDEPENDENT AUDITOR'S REPORT

November 17, 2025

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, 2024, 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, 2024, 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 as of June 30, 2024. 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 38 through 43 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, budgetary comparisons for nonmajor funds, and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit and the report of the other auditors, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2025, on our consideration of Huerfano School District RE-1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Huerfano School District RE-1's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Huerfano School District RE-1's internal control over financial reporting and compliance.

Garrett Ross, CPA
Jellardo, Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

HUERFANO SCHOOL DISTRICT RE-1
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FY 2023-24

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, 2024. 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 \$18,388,740 for 2023-24 compared to \$20,078,244 the prior year. General revenues, primarily property taxes and state equalization payments, account for approximately \$6.269 million or 34 percent of all revenues. Program specific revenues for services, grants, and contributions totaled \$11,585,045 compared to \$14,506,393 the prior year.
- The District had \$8,444,292 in expenses related to governmental activities compared to \$9,258,019 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 \$2,351,670. After revenues of \$6,269,701 and program expenditures and transfers totaling \$6,870,258, the ending fund balance at June 30, 2024 was \$1,751,113.
- The Capital Projects Fund had a beginning fund balance of \$671,210. Total revenues of \$24,530 were comprised of interest earned on investments and other revenue. Other sources included a transfer from the general fund totaling \$75,000. Expenditures totaled \$5,309 for capital outlay, leaving an ending fund balance of \$765,431.
- The Bond Redemption Fund had a beginning fund balance of \$1,023,989. Revenues, primarily from property taxes, totaled \$1,117,203 of which \$1,039,333 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 \$1,101,859.
- The Building Fund had a beginning fund balance of \$11,939,191. Interest earnings of \$436,578 and \$9,195,020 in BEST Grant revenue. The expenditures totaled \$15,066,747 for an ending fund balance of \$6,504,042.
- Government Designated Purpose Grants had a beginning fund balance of \$0 and accounted for \$854,853 of the revenue and \$854,853 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 \$72,762 and food services with a beginning fund balance of \$135,713. Revenues totaled \$657,105 including transfers from the general fund totaling \$166,250. After expenditures of \$638,528, 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 38. 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, 2024 to June 30, 2023.

Huerfano School District RE-1 Condensed Statement of Net Position

	6/30/2024 Governmental Activities	6/30/2023 Governmental Activities	Net Change
ASSETS			
Current & Other Assets	\$ 13,761,496	\$ 21,970,739	\$ (8,209,243)
Capital Assets	\$ 43,407,974	\$ 28,571,841	\$ 14,836,133
Total Assets	\$ 57,169,470	\$ 50,542,580	\$ 6,626,890
DEFERRED OUTFLOWS OF RESOURCES			
Bond Refunding	\$ -	\$ -	\$ -
Pension Cost - Investment Change	\$ 1,058,700	\$ 738,410	\$ 320,290
Other Post Employment Benefits	\$ 33,219	\$ 53,532	\$ (20,313)
Total Deferred Outflows of Resources	\$ 1,091,919	\$ 791,942	\$ 299,977
Current Liabilities	\$ 3,361,102	\$ 6,284,698	\$ (2,923,596)
Non-Current Liabilities	\$ 26,955,297	\$ 26,304,799	\$ 650,498
Total Liabilities	\$ 30,316,399	\$ 32,589,497	\$ (2,273,098)
DEFERRED INFLOWS OF RESOURCES			
Related to Leases	\$ 7,103	\$ 13,964	\$ (6,861)
Deferred Pension Earnings	\$ -	\$ 717,520	\$ (717,520)
Other Post Employment Benefits	\$ 127,449	\$ 119,552	\$ 7,897
Total Deferred Inflows of Resources	\$ 134,552	\$ 851,036	\$ (716,484)
Net Position			
Net Investment in Capital Assets	\$ 36,596,706	\$ 26,143,149	\$ 10,453,557
Restricted For:			
TABOR	\$ 185,000	\$ 183,000	\$ 2,000
Preschool	\$ 237,487	\$ 170,230	\$ 67,257
Debt	\$ 7,605,901	\$ 12,963,180	\$ (5,357,279)
Unrestricted	\$ (16,814,656)	\$ (21,565,570)	\$ 4,750,914
Total Net Position	\$ 27,810,438	\$ 17,893,989	\$ 9,916,449

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 \$8,209,243 and Capital Assets increased by \$14,836,133 due to the addition of capital assets, specifically the new Walsenburg Jr/Sr High School.

Total Liabilities decreased by \$2,273,098 due to the beginning of payoff of the 2022 Bonds for the Capital Construction.

Net position increased \$9,916,449 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 2023-24 to FY 2022-23.

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

	6/30/2024 Governmental Activities	6/30/2023 Governmental Activities	Net Change
Program Revenues			
Charges for Services	\$ 168,318	\$ 203,793	\$ (35,475)
Operating Grants & Contributions	\$ 1,843,042	\$ 2,597,257	\$ (754,215)
Capital Grants & Contributions	\$ 9,573,685	\$ 11,705,343	\$ (2,131,658)
General Revenues			
Property Taxes	\$ 4,350,837	\$ 4,010,707	\$ 340,130
Specific Ownership Taxes	\$ 437,916	\$ 436,168	\$ 1,748
School Finance Act (Equalization)	\$ 2,300,506	\$ 2,151,869	\$ 148,637
Earnings on Investments	\$ 551,789	\$ 396,068	\$ 155,721
Other Revenue	\$ 25,977	\$ 31,967	\$ (5,990)
Charter Per Pupil Revenue	\$ (891,329)	\$ (727,464)	\$ 163,865
Total General Revenues	\$ 6,775,696	\$ 6,299,315	\$ 476,381
Total Revenues	\$ 18,360,741	\$ 20,805,708	\$ (2,444,967)
Expenses			
Direct Instruction	\$ 4,178,038	\$ 4,960,313	\$ (782,275)
Indirect Instruction	\$ 1,042,308	\$ 1,165,233	\$ (122,925)
Student Transportation	\$ 362,759	\$ 364,229	\$ (1,470)
Custodial & Maintenance	\$ 731,612	\$ 668,401	\$ 63,211
Other Support Services	\$ 1,428,726	\$ 1,405,770	\$ 22,956
General Administration	\$ 269,488	\$ 240,476	\$ 29,012
Interest on Long-Term Debt	\$ 431,361	\$ 453,597	\$ (22,236)
Total Expenses	\$ 8,444,292	\$ 9,258,019	\$ 813,727
Changes in Net Position	\$ 9,916,449	\$ 11,547,689	\$ (1,631,240)
Net Position, Beginning	\$ 17,893,989	\$ 6,425,744	\$ 11,468,245
Prior Period Adjustment	\$ -	\$ (79,444)	\$ 79,444
Net Position, Ending	\$ 27,810,438	\$ 17,893,989	\$ 9,916,449

Revenues decreased overall by \$2,444,967 primarily due to deductions in grants and a slowing in capital grants. Expenses decreased by \$813,727 over the prior year, primarily due to the decrease in salaries funded by grants.

The primary source of operating revenue for school districts comes from the Public School Finance Act of 1994. Under this Act, the District received \$11,575 per funded in-school student compared to \$10,467 the prior year. The District's actual funded pupil count on October 1, 2023 was 470.3 compared to 508 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 \$5,444,054 under the School Finance Act compared to \$5,323,574 the prior year. The state share decreased to 37.2%. The local share, which includes property taxes and specific ownership taxes, makes up the other 62.8% 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 2023-24 to 2022-23**

