

**NORTH CONEJOS SCHOOL DISTRICT RE-1J
LA JARA, COLORADO**

FINANCIAL STATEMENTS

June 30, 2022



**Wall,
Smith,
Bateman** Inc.
Certified Public Accountants

NORTH CONEJOS SCHOOL DISTRICT RE-1J

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INDEPENDENT AUDITORS' REPORT



Wall,
Smith,
Bateman Inc.

To the Board of Education
North Conejos School District RE-1J
La Jara, Colorado

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Conejos School District RE-1J (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' 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 auditors' 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

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substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining and individual nonmajor fund financial schedules, the Colorado School District's Auditor's Integrity Report, and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information

directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial schedules, the Colorado School District's Auditor's Integrity Report, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

January 16, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

**NORTH CONEJOS SCHOOL DISTRICT RE-1J
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

As management of the North Conejos School District, we offer readers of the District's Financial Statements this narrative overview and analysis of the financial activities of North Conejos School District for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements, which immediately follow this section.

COVID 19 Pandemic and funding effects to the NCSD:

In assisting to address the Covid 19 pandemic, legislation has provided relief in the form of CRF, ESSER I, ESSER II, and Esser III Funds, each of which receives its own auditing report to the entities, state or federal, to account for accurate use of the funds, ensuring funds were utilized for the listed purposes of application. These funds are those specifically designated for protective equipment, or PPE, to cleaning supplies to actual needs to address student losses due to quarantines, remote learning, and general loss of instruction to the pandemic. This funding will assist to offset the overall percent reduction to the per pupil base funding attributed to the Budget Stabilization Factor, a chart of which is contained herein.

FINANCIAL HIGHLIGHTS

Financial highlights for the fiscal year ended June 30, 2022, are as follows:

The final net position of the district is \$33,632,134 end of year.

State Equalization was \$8,712,052 this fiscal year.

General Revenues, primarily property taxes, and state equalization payments accounted for \$10,406,245 of all revenues.

The District had \$7,143,197 in expenses related to governmental activities.

GOVERNMENTAL FUNDS

The District has seven governmental funds as determined by Governmental Accounting Standards Board Statement No. 34 (GASB 34). The major funds are the General Fund and Building Fund.

The General Fund had \$12,368,131 in revenues and \$10,003,237 in expenditures. The General Fund balance increased from \$9,333,321 to \$11,383,215.

The Building Fund's fund balance at the end of the year is \$5,016,635.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: The Management's Discussion and Analysis, the basic financial statements, and supplementary information. The basic financial statements include two kinds of statements that present different views of the District.

The first two statements are government-wide financial statements that provide both short- term and long-term information about the District's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.

**NORTH CONEJOS SCHOOL DISTRICT RE-1J
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

The governmental fund statements tell how basic services such as instruction were financed in the short-term, as well as, what remains for future spending.

Fiduciary Fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

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

GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net position, the difference between the District's assets and liabilities, is one way to measure the District's financial health or position.

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

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

Governmental activities: All of the District's basic services are included here, such as; instruction, transportation, maintenance and operations, and administration. The District's nutritional services program is included in government activities. The School Finance Act of 1994, as amended, made up of property taxes and state equalization, finance most of these activities.

FUND FINANCIAL STATEMENTS

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

Some funds are required by state law and by bond covenants.

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

The District has two kinds of funds:

Governmental Funds: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the

**NORTH CONEJOS SCHOOL DISTRICT RE-1J
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

additional long-term focus of the government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.

Fiduciary Funds: The District is the agent, or fiduciary, for assets that belong to others such as small scholarship funds and student activity funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

NOTES TO THE FINANCIAL STATEMENTS

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the governmental-wide and fund financial statements.

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also contains other supplemental information concerning the District's non-major governmental funds. The combining statements of the non-major governmental funds are presented after the notes to the financial statements.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Government-wide Analysis:

The assets of the District are classified as current assets and capital assets. Cash, investments, receivables, inventories and prepaid expenses are current assets. These assets are available to provide resources for the near-term operations of the District. The majority of the current assets are the result of the property tax collection process, the District receives approximately **60%** of the annual property tax assessment in April, May, and June.

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

Current and long-term liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable, accrued salaries and benefits, unearned revenues, and current debt obligations. The liquidation of current liabilities is anticipated to be either from current available resources, current assets or new resources that become available during fiscal year 2022. Long-term liabilities such as compensated absences payable will be liquidated from resources that will become available after fiscal year 2022. A comparative analysis is provided.

The effect of the PERA pension and OPEB expense on the District’s total net position for Fiscal Year 2022 and 2021 is summarized below:

| | FY 2022 | FY 2021 |
|---|----------------------|----------------------|
| Net position (GAAP Basis) | \$ 33,632,134 | \$ 14,350,591 |
| GASB 68 - Pension | 11,660,001 | 15,968,436 |
| GASB 75 - OPEB | 615,747 | 691,824 |
| Net position excluding Pension and OPEB | \$ 45,907,882 | \$ 31,010,851 |

**NORTH CONEJOS SCHOOL DISTRICT RE-1J
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

The effect of the PERA pension and OPEB expense on the District's unrestricted net position is summarized below:

| | FY22 | FY21 |
|---|----------------------|----------------------|
| Unrestricted- Net Position (GAAP Basis) | \$ (998,293) | \$ (6,293,965) |
| GASB 68- Pension | 11,660,001 | 15,968,436 |
| GASB 75- OPEB | 615,747 | 691,824 |
| Net position excluding Pension and OPEB | <u>\$ 11,277,455</u> | <u>\$ 10,366,295</u> |

**Table I
Condensed Statement of Net Position June 30, 2022**

| | Governmental Activities | Governmental Activities |
|----------------------------------|------------------------------------|------------------------------------|
| | 2021 | 2022 |
| Assets | | |
| Current Assets | \$18,283,155 | \$20,301,169 |
| Capital Assets | \$19,626,494 | \$33,448,610 |
| Total Assets | \$37,909,649 | \$53,749,779 |
| Deferred Outflows of Resources | \$3,903,743 | \$2,432,709 |
| Liabilities | | |
| Current | \$1,260,382 | \$2,423,668 |
| Long-Term | \$5,576,009 | \$5,361,766 |
| Net Pension liability | \$13,506,926 | \$9,197,366 |
| Net OPEB Liability | \$491,095 | \$444,968 |
| Total Liabilities | \$20,834,412 | \$17,427,768 |
| Deferred Inflows of Resources | \$ 6,628,389 | \$5,122,586 |
| Net Position | | |
| Net Investment in Capital Assets | \$19,626,494 | \$33,448,610 |
| Tabor reserve | \$634,956 | \$720,000 |
| Debt Service | \$383,106 | \$461,817 |
| Unrestricted | (\$ 6,293,965) | \$(998,293) |
| Total Net Position | \$14,350,591 | \$33,632,134 |

**NORTH CONEJOS SCHOOL DISTRICT RE-1J
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

**TABLE II
CONDENSED STATEMENT OF ACTIVITIES**

| | 2021 | 2022 |
|--|----------------------|---------------------|
| Revenues | | |
| Program Revenues: | | |
| Charges for Services | \$35,125 | \$50,453 |
| Operating Grants & Contrib. | \$2,566,282 | \$3,688,563 |
| Capital Grants and Contrib. | \$10,859,039 | \$12,279,479 |
| General Revenues | \$9,321,182 | \$10,287,160 |
| Interest on Investments | \$66,633 | \$39,460 |
| Miscellaneous | \$24,698 | \$79,625 |
| Total Revenues | \$22,872,959 | \$26,424,740 |
| | | |
| Expenses | | |
| Instructional Program | \$3,276,588 | \$4,107,272 |
| Student Supporting Services | \$358,657 | \$553,789 |
| Instructional Staff Supporting Services | \$172,117 | \$303,963 |
| General Administration Supporting Services | \$383,601 | \$655,794 |
| School Administration Supporting Services | \$223,879 | \$259,999 |
| Business Supporting Services | \$32,625 | \$52,189 |
| Operations and Maintenance of Plant Services | \$484,448 | \$135,863 |
| Student Transportation Services | \$208,880 | \$211,896 |
| Central Supporting Services | \$212,136 | \$205,090 |
| Food Services | \$320,899 | \$474,273 |
| Facilities Acquisition & Construction Services | \$18,833 | \$16,688 |
| Debt Service | \$173,037 | \$166,381 |
| Total Expenses | \$5,865,700 | \$7,143,197 |
| | | |
| Change in Net Position | \$17,007,259 | \$19,281,543 |
| Net Position, Beginning of Year | \$(2,656,668) | \$14,305,591 |
| Net Position, End of Year | \$14,350,591 | \$33,632,134 |

GOVERNMENTAL ACTIVITIES

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal, federal, and state requirements. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the net resources available for spending at the end of the fiscal year.

The primary source of operation revenue for school districts comes from the School Finance Act of 1994 (SFA). The funded pupil count for fiscal year 2021-2022 was 1005. Funding for the SFA comes from property taxes, specific ownership, and state equalization. The District received listed state equalization while the remaining amounts came from property taxes and specific ownership tax.

**NORTH CONEJOS SCHOOL DISTRICT RE-1J
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

The statement of activities shows the cost of program services, the charges for services, and grants off-setting those services. Table III shows governmental activities, the total cost of services, and the net cost of services. That is, it identifies the cost of these services supported by unrestricted state equalization and property taxes. PERA is a large factor in the variance from the previous fiscal year and why Net Cost is not relevant.

**Table III
Cost Activities for Fiscal Year 2022
of Services – Governmental**

| | Total Cost- 2022 | Total Cost-2021 | Net Cost – 2022 | Net Cost- 2021 |
|-------------------------------------|-------------------------|------------------------|------------------------|-----------------------|
| Instructional Program | \$4,107,272 | \$3,276,588 | \$(3,456,339) | \$(1,814,112) |
| Student Support Service | \$553,789 | \$358,657 | \$1,908,333 | \$271,064 |
| Instructional Staff Support Service | \$303,963 | \$172,117 | \$(301,629) | \$(168,117) |
| General Admin Support Services | \$655,794 | \$383,601 | \$(650,122) | \$(383,601) |
| School Admin Support Service | \$259,999 | \$223,879 | \$(250,976) | \$(223,879) |
| Business Support Service | \$52,189 | \$32,625 | \$(52,189) | \$(32,625) |
| Operation & Maintenance | \$135,863 | \$484,448 | \$(131,389) | \$(484,448) |
| Student Transportation | \$211,896 | \$208,880 | \$(138,850) | \$(129,666) |
| Central Support Service | \$205,090 | \$212,136 | \$(203,947) | \$(212,136) |
| Facility acquisition/construction | \$16,688 | \$18,833 | \$12,262,791 | \$10,840,206 |
| Food Service | \$474,273 | \$320,899 | \$55,996 | \$105,097 |
| Debt Service | \$166,381 | \$ 173,037 | \$(166,381) | \$(173,037) |
| Total Expenses | \$7,143,197 | \$5,865,700 | \$8,875,298 | \$7,594,746 |

GENERAL FUND BUDGETARY HIGHLIGHTS

The NCSD’s budget is prepared according to Colorado Law and is based on accounting for certain transactions on the modified accrual basis. Therefore, the District budgets each year for actual salaries for nine and ten month employees based on salaries for the school term of September to May but is paid over a time spanning September to August. The July and August salaries are accrued in the budgeted financial statements.

CAPITAL ASSETS AND DEBT ADMINISTRATION

On June 30, 2022, the District had \$33,448,610 invested in sites, land improvements, buildings, equipment and vehicles: which was used in governmental activities. Table IV shows the investment in capital assets net of depreciation expense for governmental activities.

**NORTH CONEJOS SCHOOL DISTRICT RE-1J
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

**Table IV
Capital Assets at June 30, 2022
(Net of Depreciation)**

| | Total School | |
|--------------------------------|---------------------|---------------------|
| | District | |
| | 2022 | 2021 |
| Sites (LAND) | \$348,996 | \$348,996 |
| CIP | \$25,626,523 | \$11,944,597 |
| Land Improvements | \$1,400,178 | \$1,400,178 |
| Buildings | \$10,377,090 | \$10,355,340 |
| Equipment | \$2,636,806 | \$2,279,198 |
| Vehicles | \$1,920,493 | \$1,811,830 |
| Less: Accumulated Depreciation | \$(8,861,476) | (\$8,513,645) |
| Totals | \$33,448,610 | \$19,626,494 |

As of June 30, 2022 the District had \$5,596,314 recorded as long term debt. Table V details this outstanding debt and the portion due within one year for the District. Compensated absences of \$128,230 are considered paid when used or when it is bought back upon an employee retiring or resigning. Table compares that debt to fiscal year 2021.

