EL PASO COUNTY SCHOOL DISTRICT #22

FINANCIAL STATEMENTS
With Independent Auditors' Report

Year Ended June 30, 2024

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Hoelting & Company, Inc.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Education
El Paso County School District #22

Unmodified and Disclaimer of Opinions

We have audited the accompanying financial statements of the Debt Service Fund and Capital Reserve Fund; and we were engaged to audit the Governmental Activities, General Fund, and Aggregate Remaining Fund Information of El Paso County School District #22, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the El Paso County School District #22's basic financial statements as listed in the table of contents.

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Disclaimer
General Fund	Disclaimer
Debt Service Fund	Unmodified
Capital Reserve Fund	Unmodified
Aggregate Remaining Fund Information	Disclaimer

Disclaimer of Opinion on the Governmental Activities, General Fund, and Aggregate Remaining Fund Information

We do not express an opinion on the financial statements of the Governmental Activities, General Fund, and the Aggregate Remaining Fund Information of El Paso County School District #22. Because of the significance of the matter described in the Basis for Disclaimer of Opinion on the Governmental Activities, General Fund, and the Aggregate Remaining Fund Information section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the Governmental Activities, General Fund, and the Aggregate Remaining Fund Information.

Unmodified Opinions on Debt Service Fund and Capital Reserve Fund

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Debt Service Fund and the Capital Reserve Fund of El Paso County School District #22, as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Disclaimer of Opinion on the Governmental Activities, General Fund, and Aggregate Remaining Fund Information

Because of inadequacies in El Paso County School District #22's accounting records, we were unable to form opinions on the Governmental Activities, General Fund, and the Aggregate Remaining Fund Information because of unsubstantiated amounts recorded as revenues and expenses in the accompanying Statement of Activities of Governmental Activities and unsubstantiated amounts recorded as revenues and

expenditures in the accompanying Statement of Revenues, Expenditures, and Changes in Fund Balances of the General Fund and Aggregate Remaining Funds Information.

Basis for Unmodified Opinions

We conducted our audit of the financial statements of the Debt Service Fund and Capital Reserve Fund in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of El Paso County School District #22, 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 unmodified audit opinions.

Emphasis of Matter

As discussed in Note 15 to the financial statements, the District experienced a decrease in total governmental fund balance of $6,099,614 in the current fiscal year, from a positive fund balance of $5,843,523 in fiscal year 2023 to a negative fund balance of $(256,091) in fiscal year 2024. This reduction in fund balance will result in a constraint on cashflows that will make it difficult for the District to meet its financial obligations. Management's evaluation of the events and conditions and management's plans regarding those matters are also described in Note 15. Our opinion is not modified with respect to that matter.

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 El Paso County School District #22's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Auditor's Responsibilities for the Audit of the Governmental Activities, General Fund, and Aggregate Remaining Fund Information

Our responsibility is to conduct an audit of El Paso County School District #22's financial statements in accordance with generally accepted auditing standards and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion on the Governmental Activities, General Fund, and Aggregate Remaining Fund Information section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the Governmental Activities, General Fund, and Aggregate Remaining Fund Information.

We are required to be independent of El Paso County School District #22 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit.

Auditor's Responsibilities for the Audit of the Debt Service Fund and Capital Reserve Fund

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

In performing an audit in accordance with generally accepted auditing standards, 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 El Paso County School District #22'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 El Paso County School District #22'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.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the El Paso County School District #22's basic financial statements. The accompanying combining and individual fund statements and schedules and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules and 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 April 21, 2025 on our consideration of the El Paso County School District #22'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 El Paso County School District #22's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering El Paso County School District #22's internal control over financial reporting and compliance.



Colorado Springs, Colorado
April 21, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI) June 30, 2024.

The management of El Paso County School District # 22 (the "District") offers you, the readers of this Annual Financial Report, this narrative and analysis of the financial activities of the District for the fiscal year ended June 30, 2024. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the financial statements, financial statement footnotes, budgetary comparison schedules and additional supplementary information to broaden their understanding of the District's financial performance.

Using the Basic Financial Statements

This discussion and analysis serves as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components:

1) government-wide financial statements,
2) fund financial statements, and
3) notes to the financial statements.

This report also contains required and other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. They consist of two statements:

The **statement of net position** presents information on all the District's assets, liabilities and deferred inflows/outflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of changes in the financial position of the District. Current and previous year information is presented for comparison.

The **statement of activities** presents information reporting how the District's net position changed during fiscal year 2023. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods. Earned but unused vacation leave and uncollected taxes are examples of these types of items.

The governmental activities of the District include instruction, pupil activities, instructional support, general and school administration, business and central services, food service and transportation.

Governmental Activities – The majority of the District's programs and services are reported here including instruction, support services, operations and maintenance of plant, pupil transportation, food service and extracurricular activities.