	FY 2023-24 Total Cost of Service	FY 2023-24 Service Fees Grants and Contributions	FY 2023-24 Net Cost Of Services	FY 2022-23 Total Cost of Service	FY 2022-23 Service Fees Grants and Contributions	FY 2022-23 Net Cost Of Services	Net Change
Governmental Activities							
Direct Instruction	\$ 4,178,038	\$ 1,448,394	\$ (2,729,644)	\$ 4,960,313	\$ 1,529,069	\$ (3,431,244)	\$ 701,600
Indirect Instruction	\$ 1,042,308	\$ 245,676	\$ (796,632)	\$ 1,165,233	\$ 471,024	\$ (694,209)	\$ (102,423)
Transportation	\$ 362,759	\$ 1,030	\$ (361,729)	\$ 364,229	\$ 17,324	\$ (346,905)	\$ (14,824)
Custodial & Maintenance	\$ 731,612	\$ 1,177	\$ (730,435)	\$ 668,401	\$ 52,818	\$ (615,583)	\$ (114,852)
Other Support Services	\$ 1,428,726	\$ 9,840,367	\$ 8,411,641	\$ 1,405,770	\$ 12,365,858	\$ 10,960,088	\$ (2,548,447)
General Administration	\$ 269,488	\$ 48,401	\$ (221,087)	\$ 240,476	\$ 70,300	\$ (170,176)	\$ (50,911)
Interest Expense, unallocated	<u>\$ 431,361</u>	<u>\$ -</u>	<u>\$ (431,361)</u>	<u>\$ 453,597</u>	<u>\$ -</u>	<u>\$ (453,597)</u>	<u>\$ 22,236</u>
						\$ -	
Total Primary Government	<u>\$ 8,444,292</u>	<u>\$ 11,585,045</u>	<u>\$ 3,140,753</u>	<u>\$ 9,258,019</u>	<u>\$ 5,933,045</u>	<u>\$ 5,248,374</u>	<u>\$ (2,107,621)</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 2023-24 the beginning Fund Balance in the General Fund was \$2,351,670. Revenues in the General Fund totaled \$6,269,701 while expenditures totaled \$6,629,008 and transfers to other funds totaled \$241,250. The ending fund balance in the General Fund decreased by \$600,557 from current operations resulting in an ending fund balance of \$1,751,113 as of June 30, 2024 including \$185,000 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 \$854,853. The District reported \$854,853 in expenditures from federal sources including the following grants over \$100,000:

- Title I, Part A
- Education Stabilization Fund
- Public Safety Partnership and Community Policing Grant

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 \$1,117,203. Bond principal and interest payments in the amount of \$1,039,333 were made in FY 2023-24. The Ending Fund Balance in the Bond Redemption Fund was \$1,101,859 at June 30, 2024 compared to \$1,023,989 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 \$11,939,191. Revenues totaled \$9,631,598 with BEST Grant, state sourced revenue of \$9,195,020. The total expenditures were \$15,066,747. The ending fund balance as of June 30, 2024 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 2023-24 beginning Fund Balance in the Capital Projects Fund (43) was \$671,210. Revenues totaled \$24,530 and \$75,000 from transfers from the General Fund. Expenditures totaled \$5,309. The Fund Balance as of June 30, 2024 was \$765,431.

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 \$72,762. Revenues in the Student Activity Fund totaled \$110,123 and \$141,250 of transfers from the General Fund. Expenditures totaled \$237,663. The Fund Balance in the Student Activity Fund as of June 30, 2024 was \$86,472.

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 \$135,713. Revenues in the Food Service Fund totaled \$380,732 including federal meal revenue of \$367,916, state revenue of \$2,287, other sources totaling \$10,529 and transfers from General Fund of \$25,000. Expenditures totaled \$400,865 leaving an ending Fund Balance in the Food Service Fund as of June 30, 2024 of \$140,580.

BUDGET ANALYSIS

The Board of Education approved a budget in June 2023 based on enrollment projections for the 2023-24 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 \$628,313. Expenditures were under budget by \$395,483 with variance spread to all functions.

Operating revenues from food sales were \$76,629 over budget. Expenditures were under budget by \$71,627. There was a General Fund transfer of \$25,000. The District budgeted for a transfer from the

general fund of \$100,000 but did not use the entire amount which resulted a small increase of the fund balance of \$4,867.

Grant revenues were more than expenditures and revenues were less than budget by \$89,023 and expenditures were more than budget by \$89,023, this is primarily due to timing and receiving funds on a reimbursement basis.

Revenues in the Pupil Activities Special Revenue Fund were under budget by \$30,473 while expenditures were under budget by \$21,867. The subsidy from General Fund was \$141,250, more than the amount budgeted. Overall, the fund balance increased by \$13,710.

Revenues in the Bond Redemption Debt Service Fund were \$55,825 under budget. Spending was \$770,371 under budget primarily due to not spending appropriated reserves, which will be used for future bond payments. Ending fund balance increased \$77,870.

In the Capital Projects Capital Reserve Fund, revenues were over budget by \$16,530. Expenditures were \$748,431 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 \$200,888. Building and improvements capitalized at \$34,252,241 at June 30, 2024. Equipment and vehicles totaled \$1,991,655. 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 \$43,407,974 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%.

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 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 2023-24 was 470.3 compared to 508.6 for 2022-23, 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 Robert Howard or Business Manager Karen Grover 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, 2024

	Primary Government	Component Units
	Governmental Activities	Charter School
<u>Assets</u>		
Cash and investments - unrestricted	\$ 3,184,780	\$ 562,457
Receivables	1,002,161	75,077
Restricted cash and investments	9,499,055	-
Inventories	8,254	-
Prepaid expenses	67,246	169,531
Capital Assets		
Non-depreciable	448,235	-
Depreciable - net	42,959,739	45,827
Total Assets	57,169,470	852,892
<u>Deferred Outflow of Resources</u>		
Related to OPEB	33,219	33,291
Related to pensions	1,058,700	387,416
Total Deferred Outflows of Resources	1,091,919	420,707
<u>Liabilities</u>		
Accounts payable and accrued liabilities	2,634,575	25,879
Due to the District	-	47,666
Accrued salaries	487,980	54,388
Unearned revenue	238,547	127,045
Long-Term Liabilities		
Due within one year	621,057	-
Due in more than one year	15,806,163	-
Net OPEB liability	248,887	35,684
Net pension liability	10,279,190	1,477,846
Total Liabilities	30,316,399	1,768,508
<u>Deferred Inflow of Resources</u>		
Related to leases	7,103	-
Related to OPEB	127,449	15,392
Related to pensions	-	80,095
Total Deferred Inflows of Resources	134,552	95,487
<u>Net Position</u>		
Investment in capital assets, net of related debt	36,596,706	45,827
Restricted	8,028,388	37,600
Unrestricted	(16,814,656)	(673,823)
Total Net Position	\$ 27,810,438	\$ (590,396)

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, 2024

	Net (Expense) Revenue					and Changes in Net Position	
	Program Revenue			Primary Government		Component Unit	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Charter School		
Functions/Programs	Expenses						Charter School
Governmental Activities							
Direct instruction	\$ 4,178,038	\$ 110,123	\$ 1,083,159	\$ 255,112	\$ (2,729,644)	\$ -	\$ -
Indirect instruction	1,042,308	-	245,676	-	(796,632)	-	-
Transportation	362,759	-	1,030	-	(361,729)	-	-
Custodial and maintenance	731,612	-	1,177	-	(730,435)	-	-
Other support services	1,428,726	10,529	511,265	9,318,573	8,411,641	-	-
General administration	269,488	47,666	735	-	(221,087)	-	-
Interest expense, unallocated	431,361	-	-	-	(431,361)	-	-
Total Governmental Activities	8,444,292	168,318	1,843,042	9,573,685	3,140,753	-	-
Component Unit - Charter School	\$ 1,700,188	\$ -	\$ 254,468	\$ 13,768	\$ -	\$ (1,431,952)	\$ -
General Revenues							
Local property taxes					\$ 4,350,837	\$ -	\$ -
Specific ownership taxes					437,916	-	-
School finance act					1,409,177	891,329	891,329
Earnings on investments					551,789	-	-
Other					25,977	246,838	246,838
Total General Revenues					6,775,696	1,138,167	1,138,167
Changes in Net Position					9,916,449	(293,785)	(293,785)
Net Position - July 1					17,893,989	(296,611)	(296,611)
Net Position - June 30					\$ 27,810,438	\$ (590,396)	\$ (590,396)