**Table V Outstanding Debt
Current and Total at June 30, 2022**

| | Governmental Activities | | Governmental Activities | |
|----------------------|---------------------------------------|--------------------|---------------------------------------|--------------------|
| | Due Within One Year/Total Debt | | Due Within One Year/Total Debt | |
| | 2022 | | 2021 | |
| Compensated Absences | \$-0- | \$128,230 | \$1,320 | \$109,245 |
| Bonds Payable | \$234,548 | \$5,468,084 | \$227,822 | \$5,695,906 |
| TOTAL | \$234,548 | \$5,596,314 | \$229,142 | \$8,805,151 |

**NORTH CONEJOS SCHOOL DISTRICT RE-1J
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

FACTORS BEARING ON THE DISTRICT’S FUTURE

The district was aware of the following

- Maintaining current staff levels and student enrichment programs while encountering a continued declining student
- Enrollment (see below).
- Receiving less in state equalization.
- Maintaining a fund balance in excess of 3 million dollars while adjusting for higher transportation and energy costs, water and sewer payment increase, and employee benefit costs.
- Maintaining a fund balance while adjusting to higher overall maintenance costs due to outside services.

Amendment 23, the citizen’s ballot initiative passed in 2000, mandates that “base” per pupil funding increase each year by the rate of inflation. To determine how much each district will receive under the School Finance Act, that “base” is run through a complex formula that includes variables such as school district size, local cost-of-living, and the number of “at-risk” kids (eligible for free lunch) in a district.

These variables are called “factors” and they substantially increase average per pupil funding received by school districts to reflect the very different costs districts experience. The factors exist to address the increased per pupil costs that result when, for instance, a high percentage of pupils are from at-risk populations or when the necessary costs of running a school and hiring staff are divided among a small student population in a rural district.

In 2009, the legislature reinterpreted Amendment 23 to mean that only the base amount was covered by the mandatory increases — not the factors. Under this interpretation, the legislature could (and did) cut total spending from one year to the next and claim compliance with Amendment 23 — despite voter intent to increase funding.

Starting in 2009, in order to make across-the-board cuts from all districts, the legislature added a new “budget stabilization” or “negative factor” to the School Finance Act formula. In effect, the legislature now decides how much it wants to spend on school finance, and then adjusts the negative factor to meet that funding target.

As seen in the graph below, the NCSD has operated since 2009 on **\$12,126,485** less revenue than ordinarily distributed, and because those cuts are all coming from the factors, which are designed to make school funding more fair, equitable, and responsive to actual costs, these cuts exacerbate inequities in Colorado’s school finance structure, making educational opportunities even more dependent upon a student’s zip code.

The negative factor, now known as the Budget Stabilization F, has resulted in larger class sizes, narrower curriculum, reduced instruction time, and less support and individual attention for students.

Inclusive of mid-year, budget stabilization and negative factor, the below statistics demonstrate the year by year effect of the negative factor to the NCSD through 2021.

| | | | |
|-------------------|--------------------|------------------|--------------------|
| 2009-10: | (181,708) | 2013-14: | (1,221,796) |
| 2010-11: | (813,389) | 2014-15: | (1,042,692) |
| 2011-12: | (1,004,175) | 2015-16: | (978,913) |
| 2012-13: | (1,276,777) | 2016-17: | (950,265) |
| 2017-2018: | (923,880) | 2018-19: | (777,774) |
| 2019-2020 | (\$927,285) | 2020-2021 | (1,427,129) |
| 2021-2022 | (601,702) | | |

TOTAL: (\$12,126,485)

**NORTH CONEJOS SCHOOL DISTRICT RE-1J
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

To combat the negative factor in Colorado, many districts have sought a mill levy override; however, the ability of the NCSD to recover lost funding via a voter-approved override is nominal.

- School districts have no control of what one mill can raise.
- One mill raises a low of less than \$4,000 to a high of over \$13,000,000 (approx.).
- The average dollars raised by 1 mill is approximately \$500,000.
- The median is approximately \$110,000.

The North Conejos School District would raise approximately **\$30,429** per mill approved at the time of this audit.

STUDENT ENROLLMENT

Student enrollment, dictating the state equalization funding, has dipped ('16) and now at a peak ('19) since October of 2010 as follows:

2010: 1033

2011: 998

2012: 1039

2013: 1004

2014: 964

2015: 980

2016: 963

2017: 998.5

2018: 1,028

2019: 1,069

2020: 1,001 *enrollment decline largely in consideration of COVID 19 'homeschool' options, at the time of audit, thirty-two (32) students are engaged in home-school who were counted last year. Due to the nature of the pandemic and resulting shifts in positivity rate, enrollment may be further affected.

2021: 991 (a repeat of homeschool options further declined student enrollment).

2022: 1005 Enrollment is increasing due to homeschool students returning

SECURE RURAL SCHOOLS (SRS) FUNDS

At the time of this audit, SRS funds have not been approved legislatively for the future. Ranging historically as a revenue of approximately \$150,000 to the district, no bill re-establishing this funding, in lieu of the area being heavily forested by federal land which provides no tax revenue to the district, has been approved.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizen, taxpayers, parents, Investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Superintendent's Office at P.O. Box 72 La Jara, CO 81140.

NORTH CONEJOS SCHOOL DISTRICT RE-1J

BASIC FINANCIAL STATEMENTS

NORTH CONEJOS SCHOOL DISTRICT RE-1J
STATEMENT OF NET POSITION
June 30, 2022

| | Primary Government Governmental Activities |
|---|---|
| ASSETS | |
| Current Assets | |
| Cash and Cash Equivalents | \$ 18,922,423 |
| Investments | 1,124,733 |
| Accounts Receivable | 17,678 |
| Property Tax Receivable | 56,463 |
| Due from Other Governments | 178,228 |
| Inventories | 1,644 |
| Total Current Assets | 20,301,169 |
| Noncurrent Assets | |
| Capital Assets not being depreciated | 25,975,519 |
| Capital Assets net of depreciation | 7,473,091 |
| Total Noncurrent Assets | 33,448,610 |
| TOTAL ASSETS | 53,749,779 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Pension | 2,396,183 |
| OPEB | 36,526 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 2,432,709 |
| LIABILITIES | |
| Current Liabilities | |
| Accounts Payable | 1,211,191 |
| Accrued Salaries and Benefits | 913,449 |
| Unearned Grant Revenue | 64,480 |
| Compensated Absences | - |
| General Obligation Bonds | 234,548 |
| Total Current Liabilities | 2,423,668 |
| Noncurrent Liabilities | |
| Compensated Absences | 128,230 |
| General Obligation Bonds | 5,233,536 |
| Net Pension Liability | 9,197,366 |
| Net OPEB Liability | 444,968 |
| Total Noncurrent Liabilities | 15,004,100 |
| TOTAL LIABILITIES | 17,427,768 |
| DEFERRED INFLOWS OF RESOURCES | |
| Pension | 4,858,818 |
| OPEB | 207,305 |
| Unavailable Revenue- Property Tax | 56,463 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 5,122,586 |
| NET POSITION | |
| Net Investment in Capital Assets | 33,448,610 |
| Restricted | |
| Tabor | 720,000 |
| Debt Service | 461,817 |
| Unrestricted | (998,293) |
| TOTAL NET POSITION | \$ 33,632,134 |

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

NORTH CONEJOS SCHOOL DISTRICT RE-1J
STATEMENT OF ACTIVITIES
Fiscal Year Ended June 30, 2022

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) |
|--|---------------------|-------------------------------------|---|---|---|
| | | Charges for Services | Operating Grants & Contributions | Capital Grants & Contributions | Revenues and Changes in Net Position |
| | | | | | Primary Government |
| Primary Government | | | | | |
| Governmental Activities | | | | | |
| Instructional Program | \$ 4,107,272 | \$ - | \$ 650,933 | \$ - | \$ (3,456,339) |
| Student Supporting Services | 553,789 | - | 2,462,122 | - | 1,908,333 |
| Instructional Staff Supporting Services | 303,963 | - | 2,334 | - | (301,629) |
| General Administration Supporting Services | 655,794 | - | 5,672 | - | (650,122) |
| School Administration Supporting Services | 259,999 | - | 9,023 | - | (250,976) |
| Business Supporting Services | 52,189 | - | - | - | (52,189) |
| Operations and Maintenance of Plant Services | 135,863 | - | 4,474 | - | (131,389) |
| Student Transportation Services | 211,896 | - | 73,046 | - | (138,850) |
| Central Supporting Services | 205,090 | - | 1,143 | - | (203,947) |
| Food Services | 474,273 | 50,453 | 479,816 | - | 55,996 |
| Facilities Acquisition and Construction Services | 16,688 | - | - | 12,279,479 | 12,262,791 |
| Debt Service | 166,381 | - | - | - | (166,381) |
| Total Governmental Activities | <u>7,143,197</u> | <u>50,453</u> | <u>3,688,563</u> | <u>12,279,479</u> | <u>8,875,298</u> |
| Total Primary Government | <u>\$ 7,143,197</u> | <u>\$ 50,453</u> | <u>\$ 3,688,563</u> | <u>\$ 12,279,479</u> | <u>8,875,298</u> |

General Revenues

Taxes

| | |
|------------------------------|-----------|
| General Property Taxes - Net | 1,336,108 |
| Specific Ownership Taxes | 238,463 |
| Other Taxes | 537 |
| State Equalization | 8,712,052 |
| Interest on Investments | 39,460 |
| Miscellaneous | 79,625 |

Total General Revenues

10,406,245

Change in Net Position

19,281,543

Net Position, Beginning of Year

14,350,591

Net Position, End of Year

\$ 33,632,134

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

NORTH CONEJOS SCHOOL DISTRICT RE -1J
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2022

| | GENERAL FUND | BUILDING FUND | TOTAL NONMAJOR FUNDS | TOTAL GOVERNMENTAL FUNDS |
|--|-------------------------|--------------------------|-------------------------------------|---|
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 11,465,926 | \$ 6,229,691 | \$ 1,226,806 | \$ 18,922,423 |
| Investments | 625,567 | - | 499,166 | 1,124,733 |
| Accounts Receivable | 613 | - | 17,065 | 17,678 |
| Due from Other Governments | 115,045 | - | 63,183 | 178,228 |
| Due from Other Funds | 25,278 | - | 10,951 | 36,229 |
| Property Tax Receivable | 34,265 | - | 22,198 | 56,463 |
| Inventory | - | - | 1,644 | 1,644 |
| TOTAL ASSETS | \$ 12,266,694 | \$ 6,229,691 | \$ 1,841,013 | \$ 20,337,398 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts Payable | \$ - | \$ 1,213,056 | \$ (1,865) | \$ 1,211,191 |
| Accrued Salaries and Benefits | 832,843 | - | 80,606 | 913,449 |
| Due to Other Governments | - | - | - | - |
| Due to Other Funds | 10,951 | - | 25,278 | 36,229 |
| Unearned Grant Revenue | 5,420 | - | 59,060 | 64,480 |
| TOTAL LIABILITIES | 849,214 | 1,213,056 | 163,079 | 2,225,349 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable Revenue - Property Tax | 34,265 | - | 22,198 | 56,463 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 34,265 | - | 22,198 | 56,463 |
| FUND BALANCE | | | | |
| Nonspendable | - | - | 1,644 | 1,644 |
| Restricted | 720,000 | 5,016,635 | 461,817 | 6,198,452 |
| Committed | - | - | 1,192,275 | 1,192,275 |
| Assigned | - | - | - | - |
| Unassigned | 10,663,215 | - | - | 10,663,215 |
| TOTAL FUND BALANCE | 11,383,215 | 5,016,635 | 1,655,736 | 18,055,586 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | \$ 12,266,694 | \$ 6,229,691 | \$ 1,841,013 | \$ 20,337,398 |

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

NORTH CONEJOS SCHOOL DISTRICT RE-1J
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO THE STATEMENT OF NET POSITION
June 30, 2022

| | | |
|---|------------------|-----------------------------|
| Total governmental fund balances | | \$ 18,055,586 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | 33,448,610 |
| Deferred results and contributions to pension and OPEB plans made after the measurement date are recorded as expenditures in the governmental funds but must be deferred in the statement of net position | | 2,432,709 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. | | |
| Bond Payable | \$ (5,468,084) | |
| Compensated Absences | <u>(128,230)</u> | |
| | | (5,596,314) |
| Net pension and OPEB liabilities are not due and payable in the current period and are not reported in the funds. | | (9,642,334) |
| Certain amounts related to the net pension and OPEB liability are deferred and amortized over time. These are not reported in the funds. | | <u>(5,066,123)</u> |
| Net position of governmental activities | | <u><u>\$ 33,632,134</u></u> |