District-Wide Financial Analysis

The following table provides a summary of the Districts net position as of June 30,2024 and 2023:

Condensed Statement of Net Position		
	2023-24	2022-23
Assets		
Current Assets-Unrestricted	$2,275,660	$7,989,268
Capital Assets	35,186,890	30,680,056
Total Assets	37,642,550	38,669,324
Deferred Outflows of Resources	5,237,727	3,598,167
Liabilities		
Current Liabilities	1,884,881	1,270,532
Long Term Liabilities	6,156,383	6,331,694
Net Pension and OPEB liabilities	19,182,672	16,173,241
Total Liabilities	27,223,936	23,775,467
Deferred Inflows of Resources	1,715,953	2,788,041
Net Position		
Net Investment in Capital Assets	29,289,590	25,189,618
Restricted	1,423,593	1,425,86
Unrestricted	(16,772,795)	(10,911,495)
Total Net Position	$13,940,388	$15,703,983

The following is a summary of the District's revenues, expenditures, and change in net position:

Condensed Statement of Activities		
	2023-24	2022-23
Revenues		
Program Revenues		
Charges for Services	$360,695	$383,317
Operating Grants/Contributions	2,842,630	3,372,001
Capital Grants/Contributions	-	-
General Revenues:		
Local Prop/SO Taxes	1,729,851	1,556,631
State Equalization	8,943,282	8,846,030
Grants and contributions not restricted to specific programs	256,130	13,333
Investment Earnings	140,150	239,361
Miscellaneous	589	1,003
Total Revenues	14,273,327	14,411,676
Expenses and Change in Net Assets		
Instruction	8,952,118	7,658,832
Supporting Services	5,801,367	5,987,401
Food Services	816,610	527,509
Facilities Acquisitions/Construction	234,466	35,615
Interest and Fiscal Charges	232,361	249,071
Total Expenses	16,036,922	14,458,428
Change in Net Position	(1,763,595)	(46,752)
Beginning Net Position	15,703,983	15,750,735
Ending Net Position	$13,940,388	$15,703,983

As of June 30, 2024, the District's governmental funds reported a combined fund balance of ($256,091) compared to June 30, 2023 of $5,843,523, which is a decrease of $6,099,614. This can be misleading because the original COP was for $5,088,000. Although this shows as a revenue and is reported as such it is actually an expense. The buildings allowed the district to add 13 additional elementary classroom and 4 classrooms at our high school. The 2 additions are complete and were occupied for the 2023 and 2024 school year. The final payment of the COP is scheduled to be paid in June of 2042.

General Fund: Overall inflows exceeded the final budget in the General Fund by $326,781. The overall outflows were under the final budget in the amount of $260,646. The school district does not have any current capital projects which was a major factor in the overage in expenses. Moving forward the district will continue to budget conservatively and by allowing natural attrition to help control spending in regards to salaries. One major impact to budget creation for the district is the School Finance Act, which will be shifting from a 4 year average for PPOR to a 3 year average. The positive is that the state has given assurances that the next 2 years will be in a hold-harmless cycle. The District will continue to have the goal of having a 4.5 month reserve.

Capital Projects: Overall (outflows) exceeded (inflows) in the Capital Project Fund by $201,907, decreasing the Fund Balance to $16,423. The District believes that it has addressed the immediate needs to address projected student increases with the addition of the 2 buildings. This will allow the District to establish a healthy cash-flow to keep up with maintenance and upkeep of the districts buildings and grounds. Following the Colorado State guidance from the Finance Unit, the district will build a contingency reserve in capital projects to avoid budget violations. The District will need to consider working with a firm that specializes in local government and municipalities to help with the projected growth inside district boundaries.

Bond Redemption Fund: During the year, Bond Redemption Fund outflows exceeded inflows by $118,604 leaving an ending Fund Balance of $726,956. There was a clerical error that contributed to the inflow of tax for the Bond not being collected and distributed to the school. As this is a restricted fund- the only purpose of this fund is to pay the Bond from the 2011 Bond Series that built the current Middle School, Preschool, and District Office, which is scheduled to be paid off by 12/1/2031. The district will need to figure out how to spend down the fund in a manner that decreases the impact on the tax payer and addressing the overage in the fund.

Food Service Fund: For the year ended June 30,2024, the Food Service Fund had an ending fund balance of $(21,094). This is because the entire district qualifies for free lunch, but this is a reimbursable cost. All efforts must be made to report correctly the costs of food and consumables, with operating costs to maintain a healthy fund balance. The District will continue to monitor and budget for transfers from the general fund to cover the deficit if cost savings are not sufficient. Moving forward, the district has inputted a contingency reserve in food service to avoid budget violations and to help absorb any unforeseen costs.

Pupil Activities Fund: For the year ended June 30,2024, the Pupil Activities Fund had an ending fund balance of $194,409. The District is concerned that expenses to the student activities are not being accounted correctly. These are student funds, but the District subsidizes expenses without reconciling the expenses to their student activity accounts. All staff who manage and have access to these accounts will receive training about the proper accounting practices to have continue access to them.

Debt Administration

As of June 30, 2024, the District had total outstanding long-term debt as follows: Certificate of Participation $5,897,300 and Compensated absences is $259,083.