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, 2024

	General Fund	Designated Purpose Grants Fund	Debt Service Fund	Building Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
Assets							
Cash and investments - unrestricted	\$ 2,564,453	\$ 2,280	\$ -	\$ -	\$ 352,781	\$ 265,266	\$ 3,184,780
Restricted cash	-	-	1,062,819	8,436,236	-	-	9,499,055
Accounts and other receivables	304,083	174,902	60,040	438,887	-	24,249	1,002,161
Due from other funds	430,237	-	-	21,106	415,000	15,052	881,395
Inventories	-	-	-	-	-	8,254	8,254
Prepaid expenses	43,590	-	-	-	-	-	43,590
Total Assets	3,342,363	177,182	1,122,859	8,896,229	767,781	312,821	14,619,235
Liabilities							
Accounts payable	192,391	45,655	-	2,354,945	-	2,722	2,595,713
Accrued salaries and benefits	422,916	65,064	-	-	-	-	487,980
Due to other funds	702,522	57,855	-	37,242	2,350	81,426	881,395
Unearned revenue	228,318	8,608	-	-	-	1,621	238,547
Total Liabilities	1,546,147	177,182	-	2,392,187	2,350	85,769	4,203,635
Deferred Inflow of Resources							
Property taxes	38,000	-	21,000	-	-	-	59,000
Leases	7,103	-	-	-	-	-	7,103
Total Deferred Inflow of Resources	45,103	-	21,000	-	-	-	66,103
Fund Balance							
Nonspendable	43,590	-	-	-	-	8,254	51,844
Restricted	422,487	-	1,101,859	6,504,042	-	-	8,028,388
Committed	-	-	-	-	765,431	-	765,431
Assigned	-	-	-	-	-	218,798	218,798
Unassigned	1,285,036	-	-	-	-	-	1,285,036
Total Fund Balances	\$ 1,751,113	\$ -	\$ 1,101,859	\$ 6,504,042	\$ 765,431	\$ 227,052	\$ 10,349,497

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, 2024

Total Fund Balances - Governmental Fund		\$	10,349,497
<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.			43,407,974
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.			59,000
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.			23,656
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:			
Deferred outflows - OPEB related amounts	\$	33,219	
Deferred outflows - pension related amounts		1,058,700	
Deferred inflows - OPEB related amounts		(127,449)	
Deferred inflows - pension related amounts		-	964,470
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:			
General Obligation Bonds		(15,247,504)	
Bond premiums		(1,133,692)	
Compensated absences		(46,024)	
Accrued interest		(38,862)	
Net OPEB obligation		(248,887)	
Net pension obligation		(10,279,190)	(26,994,159)
Total Net Position - Governmental Activities			\$ 27,810,438

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, 2024

	General Fund	Designated Purpose Grants Fund	Debt Service Fund	Building Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
Revenues							
Local property tax	\$ 3,294,674	\$ -	\$ 1,084,162	\$ -	\$ -	\$ -	\$ 4,378,836
Specific ownership tax	437,916	-	-	-	-	-	437,916
State sources	3,020,157	-	-	9,195,020	-	2,287	12,217,464
Federal sources	15,736	854,853	-	-	-	367,916	1,238,505
Other sources	392,547	-	33,041	436,578	24,530	120,652	1,007,348
Fund allocations	(891,329)	-	-	-	-	-	(891,329)
Total Revenues	<u>6,269,701</u>	<u>854,853</u>	<u>1,117,203</u>	<u>9,631,598</u>	<u>24,530</u>	<u>490,855</u>	<u>18,388,740</u>
Expenditures							
Direct instruction	3,168,293	455,068	-	-	-	237,663	3,861,024
Indirect instruction	987,423	141,322	-	43,424	-	-	1,172,169
Transportation	342,210	-	-	-	-	-	342,210
Custodial and maintenance	731,612	-	-	-	-	-	731,612
Other support services	1,010,683	3,351	-	11,146	5,309	400,865	1,431,354
General administration	265,235	-	-	-	-	-	265,235
Capital outlay	123,552	255,112	-	15,012,177	-	-	15,390,841
Debt service:							
Principal retirement	-	-	556,568	-	-	-	556,568
Interest and fiscal charges	-	-	482,765	-	-	-	482,765
Total Expenditures	<u>6,629,008</u>	<u>854,853</u>	<u>1,039,333</u>	<u>15,066,747</u>	<u>5,309</u>	<u>638,528</u>	<u>24,233,778</u>
Excess of Revenues Over (Under) Expenditures	<u>(359,307)</u>	<u>-</u>	<u>77,870</u>	<u>(5,435,149)</u>	<u>19,221</u>	<u>(147,673)</u>	<u>(5,845,038)</u>
Other Financing Sources (Uses)							
Transfers to other funds	(241,250)	-	-	-	-	-	(241,250)
Transfers from other funds	-	-	-	-	75,000	166,250	241,250
Total Other Financing Sources	<u>(241,250)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,000</u>	<u>166,250</u>	<u>-</u>
Net Change in Fund Balances	<u>(600,557)</u>	<u>-</u>	<u>77,870</u>	<u>(5,435,149)</u>	<u>94,221</u>	<u>18,577</u>	<u>(5,845,038)</u>
Fund Balances - July 1	<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>
Fund Balances - June 30	<u>\$ 1,751,113</u>	<u>\$ -</u>	<u>\$ 1,101,859</u>	<u>\$ 6,504,042</u>	<u>\$ 765,431</u>	<u>\$ 227,052</u>	<u>\$ 10,349,497</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, 2024

Total Change in Fund Balances - Governmental Funds **\$ (5,845,038)**

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	\$ 15,390,841	
Depreciation expense	<u>(554,708)</u>	14,836,133

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

Property taxes		(27,999)
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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.

(13,721)

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	556,568	
Change in accrued interest	<u>51,404</u>	607,972

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	270,306	
OPEB income	47,358	
Change in compensated absences	<u>41,438</u>	<u>359,102</u>

Total Change in Net Position - Governmental Activities **\$ 9,916,449**

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, 2024

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 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, 2024. 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, 2024

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, 2024

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, 2024

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, 2024. 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, 2024

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, 2024.

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, 2024, upon which the levy for the 2024 fiscal year was based, was \$679,395,324.

The tax rates assessed for the year ended June 30, 2024 to finance general fund operations and the payment of principal and interest on general long-term debt were \$26.822 and \$8.87 per \$1,000 valuation, respectively, for a total of \$35.692 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 10 and 11. 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 10 and 11.

Deferred inflows related to leases have been recorded as of June 30, 2024, 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, 2024

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.

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 \$17,220 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.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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 of 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.

HUERFANO SCHOOL DISTRICT RE-1
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2024

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Expenditures in Excess of Budget Amounts

During the year one fund had expenditures which exceeded budgeted amounts, which may be a violation of Colorado Local Government Budget Law.

		<u>Actual</u>		<u>Budget</u>		<u>Excess</u>
Designated Purpose Grants Fund	\$	854,853	\$	765,830	\$	89,023

Tax, Revenue, Spending and Debt Limitation

Colorado voters passed an amendment to the State Constitution, Article X Section 20, which has several limitations, including revenue raising, spending abilities and other specific requirements of state and local governments. The amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the amendment. However, the District has made certain interpretations of the amendment’s language in order to determine its compliance.

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, 2024, the School District’s reserve requirement was approximately \$185,000 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 \$12,217,464, which represents approximately 66% 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.

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.

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.

HUERFANO SCHOOL DISTRICT RE-1
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 3 - CASH AND INVESTMENTS (Continued)

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, 2024, the District had deposits over \$250,000 in the amount of \$2,469,459. 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	\$ 2,943,395	\$ 2,943,395	\$ -
Cash held by County Treasurer	722,558	722,558	-
<u>Investments</u>			
State investment pool (ColoTrust)	8,833,470	8,833,470	-
Money market	746,869	746,869	-
Total Deposits	\$ 13,246,292	\$ 13,246,292	\$ -
 Governmental Activities	 \$ 12,683,835		
Component Unit	562,457		
	<u>\$ 13,246,292</u>		

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.

HUERFANO SCHOOL DISTRICT RE-1
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 3 - CASH AND INVESTMENTS (Continued)

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, 2024, 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, 2024 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.

A summary of the principal items of receivables follows:

General Fund			
Property taxes	\$	223,146	
Leases		7,103	
Grants		26,168	
Accounts receivable – other		-	
Component unit		<u>47,666</u>	\$ 304,083
Bond Redemption Fund			
Property taxes			60,040
Building Fund			
Grants			438,887
Designated Purposes Grant			
Grants			174,902
Non-major Funds			
Food Service		24,249	
Pupil Activity		-	<u>24,249</u>
Total Receivables		<u> </u>	<u>\$ 1,002,161</u>

NOTE 5 – INTERFUND BALANCES AND TRANSFERS

A summary of the interfund receivables and payables at June 30, 2024 as reported in the balance sheet for government funds follows:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 430,237	\$ 702,522
Nonmajor Governmental Funds	15,052	81,426
Major Governmental Funds	<u>436,106</u>	<u>97,447</u>
Totals All Funds	<u>\$ 881,395</u>	<u>\$ 881,395</u>

The General Fund receivable is a result of financing programs in other funds. The General Fund payable is a result of amounts due to building fund and capital reserve fund for building projects. 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, 2024 consisted of transfers to other governmental funds from the general fund in the amount of \$241,250.