NORTH CONEJOS SCHOOL DISTRICT RE-1J
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES
For the Year Ended June 30, 2022

| | <u>GENERAL FUND</u> | <u>BUILDING FUND</u> | <u>TOTAL NONMAJOR FUNDS</u> | <u>TOTAL GOVERNMENTAL FUNDS</u> |
|--|-------------------------|--------------------------|-------------------------------------|---|
| REVENUES | | | | |
| Local Sources | \$ 1,242,223 | \$ - | \$ 892,800 | \$ 2,135,023 |
| Intermediate Sources | - | - | - | - |
| State Sources | 9,566,915 | 12,279,479 | 49,592 | 21,895,986 |
| Federal Sources | 1,558,993 | - | 834,738 | 2,393,731 |
| TOTAL REVENUES | <u>12,368,131</u> | <u>12,279,479</u> | <u>1,777,130</u> | <u>26,424,740</u> |
| EXPENDITURES | | | | |
| Instructional Program | 6,621,630 | - | 261,176 | 6,882,806 |
| Student Supporting Services | 207,252 | - | 448,277 | 655,529 |
| Instructional Staff Supporting Services | 339,654 | - | 55,201 | 394,855 |
| General Admin. Supporting Services | 856,744 | - | 17,951 | 874,695 |
| School Admin. Supporting Services | 611,459 | - | - | 611,459 |
| Business Supporting Services | 52,189 | - | - | 52,189 |
| Operations and Maint. of Plant Services | 649,499 | - | 17,411 | 666,910 |
| Student Transportation Services | 415,184 | - | - | 415,184 |
| Central Supporting Services | 249,626 | - | - | 249,626 |
| Food Services | - | - | 640,842 | 640,842 |
| Facilities Acq. and Const. Services | - | 13,681,926 | 38,438 | 13,720,364 |
| Debt Service | - | - | 394,203 | 394,203 |
| TOTAL EXPENDITURES | <u>10,003,237</u> | <u>13,681,926</u> | <u>1,873,499</u> | <u>25,558,662</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>2,364,894</u> | <u>(1,402,447)</u> | <u>(96,369)</u> | <u>866,078</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers from Other Funds | - | - | 315,000 | 315,000 |
| Transfers to Other Funds | (315,000) | - | - | (315,000) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(315,000)</u> | <u>-</u> | <u>315,000</u> | <u>-</u> |
| Net Change in Fund Balance | 2,049,894 | (1,402,447) | 218,631 | 866,078 |
| FUND BALANCE, Beginning of Year | <u>9,333,321</u> | <u>6,419,082</u> | <u>1,437,105</u> | <u>17,189,508</u> |
| FUND BALANCE, End of Year | <u>\$ 11,383,215</u> | <u>\$ 5,016,635</u> | <u>\$ 1,655,736</u> | <u>\$ 18,055,586</u> |

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

NORTH CONEJOS SCHOOL DISTRICT RE-1J
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

Net change in fund balances - total governmental funds \$ 866,078

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

Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the difference between capital outlay and depreciation in the current period.

| | | | |
|--|----|------------------|------------|
| Fixed asset additions | \$ | 14,231,302 | |
| Fixed asset deletions, net of accumulated depreciation | | (2,790) | |
| Depreciation expense | | <u>(406,396)</u> | |
| | | | 13,822,116 |

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

| | | | |
|---------------------------------|--|--|---------|
| General Obligation Bond Payment | | | 227,822 |
|---------------------------------|--|--|---------|

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

| | | | |
|----------------------|--|--|----------|
| Compensated Absences | | | (18,985) |
|----------------------|--|--|----------|

Certain items reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds. This item consists of the change in pension and OPEB expense.

| | | | |
|--|--|--|------------------|
| | | | <u>4,384,512</u> |
|--|--|--|------------------|

Change in net position of governmental activities \$ 19,281,543

NORTH CONEJOS SCHOOL DISTRICT RE-1J
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
June 30, 2022

| | <u>AGENCY FUND</u> |
|--------------------------|------------------------|
| ASSETS | |
| Cash in Bank | \$ 27,149 |
| TOTAL ASSETS | <u>\$ 27,149</u> |
| | |
| LIABILITIES | |
| Held for Scholarships | \$ 27,149 |
| TOTAL LIABILITIES | <u>\$ 27,149</u> |

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

NORTH CONEJOS SCHOOL DISTRICT RE-1J
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the District reflected in the accompanying financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments are those promulgated by the Governmental Accounting Standards Board (GASB) in *Governmental Accounting and Financial Reporting Standards*. The District's significant accounting policies are described below.

REPORTING ENTITY

Primary Government

North Conejos School District RE-1J is a public school as established by Colorado State Statute. The District is declared to be a corporate body with perpetual existence and in its name may hold property, sue and be sued, and be a party to contracts for any purpose authorized by law. Members of the school board are voted on at large by the registered, qualified electors of the District. Taxes are levied upon all taxable property within the District's boundaries by the County Commissioners. The County Treasurer collects the taxes and remits them to the school district. The District also receives State and Federal funds. The school board has the authority to issue bonds up to 20% of the latest assessed valuation of the taxable property in the District. The board also has authority to select the depository of school funds and acquire short-term loans.

Component Units

The District's combined financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- The organization is legally separate (can sue and be sued in their own name)
- The District holds the corporate powers of the organization
- The District appoints a voting majority of the organization's board
- The District is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the District
- There is fiscal dependency by the organization on the District
- The organization is financially accountable to the District
- The organization receives or holds funds that are for the benefit of the District; and the District has access to a majority of the funds held; and the funds that are accessible are also significant to the District

Based on the aforementioned criteria, the North Conejos School District RE-1J has no component units.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements include the statement of net position and the statement of activities. Government-wide statements report information on all of the activities of the District, except for District fiduciary activity. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. Mainly taxes and intergovernmental revenues support governmental activities.

NORTH CONEJOS SCHOOL DISTRICT RE-1J
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

The statement of activities reflects the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and
- Grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. The emphasis of fund financial statements is on major governmental funds each reported as a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

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

The District reports the following major governmental funds:

- The **General Fund** is the general operating fund of the District. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The **Building Fund** is used to account for all resources available for acquiring capital sites, buildings, and equipment. Specifically, bond and grant proceeds for the BEST High School construction project.

Fiduciary fund financial statements consist of the Agency Fund. The Agency Fund was established to record transactions relating to assets held by the District as an agent for scholarships. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables, and receivables. All internal balances in the statement of net position have been eliminated except those representing balances between governmental activities and business-type activities, which are presented as internal balances and eliminated in the total primary government column.

NORTH CONEJOS SCHOOL DISTRICT RE-1J
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

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

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash in bank, certificates of deposit, and liquid investments with maturity of three months or less.

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1 each year. The taxes are payable in two installments on February 28 and June 15 or in full on April 30. The District's property taxes are collected by the County Treasurer who remits monthly receipts to the District. Property tax revenue is recognized when received by the County Treasurer.

Uncollected property taxes that became an enforceable lien January 1, 2022, has been recorded in the financial statements as an asset and a corresponding deferred inflow of resources.

Receivables/Payables From Other District Funds

Balances that originate from current lending/borrowing arrangements between funds are referred to as "Due To/From Other Funds".

Inventories

Purchased inventories are stated at cost and consist of supplies and food to be used within one year. Donated inventory is priced at the U.S. Department of Agriculture established values.

USDA Commodities

The Food Service Fund receives donated commodities to use in meal preparation from the U.S. Department of Agriculture. The value of these commodities received during the year is shown as income, and the value of commodities used is shown as an expenditure.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include land, land improvements, buildings, equipment, vehicles, and construction in progress, are reported in the applicable governmental activities column in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. When assets used in the operation of the governmental fund types are sold, the proceeds of the sale are recorded as revenues in the appropriate fund.

NORTH CONEJOS SCHOOL DISTRICT RE-1J
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

| Assets | Years |
|-------------------|-------|
| Land Improvements | 5-20 |
| Buildings | 5-75 |
| Equipment | 3-20 |
| Vehicles | 4-15 |

Long-Term Obligations

Long-term debt and other long-term obligations are recorded as liabilities in the government-wide financial statements. In the fund financial statements for governmental fund types, debt proceeds are reported as an other financing source and debt payments are reported as debt service expenditures. The District records long-term debt of governmental funds at the face value.

Voluntary Early Retirement Bonus Plan

All employees shall be eligible to participate upon completion of 20 years of service, the last 10 of which are to be uninterrupted service to the District. Any employee with fewer than 20 years but at least 15 years of uninterrupted service to the District can elect early retirement with a loss of five percent for each year short of the minimum 20 years.

Compensated Absences

Certified staff of the District receive 10 days each contract year for personal leave and classified staff receive eight days. Personal leave may be accumulated without limit. Upon termination of employment for reasons other than retirement, an employee shall be paid for a maximum of 12 days of accrued personal leave not taken based on the current rate of pay for a substitute. In the event of death, such payment shall be made to the employee's estate. An employee who is eligible for retirement in accordance with the Public Employees' Retirement Association shall be paid for one-fourth of all accrued personal leave not taken on the rate of pay for a substitute not to exceed payment for more than 30 days of accrued personal leave. A liability is accrued in the government-wide financial statements.

Unearned Grant Revenue

Revenues on grants, which are restricted by the grant document for specific purposes, are recognized as revenue only after eligible grant costs have been incurred. Grant funds received in excess of grant expenditures are recorded as unearned revenues.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This represents a consumption of net position that applied to a future period(s) and will not be recognized as an outflow of resources (as either an expense or expenditure) until that period.

In addition to liabilities, the balance sheet reports a separate section of deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

Certain amounts related to pensions and OPEB must be deferred.

NORTH CONEJOS SCHOOL DISTRICT RE-1J
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

Pensions

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

Other Postemployment Benefits (OPEB)

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

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position should be displayed in the following three components:

- *Net investment in capital assets* – consists of capital assets, net accumulated depreciation, reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt should be included in this component of net position.
- *Restricted* – consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted assets consist of assets that have limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.
- *Unrestricted* – consists of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

Fund Balance

Fund balances are reported by classification based on the extent to which the District is bound to honor constraints for the specific purposes on which amounts in the fund can be spent. Fund balances are classified in one of the following five categories:

- *Nonspendable Fund Balance* – amounts that cannot be spent because they are not in spendable form, such as inventory and prepaid expenditures.
- *Restricted Fund Balance* – amounts restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed Fund Balance* – amounts that can only be used for specific purposes as a result of constraints imposed through adopted resolution by the Board of Education, the highest level of decision making authority. Committed amounts cannot be used for any other purpose unless the Board removes

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those constraints by taking the same type of action. Committed fund balances differ from restricted balances because the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

- *Assigned Fund Balance* – amounts a government intends to use for a specific purpose; intent can be expressed by the Board of Education or by an official or body to which governing body delegates the authority.
- *Unassigned Fund Balance* – amounts that are available for any purpose; these amounts are reported only in the General Fund.

As of June 30, 2022, fund balances are composed of the following:

| | <u>General Fund</u> | <u>Building Fund</u> | <u>Total Nonmajor Funds</u> | <u>Total Governmental Funds</u> |
|--------------------|-------------------------|--------------------------|-------------------------------------|---|
| Nonspendable | | | | |
| Inventory | \$ - | \$ - | \$ 1,644 | \$ 1,644 |
| Restricted | | | | |
| TABOR 3% Reserve | 720,000 | - | - | 720,000 |
| Debt Service | - | 5,016,635 | 461,817 | 5,478,452 |
| | <u>720,000</u> | <u>5,016,635</u> | <u>461,817</u> | <u>6,198,452</u> |
| Committed | | | | |
| GDPG | - | - | 22,042 | 22,042 |
| Food Service | - | - | 83,440 | 83,440 |
| Pupil Activities | - | - | 259,339 | 259,339 |
| Capital Projects | - | - | 827,454 | 827,454 |
| | <u>-</u> | <u>-</u> | <u>1,192,275</u> | <u>1,192,275</u> |
| Unassigned | <u>10,663,215</u> | <u>-</u> | <u>-</u> | <u>10,663,215</u> |
| Total Fund Balance | <u>\$ 11,383,215</u> | <u>\$ 5,016,635</u> | <u>\$ 1,655,736</u> | <u>\$ 18,055,586</u> |

When an expenditure is incurred for purposes for which both restricted and unrestricted net position/fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, and unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Education has provided otherwise in its commitment or assignment actions.

Encumbrances

The District records purchase orders in the accounting system. Unfulfilled purchase commitments outstanding at the end of the budget year are rebudgeted in the succeeding year. End of the year fund balance intended to be used in the succeeding year is reported as assigned fund balance.

Use of Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

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Reclassifications

Certain amounts from 2021 have been reclassified to conform to the 2022 financial statement presentation.

New Accounting Pronouncements

During fiscal year 2022, the District adopted the provisions of GASB Statement No. 87, *Leases*, that establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. This standard does not have a material effect on the financial statements of the District.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets and Budgetary Accounting

North Conejos School District RE-1J follows the procedures set forth in the Colorado School District Budget Law when preparing annual budgets for each fund. Budget procedures include:

- 1) Preparation of budget documents by administrative staff shall be submitted to the Board no later than June 1 of each year.
- 2) Publication of a notice stating that the budget is available for public inspection.
- 3) Discussion of the budget in a meeting open to the public.
- 4) Adoption of the budget in a public meeting by appropriate resolution.

Formal budgetary integration is employed as a management control device for all funds of the District. All fund budgets are adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP).