During the year, the District made all of its scheduled debt payments. Additional information related to the District's debt can be found in *Note 7* to the financial statements. Additional information about the District's pension plan can be found in *Notes 8 and 9*.

Capital Assets

As of June 30, 2024, the District's Governmental Activity had capital assets of $35,186,890 invested in a broad range of assets, including buildings remodels, furniture and equipment. Of the total assets of $35,186,890, the amount of the assets not being depreciated is $528,817 and then a normal depreciation of existing assets in the amount of $34,658,073. The District does not maintain separate infrastructure assets as the entire infrastructure has been included with the related capital asset.

General Fund Budget

The Board of Education adopts the District's budget in June of each year. If needed, changes are then made in January based on the final October student enrollment. The adoption of supplemental budgets is allowed throughout the year when unanticipated additional inflows are received. Program funding is based upon student enrollment on October 1st of each year. This per pupil funding is a combination of Property Tax, State Equalization, and Specific Ownership Tax. Because these factors are not known in June when the budget is adopted, the portion of inflow from each source is not known until the following January.

The District's actual revenues were $ 326,781 over the revised budget amount. This is primarily due to the conservative approach of predicting student enrollment and state share per pupil funding, with the end goal in mind of building a healthy reserve back up. General Fund expenditures were $260,646 less than the revised budget amount.

Economic Factors and Next Year's Budget

Increasing our Districts Workforce to provide more opportunities for our students. The challenge of finding highly qualified teachers and positive support staff is constant and funding these positions daunting.

In anticipation of issues which will impact next year's budget, the following are high on that list.

- Student achievement- catching up students who have fallen behind in their growth academically due to the pandemic. Two proven strategies to increase scores are to reduce class sizes and decrease the turn-over rate in teaching staff. We will continue to struggle in increasing the teaching staff to educate the increasing at-risk student population that continues to grow. To exceed the state average in growth and achievement we have to build capacity to support our at-risk subgroups, because this is where we see the biggest achievement gaps. A constant high turnover rate has a huge impact on this. Attracting and retaining high quality educators is very competitive in the State of Colorado and our rural school district can't match the nearby bigger districts in salary and benefits. Staying competitive with a growth in student population and funding makes it impossible to compete with nearby Districts in regards to salary and benefits.
- District growth- What a difference 1 year makes. As a district we have to prepare for the worse , but responsibly. The District went from facing an impending population 'BOOM'- to a lower than expected completed housing construction. The District's choice to build 2 steel buildings to accommodate growth at a price tag of $8.6 million as compared to building of a new school for a price tag range of $30- 40 million.
- We continue to seek partnerships to secure grants and funding to provide resources to receive projected growth. These partnerships include but are not limited to the Ellicott Metro Athletic District, Pikes Peak BOCES, El Paso County Sheriff's Department, El Paso County and Schriever Space Force.

The Colorado Legislators have to be able to find a way to address the underfunding to public education. The negative factor and unfunded PERA liability continue to have a tremendous impact on our district budget. The new School Finance Act will have impacts and the shift from a 4 year average to a 3 year average could help Ellicott or hurt Ellicott. The expectation to provide a fine dining experience on government rations, is an enormous task.

Ellicott is one of the few rural districts in the state that has remained the same if not slightly increased in enrollment. The current national political shift and changes to education its consequences are yet to be fully determined, the district leadership continues to anticipate the future with enthusiasm. We must continue to move forward toward improved student learning achievement.

Requests for Information

This financial report is designed to provide a general overview of the El Paso County School District # 22's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Chris Smith, ESD22 Superintendent or Amanda Kobilan, ESD22 Business Manager, 322 South Ellicott Highway, Ellicott, Colorado 80808.

BASIC FINANCIAL STATEMENTS

EL PASO COUNTY SCHOOL DISTRICT #22
STATEMENT OF NET POSITION
JUNE 30, 2024

	Governmental Activities
ASSETS	
Cash and investments	$ 676,710
Restricted cash and investments	726,956
Cash with county treasurer	26,373
Taxes receivable	62,545
Grants receivable	105,422
Leases receivable	820,747
Other receivables	383
Inventories and prepaid items	36,524
Capital assets, not being depreciated	528,817
Capital assets being depreciated	34,658,073
Total assets	37,642,550
DEFERRED OUTFLOWS OF RESOURCES	
Deferred pension outflows	5,072,369
Deferred OPEB outflows	165,358
Total deferred outflows of resources	5,237,727
LIABILITIES	
Accounts payable and other current liabilities	494,426
Accrued salaries and benefits	1,261,532
Unearned revenue	110,710
Accrued interest	18,213
Long-term liabilities:	
Due within on year	317,045
Due in more than one year	5,839,338
Net pension liability	18,730,409
Net OPEB liability	452,263
Total liabilities	27,223,936
DEFERRED INFLOWS OF RESOURCES	
Lease related	820,747
Deferred pension inflows	732,163
Deferred OPEB inflows	163,043
Total deferred inflows of resources	1,715,953
NET POSITION	
Net investment in capital assets	29,289,590
Restricted for:	
Emergency reserve (TABOR)	390,000
Debt service	726,956
Capital reserves	230,700
Preschool	75,937
Unrestricted	(16,772,795)
Total net position	$ 13,940,388