HUERFANO SCHOOL DISTRICT RE-1
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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, 2024, the District recognized \$14,855 and \$197 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.

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>
2025	\$ 1,981	\$ 119	\$ 2,100
2026	2,019	81	2,100
2027	2,058	42	2,100
2028	1,045	6	1,051
Total	<u>\$ 7,103</u>	<u>\$ 248</u>	<u>\$ 7,351</u>

NOTE 7 - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	<u>July 1, 2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2024</u>
<u>Governmental Activities</u>				
Non-Depreciable Assets:				
Land	\$ 247,347	\$ -	\$ -	\$ 247,347
Construction in Progress	19,062,288	200,888	19,062,288	200,888
Total Non-Depreciable Assets	<u>19,309,635</u>	<u>200,888</u>	<u>19,062,288</u>	<u>448,235</u>
Depreciable Assets:				
Buildings & Improvements	18,745,966	34,165,072	-	52,911,038
Equipment & Vehicles	1,904,486	87,169	-	1,991,655
Food Service	313,123	-	-	313,123
Total Depreciable Assets	<u>20,963,575</u>	<u>34,252,241</u>	<u>-</u>	<u>55,215,816</u>
Less Accumulated Depreciation for:				
Building & Improvements	10,029,069	457,068	-	10,486,137
Equipment & Vehicles	1,361,123	96,990	-	1,458,113
Food Services	311,177	650	-	311,827
Total Accumulated Depreciation	<u>11,701,369</u>	<u>554,708</u>	<u>-</u>	<u>12,256,077</u>
Total Capital Assets, Net	<u>\$ 28,571,841</u>	<u>\$ 33,898,421</u>	<u>\$ 19,062,288</u>	<u>\$ 43,407,974</u>

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

Governmental Activities:	
Direct instruction	\$ 536,085
Transportation	17,895
Custodial and maintenance	78
Other support services	650
Total Depreciation Expense – Governmental Activities	<u>\$ 554,708</u>

HUERFANO SCHOOL DISTRICT RE-1
NOTES TO FINANCIAL STATEMENTS

June 30, 2024

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, 2024, are \$487,980 and will be paid during the 2024-2025 fiscal year. Accordingly, the accrued salaries are reflected as a liability in the accompanying financial statements.

NOTE 9 – LONG-TERM LIABILITIES

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

	<u>July 1, 2023</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2024</u>	<u>Current Portion</u>
General Obligation Bonds	\$ 15,804,071	\$ -	\$ 556,568	\$ 15,247,503	\$ 570,857
Bond Premiums	1,183,893	-	50,200	1,133,693	50,200
Compensated Absences	87,462	-	41,438	46,024	-
Total GO Bonds and Other Obligations	17,075,426	-	648,205	16,427,220	621,057
Net pension liability	9,511,686	767,504	-	10,279,190	-
Net OPEB liability	324,455	-	75,568	248,887	-
Total Long-Term Liabilities	\$ 26,911,567	\$ 767,504	\$ 723,773	\$ 26,955,297	\$ 621,057

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, 2024 are \$24,222,205 and \$8,974,701, respectively. Management of the District believes it is in compliance with the legal debt limits.

General obligation bonds outstanding at June 30, 2024, 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%.	\$ 8,612,503
\$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%	6,635,000
	<u>\$ 15,247,503</u>

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 570,857	\$ 469,361	\$ 1,040,218
2026	585,377	454,175	1,039,552
2027	600,130	438,600	1,038,730
2028	620,125	420,682	1,040,807
2029	635,366	402,115	1,037,481
2030-2034	3,484,512	1,711,886	5,196,398
2035-2039	4,041,206	1,152,533	5,193,739
2040-2044	3,474,930	528,161	4,003,091
2045-2047	1,235,000	100,200	1,335,200
Total	<u>\$ 15,247,503</u>	<u>\$ 5,677,713</u>	<u>\$ 20,925,216</u>

HUERFANO SCHOOL DISTRICT RE-1
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 10 – 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.

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, 2023

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.

HUERFANO SCHOOL DISTRICT RE-1
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2024

NOTE 10 – DEFINED BENEFIT PENSION PLAN (Continued)

Benefits Provided as of December 31, 2023 (Continued)

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

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

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

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

Contributions Provisions as of June 30, 2024

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, 2023 through June 30, 2024. Employer contribution requirements are summarized in the table below.

	<u>July 1, 2023 Through June 30, 2024</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 \$785,336 for the year ended June 30, 2024.

HUERFANO SCHOOL DISTRICT RE-1
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 10 – DEFINED BENEFIT PENSION PLAN (Continued)

Contributions Provisions as of June 30, 2024 (Continued)

For purposes of GASB 68 paragraph 15, a circumstance exists in which a nonemployer contributing entity is legally responsible for making contributions to the SCHDTF and is considered to meet the definition of a special funding situation. As specified in C.R.S. §24-51-414, the State is required to contribute \$225 million 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. The direct distribution from the State was suspended in 2020. To compensate PERA for the suspension, C.R.S. §§24-51-414(6-8) required restorative payment by providing an accelerated payment in 2022. In 2022, the State Treasurer issued payment for the direct distribution of \$225 million plus an additional amount of \$380 million. Due to the advanced payment made in 2022, the State reduced the distribution in 2023 to \$35 million. Additionally, the newly added §24-51-414(9) providing compensatory payment of \$14.561 million for 2023 only.

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, 2023, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022. Standard update procedures were used to roll-forward the TPL to December 31, 2023.

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 2023 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

At June 30, 2024, the Huerfano School District RE-1 reported a liability of \$10,279,190 for its proportionate share of the net pension liability that reflected an increase for support from the State as a nonemployer contributing entity. The amount recognized by the 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	\$	10,279,190
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the District		225,392
Total	\$	10,504,582

At December 31, 2023, the Huerfano School District RE-1 proportion was .0582894975%, which was an increase of .0060495537% from its proportion measured as of December 31, 2022.

For the year ended June 30, 2024, the Huerfano School District RE-1 recognized pension income of \$270,307 and revenue of \$17,220 for support from the State as a nonemployer contributing entity. At June 30, 2024, 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	\$ (59,951)	\$ -
Changes of assumptions or other inputs	117,578	-
Net difference between projected and actual earnings on pension plan investments	1,175,866	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	(624,008)	-
Contributions subsequent to the measurement date	449,215	-
Total	\$ 1,058,700	\$ -

HUERFANO SCHOOL DISTRICT RE-1
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2024

NOTE 10 – DEFINED BENEFIT PENSION PLAN (Continued)

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

\$449,215 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, 2025. 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,	
2025	\$ (120,518)
2026	468,404
2027	241,552
2028	20,047
	\$ 609,485

Actuarial Assumptions

The TPL in the December 31, 2022 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.

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

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

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

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

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

HUERFANO SCHOOL DISTRICT RE-1
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2024

NOTE 10 – DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions (Continued)

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

The actuarial assumptions used in the December 31, 2022 valuation were based on the results of the 2020 experience analysis for the period January 1, 2016 through December 31, 2019. Revised economic and demographic assumptions were adopted by the PERA Board on November 20, 2020.

The long-term expected return on plan assets is reviewed as part of regularly scheduled experience studies prepared at least every five years and asset/liability studies performed every three to 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 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.

HUERFANO SCHOOL DISTRICT RE-1
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2024

NOTE 10 – DEFINED BENEFIT PENSION PLAN (Continued)

Discount Rate (Continued)

- 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.
- As specified in law, the State, as a nonemployer contributing entity, will provide an annual direct distribution of \$225 million commencing July 1, 2018, that is proportioned between the 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.
- 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.
- Beginning with the December 31, 2023, measurement date and thereafter, the FNP as of the current measurement date is used as a starting point for the GASB 67 projection test.