The total expenditures for each fund cannot exceed the budgeted amount unless a supplemental appropriation is adopted. All budget amounts presented in the accompanying supplementary information reflect the original budget and the final amended budget, if applicable.

Stewardship

Expenditures in the Pupil Activity Fund exceeded appropriations by \$41,443 during fiscal year 2022. This may be a violation of Colorado Revised Statutes 22-44-115(1).

NOTE 3 CASH, CASH EQUIVALENTS AND INVESTMENTS

A summary of Cash and Deposits for the District are as follows:

| | |
|--|-----------------------------|
| Cash in Bank | \$ 18,983,011 |
| Cash on Hand | 225 |
| Less: amounts related to Agency Funds | <u>(27,149)</u> |
| Total Cash and Cash Equivalents | \$ 18,956,087 |
| ColoTrust Investments | <u>1,124,733</u> |
| Total cash, cash equivalents and investments | <u><u>\$ 20,080,820</u></u> |

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Cash and Deposits

Colorado State Statutes govern the 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) on deposits held.

The Colorado Public Deposit Protection Act (PDPA), requires that all units of local government deposit cash in eligible public depositories, determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized in accordance with the PDPA. PDPA allows the institution to create a single collateral pool for all public funds to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to the aggregate uninsured deposits.

Custodial Credit Risk – Deposits

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 does not have a deposit policy for custodial credit risk. As of year-end, \$16,245,530 of the District's bank balance of \$18,032,598 was exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institution through PDPA.

Investments

Colorado Statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest, which include the following:

- Obligations of the United States and certain U.S. government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Banker's acceptance of certain banks
- Commercial paper holding the highest credit rating category and with a maturity within 180 days
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Corporate or bank debt issued by eligible corporations or banks

Fair Value – Fair value investments classified at Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Fair value investments classified as Level 2 of the fair value hierarchy are valued using the active market rates for the underlying securities. Fair value investments classified as Level 3 of the fair value hierarchy are valued using non-observable inputs.

COLOTRUST is a money market investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing COLOTRUST. The pool operates similarly to a money market fund and each share is equal in value to \$1.00. Investments consist of U.S. Treasury and U.S. Agency securities and repurchase agreements collateralized by the U.S. Treasury and U.S. Agency securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned 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 the entities. COLOTRUST is rated AAAM by Standard and Poors, and maintains a constant net asset value of \$1 per share. Financial statements for COLOTRUST are available at

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www.colotruster.com. The total COLOTRUST investment was valued at \$1,124,733 at June 30, 2022 with a credit rating of AAAM by Standard & Poors.

Interest Rate Risk – The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – The risk that an issuer or other counterparty to an investment will not fulfill its obligation. State statutes limit investments in U.S. Agency securities to the highest rating issued by National Recognized Statistical Rating Organizations (NRSROs).

Concentration of Credit Risk – The risk of loss attributed to the magnitude of a government’s investment in a single issuer. The District has not established a policy limiting the investment in any type of security and deems it unnecessary at this time.

NOTE 4 ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2022, consisted of the following:

| | |
|-------------------|-------------------------|
| General Fund | \$ 613 |
| Debt Service Fund | <u>17,065</u> |
| | <u><u>\$ 17,678</u></u> |

NOTE 5 DUE FROM OTHER GOVERNMENTS

Intergovernmental receivables include amounts due from grantors for specific program grants. Program grants are recorded as receivables and revenues at the time reimbursable project costs are incurred. As of June 30, 2022, the District had \$615,950 due from Federal, State, and Local governments, reflected as due from other governments in the accompanying basic financial statements.

NOTE 6 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund Receivables/Payables

The District reports interfund balances between many of its funds. The balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Interfund balances are generally expected to be repaid within one year of the financial statement date.

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Interfund receivable and payable balances at June 30, 2022 were as follows:

| Receivable Fund | Payable Fund | Amount |
|---|---|-----------|
| Governmental Designated Purpose Grants Fund | General Fund | \$ 10,951 |
| General Fund | Governmental Designated Purpose Grants Fund | 10,644 |
| General Fund | Food Service Fund | 14,634 |
| | | \$ 36,229 |

Interfund Transfers

Interfund transfers for the year ended June 30, 2022 were as follows:

| Transfer In | Transfer Out | Amount |
|---------------------------------------|--------------|------------|
| Food Service Fund | General Fund | \$ 140,000 |
| Pupil Activity Fund | General Fund | 25,000 |
| Capital Reserve Capital Projects Fund | General Fund | 150,000 |
| | | \$ 315,000 |

The General Fund transfers were made to subsidize the Food Service Fund, Pupil Activity Fund, and Capital Reserve Capital Projects Fund.

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NOTE 7 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022, was as follows:

| | Balance 06/30/2021 | Additions | Deletions | Balance 06/30/2022 |
|--|-----------------------|----------------------|-----------------|-----------------------|
| <i>Governmental Activities</i> | | | | |
| Capital Assets Not Being Depreciated | | | | |
| Land | \$ 348,996 | \$ - | \$ - | \$ 348,996 |
| Construction in progress | 11,944,597 | 13,681,926 | - | 25,626,523 |
| Total capital assets not being depreciated | <u>12,293,593</u> | <u>13,681,926</u> | <u>-</u> | <u>25,975,519</u> |
| Capital Assets Being Depreciated | | | | |
| Land Improvements | 1,400,178 | - | - | 1,400,178 |
| Buildings | 10,355,340 | 21,750 | - | 10,377,090 |
| Equipment | 2,279,198 | 418,963 | 61,355 | 2,636,806 |
| Vehicles | 1,811,830 | 108,663 | - | 1,920,493 |
| Total Capital Assets Being Depreciated | <u>15,846,546</u> | <u>549,376</u> | <u>61,355</u> | <u>16,334,567</u> |
| Less: Accumulated Depreciation For | | | | |
| Land Improvements | 676,969 | 69,277 | - | 746,246 |
| Buildings | 4,751,457 | 172,286 | - | 4,923,743 |
| Equipment | 1,668,573 | 103,196 | 58,565 | 1,713,204 |
| Vehicles | 1,416,646 | 61,637 | - | 1,478,283 |
| Total Accumulated Depreciation | <u>8,513,645</u> | <u>406,396</u> | <u>58,565</u> | <u>8,861,476</u> |
| Net Capital Assets being depreciated | <u>7,332,901</u> | <u>142,980</u> | <u>2,790</u> | <u>7,473,091</u> |
| Total Capital Assets | <u>\$ 19,626,494</u> | <u>\$ 13,824,906</u> | <u>\$ 2,790</u> | <u>\$ 33,448,610</u> |

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

| | |
|--|-------------------|
| <i>Governmental Activities</i> | |
| Instructional Program | \$ 249,481 |
| Student Supporting Services | 29,994 |
| General Administration Supporting Services | 2,032 |
| Operations and Maintenance of Plant Services | 59,396 |
| Student Transportation Services | 61,637 |
| Food Services | 3,856 |
| Total depreciation expense - governmental activities | <u>\$ 406,396</u> |

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NOTE 8 ACCRUED SALARIES AND BENEFITS

The teachers, administrators, and the administrative staff are employed under nine, ten, and eleven month contracts. All District employees are paid on a twelve-month basis, therefore, a difference exists between the actual amount of salaries earned under the contract and the amount paid. The difference between salaries earned and paid, including the District's share of benefits, has been accrued in the financial statements in the amount of \$913,449.

NOTE 9 LONG-TERM LIABILITIES

Changes in Long-Term Liabilities

Long-term liability balances for the year ended June 30, 2022, were as follows:

| | Balance | | | Balance | Due |
|--------------------------------|--------------------|------------------|-------------------|--------------------|-------------------|
| | 06/30/2021 | Additions | Deletions | 06/30/2022 | Within |
| | | | | | One Year |
| <i>Governmental Activities</i> | | | | | |
| G.O.Bonds Payable | \$5,695,906 | \$ - | \$ 227,822 | \$5,468,084 | \$ 234,548 |
| Compensated Absences | 109,245 | 18,985 | - | 128,230 | - |
| Total Governmental Activities | <u>\$5,805,151</u> | <u>\$ 18,985</u> | <u>\$ 227,822</u> | <u>\$5,596,314</u> | <u>\$ 234,548</u> |

General Obligation Bonds

On December 5, 2019, the District issued general obligation bonds series 2019O in the amount of \$5,919,082 with an interest rate of 2.952% to be paid in full December 1, 2039. The bonds were issued for the District's match for the Building Excellent Schools Today Act (BEST) grant for the construction of a new school.

The annual debt service for the General Obligation Bond is as follows:

| | Principal | Interest | Totals |
|--------------|---------------------|---------------------|---------------------|
| FY 2023 | \$ 234,548 | \$ 157,956 | \$ 392,504 |
| FY 2024 | 241,472 | 150,930 | 392,402 |
| FY2025 | 248,600 | 143,696 | 392,296 |
| FY2026 | 255,938 | 136,249 | 392,188 |
| FY 2027 | 263,494 | 128,583 | 392,076 |
| FY 2028-2032 | 1,438,839 | 519,751 | 1,958,591 |
| FY 2033-2037 | 1,664,126 | 291,139 | 1,955,265 |
| FY 2038-2040 | 1,121,067 | 50,283 | 1,171,350 |
| | <u>\$ 5,468,084</u> | <u>\$ 1,578,588</u> | <u>\$ 7,046,672</u> |

NOTE 10 DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan description. Eligible employees of the District are provided with pensions through the SCHDTF—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title

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24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided as of December 31, 2021. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

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

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

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

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

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

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, 2022. Eligible employees of the District 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 10.50% of their PERA-

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includable salary during the period of July 1, 2021 through June 30, 2022. Employer contribution requirements are summarized in the table below:

| | July 1, 2021 Through June 30, 2022 |
|--|--|
| Employer Contribution Rate | 10.90% |
| 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 | 9.88% |
| 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 | 19.88% |

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District were \$1,015,566, for the year ended June 30, 2022.

For purposes of GASB 68 paragraph 15, a circumstance exists in which a nonemployer contributing entity is legally responsible for making contributions to the SCHDTF and is considered to meet the definition of a special funding situation. As specified in C.R.S. §24-51-414, the State is required to contribute \$225 million (actual dollars) direct distribution each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public School Division Trust Fund. In addition to the \$225 million (actual dollars) direct distribution due July 1, 2022, House Bill (HB) 22-1029, instructs the State treasurer to issue a warrant to PERA in the amount of \$380 million (actual dollars), upon enactment, with reductions to future direct distributions scheduled to occur July 1, 2023, and July 1, 2024.

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, 2021, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. Standard update procedures were used to roll forward the TPL to December 31, 2021. The District’s proportion of the net pension liability was based on the District contributions to the SCHDTF for the calendar year 2021 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

At June 30, 2022, the District reported a liability of \$9,197,366 for its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity. The amount recognized by the District as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the District were as follows:

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| | | |
|---|----|------------|
| North Conejos School District's proportionate share of the net position liability | \$ | 9,197,366 |
| The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the North Conejos School District | | 1,054,360 |
| Total | \$ | 10,251,726 |

At December 31, 2021, the District's proportion was 0.079%, which was a decrease of 0.01% from its proportion measured as of December 31, 2020.

For the year ended June 30, 2022, the District recognized pension expense of (\$4,308,436) and revenue of \$112,566 for support from the State as a nonemployer contributing entity. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Difference between expected and actual experience | \$ 352,112 | \$ - |
| Changes of assumptions or other inputs | 702,150 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 3,457,935 |
| Changes in proportion and differences between contributions recognized and proportionate share of contributions | 822,817 | 1,400,883 |
| Contributions subsequent to the measurement date | 519,104 | - |
| Total | \$ 2,396,183 | \$ 4,858,818 |

\$519,104 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, 2023. 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, | |
| 2023 | \$ (314,180) |
| 2024 | (1,235,847) |
| 2025 | (1,011,993) |
| 2026 | (419,719) |
| 2027 | - |
| Thereafter | |

Actuarial assumptions. The TPL in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs:

| | |
|---|---------------|
| Actuarial cost method | Entry age |
| Price inflation | 2.30% |
| Real wage growth | 0.70% |
| Wage inflation | 3.00% |
| Salary increases, including wage inflation | 3.40 – 11.00% |
| Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation | 7.25% |

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| | |
|---|---------------------|
| Discount rate | 7.25% |
| Post-retirement benefit increases: | |
| PERA Benefit Structure hired prior to 1/1/07 and DPS benefit structure (compounded annually) | 1.00% |
| PERA Benefit Structure hired after 12/31/06 ¹ | Financed by the AIR |

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

The TPL as of December 31, 2021, includes the anticipated adjustments to contribution rates and the AI cap, resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022.

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

The 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.

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

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

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

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

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

Note: In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected 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 current member contribution rates in effect for each year, including the scheduled increases in Senate Bill (SB) 18-200, required adjustments resulting from the 2018 AAP assessment, and the additional 0.50% resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021 and effective July 1, 2022. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200, required adjustments resulting from the 2018 AAP assessment, and the additional 0.50% resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022. Employer contributions also include the current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State, as a nonemployer contributing entity, will provide an annual direct distribution of \$225 million (actual dollars), which commenced 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.