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

EL PASO COUNTY SCHOOL DISTRICT #22
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental activities:					
Instruction	$ 8,952,118	$ 330,955	$ 2,093,269	$ -	$ (6,527,894)
Supporting services	5,801,367	-	13,532	-	(5,787,835)
Food service operations	816,610	29,740	735,829	-	(51,041)
Facilities acquisition	234,466	-	-	-	(234,466)
Interest and fiscal charges	232,361	-	-	-	(232,361)
Total	$ 16,036,922	$ 360,695	$ 2,842,630	$ -	(12,833,597)
General revenues:					
Property taxes					1,580,901
Specific ownership taxes					148,950
State equalization					8,943,282
Grants and contributions not restricted to specific programs					256,130
Unrestricted investment earnings					140,150
Miscellaneous					589
Total general revenues					11,070,002
Change in net position					(1,763,595)
Net position - beginning					15,703,983
Net position - ending					$ 13,940,388

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

EL PASO COUNTY SCHOOL DISTRICT #22
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2024

	General Fund	Debt Service Fund	Capital Reserve Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and investments	$ 447,199	$ -	$ 16,423	$ 213,088	$ 676,710
Restricted cash and investments	-	726,956	-	-	726,956
Cash with fiscal agent	26,373	-	-	-	26,373
Taxes receivable	62,545	-	-	-	62,545
Grants receivable	70,610	-	-	34,812	105,422
Lease receivable	820,747	-	-	-	820,747
Other receivables	-	-	-	383	383
Due from other funds	61,755	-	-	-	61,755
Inventories and prepaid items	-	-	-	36,524	36,524
Total assets	$ 1,489,229	$ 726,956	$ 16,423	$ 284,807	$ 2,517,415
LIABILITIES					
Accounts payable and other current liabilities	$ 486,624	$ -	$ -	$ 7,802	$ 494,426
Accrued salaries and benefits	1,234,978	-	-	26,554	1,261,532
Due to other funds	-	-	-	61,755	61,755
Unearned revenue	99,329	-	-	11,381	110,710
Total liabilities	1,820,931	-	-	107,492	1,928,423
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-property taxes	24,336	-	-	-	24,336
Lease related	820,747	-	-	-	820,747
Total deferred inflows of resources	845,083	-	-	-	845,083
FUND BALANCES					
Nonspendable for:					
Inventories and prepaid items	-	-	-	36,524	36,524
Restricted for:					
Emergency reserve (TABOR)	390,000	-	-	-	390,000
Debt service	-	726,956	-	-	726,956
Capital reserves	-	-	230,700	-	230,700
Preschool	75,937	-	-	-	75,937
Committed for:		-			
Pupil activities	-	-	-	198,409	198,409
Unassigned	(1,642,722)	-	(214,277)	(57,618)	(1,914,617)
Total fund balances	(1,176,785)	726,956	16,423	177,315	(256,091)
Total liabilities, deferred inflows of resources, and fund balances	$ 1,489,229	$ 726,956	$ 16,423	$ 284,807	$ 2,517,415

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

EL PASO COUNTY SCHOOL DISTRICT #22
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2024

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

Total fund balance - governmental funds		$ (256,091)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets, not being depreciated	$ 528,817	
Capital assets, net of depreciation/amortization	34,658,073	35,186,890
Property tax receivable is not available to pay current period expenditures and, therefore, is not reported in the funds.		24,336
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in government funds:		
Net pension liabilities	$ (18,730,409)	
Pension outflows	5,072,369	
Pension inflows	(732,163)	
Net OPEB liabilities	(452,263)	
OPEB outflows	165,358	
OPEB inflows	(163,043)	
Accrued interest	(18,213)	
Compensated absences	(259,083)	
COPs payable	(5,897,300)	(21,014,747)
Net position of governmental activities in the statement of net position		$ 13,940,388

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

EL PASO COUNTY SCHOOL DISTRICT #22
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2024

	General Fund	Debt Service Fund	Capital Reserve Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES					
Local sources	$ 2,132,008	$ 55,567	$ 170,500	$ 157,960	$ 2,516,035
State sources	10,195,509	-	-	148,617	10,344,126
Federal sources	847,421	-	-	587,213	1,434,634
Total revenues	13,174,938	55,567	170,500	893,790	14,294,795
EXPENDITURES					
Instruction	7,972,984	-	-	171,950	8,144,934
Supporting services	5,174,531	-	-	-	5,174,531
Food service operations	-	-	-	878,317	878,317
Facilities acquisition and construction	60,645	-	5,566,523	-	5,627,168
Debt service	32,404	174,171	362,884	-	569,459
Total expenditures	13,240,564	174,171	5,929,407	1,050,267	20,394,409
Excess (deficiency) of revenues over expenditures	(65,626)	(118,604)	(5,758,907)	(156,477)	(6,099,614)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	5,557,000	33,086	5,590,086
Transfers out	(5,590,086)	-	-	-	(5,590,086)
Total other financing sources (uses)	(5,590,086)	-	5,557,000	33,086	-
Net change in fund balances	(5,655,712)	(118,604)	(201,907)	(123,391)	(6,099,614)
Fund balances - beginning	4,478,927	845,560	218,330	300,706	5,843,523
\					
Fund balances - ending	$ (1,176,785)	$ 726,956	$ 16,423	$ 177,315	$ (256,091)