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 1-percentage point lower (6.25%) or 1-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 pension liability	\$ <u>13,744,987</u>	\$ <u>10,279,190</u>	\$ <u>7,389,135</u>

2023 Changes in Plan Provisions Since 2022

- Senate Bill (SB 23-056, enacted and effective June 2, 2023, intended to recompense PERA for the remaining portion of the \$225 million direct distribution originally schedule for receipt July 1, 2020, suspended due to the enactment of House Bill (HB) 20-1379, but not fully repaid through the provisions within HB 22-1029, Pursuant to SB 23-056, the State Treasurer issued a warrant consisting of the balance of the PERA Payment Cash Fund, created in §24-51-416, plus \$10 million from the General Fund, totaling \$14.561 million.

HUERFANO SCHOOL DISTRICT RE-1
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 10 – DEFINED BENEFIT PENSION PLAN (Continued)

2023 Changes in Plan Provisions Since 2022 (Continued)

- As of the December 31, 2023, measurement date, the total pension liability (TPL) recognizes the change in the default method applied for granting service accruals for certain members, from a “12 pay” method to a “non-12-pay” method. The default service accrual method for positions with an employment pattern of at least eight months but fewer than 12 months (including, but not limited to positions in the School and DPS divisions) receive a higher ratio of service credit for each month worked, up to a maximum of 12 months of service credit per year.

2023 Changes in Assumptions or Other Inputs Since 2022

- There were no changes made to the actuarial methods or assumptions.

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 11 – 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. 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 and investment earnings. For the year ended June 30, 2024 program members contributed \$13,139.

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.

HUERFANO SCHOOL DISTRICT RE-1
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 11 – DEFINED CONTRIBUTION PENSION PLAN (Continued)

Plan Description (Continued)

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.

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

HUERFANO SCHOOL DISTRICT RE-1
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2024

NOTE 11 – DEFINED CONTRIBUTION PENSION PLAN (Continued)

DPS Benefit Structure (Continued)

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 \$39,305 for the year ended June 30, 2024.

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

At June 30, 2024, the Huerfano School District RE-1 reported a liability of \$248,887 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2023, and the total OPEB liability (TOL) used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2022. Standard update procedures were used to roll-forward the TOL to December 31, 2023. The Huerfano School District RE-1 proportion of the net OPEB liability was based on Huerfano School District RE-1 contributions to the HCTF for the calendar year 2023 relative to the total contributions of participating employers to the HCTF.

At December 31, 2023, the Huerfano School District RE-1 proportion was 0.0348714457%, which was a decrease of 0.00486685526% from its proportion measured as of December 31, 2022.

For the year ended June 30, 2024, the Huerfano School District RE-1 recognized OPEB income of \$47,358. At June 30, 2024, the Huerfano School District RE-1 reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 84,002
Changes of assumptions or other inputs	3,253	43,447
Net difference between projected and actual earnings on OPEB plan investments	8,555	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	21,411	-
Total	\$ 33,219	\$ 127,449

\$21,411 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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

HUERFANO SCHOOL DISTRICT RE-1
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 11 – DEFINED CONTRIBUTION PENSION PLAN (Continued)

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

	Year ended June 30,	\$	
	2025		(27,118)
	2026		(27,118)
	2027		(27,116)
	2028		(9,205)
	2029		(15,322)
	2030		(9,762)
		\$	(115,641)

Actuarial Assumptions

The TOL in the December 31, 2022 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

	<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 Safety Officers	3.30%-10.90%	3.4%-11.00%	3.2%-11.30%	2.80%-5.30%
State Officers	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*			7.00% in 2023, gradually decreasing to 4.50% in 2033	
Medicare Part A premiums			3.50% in 2023, gradually increasing to 4.5% in 2035	
DPS benefit structure:				
Service-based premium subsidy			0.00%	
PERACare Medicare plans			N/A	
Medicare Part A premiums			N/A	

*UnitedHealthcare MAPD PPO plans are 0% for 2023

Each year the per capita health care costs are developed by plan option; based on 2023 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.

HUERFANO SCHOOL DISTRICT RE-1
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2024

NOTE 11 – DEFINED CONTRIBUTION PENSION PLAN (Continued)

Actuarial Assumptions (Continued)

		<u>Age-Related Morbidity Assumptions</u>					
<u>Participant</u>		<u>Annual Increase</u>		<u>Annual Increase</u>			
<u>Age</u>		<u>(Male)</u>		<u>(Female)</u>			
65-68		2.2%		2.3%			
69		2.8%		2.2%			
70		2.7%		1.6%			
71		3.1%		0.5%			
72		2.3%		0.7%			
73		1.2%		0.8%			
74		0.9%		1.5%			
75-85		0.9%		1.3%			
		<u>MAPD PPO #1 with</u>		<u>MAPD PPO #2 with</u>		<u>MAPD HMO (Kaiser) with</u>	
		<u>Medicare Part A</u>		<u>Medicare Part A</u>		<u>Medicare Part A</u>	
		<u>Retiree/Spouse</u>		<u>Retiree/Spouse</u>		<u>Retiree/Spouse</u>	
<u>Sample Age</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>	
65	\$1,692	\$1,406	\$579	\$481	\$1,913	\$1,589	
70	\$1,901	\$1,573	\$650	\$538	\$2,149	\$1,778	
75	\$2,100	\$1,653	\$718	\$566	\$2,374	\$1,869	
		<u>MAPD PPO #1 without</u>		<u>MAPD PPO #2 without</u>		<u>MAPD HMO (Kaiser) without</u>	
		<u>Medicare Part A</u>		<u>Medicare Part A</u>		<u>Medicare Part A</u>	
		<u>Retiree/Spouse</u>		<u>Retiree/Spouse</u>		<u>Retiree/Spouse</u>	
<u>Sample Age</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>	
65	\$6,469	\$5,373	\$4,198	\$3,487	\$6,719	\$5,581	
70	\$7,266	\$6,011	\$4,715	\$3,900	\$7,546	\$6,243	
75	\$8,026	\$6,319	\$5,208	\$4,101	\$8,336	\$6,563	

The 2023 Medicare Part A premium is \$506 per month.

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

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2022, 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:

HUERFANO SCHOOL DISTRICT RE-1
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2024

NOTE 11 – DEFINED CONTRIBUTION PENSION PLAN (Continued)

Actuarial Assumptions (Continued)

<u>Year</u>	<u>PERACare Medicare Plans</u>	<u>Medicare Part A Premiums</u>
2023	7.00%	3.50%
2024	6.75%	3.50%
2025	6.50%	3.75%
2026	6.25%	3.75%
2027	6.00%	4.00%
2028	5.75%	4.00%
2029	5.50%	4.00%
2030	5.25%	4.25%
2031	5.00%	4.25%
2032	4.75%	4.25%
2033	4.50%	4.25%
2034	4.50%	4.25%
2035+	4.50%	4.50%

Mortality assumptions used in the December 31, 2022 valuation for the determination of the total pension liability for each of the Division Trust Funds as shown below, reflect generational mortality and were applied, as applicable, in the determination of the TOL for the HCTF, but developed on a headcount-weighted basis. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

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

Pre-retirement mortality assumptions for Safety Officers 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 Safety Officers) 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 Safety Officers 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 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.

HUERFANO SCHOOL DISTRICT RE-1
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 11 – DEFINED CONTRIBUTION PENSION PLAN (Continued)

Actuarial Assumptions (Continued)

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 Safety Officers 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 Safety Officers 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, 2022 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 2023 plan year.
- The morbidity rates used to estimate individual retiree and spouse costs by age and by gender were updated effective for the December 31, 2022, actuarial valuation. The revised morbidity rate factors are based on a review of historical claims experience by age, gender, and status (active versus retired) from actuary's claims data warehouse.
- 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.

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.

The actuarial assumptions used in the December 31, 2022 valuations were based on the 2020 experience analysis, dated October 28, 2020, and November 4, 2020, for the period January 1, 2016, through December 31, 2019. Revised economic and demographic assumptions were adopted by PERA's Board on November 20, 2020.

The long-term expected return on plan assets is reviewed as part of regularly experience studies performed at least every five years, and asset/liability studies, performed every three to five years for PERA. The most recent analyses were outlined in the Experience Study report dated October 28, 2020.