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- 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 fiduciary net position, 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 fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- The projected benefit payments reflect the lowered AI cap, from 1.25% to 1.00%, resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the projection test indicates 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 rate, and therefore, the discount rate is 7.25%. There was no change in the discount rate from the prior measurement date.

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

| | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|--|------------------------|-------------------------------------|------------------------|
| Proportionate share of the net pension liability | \$ 13,537,770 | \$ 9,197,366 | \$ 5,575,460 |

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

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS

General Information about the OPEB Plan

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

Benefits provided. 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

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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.

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare.

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 on behalf of benefit recipients not covered by Medicare Part A.

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 percent 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 District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the District were \$52,106 for the year ended June 30, 2022.

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

At June 30, 2022, the District reported a liability of \$444,968 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2021, and the total OPEB liability (TOL) used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2020. Standard update procedures were used to roll-forward the TOL to December 31, 2021. The District's proportion of the net OPEB liability was based on the District's contributions to the HCTF for the calendar year 2021 relative to the total contributions of participating employers to the HCTF.

At December 31, 2021, the District proportion was 0.0516%, which was a decrease of 0.0001% from its proportion measured as of December 31, 2020.

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For the year ended June 30, 2022 the District recognized OPEB expense of (\$76,077). At June 30, 2022, District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Difference between expected and actual experience | \$ 678 | \$ 105,507 |
| Net difference between projected and actual earnings on OPEB plan investments | - | 27,544 |
| Changes of assumptions or other inputs | 9,213 | 24,137 |
| Changes in proportion and differences between contributions recognized and proportionate share of contributions | - | 50,117 |
| Contributions subsequent to the measurement date | 26,634 | - |
| Total | \$ 36,525 | \$ 207,305 |

\$26,634 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year Ended June 30, | |
|---------------------|-------------|
| 2023 | \$ (63,015) |
| 2024 | (61,326) |
| 2025 | (45,732) |
| 2026 | (22,428) |
| 2027 | (4,319) |
| Thereafter | (594) |

Actuarial assumptions. The TOL in the December 31, 2020 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

| | |
|---|---|
| Actuarial cost method | Entry age |
| Price inflation | 2.30% |
| Real wage growth | 0.70% |
| Wage inflation | 3.00% |
| Salary increases, including wage inflation | 3.40%-11.00% |
| Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation | 7.25% |
| Discount rate | 7.25% |
| Health care cost trend rates | |
| PERA benefit structure: | |
| Service-based premium subsidy | 0.00 % |
| PERACare Medicare plans | 4.50% in 2021, 6.00% in 2022 gradually decreasing to 4.50% in 2029 |
| Medicare Part A premiums | 3.75% in 2021, gradually increasing to 4.50% in 2029 |

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

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In determining the additional liability for PERACare enrollees who are age 65 or older and who are not eligible for premium-free Medicare Part A in the December 31, 2020, valuation, the following monthly costs/ premiums (actual dollars) are assumed for 2021, for the PERA Benefit Structure:

| Medicare Plan | Initial Costs for Members without Medicare Part A | | |
|---|---|-----------------|------------------------------------|
| | Monthly Cost | Monthly Premium | Monthly Cost Adjusted to Age 65 |
| Medicare Advantage/Self-Insured Rx | \$633 | \$230 | \$591 |
| Kaiser Permanente Medicare Advantage HMO | 596 | 199 | 562 |

The 2021 Medicare Part A premium is \$471 (actual dollars) per month.

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

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2020, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

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

Mortality assumptions used in the December 31, 2020 valuation for the determination of the total pension liability for each of the Division Trust Funds as shown below, reflect generational mortality and were applied, as applicable, in the determination of the TOL for the HCTF, but developed using a headcount-weighted basis. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

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

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

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

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

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

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

The following health care costs assumptions were updated and used in the roll forward calculation for the Trust Fund.

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2021 plan year.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

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

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

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

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

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

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

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates. The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

| | <u>1% Decrease in Trend Rates</u> | <u>Current Trend Rates</u> | <u>1% Increase in Trend Rates</u> |
|--|---------------------------------------|--------------------------------|---------------------------------------|
| Initial PERACare Medicare trend rate | 3.50% | 4.50% | 5.50% |
| Ultimate PERACare Medicare Part A trend rate | 3.50% | 4.50% | 5.50% |
| Initial Medicare Part A trend rate | 2.75% | 3.75% | 4.75% |
| Ultimate Medicare Part A trend rate | 3.50% | 4.50% | 5.50% |
| Net OPEB Liability | \$432,190 | \$444,968 | \$459,771 |

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, 2021, 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 year, 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.

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- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

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

| | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|---|------------------------|-------------------------------------|------------------------|
| Proportionate share of the net OPEB liability | \$ 516,784 | \$444,968 | \$ 383,625 |

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 DEFINED CONTRIBUTION PENSION PLAN

Voluntary Investment Program

Plan Description - Employees of the District that are also members of the SCHDTF may voluntarily contribute to the Voluntary Investment Program, 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 annual comprehensive financial report which includes additional information on the Voluntary Investment Program. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy – The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions, employer contributions, and investment earnings. For the year ended June 30, 2022, program members contributed \$17,110 for the Voluntary Investment Program. The District does not make matching contributions to this plan.

NOTE 13 JOINT VENTURES

The District participates in the following entities. These joint ventures do not meet the criteria for inclusion within the reporting entity because the following entities:

- are financially independent and responsible for its own financing deficits and entitled to its own surpluses,

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- have a separate governing board from that of the District,
- have a separate management which is responsible for day-to-day operations and is accountable to the separate governing board,
- have governing boards and management with the ability to significantly influence operations by approving budgetary requests and adjustments, signing contracts, hiring personnel, exercising control over facilities and determining the outcome for disposition of matters affecting the recipients of services provided, and
- have absolute authority over all funds and fiscal responsibility including budgetary responsibility and reporting to state agencies and controls fiscal management.

San Luis Valley Board of Cooperative Educational Services (BOCES)

The BOCES is an organization that provides member districts educational services at a shared lower cost per district. The Board of the BOCES is selected from the elected members of the District Boards. The District has one member on the Board. This Board has final authority for all budgeting and financing of the joint venture. The District's share of the joint venture is approximately 7% at June 30, 2022. Complete separate financial statements may be obtained from BOCES.

Colorado School Districts' Self-Insurance Pool

The District belongs to the Colorado School Districts' 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, and other coverage. The Board of Directors is composed of eight persons, several of who are appointed by the Board of Directors of CASB and the Executive Director of CASB.

The pool is managed by an independent manager chosen by the Board of Directors. Each member's initial contribution and subsequent contributions are determined by the Pool based on factors including, but not limited to, the aggregate Pool claims, the cost of administrative and other operating expenses, the number of participants, the adequacy of both Operating and Reserve Funds and other factors touching on the status of the Pool or an individual participant, and as approved by the Colorado Insurance Commissioner.

As the District did not exercise oversight responsibility nor have sufficient control over Pool activities, the Pool is not a component unit of the District and only the District's share of contributions to the Pool is recorded as expenditures in the General Fund. The District's share in the Pool is not determinable from current information, but is estimated to be less than 1%. The District's share, if calculated, would not be material to the Pool's financial information at June 30, 2022. Complete separate financial statements may be obtained from the Colorado School Districts' Self-Insurance Pool.

NOTE 14 TABOR EMERGENCY RESERVE

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 requirements of the amendment.

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

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On November 6, 2001 voters approved a ballot measure authorizing the District to collect, retain and expend all revenues including grants and other funds collected during 2000-01 budget year and each subsequent year from any source, notwithstanding the limitations of Article X, Section 20 of the Colorado constitution, provided, however, that no property tax mill levy be increased at any time nor shall any new tax be imposed without the prior approval of the voters.

The amendment also requires that Emergency Reserves be established. These reserves must be at least three percent of fiscal year spending. This Emergency Reserve has been presented as restricted fund balance in the General Fund balance sheet and a restricted net position in the government-wide statement of net position. The entity is not allowed to use the Emergency Reserve to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

NOTE 15 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by Colorado School District's Self Insurance Pool. There have been no significant reductions in insurance coverage. Settled claims from these risks have not exceeded commercial insurance coverage for the current year or the three prior years.

Level funding Health Plan

Effective July 1, 2014, the District established a self-funded health benefit program for its employees. The benefit program administrator, CIGNA, is responsible for the approval, processing, and payment of claims. The District remits monthly payments to the Administrator for claims, administrative fees, and stop-loss costs. The benefit program reports on a fiscal year ending June 30, 2022. The program is accounted for in the General Fund of the District. The District has purchased stop-loss coverage for amounts in excess of \$40,000 per individual and aggregate coverage subject to a 120% corridor and cumulative attachment limits calculated each month. Effective July 1, 2022, the District's benefit program administrator is Anthem Blue Cross Blue Shield.

The costs associated with the health plan are reported as health insurance expenses for the employee paid premiums and a payroll deduction for the employees. The District does not report a liability based on the requirements of Governmental Accounting Standards Board Statement No. 10, as the plan is a level-funding health plan in which monthly payments to the Third Party Administrator are fixed.

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NOTE 16 AGENCY FUND BUDGET AND ACTUAL

The District is required by the Colorado School District Budget Law to budget for the District’s Agency Fund. In accordance with GAAP, however, there is not a statement of revenues, expenses and changes in net position for agency funds to report the budget information, because agency funds do not recognize revenues, expenses or net position in accordance with GAAP. Therefore, the budget and actual amounts for agency funds received and disbursed for the year ended June 30, 2022, are presented below:

| | Budget | | Actual | Variance |
|---------------------------|-----------|-----------|-----------|----------|
| | Original | Final | | |
| Beginning Balance | \$ 26,707 | \$ 26,707 | \$ 26,707 | \$ - |
| Agency Fund Receipts | 25,000 | 25,000 | 21,086 | (3,914) |
| Agency Fund Disbursements | (25,000) | (25,000) | (20,644) | 4,356 |
| Ending Balance | \$ 26,707 | \$ 26,707 | \$ 27,149 | \$ 442 |

NOTE 17 COMMITMENTS AND CONTINGENCIES

Grants

The District participates in federal grant programs subject to program compliance audits by the grantors or their representatives. The amount, if any, of expenses which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

Construction Projects

During fiscal year 2023, the District will be continuing work on the BEST construction project with construction estimated to be completed in Spring 2023. Estimated total cost of the new building is \$31,143,158. Construction costs incurred through June 30, 2022, were \$22,592,859. The District is using bond proceeds and BEST grant funds for the project.

NOTE 18 SUBSEQUENT EVENT

The old school and associated buildings were demolished over the summer of 2022. The school was built in 1972 with additions/construction added through 2013. The recorded cost of the building was \$1,090,730. The net book value of the buildings at June 30, 2022 was \$303,723. This will be removed from the capital assets listing and recognized as a loss in the June 30, 2023 financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

A budgetary comparison schedule is required for the General Fund. In addition, pension and OPEB plan contributions and the District's proportionate share of the net pension and OPEB liability is required to supplement the basic financial statements.

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SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2022

| | BUDGETED AMOUNTS | | ACTUAL | VARIANCE WITH |
|--|-------------------------|-------------------|----------------------|----------------------|
| | ORIGINAL | FINAL | | FINAL BUDGET |
| | | | | POSITIVE |
| | | | | (NEGATIVE) |
| REVENUES | | | | |
| Local Sources | \$ 862,315 | \$ 1,219,280 | \$ 1,242,223 | \$ 22,943 |
| Intermediate Sources | 453,654 | 446,796 | - | (446,796) |
| State Sources | 8,098,888 | 9,625,057 | 9,566,915 | (58,142) |
| Federal Sources | - | - | 1,558,993 | 1,558,993 |
| TOTAL REVENUES | 9,414,857 | 11,291,133 | 12,368,131 | 1,076,998 |
| EXPENDITURES | | | | |
| Instructional Program | 5,795,309 | 7,431,905 | 6,621,630 | 810,275 |
| Student Supporting Services | 207,397 | 207,397 | 207,252 | 145 |
| Instructional Staff Supporting Services | 203,585 | 216,953 | 339,654 | (122,701) |
| General Administration Supporting Services | 772,403 | 890,834 | 856,744 | 34,090 |
| School Administration Supporting Services | 623,022 | 623,022 | 611,459 | 11,563 |
| Business Supporting Services | 55,000 | 84,506 | 52,189 | 32,317 |
| Operations and Maintenance of Plant Services | 698,281 | 706,817 | 649,499 | 57,318 |
| Student Transportation Services | 451,846 | 521,685 | 415,184 | 106,501 |
| Central Supporting Services | 283,014 | 283,014 | 249,626 | 33,388 |
| TOTAL EXPENDITURES | 9,089,857 | 10,966,133 | 10,003,237 | 962,896 |
| Excess (deficiency) of | | | | |
| Revenues over Expenditures | 325,000 | 325,000 | 2,364,894 | 2,039,894 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers to Other Funds | (325,000) | (325,000) | (315,000) | 10,000 |
| TOTAL OTHER FINANCING SOURCES (USES) | (325,000) | (325,000) | (315,000) | 10,000 |
| Net Change in Fund Balance | - | - | 2,049,894 | 2,049,894 |
| Fund Balance, Beginning of Year | - | - | 9,333,321 | 9,333,321 |
| Fund Balance, End of Year | \$ - | \$ - | \$ 11,383,215 | \$ 11,383,215 |

Notes to Required Supplementary Information

The basis of budgeting is the same as GAAP.