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

EL PASO COUNTY SCHOOL DISTRICT #22
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

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

Net change in fund balances - total governmental funds:		$ (6,099,614)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlays	$ 5,467,901	
Depreciation/amortization expense	(961,067)	4,506,834
Governmental funds do not present property tax revenues that are not available to pay current obligations. In contrast, such revenues are reported in the statement of activities when earned.		(28,620)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Repayment of principal	$ 336,133	336,133
Governmental funds measure compensated absences by the amount of financial resources used, whereas these expenses are reported in the statement of activities based on the amounts incurred during the year.		(160,822)
Certain pension and OPEB 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.		
Interest expense	$ 965	
Changes in pension related items	(353,375)	
Changes in OPEB related items	34,904	(317,506)
Change in net position of governmental activities		$ (1,763,595)

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of El Paso County School District #22 (the District) have been prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the District are discussed below.

A. REPORTING ENTITY

The District is organized under the Constitution of the State of Colorado. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms. The district services 229 square miles of central and eastern El Paso County.

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

Based on the application of these criteria, the District does not include additional organizations within its reporting entity.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District reports the following major governmental funds:

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

The *Debt Service Fund* accounts for the servicing of long-term debt not being financed by the capital reserve or other funds.

The *Capital Reserve Fund* accounts for the proceeds, construction, and acquisition of capital assets.

Additionally, the District reports the following fund types:

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

The *Food Service Fund* accounts for transactions related to food service operations. It also accounts for USDA school breakfast/lunch money.

The *Pupil Activity Fund* accounts for financial transactions related to school sponsored pupil intrascholastic and interscholastic athletic and other related activities.

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

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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 the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Cash and cash equivalents

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

Investments

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

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

Receivables

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories and prepaid items

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

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

Capital assets

Capital assets include tangible and intangible assets that are reported in the governmental activities column in the government-wide financial statements. Capital assets, except for lease assets, are defined by the District as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. For lease assets, only those intangible lease assets that cost more than $50,000 are reported as capital assets.

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

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

Buildings and improvements	10 - 50 years
Vehicles	5 - 25 years
Equipment	5 - 25 years

Accrued Salaries and Benefits

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

Unearned Revenue

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred outflows/inflows of resources

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

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

Leases

Lessee: The District recognizes a lease liability and an intangible right-to-use lease assets in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of $50,000 or more.

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

Long-term liabilities

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

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

Pensions

El Paso County School District #22 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

OPEB

El Paso County School District #22 participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position (FNP) and additions to/deductions from the FNP of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

Net position

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

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

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

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

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

Fund balance classification

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

E. REVENUES AND EXPENDITURES/EXPENSES

Property Taxes

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

The District is permitted to levy taxes on the assessed valuation for general governmental services and for the payment of principal and interest on long-term debt. The tax rate for the year ended December 31, 2024 is 27.004 mills for general operating expenses and 0.000 mills for the payment of long-term debt. The District's assessed valuation for the collection year 2024 is $60,675,680.

Specific Ownership Taxes

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

Vacation and Staff Leave—The District's policy permits employees to accumulate earned but unused vacation and staff leave benefits, which are eligible for payment upon separation from employment. The liability for such leave is reported as incurred in the government-wide fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

F. ESTIMATES

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

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

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

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

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

Violations of Legal or Contractual Provisions

As of June 30, 2024, the District is in violation of legal and contractual provisions related to TABOR, Preschool, and Capital Reserves. The General Fund has restrictions of $390,000 and $75,937 for TABOR and Preschool respectively but a reported total fund balance of $(1,176,785). The Capital Projects Fund has a restriction of $230,700 related to requirements outlined in the 2011 BEST Grant agreement but a total fund balance of $16,423. Neither the General Fund or the Capital Projects Fund have sufficient fund balance to meet these restrictions. As discussed in Note 15, the District will address the restoration of fund balances by reducing expenditures in future years.

Excess of Expenditures over Appropriations

For the year ended June 30, 2024, expenditures exceeded appropriations in the Capital Reserve Fund, the Food Service Fund, and the Pupil Activity Fund by $5,557,407, $112,566, and $171,950, respectively. As discussed in Note 15, the District will address the excess of expenditures over appropriations by reducing expenditures in subsequent years.