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

The PERA Board first adopted the 7.25% long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the Board's November 15, 2019 meeting, to be effective January 1, 2020.

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

HUERFANO SCHOOL DISTRICT RE-1
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2024

NOTE 11 – DEFINED CONTRIBUTION PENSION PLAN (Continued)

Actuarial Assumptions (Continued)

<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:

	<u>1% Decrease in Trend Rates</u>	<u>Current Trend Rates</u>	<u>1% Increase in Trend Rates</u>
Initial PERACare Medicare trend rate*	5.75%	6.75%	7.25%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.50%	3.50%	5.00%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	\$ 241,743	\$ 248,887	\$ 256,657

*For the January 1, 2024 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, 2023, 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.

HUERFANO SCHOOL DISTRICT RE-1
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2024

NOTE 11 – DEFINED CONTRIBUTION PENSION PLAN (Continued)

Discount Rate (Continued)

- Beginning with the December 31, 2023 measurement date and thereafter, the FNP as of the current measurement date is used as a starting point for the GASB 74 projection test.
- As of the December 31, 2023 measurement date, the FNP and related disclosure components for the HCTF reflect payments related to the disaffiliation of Tri-County Health Department as a PERA-affiliated employer, effective December 31, 2022. As of the December 31, 2023 year end, PERA recognized two additions for accounting and financial reporting purposes: a \$24 million payment received on December 4, 2023 and a \$2 million receivable. The employer disaffiliation payment and receivable allocations to the HCTF and Local Government Division Trust Fund were \$1.033 million and \$24.967 million, respectively.

Based on the above assumptions and methods, the FNP for the HCTF 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 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

	<u>1% Decrease</u> <u>(6.25%)</u>	<u>Current Discount</u> <u>Rate (7.25%)</u>	<u>1% Increase</u> <u>(8.25%)</u>
Proportionate share of the net OPEB liability	\$ <u>293,966</u>	\$ <u>248,887</u>	\$ <u>210,321</u>

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 12 – 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.

HUERFANO SCHOOL DISTRICT RE-1
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 12 – NET POSITION AND FUND BALANCES (Continued)

Governmental Fund Balances (Continued)

- 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:

	General Fund	Grants Fund	Debt Service Fund	Building Fund	Capital Reserve Fund	Nonmajor Funds	Total Government Funds
Nonspendable							
Inventory	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,254	\$ 8,254
Prepaid Exp.	43,590	-	-	-	-	-	43,590
Restricted							
Emergencies	185,000	-	-	-	-	-	185,000
Capital	-	-	-	6,504,042	-	-	6,504,042
Debt Service	-	-	1,101,859	-	-	-	1,101,859
Preschool	237,487	-	-	-	-	-	237,487
Committed							
Capital Res.	-	-	-	-	765,431	-	765,431
Assigned							
Pupil Act.	-	-	-	-	-	86,472	86,472
Food Service	-	-	-	-	-	132,326	132,326
Unassigned							
General Govt	1,285,036	-	-	-	-	-	1,285,036
Total Fund Balances	<u>\$ 1,751,113</u>	<u>\$ -</u>	<u>\$ 1,101,859</u>	<u>\$ 6,504,042</u>	<u>\$ 765,431</u>	<u>\$ 227,052</u>	<u>\$ 10,349,497</u>

NOTE 13 - 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.

HUERFANO SCHOOL DISTRICT RE-1
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 13 - COLORADO SCHOOL DISTRICT SELF INSURANCE POOL (Continued)

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 14 - 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.

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, 2024

	<u>Budgeted Amount</u>			Variance With Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Local property tax	\$ 3,009,036	\$ 3,233,805	\$ 3,294,674	\$ 60,869
Specific ownership tax	281,712	182,295	437,916	255,621
State sources	2,782,550	2,802,883	3,020,157	217,274
Federal sources	-	-	15,736	15,736
Other sources	152,788	313,735	392,547	78,812
Allocation to charter school	(956,993)	(891,330)	(891,329)	1
Total Revenues	<u>5,269,093</u>	<u>5,641,388</u>	<u>6,269,701</u>	<u>628,313</u>
Expenditures				
Instruction	3,458,763	4,028,175	3,168,293	859,882
Indirect Instruction	611,103	664,943	987,423	(322,480)
General administration	335,642	363,387	265,235	98,152
Operations and maintenance	640,046	777,558	731,612	45,946
Student transportation	255,650	257,014	342,210	(85,196)
Other support	611,280	910,033	1,010,683	(100,650)
Capital outlay	17,500	23,381	123,552	(100,171)
Contingency	412,565	242,885	-	242,885
Total Expenditures	<u>6,342,549</u>	<u>7,267,376</u>	<u>6,629,008</u>	<u>638,368</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,073,456)</u>	<u>(1,625,988)</u>	<u>(359,307)</u>	<u>1,266,681</u>
Other Financing Sources (Uses)				
Transfers to other funds	(341,250)	(241,250)	(241,250)	-
Total Other Financing Sources (Uses)	<u>(341,250)</u>	<u>(241,250)</u>	<u>(241,250)</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(1,414,706)</u>	<u>(1,867,238)</u>	<u>(600,557)</u>	<u>1,266,681</u>
Fund Balances - July 1	<u>1,893,877</u>	<u>2,041,338</u>	<u>2,351,670</u>	<u>310,332</u>
Fund Balances - June 30	<u>\$ 479,171</u>	<u>\$ 174,100</u>	<u>\$ 1,751,113</u>	<u>\$ 1,577,013</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, 2024

	<u>Budgeted Amount</u>		<u>Actual</u>	Variance With
	<u>Original</u>	<u>Final</u>		Final Budget
				Favorable
				(Unfavorable)
Revenues				
Federal sources	\$ 673,995	\$ 765,830	\$ 854,853	\$ 89,023
State sources	-	-	-	-
Other sources	-	-	-	-
Total Revenues	<u>673,995</u>	<u>765,830</u>	<u>854,853</u>	<u>89,023</u>
Expenditures				
Instruction	475,631	463,854	455,068	8,786
Indirect instruction	198,364	301,976	141,322	160,654
General administration	-	-	-	-
Operations and maintenance	-	-	-	-
Other support	-	-	3,351	(3,351)
Capital Outlay	-	-	255,112	(255,112)
Total Expenditures	<u>673,995</u>	<u>765,830</u>	<u>854,853</u>	<u>(89,023)</u>
Excess of Revenues Over				
(Under) Expenditures	-	-	-	-
Fund Balances - July 1	-	-	-	-
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>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Primary Government					
School's proportion (percentage) of the of the net pension liability	0.0583%	0.0522%	0.0698%	0.0680%	0.0629%
School's proportionate share of the net pension liability	\$ 10,279,190	\$ 9,511,686	\$ 8,127,032	\$ 10,273,117	\$ 9,399,545
School's covered payroll	\$ 3,853,461	\$ 4,032,504	\$ 4,364,527	\$ 3,597,013	\$ 3,837,049
School's proportionate share of the net pension liability as a percentage of covered payroll	266.75%	235.88%	186.21%	285.60%	244.97%
Plan fiduciary net position as a percentage of the total pension liability	64.74%	61.79%	74.86%	66.99%	64.52%
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Primary Government					
School's proportion (percentage) of the of the net pension liability	0.0687%	0.0687%	0.0632%	0.0648%	0.0693%
School's proportionate share of the net pension liability	\$ 11,326,334	\$ 22,203,031	\$ 18,809,938	\$ 9,903,932	\$ 9,393,782
School's covered payroll	\$ 3,563,334	\$ 3,402,518	\$ 2,936,339	\$ 2,825,918	\$ 2,901,147
School's proportionate share of the net pension liability as a percentage of covered payroll	317.86%	652.55%	640.59%	350.47%	323.80%
Plan fiduciary net position as a percentage of the total pension liability	57.01%	43.96%	43.13%	59.16%	62.80%