This schedule is presented on the GAAP basis.

NORTH CONEJOS SCHOOL DISTRICT RE-1J
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
PERA PENSION PLAN
For the Years Ended June 30,

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| District's proportion of the net pension liability (asset) | 0.07903305% | 0.08934344% | 0.08093614% | 0.08258239% | 0.10496637% | 0.10980237% | 0.11390170% | 0.12046654% |
| District's proportionate share of the net of the net pension liability (asset) | \$ 9,197,366 | \$ 13,506,926 | \$ 12,091,684 | \$ 14,622,908 | \$ 33,942,394 | \$ 32,692,413 | \$ 17,420,461 | \$ 16,327,262 |
| State's proportionate share of the net pension liability (asset) associated with the District | <u>1,054,360</u> | <u>-</u> | <u>1,533,676</u> | <u>1,999,480</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 10,251,726</u> | <u>\$ 13,506,926</u> | <u>\$ 13,625,360</u> | <u>\$ 16,622,388</u> | <u>\$ 33,942,394</u> | <u>\$ 32,692,413</u> | <u>\$ 17,420,461</u> | <u>\$ 16,327,262</u> |
| District's covered payroll | \$ 4,939,410 | \$ 4,779,269 | \$ 4,754,625 | \$ 4,559,924 | \$ 4,841,973 | \$ 4,928,124 | \$ 4,969,663 | \$ 5,046,683 |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 186% | 283% | 254% | 321% | 701% | 663% | 351% | 324% |
| Plan fiduciary net position as a percentage of the total pension liability | 74.86% | 66.99% | 64.52% | 57.01% | 43.96% | 43.1% | 59.2% | 62.8% |

*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

**This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled the District presents information for those years for which information is available.

See Notes to the Required Supplementary Information.

NORTH CONEJOS SCHOOL DISTRICT RE-1J
SCHEDULE OF DISTRICT CONTRIBUTIONS
PERA PENSION PLAN
For the Years Ended June 30,

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|--------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Contractually required contribution | \$ 1,015,566 | \$ 952,309 | \$ 957,148 | \$ 835,170 | \$ 908,251 | \$ 901,605 | \$ 877,676 | \$ 847,190 |
| Contributions in relation to the contractually required contribution | <u>(1,015,566)</u> | <u>(952,309)</u> | <u>(957,148)</u> | <u>(835,170)</u> | <u>(908,251)</u> | <u>(901,605)</u> | <u>(877,676)</u> | <u>(847,190)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered payroll | \$ 5,108,472 | \$ 4,790,286 | \$ 4,938,834 | \$ 4,365,759 | \$ 4,809,692 | \$ 4,904,788 | \$ 4,949,235 | \$ 5,018,478 |
| Contributions as a percentage of covered payroll | 19.88% | 19.88% | 19.38% | 19.13% | 18.88% | 18.38% | 17.73% | 16.88% |

**This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled the District presents information for those years for which information is available.

See Notes to the Required Supplementary Information.

NORTH CONEJOS SCHOOL DISTRICT RE-1J
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
PERA HEALTHCARE TRUST FUND
For the Years Ended June 30,

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
| District's proportion of the net OPEB liability | 0.0516021583% | 0.0516819572% | 0.0528786174% | 0.0536726933% | 0.0596414661% | 0.0624129499% |
| District's proportionate share of the net OPEB liability (asset) | \$ 444,968 | \$ 491,095 | \$ 594,355 | \$ 730,240 | \$ 775,100 | \$ 809,205 |
| District's covered payroll | \$ 4,939,410 | \$ 4,779,269 | \$ 4,754,625 | \$ 4,559,924 | \$ 4,841,973 | \$ 4,928,124 |
| District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll | 9% | 10% | 13% | 16% | 16% | 16% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 39.40% | 32.78% | 24.49% | 17.03% | 17.53% | 20.07% |

*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

**This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled the District presents information for those years for which information is available.

See Notes to the Required Supplementary Information.

NORTH CONEJOS SCHOOL DISTRICT RE-1J
SCHEDULE OF DISTRICT CONTRIBUTIONS
PERA HEALTHCARE TRUST FUND
For the Years Ended June 30,

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Contractually required contribution | \$ 52,106 | \$ 48,861 | \$ 50,376 | \$ 44,531 | \$ 49,059 | \$ 50,029 |
| Contributions in relation to the contractually required contribution | <u>(52,106)</u> | <u>(48,861)</u> | <u>(50,376)</u> | <u>(44,531)</u> | <u>(49,059)</u> | <u>(50,029)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered payroll | \$ 5,108,472 | \$ 4,790,286 | \$ 4,938,834 | \$ 4,365,759 | \$ 4,809,692 | \$ 4,904,788 |
| Contributions as a percentage of covered payroll | 1.02% | 1.02% | 1.02% | 1.02% | 1.02% | 1.02% |

**This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled the District presents information for those years for which information is available.

NORTH CONEJOS SCHOOL DISTRICT RE-1J
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
CHANGES IN BENEFIT TERMS AND ACTUARIAL ASSUMPTIONS
For the Year Ended June 30, 2022

NOTE 1 NET PENSION LIABILITY

Changes in assumptions or other inputs effective for the December 31st measurement period for the following years ended:

2021

- Required contribution increased from 10.00% to 10.50% for eligible employees.
- AI cap decreased from 1.25% to 1.00%

2020

- Price inflation assumption decreased from 2.40 percent per year to 2.30 percent per year.
- Real rate of investment return assumption increased from 4.85 percent per year, net of investment expenses to 4.95 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.50 percent per year to 3.00 percent per year.
- Salary scale assumptions were revised to align with revised economic assumptions and to more closely reflect actual experience.
- Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.
- The pre-retirement mortality assumptions were changed to the PubT-2010 Employee Table with generational projection using scale MP-2019.
- Post-retirement non-disabled mortality assumptions were changed to the PubT-2010 Healthy Retiree Table, adjusted as follows:
 - Males: 112 percent of the rates prior to age 80 and 94 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
 - Females: 83 percent of the rates prior to age 80 and 106 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- Post-retirement non-disabled beneficiary mortality assumptions were changed to the Pub-2010 Contingent Survivor Table, adjusted as follows:
 - Males: 97 percent of the rates for all ages, with generational projection using scale MP-2019.
 - Females: 105 percent of the rates for all ages, with generational projection using scale MP-2019.
- Disabled mortality assumptions were changed to the PubNS-2010 Disabled Retiree Table using 99 percent of the rates for all ages with generational projection using scale MP-2019.
- The mortality tables described above are generational mortality tables on a benefit-weighted basis.

2019 The post-retirement benefit increases to the PERA benefit structure for those hired prior to 1/1/07 was changed from 0% through 2019 and 1.5% compounded annually thereafter, to 1.25%.

2018 The assumed investment rate of return of 7.25% was used as the discount rate, rather than using the blended rate of 4.78%

2017 The discount rate was lowered from 5.26% to 4.78%.

2016

- The price inflation assumption was lowered from 2.80% to 2.40%.
- The long-term expected rate of return assumption was lowered from 7.50% to 7.25% per year.
- The wage inflation assumption was lowered from 3.90% to 3.50%.
- The mortality tables were changed from RP-2000 Combined Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on a projection scale of Scale AA to 2020 to RP-2014 White Collar Employee Mortality for actively working people, RP-2014 Healthy Annuitant

NORTH CONEJOS SCHOOL DISTRICT RE-1J
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
CHANGES IN BENEFIT TERMS AND ACTUARIAL ASSUMPTIONS
For the Year Ended June 30, 2022

Mortality Table projected to 2020 using the MP-2015 projection scale for retirees, or RP-2014 Disabled Retiree Mortality Table for disabled retirees.

- The discount rate was lowered from 7.50% to 5.26%.

2015 There were no changes in assumptions or other inputs this measurement period compared to the prior year.

NOTE 2 OTHER POSTEMPLOYMENT BENEFITS LIABILITY

Changes in assumptions or other inputs effective for the December 31st measurement period for the following years ended:

2021

- The Medicare Part A premium increased from \$458 to \$471 per month.
- The health care cost trend rates from Medicare Part A premiums were revised to reflect the then current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

2020

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2020 plan year.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.
- Price inflation assumption decreased from 2.40 percent per year to 2.30 percent per year.
- Real wage growth assumption decreased from 1.10 percent per year to 0.70 percent per year.
- Real rate of investment return assumption increased from 4.85 percent per year, net of investment expenses to 4.95 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.50 percent per year to 3.00 percent per year.
- Salary scale assumptions were revised to align with revised economic assumptions and to more closely reflect actual experience.
- Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.
- The pre-retirement mortality assumptions for the School Division were changed to the PubT-2010 Employee Table with generational projection using scale MP-2019.
- Post-retirement non-disabled mortality assumptions for the School Division were changed to the PubT-2010 Healthy Retiree Table, adjusted as follows:
 - Males: 112 percent of the rates prior to age 80 and 94 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
 - Females: 83 percent of the rates prior to age 80 and 106 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- Post-retirement non-disabled beneficiary mortality assumptions were changed to the Pub-2010 Contingent Survivor Table, adjusted as follows:
 - Males: 97 percent of the rates for all ages, with generational projection using scale MP-2019.
 - Females: 105 percent of the rates for all ages, with generational projection using scale MP-2019.
- Disabled mortality assumptions were changed to the PubNS-2010 Disabled Retiree Table using 99 percent of the rates for all ages with generational projection using scale MP-2019.
- The mortality tables described above are generational mortality tables on a benefit-weighted basis.

NORTH CONEJOS SCHOOL DISTRICT RE-1J
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
CHANGES IN BENEFIT TERMS AND ACTUARIAL ASSUMPTIONS
For the Year Ended June 30, 2022

2019

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2019 plan year.
- The morbidity assumptions were updated to reflect the assumed standard aging factors.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

2018 There were no changes in assumptions or other inputs effective this measurement period compared to the prior year.

2017 The Medicare Part A premiums were raised from 3.00% to 3.25%, as well as the gradual percentage rose from 4.25% in 2023 to 5.00% in 2025.

NORTH CONEJOS SCHOOL DISTRICT RE-1J

SUPPLEMENTARY INFORMATION

The combining and individual fund financial schedules represent the second level of financial reporting for the District. These schedules present more detailed information for the individual funds in a format that segregates information by fund type.

NORTH CONEJOS SCHOOL DISTRICT RE-1J
NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for and report the proceeds of special revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Governmental Designated Purpose Grants Fund – Used to account for financial transactions for grants received for designated programs funded by federal, state, or local governments.

Food Service Fund - This fund is used to account for the operations of the school breakfast and lunch programs.

Pupil Activity Fund – Used to record financial transactions related to school-sponsored pupil intrascholastic and interscholastic athletic and other related activities. These activities are supported in whole or in part by revenues from pupils, gate receipts, and other fundraising activities.

CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for and report financial resources that are restricted or committed to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets.

Capital Reserve Capital Projects Fund – Used to account for the acquisition of sites, buildings, equipment, and vehicles.

DEBT SERVICE FUNDS

Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Debt Service Fund – Used to account for the accumulation of resources for and the payment of principal, interest, and related expenses on the long-term general obligation debt or long-term voter-approved financed-purchase debt.