Deficit Fund Equity

At June 30, 2024, the Preschool Fund (General Fund sub-fund) has a deficit fund balance of $70,763. The General Fund has a deficit of $1,176,785. The Food Service Fund has a deficit balance of $21,094. As discussed in Note 15, the District will address the deficit balances by reducing expenditures in subsequent years.

NOTE 3 – DEPOSITS AND INVESTMENTS

A summary of deposits and investments as of June 30, 2024 is as follows:

Deposits	$ 338,590
Investments	1,065,076
Total	$ 1,403,666

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

Cash and investments	$ 676,710
Restricted cash and investments	726,956
Total	$ 1,403,666

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

Cash deposits with financial institutions

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

The carrying amount of the District's deposits at June 30, 2024 was $338,590 and the bank balances were $498,142. Of the bank balances, $250,000 were covered by federal deposit insurance, and the remaining balance was uninsured but collateralized in accordance with the provisions of the PDPA.

Investments

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

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

At June 30, 2024 the District's investment balances were as follows:

Investment Type	Year-end Balance	Measurement	Maturity	Standard & Poor's Rating
ColoTrust	$ 1,065,076	Net asset value	Less than 90 days	AAAm

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

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

Concentration of Credit Risk – Concentration of credit risk is the risk of loss that may be caused by the District's investment in a single issuer. The District places no limit on the amount it may invest in any one issuer. More than 20 percent of the District's investments are in ColoTrust. These investments are 100% of the District's total investments.

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

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

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

NOTE 4 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Receivables and Payables

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

The composition of interfund balances as of June 30, 2024, is as follows:

	Due From Other Funds	Due To Other Funds
General Fund	$ 61,755	$ -
Nonmajor Funds	-	61,755
Total	$ 61,755	$ 61,755

NOTE 4 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

Interfund transfers

The composition of interfund transfers for the year ended June 30, 2024, is as follows:

	Transfers From Other Funds	Transfers To Other Funds
General Fund	$ -	$ 5,590,086
Capital Reserve Fund	5,557,000	-
Nonmajor Funds	33,086	-
Total	$ 5,590,086	$ 5,590,086

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

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2024 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated:				
Land	$ 467,111	$ -	$ -	$ 467,111
Construction in progress	4,139,964	5,407,013	(9,485,271)	61,706
Total capital assets not being depreciated	4,607,075	5,407,013	(9,485,271)	528,817
Capital assets being depreciated:				
Buildings and improvements	34,202,474	9,532,666	-	43,735,140
Vehicles	1,865,260	-	-	1,865,260
Equipment	423,324	13,493	-	436,817
Total capital assets being depreciated	36,491,058	9,546,159	-	46,037,217
Less accumulated depreciation for:				
Buildings and improvements	(9,636,966)	(784,994)	-	(10,421,960)
Vehicles	(605,591)	(108,980)	-	(714,571)
Equipment	(205,646)	(36,967)	-	(242,613)
Total accumulated depreciation	(10,448,203)	(930,941)	-	(11,379,144)
Total capital assets being depreciated, net	26,042,855	8,615,218	-	34,658,073
SBITA assets being amortized:				
Software	60,252	-	(60,252)	-
Less accumulated amortization for:				
Software	(30,126)	(30,126)	60,252	-
Total SBITA assets being amortized, net	30,126	(30,126)	-	-
Capital assets, net of accumulated depreciation/amortization	26,072,981	8,585,092	-	34,658,073
Total governmental activities capital assets	$ 30,680,056	$ 13,992,105	$ (9,485,271)	$ 35,186,890

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

Governmental Activities	
Instruction	$ 435,362
Supporting services	525,705
Total depreciation/amortization expense	$ 961,067

NOTE 6 – LEASES

District as lessor

The District, as a lessor, has entered into lease agreements with a third party involving telecommunications air space. The lease is for 30 years and the District receives monthly payments of $5,230. The total amount of inflows of resources, including lease revenue, interest revenue, and other lease-related inflows, recognized during the fiscal year was $62,760. As of June 30, 2024, the District receivable for lease payments was $820,747. Also, the District has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of June 30, 2024, the balance of the deferred inflow of resources was $820,747.

NOTE 7 – LONG-TERM LIABILITIES

Certificate of Participation

Certificates of participation (COPs) are lease-financing agreements used by the District to provide funds for the acquisition and construction of major capital facilities. Under such agreements, the District makes regular payments over an annually renewable contract for the acquisition and use of the property. COPs have been issued for governmental activities. COPs are not considered general obligations of the District. COPs are secured by lease revenues through a lease-financing agreement.