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>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Primary Government					
Statutorily required contributions	\$ 785,336	\$ 811,180	\$ 867,668	\$ 715,086	\$ 743,663
Contributions in relation to the statutorily required contributions	<u>785,336</u>	<u>811,180</u>	<u>867,668</u>	<u>715,086</u>	<u>743,663</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 3,853,461	\$ 4,032,504	\$ 4,364,527	\$ 3,597,013	\$ 3,837,049
Contribution as a percentage of covered payroll	20.38%	20.12%	19.88%	19.88%	19.38%
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Primary Government					
Statutorily required contributions	\$ 681,666	\$ 642,463	\$ 537,922	\$ 501,438	\$ 496,814
Contributions in relation to the statutorily required contributions	<u>681,666</u>	<u>642,463</u>	<u>537,922</u>	<u>501,438</u>	<u>489,859</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,955</u>
Covered payroll	\$ 3,563,334	\$ 3,402,518	\$ 2,936,339	\$ 2,825,918	\$ 2,901,147
Contribution as a percentage of covered payroll	19.13%	18.88%	18.32%	17.74%	16.89%

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>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Primary Government					
School's proportion (percentage) of the net OPEB liability	0.0349%	0.0397%	0.0456%	0.3940%	0.0411%
School's proportionate share of the net OPEB liability	\$ 248,887	\$ 324,455	\$ 393,167	\$ 373,919	\$ 462,180
School's covered payroll	\$ 4,032,504	\$ 4,032,504	\$ 4,364,527	\$ 3,597,013	\$ 3,837,049
School's proportionate share of the net OPEB liability as a percentage of covered payroll	6.17%	8.05%	9.01%	10.40%	12.05%
Plan fiduciary net position as a percentage of the total OPEB liability	46.16%	38.57%	39.40%	32.78%	24.49%
	<u>2019</u>	<u>2018</u>	<u>2017</u>		
Primary Government					
School's proportion (percentage) of the net OPEB liability	0.0416%	0.0390%	0.0359%		
School's proportionate share of the net OPEB liability	\$ 565,681	\$ 507,023	\$ 465,585		
School's covered payroll	\$ 3,563,334	\$ 3,402,518	\$ 2,936,339		
School's proportionate share of the net OPEB liability as a percentage of covered payroll	15.88%	14.90%	15.86%		
Plan fiduciary net position as a percentage of the total OPEB liability	17.03%	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>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Primary Government					
Statutorily required contributions	\$ 39,305	\$ 41,132	\$ 44,518	\$ 36,690	\$ 39,138
Contributions in relation to the statutorily required contributions	<u>39,305</u>	<u>41,132</u>	<u>44,518</u>	<u>36,690</u>	<u>39,138</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 3,853,461	\$ 4,032,504	\$ 4,364,527	\$ 3,597,013	\$ 3,837,049
Contribution as a percentage of covered payroll	1.02%	1.02%	1.02%	1.02%	1.02%
	<u>2019</u>	<u>2018</u>	<u>2017</u>		
Primary Government					
Statutorily required contributions	\$ 36,346	\$ 34,706	\$ 29,951		
Contributions in relation to the statutorily required contributions	<u>36,346</u>	<u>34,706</u>	<u>29,951</u>		
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
Covered payroll	\$ 3,563,334	\$ 3,402,518	\$ 2,936,339		
Contribution as a percentage of covered payroll	1.02%	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, 2024

	<u>Food Service Fund</u>	<u>Pupil Activity Fund</u>	<u>Totals</u>
<u>Assets</u>			
Cash in bank and on hand	\$ 123,024	\$ 142,242	\$ 265,266
Accounts receivable	24,249	-	24,249
Due from other funds	-	15,052	15,052
Inventories	<u>8,254</u>	<u>-</u>	<u>8,254</u>
Total Assets	<u>155,527</u>	<u>157,294</u>	<u>312,821</u>
 <u>Liabilities</u>			
Accounts payable	916	1,806	2,722
Due to other funds	12,410	69,016	81,426
Unearned revenue	<u>1,621</u>	<u>-</u>	<u>1,621</u>
Total Liabilities	<u>14,947</u>	<u>70,822</u>	<u>85,769</u>
 <u>Fund Balance</u>			
Nonspendable	8,254	-	8,254
Assigned	<u>132,326</u>	<u>86,472</u>	<u>218,798</u>
Total Fund Balances	<u>\$ 140,580</u>	<u>\$ 86,472</u>	<u>\$ 227,052</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, 2024

	Food Service Fund	Pupil Activity Fund	Totals
Revenues			
State sources	\$ 2,287	\$ -	\$ 2,287
Federal sources	367,916	-	367,916
Other sources	10,529	110,123	120,652
Total Revenues	<u>380,732</u>	<u>110,123</u>	<u>490,855</u>
Expenditures			
Direct instruction	-	237,663	237,663
Indirect instruction	-	-	-
Transportation	-	-	-
Custodial and maintenance	-	-	-
Other support services	400,865	-	400,865
Capital outlay	-	-	-
Total Expenditures	<u>400,865</u>	<u>237,663</u>	<u>638,528</u>
Excess of Revenues Over (Under) Expenditures	<u>(20,133)</u>	<u>(127,540)</u>	<u>(147,673)</u>
Other Financing Sources (Uses)			
Transfers from other funds	25,000	141,250	166,250
Total Other Financing Sources (Uses)	<u>25,000</u>	<u>141,250</u>	<u>166,250</u>
Net Change in Fund Balance	4,867	13,710	18,577
Fund Balances - July 1	<u>135,713</u>	<u>72,762</u>	<u>208,475</u>
Fund Balances - June 30	<u>\$ 140,580</u>	<u>\$ 86,472</u>	<u>\$ 227,052</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, 2024

	<u>Budgeted Amount</u>		<u>Actual</u>	Variance With
	<u>Original</u>	<u>Final</u>		Final Budget
				Favorable
				(Unfavorable)
Revenues				
Taxes	\$ 1,045,378	\$ 1,045,378	\$ 1,084,162	\$ 38,784
Other sources	16,000	16,000	33,041	17,041
Total Revenues	<u>1,061,378</u>	<u>1,061,378</u>	<u>1,117,203</u>	<u>55,825</u>
Expenditures				
Debt service:				
Principal retirement	556,567	556,567	556,568	(1)
Interest and fiscal charges	482,665	482,665	482,765	(100)
Contingency	770,472	1,046,135	-	1,046,135
Total Expenditures	<u>1,809,704</u>	<u>2,085,367</u>	<u>1,039,333</u>	<u>1,046,034</u>
Excess of Revenues Over				
(Under) Expenditures	(748,326)	(1,023,989)	77,870	1,101,859
Fund Balances - July 1	<u>748,326</u>	<u>1,023,989</u>	<u>1,023,989</u>	<u>-</u>
Fund Balances - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,101,859</u>	<u>\$ 1,101,859</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, 2024

	Budgeted Amount			Variance With Final Budget Favorable (Unfavorable)
	Original	Final	Actual	(Unfavorable)
Revenues				
State sources	\$ 11,907,328	\$ 23,907,328	\$ 9,195,020	\$ (14,712,308)
Investment earnings	144,000	144,000	436,578	292,578
Total Revenues	12,051,328	24,051,328	9,631,598	(14,419,730)
Expenditures				
Indirect instructional	-	-	43,424	(43,424)
Other support services			11,146	
Capital outlay	11,907,328	33,157,328	15,012,177	18,145,151
Interest and fiscal charges	-	-	-	-
Debt issuance costs	-	-	-	-
Contingency	17,075,558	12,092,929	-	12,092,929
Total Expenditures	28,982,886	45,250,257	15,066,747	30,194,656
Excess of Revenues Over (Under) Expenditures	(16,931,558)	(21,198,929)	(5,435,149)	15,763,780
Other Financing Sources (Uses)				
Bond proceeds	-	8,000,000	-	(8,000,000)
Premium on issuance	-	1,250,000	-	(1,250,000)
Total Other Financing Sources	-	9,250,000	-	(9,250,000)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(16,931,558)	(11,948,929)	(5,435,149)	6,513,780
Fund Balances - July 1	16,931,558	11,948,929	11,939,191	(9,738)
Fund Balances - June 30	\$ -	\$ -	\$ 6,504,042	\$ 6,504,042