NORTH CONEJOS SCHOOL DISTRICT RE-1J
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2022

| | <u>SPECIAL REVENUE FUNDS</u> | | | | CAPITAL RESERVE CAPITAL PROJECTS FUND | TOTAL NONMAJOR FUNDS |
|--|--|----------------------------------|------------------------------------|----------------------------------|--|-------------------------------------|
| | GOVERNMENTAL DESIGNATED PURPOSE GRANTS FUND | FOOD SERVICE FUND | PUPIL ACTIVITY FUND | DEBT SERVICE FUND | | |
| ASSETS | | | | | | |
| Cash and Cash Equivalents | \$ 69,707 | \$ 145,196 | \$ 259,339 | \$ 425,886 | \$ 326,678 | \$ 1,226,806 |
| Investments | - | - | - | - | 499,166 | 499,166 |
| Accounts Receivable | - | - | - | 17,065 | - | 17,065 |
| Property Tax Receivable | - | - | - | 22,198 | - | 22,198 |
| Due From Other Governments | 42,707 | - | - | 18,866 | 1,610 | 63,183 |
| Due From Other Funds | 10,951 | - | - | - | - | 10,951 |
| Inventory | - | 1,644 | - | - | - | 1,644 |
| TOTAL ASSETS | \$ 123,365 | \$ 146,840 | \$ 259,339 | \$ 484,015 | \$ 827,454 | \$ 1,841,013 |
| LIABILITIES AND FUND BALANCE | | | | | | |
| LIABILITIES | | | | | | |
| Accounts Payable | \$ (773) | \$ (1,092) | \$ - | \$ - | \$ - | \$ (1,865) |
| Accrued Salaries and Benefits | 32,392 | 48,214 | - | - | - | 80,606 |
| Due to Other Funds | 10,644 | 14,634 | - | - | - | 25,278 |
| Unearned Grant Revenue | 59,060 | - | - | - | - | 59,060 |
| TOTAL LIABILITIES | 101,323 | 61,756 | - | - | - | 163,079 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Unavailable Revenue - Property Tax | - | - | - | 22,198 | - | 22,198 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | - | - | - | 22,198 | - | 22,198 |
| FUND BALANCE | | | | | | |
| Nonspendable | - | 1,644 | - | - | - | 1,644 |
| Restricted | - | - | - | 461,817 | - | 461,817 |
| Committed | 22,042 | 83,440 | 259,339 | - | 827,454 | 1,192,275 |
| Unassigned | - | - | - | - | - | - |
| TOTAL FUND BALANCE | 22,042 | 85,084 | 259,339 | 461,817 | 827,454 | 1,655,736 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | \$ 123,365 | \$ 146,840 | \$ 259,339 | \$ 484,015 | \$ 827,454 | \$ 1,841,013 |

NORTH CONEJOS SCHOOL DISTRICT RE-1J
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2022

| | <u>SPECIAL REVENUE FUNDS</u> | | | | CAPITAL RESERVE CAPITAL PROJECTS FUND | TOTAL NONMAJOR FUNDS |
|--|--|----------------------------------|------------------------------------|----------------------------------|--|-------------------------------------|
| | GOVERNMENTAL DESIGNATED PURPOSE GRANTS FUND | FOOD SERVICE FUND | PUPIL ACTIVITY FUND | DEBT SERVICE FUND | | |
| REVENUES | | | | | | |
| Local Sources | \$ - | \$ 50,715 | \$ 367,679 | \$ 472,914 | \$ 1,492 | \$ 892,800 |
| State Sources | 32,362 | 17,230 | - | - | - | 49,592 |
| Federal Sources | 376,692 | 458,046 | - | - | - | 834,738 |
| TOTAL REVENUES | <u>409,054</u> | <u>525,991</u> | <u>367,679</u> | <u>472,914</u> | <u>1,492</u> | <u>1,777,130</u> |
| EXPENDITURES | | | | | | |
| Instructional Program | 261,176 | - | - | - | - | 261,176 |
| Student Supporting Services | 66,834 | - | 381,443 | - | - | 448,277 |
| Instructional Staff Supporting Services | 55,201 | - | - | - | - | 55,201 |
| General Administration Supporting Services | 17,951 | - | - | - | - | 17,951 |
| Operations and Maint. of Plant Services | - | - | - | - | 17,411 | 17,411 |
| Food Service Operations | - | 640,842 | - | - | - | 640,842 |
| Facilities Acq. and Const. Services | - | - | - | - | 38,438 | 38,438 |
| Debt Service | - | - | - | 394,203 | - | 394,203 |
| TOTAL EXPENDITURES | <u>401,162</u> | <u>640,842</u> | <u>381,443</u> | <u>394,203</u> | <u>55,849</u> | <u>1,873,499</u> |
| Excess (deficiency) of Revenues over Expenditures | <u>7,892</u> | <u>(114,851)</u> | <u>(13,764)</u> | <u>78,711</u> | <u>(54,357)</u> | <u>(96,369)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers from Other Funds | - | 140,000 | 25,000 | - | 150,000 | 315,000 |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>-</u> | <u>140,000</u> | <u>25,000</u> | <u>-</u> | <u>150,000</u> | <u>315,000</u> |
| Net Change in Fund Balance | 7,892 | 25,149 | 11,236 | 78,711 | 95,643 | 218,631 |
| Fund Balance, Beginning of Year | <u>14,150</u> | <u>59,935</u> | <u>248,103</u> | <u>383,106</u> | <u>731,811</u> | <u>1,437,105</u> |
| Fund Balance, End of Year | <u>\$ 22,042</u> | <u>\$ 85,084</u> | <u>\$ 259,339</u> | <u>\$ 461,817</u> | <u>\$ 827,454</u> | <u>\$ 1,655,736</u> |

NORTH CONEJOS SCHOOL DISTRICT RE-1J
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GOVERNMENTAL DESIGNATED PURPOSE GRANTS FUND
For the Year Ended June 30, 2022

| | BUDGETED AMOUNTS | | ACTUAL | VARIANCE WITH |
|--|-------------------------|----------------|------------------|----------------------|
| | ORIGINAL | FINAL | | FINAL BUDGET |
| | | | | POSITIVE |
| | | | | (NEGATIVE) |
| REVENUES | | | | |
| Local Sources | \$ 55,620 | \$ 32,688 | \$ - | \$ (32,688) |
| State Sources | 65,362 | 42,240 | 32,362 | (9,878) |
| Federal Sources | 437,197 | 482,280 | 376,692 | (105,588) |
| TOTAL REVENUES | 558,179 | 557,208 | 409,054 | (148,154) |
| EXPENDITURES | | | | |
| Instructional Program | 384,977 | 348,101 | 261,176 | 86,925 |
| Student Supporting Services | 82,254 | 108,830 | 66,834 | 41,996 |
| Instructional Staff Supporting Services | 72,819 | 82,073 | 55,201 | 26,872 |
| General Administration Supporting Services | 18,129 | 18,204 | 17,951 | 253 |
| TOTAL EXPENDITURES | 558,179 | 557,208 | 401,162 | 156,046 |
| Net Change in Fund Balance | - | - | 7,892 | 7,892 |
| Fund Balance, Beginning of Year | - | - | 14,150 | 14,150 |
| Fund Balance, End of Year | \$ - | \$ - | \$ 22,042 | \$ 22,042 |

NORTH CONEJOS SCHOOL DISTRICT RE-1J
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - BUDGET AND ACTUAL
FOOD SERVICE FUND
For the Year Ended June 30, 2022

| | BUDGETED AMOUNTS | | ACTUAL | VARIANCE WITH |
|---|-------------------------|----------------|------------------|----------------------|
| | ORIGINAL | FINAL | | FINAL BUDGET |
| | | | | POSITIVE |
| | | | | (NEGATIVE) |
| REVENUES | | | | |
| Local Sources | \$ 49,472 | \$ 49,472 | \$ 50,715 | \$ 1,243 |
| State Sources | 299,519 | 299,519 | 17,230 | (282,289) |
| Federal Sources | 119,286 | 172,321 | 458,046 | 285,725 |
| TOTAL REVENUES | 468,277 | 521,312 | 525,991 | 4,679 |
| EXPENDITURES | | | | |
| Instructional Program | - | - | - | - |
| Supporting Services | | | | |
| Food Services | | | | |
| Salaries | 207,355 | 260,390 | 201,177 | 59,213 |
| Fringe Benefits | 129,267 | 129,267 | 118,634 | 10,633 |
| Purchased Professional Services | - | - | 1,700 | (1,700) |
| Other Purchased Services | - | - | - | - |
| Supplies | 271,655 | 271,655 | 319,331 | (47,676) |
| TOTAL EXPENDITURES | 608,277 | 661,312 | 640,842 | 20,470 |
| Excess (deficiency) of | | | | |
| Revenues over Expenditures | (140,000) | (140,000) | (114,851) | 25,149 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers from Other Funds | 140,000 | 140,000 | 140,000 | - |
| TOTAL OTHER FINANCING SOURCES (USES) | 140,000 | 140,000 | 140,000 | - |
| Net Change in Fund Balance | - | - | 25,149 | 25,149 |
| Fund Balance, Beginning of Year | - | - | 59,935 | 59,935 |
| Fund Balance, End of Year | \$ - | \$ - | \$ 85,084 | \$ 85,084 |

NORTH CONEJOS SCHOOL DISTRICT RE-1J
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
PUPIL ACTIVITY FUND
For the Year Ended June 30, 2022

| | <u>BUDGETED AMOUNTS</u> | | <u>ACTUAL</u> | <u>VARIANCE WITH</u> |
|---|-------------------------|-----------------|-------------------|----------------------|
| | <u>ORIGINAL</u> | <u>FINAL</u> | | <u>FINAL BUDGET</u> |
| | | | | <u>POSITIVE</u> |
| | | | | <u>(NEGATIVE)</u> |
| REVENUES | | | | |
| Local Sources | | | | |
| Class and Club Activities | \$ 305,000 | \$ 305,000 | \$ 367,679 | \$ 62,679 |
| TOTAL REVENUES | <u>305,000</u> | <u>305,000</u> | <u>367,679</u> | <u>62,679</u> |
| EXPENDITURES | | | | |
| Student Support Services | <u>340,000</u> | <u>340,000</u> | <u>381,443</u> | <u>(41,443)</u> |
| TOTAL EXPENDITURES | <u>340,000</u> | <u>340,000</u> | <u>381,443</u> | <u>(41,443)</u> |
| Excess (deficiency) of | | | | |
| Revenues over Expenditures | <u>(35,000)</u> | <u>(35,000)</u> | <u>(13,764)</u> | <u>21,236</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers from Other Funds | <u>35,000</u> | <u>35,000</u> | <u>25,000</u> | <u>(10,000)</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>35,000</u> | <u>35,000</u> | <u>25,000</u> | <u>(10,000)</u> |
| Net Change in Fund Balance | - | - | 11,236 | 11,236 |
| Fund Balance, Beginning of Year | <u>-</u> | <u>-</u> | <u>248,103</u> | <u>248,103</u> |
| Fund Balance, End of Year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 259,339</u> | <u>\$ 259,339</u> |

NORTH CONEJOS SCHOOL DISTRICT RE-1J
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND
For the Year Ended June 30, 2022

| | <u>BUDGETED AMOUNTS</u> | | <u>ACTUAL</u> | <u>VARIANCE WITH</u> |
|--|-------------------------|----------------|-------------------|----------------------|
| | <u>ORIGINAL</u> | <u>FINAL</u> | | <u>FINAL BUDGET</u> |
| | | | | <u>POSITIVE</u> |
| | | | | <u>(NEGATIVE)</u> |
| REVENUES | | | | |
| Local Sources | \$ - | \$ 394,613 | \$ 472,914 | \$ 78,301 |
| TOTAL REVENUES | <u>-</u> | <u>394,613</u> | <u>472,914</u> | <u>78,301</u> |
| EXPENDITURES | | | | |
| Debt Service | <u>-</u> | <u>394,613</u> | <u>394,203</u> | <u>410</u> |
| TOTAL EXPENDITURES | <u>-</u> | <u>394,613</u> | <u>394,203</u> | <u>410</u> |
| Net Change in Fund Balance | - | - | 78,711 | 78,711 |
| Fund Balance, Beginning of Year | <u>-</u> | <u>-</u> | <u>383,106</u> | <u>383,106</u> |
| Fund Balance, End of Year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 461,817</u> | <u>\$ 461,817</u> |

NORTH CONEJOS SCHOOL DISTRICT RE-1J
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
CAPITAL RESERVE CAPITAL PROJECTS FUND
For the Year Ended June 30, 2022

| | BUDGETED AMOUNTS | | ACTUAL | VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE) |
|--|-------------------------|----------------|-------------------|---|
| | ORIGINAL | FINAL | | |
| REVENUES | | | | |
| Local Sources | \$ 3,960 | \$ 3,960 | \$ 1,492 | \$ (2,468) |
| State Sources | - | - | - | - |
| TOTAL REVENUES | <u>3,960</u> | <u>3,960</u> | <u>1,492</u> | <u>(2,468)</u> |
| EXPENDITURES | | | | |
| Current Expenditures | | | | |
| Operation and Maint. of Plant and Equip | - | - | 17,411 | (17,411) |
| Facilities Acquisition and Const. Services | 153,960 | 153,960 | 38,438 | 115,522 |
| TOTAL EXPENDITURES | <u>153,960</u> | <u>153,960</u> | <u>55,849</u> | <u>98,111</u> |
| Excess (Deficiency) of Revenues Over Expenditures | (150,000) | (150,000) | (54,357) | 95,643 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers from Other Funds | 150,000 | 150,000 | 150,000 | - |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>150,000</u> | <u>150,000</u> | <u>150,000</u> | <u>-</u> |
| Net Change in Fund Balance | - | - | 95,643 | 95,643 |
| Fund Balance, Beginning of Year | <u>-</u> | <u>-</u> | <u>731,811</u> | <u>731,811</u> |
| Fund Balance, End of Year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 827,454</u> | <u>\$ 827,454</u> |