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, 2024

	<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	\$ 8,000	\$ -	\$ (8,000)
Other	-	-	24,530	24,530
Total Revenues	<u>650</u>	<u>8,000</u>	<u>24,530</u>	<u>16,530</u>
Expenditures				
Purchased services	50	50	5,309	(5,259)
Supplies	10,000	10,000	-	10,000
Capital outlay	108,245	108,245	-	108,245
Contingency	531,704	635,915	-	635,915
Total Expenditures	<u>649,999</u>	<u>754,210</u>	<u>5,309</u>	<u>748,901</u>
Excess of Revenues Over (Under) Expenditures	(649,349)	(746,210)	19,221	765,431
Other Financing Sources (Uses)				
Transfers from other funds	75,000	75,000	75,000	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(574,349)	(671,210)	94,221	765,431
Fund Balances - July 1	<u>574,349</u>	<u>671,210</u>	<u>671,210</u>	<u>-</u>
Fund Balances - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 765,431</u>	<u>\$ 765,431</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, 2024

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Federal sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-
Local sources	<u>84,150</u>	<u>79,650</u>	<u>110,123</u>	<u>30,473</u>
Total Revenues	<u>84,150</u>	<u>79,650</u>	<u>110,123</u>	<u>30,473</u>
Expenditures				
Salaries	64,000	64,000	68,334	(4,334)
Fringe benefits	15,008	15,008	15,505	(497)
Purchased services	34,918	34,918	43,201	(8,283)
Supplies	90,006	90,006	110,623	(20,617)
Capital outlay	11,864	5,000	-	5,000
Other	-	6,864	-	6,864
Contingency	<u>118,527</u>	<u>78,552</u>	<u>-</u>	<u>78,552</u>
Total Expenditures	<u>334,323</u>	<u>294,348</u>	<u>237,663</u>	<u>56,685</u>
Excess of Revenues Over (Under) Expenditures	(250,173)	(214,698)	(127,540)	87,158
Other Financing Sources (Uses)				
Transfers from other funds	<u>141,250</u>	<u>141,250</u>	<u>141,250</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(108,923)	(73,448)	13,710	87,158
Fund Balances - July 1	<u>108,923</u>	<u>73,448</u>	<u>72,762</u>	<u>(686)</u>
Fund Balances - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 86,472</u>	<u>\$ 86,472</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, 2024

	<u>Budgeted Amount</u>		<u>Actual</u>	Variance With
	<u>Original</u>	<u>Final</u>		Final Budget
				Favorable
				(Unfavorable)
Revenues				
Federal sources	\$ 299,500	\$ 294,766	\$ 367,916	\$ 73,150
State sources	1,625	2,287	2,287	-
Local sources	<u>7,678</u>	<u>7,050</u>	<u>10,529</u>	<u>3,479</u>
Total Revenues	<u>308,803</u>	<u>304,103</u>	<u>380,732</u>	<u>76,629</u>
Expenditures				
Salaries	186,102	162,929	150,614	12,315
Fringe benefits	82,860	75,854	61,754	14,100
Purchased services	1,950	1,950	123	1,827
Supplies	174,000	188,638	188,374	264
Capital outlay	5,000	5,000	-	5,000
Contingency	<u>24,993</u>	<u>38,121</u>	<u>-</u>	<u>38,121</u>
Total Expenditures	<u>474,905</u>	<u>472,492</u>	<u>400,865</u>	<u>71,627</u>
Excess of Revenues Over				
(Under) Expenditures	(166,102)	(168,389)	(20,133)	148,256
Other Financing Sources (Uses)				
Transfers from other funds	<u>125,000</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
Excess of Revenues and Other Sources				
Over (Under) Expenditures and Other Uses	(41,102)	(143,389)	4,867	148,256
Fund Balances - July 1	<u>41,102</u>	<u>143,389</u>	<u>135,713</u>	<u>(7,676)</u>
Fund Balances - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 140,580</u>	<u>\$ 140,580</u>

COMPLIANCE SECTION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

HUERFANO SCHOOL DISTRICT RE-1

For the year ended June 30, 2024

	<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	\$ 68,575
National School Lunch Program	10.555	4555, 5555, 6555	277,155
Summer Electronic Benefit Transfer Program for Children	10.646	4646	800
P-EBT Administrative Costs Grants	10.649	4649	672
Total Passed Through Colorado Department of Education			<u>347,202</u>
Passed Through Colorado Department of Human Services			
National School Lunch Program-Commodities	10.555	4555	<u>20,714</u>
Total U.S. Department of Agriculture			<u>367,916</u>
<u>U.S. Department of Education</u>			
Passed Through Colorado Department of Education			
Title 1 - Grants to Local Educational Agencies	84.010	4010	345,612
Rural Education and Achievement Program	84.358B	6358	6,088
Improving Teacher Quality State Grants	84.367	4367	44,494
Student Support and Academic Enrichment Program	84.424	4424	16,240
Education Stabilization Fund	84.425U	4414, 4434, 4438	185,349
Total Passed Through Colorado Department of Education			<u>597,783</u>
Passed Through Colorado Community College System			
Career and Technical Education - Basic Grants to States	84.048	5048	<u>1,957</u>
Total U.S. Department of Education			<u>599,740</u>
<u>U.S. Department of Justice</u>			
Public Safety Partnership and Community Policing Grants	16.710	8710	<u>255,112</u>
Total Federal Assistance			<u>\$ 1,222,768</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, 2024

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, 2024. 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 \$20,714 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, 2024.

Garren, Ross & DeNardo, Inc.

CERTIFIED PUBLIC ACCOUNTANTS

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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

November 17, 2025

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, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 17, 2025.

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. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2024-001 – 2024-002 that we consider to be material weaknesses.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2024-003.

Huerfano School District RE-1's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the 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 the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Armen Ross & DeNardo, Inc.

Garren, Ross & DeNardo, Inc.

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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

November 17, 2025

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, 2024. 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, 2024.

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 include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of 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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2024-003. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the noncompliance findings identified in our compliance audit 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 compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-003 to be a material weakness.

Board of Education
Huerfano School District RE-1

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.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the internal control over compliance findings identified in our compliance audit 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 compliance and, accordingly, we express no opinion on the response.

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 Ross & DeNardo, Inc.

HUERFANO SCHOOL DISTRICT RE-1
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the year ended June 30, 2024

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Type of auditor's report issued:	Unmodified		
Internal control over financial reporting:			
• Material weakness(es) identified?	<u> X </u> yes	<u> </u> no	
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u> </u> yes	<u> X </u> no	
Noncompliance material to financial statements noted?	<u> </u> yes	<u> X </u> no	
Federal Awards			
Internal control over major programs:			
• Material weakness(es) identified?	<u> X </u> yes	<u> </u> no	
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u> </u> 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)?	<u> X </u> yes	<u> </u> no	
The programs tested as major programs were:			

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
16.710	Public Safety Partnership and Community Policing Grants
84.010	Title I Grants to Local Agencies (Title I, Part A of the ESEA)

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

SECTION II - FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESSES

2024-001 Reconciliation of Key Accounts
(Repeat finding 2023-001)

Condition and Context:
 Balances in many accounts and in many funds were carried over from the prior fiscal year with no adjustments 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 controls in place were not followed or completed in a timely manner due to staff turnover in the business manager / finance positions.

Effect:
 Internal interim financial statements, balances on budgetary comparisons, 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, 2024

SECTION II - FINANCIAL STATEMENT FINDINGS (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.

2024-002 Outstanding Balances Between Funds

Condition and Context:

Balances outstanding between funds should be cleared on a timely basis and in most cases not beyond twelve months.

Criteria:

Internal controls should be in place to ensure the balances outstanding between funds are cleared.

Cause:

Procedures in place to ensure the outstanding balances between funds clear in a timely manner were not followed due to staff turnover in the business manager / finance positions.

Effect:

Outstanding balances are not being cleared within a twelve month period.

Recommendation:

Implement procedures to ensure outstanding balances are cleared in a timely manner.

Response:

The School District will review their current procedures and make appropriate changes to improve the timeliness of clearing balances outstanding between funds.

SECTION III – FEDERAL AWARD FINDING AND QUESTIONED COSTS

MATERIAL WEAKNESS

2024-003 Reimbursement claim forms/reports

(Repeat finding 2023-002)

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. Reports and requests for reimbursement should be archived for future review.

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. Copies of reimbursement requests and reports filed were not archived and available for review.

Effect:

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

HUERFANO SCHOOL DISTRICT RE-1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2024

SECTION III – FEDERAL AWARD FINDING AND QUESTIONED COSTS (Continued)

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 and reports and submissions archived for future review.

Response:

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

Questioned Costs:

None.

SECTION IV - PRIOR YEAR FINDINGS

None.