NORTH CONEJOS SCHOOL DISTRICT RE-1J
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
BUILDING FUND
For the Year Ended June 30, 2022

| | BUDGETED AMOUNTS | | ACTUAL | VARIANCE WITH |
|--|-------------------------|-------------------|---------------------|----------------------|
| | ORIGINAL | FINAL | | FINAL BUDGET |
| | | | | POSITIVE |
| | | | | (NEGATIVE) |
| REVENUES | | | | |
| State Sources | \$ 25,919,082 | \$ 25,919,082 | \$ 12,279,479 | \$ (13,639,603) |
| TOTAL REVENUES | <u>25,919,082</u> | <u>25,919,082</u> | <u>12,279,479</u> | <u>(13,639,603)</u> |
| EXPENDITURES | | | | |
| Facilities Acquisition and Const. Services | <u>25,919,082</u> | <u>25,919,082</u> | <u>13,681,926</u> | <u>12,237,156</u> |
| TOTAL EXPENDITURES | <u>25,919,082</u> | <u>25,919,082</u> | <u>13,681,926</u> | <u>12,237,156</u> |
| Net Change in Fund Balance | - | - | (1,402,447) | (1,402,447) |
| Fund Balance, Beginning of Year | <u>-</u> | <u>-</u> | <u>6,419,082</u> | <u>6,419,082</u> |
| Fund Balance, End of Year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 5,016,635</u> | <u>\$ 5,016,635</u> |

NORTH CONEJOS SCHOOL DISTRICT RE-1J

SINGLE AUDIT SECTION

NORTH CONEJOS SCHOOL DISTRICT RE-1J
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2022

| <i>Federal Grantor/Program or Cluster Title</i> | <i>Federal Assistance Number</i> | <i>Pass-through Grantor and Number</i> | <i>Federal Expenditures(\$)</i> |
|---|----------------------------------|---|---------------------------------|
| <i>Child Nutrition Cluster</i> | | | |
| U.S. Department of Agriculture | | | |
| School Breakfast Program | 10.553 | Colorado Department of Education, 5553 | \$ 60,561 |
| National School Lunch Program | 10.555 | Colorado Department of Education, 4555/5555/6555 | 335,037 |
| National School Lunch Program | 10.555 | Colorado Department of Human Services,4555 | 61,834 |
| | | | <u>457,432</u> |
| <i>Total Child Nutrition Cluster</i> | | | |
| <i>Forest Service Schools and Roads Cluster</i> | | | |
| U.S. Department of Agriculture | | | |
| Schools and Roads - Grants to States | 10.665 | Colorado Department of Treasury and Conejos County Treasurer,7665 | 153,198 |
| <i>Total Forest Service Schools and Roads Cluster</i> | | | <u>153,198</u> |
| <i>Total All Clusters</i> | | | <u>610,630</u> |
| <i>Other Programs</i> | | | |
| U.S. Department of Agriculture | | | |
| Pandemic EBT Administrative Costs | 10.649 | Colorado Department of Education, 4649 | 614 |
| U.S. Department of Education | | | |
| Title I Grants to Local Educational Agencies | 84.010 | Colorado Department of Education,4010/5010 | 284,113 |
| Rural Education | 84.358 | Colorado Department of Education,6358 | 12,400 |
| Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants) | 84.367 | Colorado Department of Education,4367 | 47,987 |
| Student Support and Academic Enrichment Program | 84.424 | Colorado Department of Education,4424 | 32,192 |
| COVID-19 Education Stabilization Fund | 84.425D | Colorado Department of Education,4425/4420 | 977,663 |
| COVID-19 Education Stabilization Fund | 84.425U | Colorado Department of Education,4414 | 428,130 |
| <i>Total Other Programs</i> | | | <u>1,783,099</u> |
| <i>Total Expenditures of Federal Awards</i> | | | <u><u>\$ 2,393,729</u></u> |

NORTH CONEJOS SCHOOL DISTRICT RE-1J
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through identifying numbers are presented where available. The District did not elect to use the 10-percent de minimis indirect cost rate as allowed under Uniform Guidance for the year ended June 30, 2022. In addition, the District did not pass-through federal funds to subrecipients.

NOTE 2 BASIS OF PRESENTATION

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

NOTE 3: FOOD DISTRIBUTION

Nonmonetary assistance is reported in the Schedule at the fair market value of commodities received and disbursed.



Wall,
Smith,
Bateman Inc.

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

To the Board of Education
North Conejos School District RE-1J
La Jara, Colorado

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, each major fund, and the aggregate remaining fund information of North Conejos School District RE-1J (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 16, 2023.

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 entity'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 the 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 Finding 2022-001 that we consider to be a material weakness.

Certified Public Accountants

3001 Adcock Circle PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 | www.wsbcpa.com

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 an instance 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 Finding 2022-001.

District's Response to Finding

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 corrective action plan. 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

January 16, 2023

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



**Wall,
Smith,
Bateman Inc.**

To the Board of Education
North Conejos School District RE-1J
La Jara, Colorado

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited North Conejos School District RE-1J'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, 2022. The District's major federal programs are identified in the summary of auditors' 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, 2022.

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 Auditors' 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 District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Certified Public Accountants

3001 Adcock Circle PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 | www.wsbcpa.com

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about 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 judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

January 16, 2023

**NORTH CONEJOS SCHOOL DISTRICT RE-1J
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2022**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____X_____yes _____no
- Significant deficiency(ies) identified that are **not** considered to be material weakness(es)? _____yes _____X_____none reported
- Noncompliance material to financial statements noted? _____X_____yes _____no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____yes _____X_____no
- Significant deficiency(ies) identified that are **not** considered to be material weakness(es)? _____yes _____X_____none reported

Type of auditors’ report issued on compliance for major programs: Unmodified

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

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| 84.425D | COVID-19 Education Stabilization Fund |
| 84.425U | COVID-19 Education Stabilization Fund |

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as a low-risk auditee? _____yes _____X_____no

Section II – Financial Statement Findings

**Finding 2022-001: Internal Control Over Financial Reporting
(Repeat of Finding 2021-001, 2020-001)**

Type of Finding: Internal Control (material weakness) and noncompliance (material noncompliance)

Condition/Cause: The District has not implemented a complete system of internal control to prevent and detect all financial misstatements and to ensure compliance with Colorado Revised Statutes.

Criteria: A system of internal controls includes the design, documentation, and monitoring of control activities over budgeting, the application of accounting principles, anti-fraud programs, non-routine transactions, financial statement preparation, safeguarding of assets, and compliance with Colorado Revised Statutes.

NORTH CONEJOS SCHOOL DISTRICT RE-1J
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2022

Effect: As a result of this condition, the following areas were affected:

1. Expenditures in the Pupil Activity Fund exceeded appropriations by \$41,443 during fiscal year 2022. This may be a violation of Colorado Revised Statutes 22-44-115(1). (material noncompliance)
2. Audit adjustments were proposed to properly state the financial statements as of June 30, 2022, in accordance with generally accepted accounting principles.

Recommendation: The District should continue to strengthen its internal controls with adopted policies and procedures regarding non-routine transactions for accurate financial statement reporting. Management should ensure the District is in compliance with Colorado Revised Statutes by monitoring budget to actual reports and approve supplemental budgets for expenditures that exceed appropriations as necessary.

Management's Response: See Corrective Action Plan

Section III – Federal Award Findings and Questioned Costs

None

NORTH CONEJOS SCHOOL DISTRICT RE-1J
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2022

Section II – Financial Statement Findings

Finding 2021-001: Internal Control Over Financial Reporting

Type of finding: Internal Control (material weakness) and noncompliance (material noncompliance)

Condition/Cause: The District has not implemented a complete system of internal control to prevent and detect all financial misstatements and to ensure compliance with Colorado Revised Statutes.

Status: Not implemented. See Finding 2022-001

North Conejos School District RE 1 - J

P.O. Box 72
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OFFICE OF
SUPERINTENDENT

Phone (719) 274-5174
Fax (719) 274-5621



CORRECTIVE ACTION PLAN

Oversight Agency: U.S. Department of Education

North Conejos School District RE-1J respectfully submits the following corrective action plan for the year ended June 30, 2022.

Independent Accountants: Wall, Smith, Bateman Inc.
Certified Public Accountants
3001 Adcock Circle, P.O. Box 809
Alamosa, CO 81101

Audit period: Year ended June 30, 2022

The findings from the June 30, 2022 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section I of the schedule, Summary of Auditors' Results, does not include findings and is not addressed.

Section II – Financial Statement Findings

**Finding 2022-001: Internal Control Over Financing Reporting
(Repeat of Finding 2021-001, 2020-001)**

Type of finding: Internal Control (material weakness) and noncompliance (material noncompliance)

Recommendation: The District should continue to strengthen its internal controls with adopted policies and procedures regarding non-routine transaction for accurate financial statement reporting. Management should ensure the District is in compliance with Colorado Revised Statutes by monitoring budget to actual reports and approve supplemental budgets for expenditures that exceed appropriations as necessary.

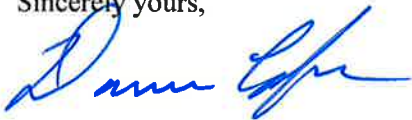
Action Taken:

The District will continue to strengthen its internal controls with adopted policies and procedures. Beginning January 2023 the District will begin reviewing budget to actual on a monthly basis with extra time spent for the year end accrual and approve supplemental budgets for expenditures that exceed appropriation.

North Conejos School District RE-1J
Corrective Action Plan

If the U.S. Department of Education has questions regarding this plan, please call the responsible party listed below.

Sincerely yours,



Darren Edgar
Superintendent
North Conejos School District RE-1J

NORTH CONEJOS SCHOOL DISTRICT RE-1J

CDE COMPLIANCE SECTION



Colorado Department of Education
Auditors Integrity Report
 District: 0550 - North Conejos RE-1J
 Fiscal Year 2021-22
 Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

| Fund Type & Number | Beg Fund Balance & Prior Per Adj (6880*) | 1000 - 5999 Total Revenues & Other Sources | 0001-0999 Total Expenditures & Other Uses | 6700-6799 & Prior Per Adj (6880*) Ending Fund Balance |
|---|--|--|---|---|
| Governmental | + | | - | = |
| 10 General Fund | 9,333,322 | 12,053,131 | 10,003,239 | 11,383,214 |
| 18 Risk Mgmt Sub-Fund of General Fund | 0 | 0 | 0 | 0 |
| 19 Colorado Preschool Program Fund | 0 | 0 | 0 | 0 |
| Sub- Total | 9,333,322 | 12,053,131 | 10,003,239 | 11,383,214 |
| 11 Charter School Fund | 0 | 0 | 0 | 0 |
| 20,26-29 Special Revenue Fund | 0 | 0 | 0 | 0 |
| 06 Supplemental Cap Const, Tech, Main. Fund | 0 | 0 | 0 | 0 |
| 07 Total Program Reserve Fund | 0 | 0 | 0 | 0 |
| 21 Food Service Spec Revenue Fund | 59,937 | 665,990 | 640,843 | 85,084 |
| 22 Govt Designated-Purpose Grants Fund | 14,149 | 409,054 | 401,161 | 22,042 |
| 23 Pupil Activity Special Revenue Fund | 248,103 | 392,679 | 381,443 | 259,339 |
| 25 Transportation Fund | 0 | 0 | 0 | 0 |
| 31 Bond Redemption Fund | 383,106 | 472,914 | 394,203 | 461,817 |
| 39 Certificate of Participation (COP) Debt Service Fund | 0 | 0 | 0 | 0 |
| 41 Building Fund | 6,419,082 | 12,279,359 | 13,681,806 | 5,016,635 |
| 42 Special Building Fund | 0 | 0 | 0 | 0 |
| 43 Capital Reserve Capital Projects Fund | 731,812 | 151,492 | 55,850 | 827,454 |
| 46 Supplemental Cap Const, Tech, Main Fund | 0 | 0 | 0 | 0 |
| Totals | 17,189,510 | 26,424,619 | 25,558,545 | 18,055,584 |
| Proprietary | | | | |
| 50 Other Enterprise Funds | 0 | 0 | 0 | 0 |
| 64 (63) Risk-Related Activity Fund | 0 | 0 | 0 | 0 |
| 60,65-69 Other Internal Service Funds | 0 | 0 | 0 | 0 |
| Totals | 0 | 0 | 0 | 0 |
| Fiduciary | | | | |
| 70 Other Trust and Agency Funds | 0 | 0 | 0 | 0 |
| 72 Private Purpose Trust Fund | 26,707 | 21,086 | 20,644 | 27,149 |
| 73 Agency Fund | 0 | 0 | 0 | 0 |
| 74 Pupil Activity Agency Fund | 0 | 0 | 0 | 0 |
| 79 GASB 34:Permanent Fund | 0 | 0 | 0 | 0 |
| 85 Foundations | 0 | 0 | 0 | 0 |
| Totals | 26,707 | 21,086 | 20,644 | 27,149 |

FINAL