Certificates of participation outstanding at June 30, 2024 are as follows:

	Original Borrowing	Interest Rates	Final Maturity	Outstanding at Year-end
Governmental Activities				
Certificates of Participation 2011	$ 2,373,694	4.12%	2031	$ 1,181,615
Certificates of Participation 2022	$ 5,088,000	3.68%	2042	4,715,685
Total				$ 5,897,300

Annual debt service requirements to maturity for certificates of participation are as follows:

Fiscal Year Ending June 30	Governmental Activities Principal	Governmental Activities Interest
2025	$ 317,045	$ 219,572
2026	329,272	207,237
2027	341,972	194,424
2028	355,163	181,115
2029	368,865	167,291
2030 – 2034	1,709,167	624,285
2035 – 2039	1,462,632	351,789
2040 – 2042	1,013,184	74,468
Total	$ 5,897,300	$ 2,021,181

NOTE 7 – LONG-TERM LIABILITIES (CONTINUED)

Changes in Long-Term Liabilities

Changes in the District's long-term liabilities for the year ended June 30, 2024, are as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Amount Due Within One year
Governmental Activities					
Certificates of participation	$ 6,202,572	$ -	$ (305,272)	$ 5,897,300	$ 317,045
SBITA's	30,861	-	(30,861)	-	-
Compensated absences	98,261	160,822	-	259,083	-
Net pension liability	15,640,208	4,180,977	(1,090,776)	18,730,409	-
Net OPEB liability	533,033	47,084	(127,854)	452,263	-
Total Governmental Activities	$ 22,504,935	$ 4,388,883	$ (1,554,763)	$ 25,339,055	$ 317,045

Certificates of participation, leases, and SBITA's are liquidated in the general fund. Approximately 90% of compensated absences, net pension liabilities, and net OPEB liabilities are normally liquidated in the general fund, with remaining amounts liquidated in other governmental funds.

NOTE 8 – DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan description. Eligible employees of the El Paso County School District #22 are provided with pensions through the SCHDTF—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided as of December 31, 2023. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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.

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Contributions provisions as of June 30, 2024: Eligible employees of, El Paso County School District #22 and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, *et seq*. and § 24-51-413. Eligible employees are required to contribute 11.00% of their PERA-includable salary during the period of July 1, 2023 through June 30, 2024. Employer contribution requirements are summarized in the table below:

	July 1, 2023 Through June 30, 2024
Employer contribution rate	11.40%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02)%
Amount apportioned to the SCHDTF	10.38%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.50%
Total employer contribution rate to the SCHDTF	20.38%

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the El Paso County School District #22 is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from El Paso County School District #22 were $1,516,660 for the year ended June 30, 2024.

For purposes of GASB 68 paragraph 15, a circumstance exists in which a nonemployer contributing entity is legally responsible for making contributions to the SCHDTF and is considered to meet the definition of a special funding situation. As specified in C.R.S. § 24-51-414, the State is required to contribute $225 million direct distribution each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. The direct distribution from the State was suspended in 2020. To compensate PERA for the suspension, C.R.S. §§ 24-51-414(6-8) required restorative payment by providing an accelerated payment in 2022. In 2022, the State Treasurer issued payment for the direct distribution of $225 million plus an additional amount of $380 million. Due to the advanced payment made in 2022, the State reduced the distribution in 2023 to $35 million. Additionally, the newly added C.R.S. § 24-51-414(9) providing compensatory payment of $14.561 million for 2023 only.

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

The net pension liability for the SCHDTF was measured as of December 31, 2023, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022. Standard update procedures were used to roll-forward the TPL to December 31, 2023. The El Paso County School District #22 proportion of the net pension liability was based on El Paso County School District #22 contributions to the SCHDTF for the calendar year 2023 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

At June 30, 2024, the El Paso County School District #22 reported a liability of $18,730,409 for its proportionate share of the net pension liability that reflected a decrease for support from the State as a nonemployer contributing entity. The amount recognized by the El Paso County School District #22 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 El Paso County School District #22 were as follows:

El Paso County School District #22 proportionate share of the net pension liability	$ 18,730,409
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the El Paso County School District #22	410,702
Total	$ 19,141,111

At December 31, 2023, the El Paso County School District #22 proportion was 0.1059207257%, which was an increase of 0.0200301827% from its proportion measured as of December 31, 2022.

For the year ended June 30, 2024, the El Paso County School District #22 recognized pension expense of $353,375 and revenue of $38,444 for support from the State as a nonemployer contributing entity. At June 30, 2024, the El Paso County School District #22 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	$ 888,175	$ -
Changes of assumptions or other inputs	-	-
Net difference between projected and actual earnings on pension plan investments	1,342,679	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	2,060,736	732,163
Contributions subsequent to the measurement date	780,779	N/A
Total	$ 5,072,369	$ 732,163

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

$780,779 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2025	$ 697,501
2026	1,690,397
2027	1,545,905
2028	(374,376)
2029	-
Thereafter	-

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

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

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

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

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

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

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

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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, 2022, valuation were based on the 2020 experience analysis, dated October 28, 2020, for the period January 1, 2016, through December 31, 2019. Revised economic and demographic assumptions were adopted by the PERA Board on November 20, 2020.

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

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

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

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

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

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200 and required adjustments resulting from the 2018 and 2020 AAP assessments. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200 and required adjustments resulting from the 2018 and 2020 AAP assessments. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

- As specified in law, the State, as a nonemployer contributing entity, will provide an annual direct distribution of $225 million commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.

- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

- The AIR balance was excluded from the initial FNP, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the FNP and the subsequent AIR benefit payments were estimated and included in the projections.

- Benefit payments and contributions were assumed to be made at the middle of the year.

- Beginning with the December 31, 2023, measurement date and thereafter, the FNP as of the current measurement date is used as a starting point for the GASB 67 projection test.

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

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Sensitivity of the El Paso County School District #22 *proportionate share of the net pension liability to changes in the discount rate.* The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	$ 25,045,673	$ 18,730,409	$ 13,464,243

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

Significant Changes in Plan Provisions Affecting Trends in Actuarial Information
2023 Changes in Plan Provision Since 2022

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

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

Significant Changes in Assumptions or Other Inputs Affecting Trends in Actuarial Information
2023 Changes in Assumptions or Other Inputs Since 2022

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

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

General Information about the OPEB Plan

Plan description. Eligible employees of the El Paso County School District #22 are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended, and sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended by the Colorado General Assembly. PERA issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

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

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

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

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.

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

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

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

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the El Paso County School District #22 is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from El Paso County School District #22 were $75,909 for the year ended June 30, 2024.

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

At June 30, 2024, the El Paso County School District #22 reported a liability of $452,263 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2023, and the total OPEB liability (TOL) used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2022. Standard update procedures were used to roll-forward the TOL to December 31, 2023. The El Paso County School District #22 proportion of the net OPEB liability was based on El Paso County School District #22 contributions to the HCTF for the calendar year 2023 relative to the total contributions of participating employers to the HCTF.

At December 31, 2023, the El Paso County School District #22 proportion was 0.0633665430%, which was a decrease of 0.0019178142% from its proportion measured as of December 31, 2022.

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

For the year ended June 30, 2024, the El Paso County School District #22 recognized OPEB expense of ($34,904). At June 30, 2024, the El Paso County School District #22 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	$ -	$ 92,696
Changes of assumptions or other inputs	5,318	47,955
Net difference between projected and actual earnings on OPEB plan investments	13,988	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	106,974	22,392
Contributions subsequent to the measurement date	39,078	N/A
Total	$ 165,358	$ 163,043

$39,078 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2025	$ (13,228)
2026	12,692
2027	(6,764)
2028	(17,767)
2029	(8,321)
Thereafter	(3,375)

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

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

Actuarial cost method	Entry age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation	3.40% - 11.00%
Long-term investment rate of return, net of 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[1]	7.00% in 2023, gradually decreasing to 4.50% in 2033
Medicare Part A premiums	3.50% in 2023, gradually increasing to 4.50% in 2035
DPS benefit structure:	
Service-based premium subsidy	0.00%
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

[1] UnitedHealthcare MAPD PPO plans are 0% for 2023.

Each year the per capita health care costs are developed by plan option; currently based on 2023 premium rates for the UnitedHealthcare Medicare Advantage Prescription Drug (MAPD) PPO plan #1, the UnitedHealthcare MAPD PPO plan #2, and the Kaiser Permanente MAPD HMO plan. Actuarial morbidity factors are then applied to estimate individual retiree and spouse costs by age, gender, and health care cost trend. This approach applies for all members and is adjusted accordingly for those not eligible for premium-free Medicare Part A for the PERA benefit structure.

Age-Related Morbidity Assumptions

Participant Age	Annual Increase (Male)	Annual Increase (Female)
65-68	2.2%	2.3%
69	2.8%	2.2%
70	2.7%	1.6%
71	3.1%	0.5%
72	2.3%	0.7%
73	1.2%	0.8%
74	0.9%	1.5%
75-85	0.9%	1.3%
86 and older	0.0%	0.0%

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

Sample Age	MAPD PPO #1 with Medicare Part A		MAPD PPO #2 with Medicare Part A		MAPD HMO (Kaiser) with Medicare Part A	
	Retiree/Spouse		Retiree/Spouse		Retiree/Spouse	
	Male	Female	Male	Female	Male	Female
65	$1,692	$1,406	$579	$481	$1,913	$1,589
70	$1,901	$1,573	$650	$538	$2,149	$1,778
75	$2,100	$1,653	$718	$566	$2,374	$1,869

Sample Age	MAPD PPO #1 without Medicare Part A		MAPD PPO #2 without Medicare Part A		MAPD HMO (Kaiser) without Medicare Part A	
	Retiree/Spouse		Retiree/Spouse		Retiree/Spouse	
	Male	Female	Male	Female	Male	Female
65	$6,469	$5,373	$4,198	$3,487	$6,719	$5,581
70	$7,266	$6,011	$4,715	$3,900	$7,546	$6,243
75	$8,026	$6,319	$5,208	$4,101	$8,336	$6,563

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

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

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

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

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

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
2023	7.00%	3.50%
2024	6.75%	3.50%
2025	6.50%	3.75%
2026	6.25%	3.75%
2027	6.00%	4.00%
2028	5.75%	4.00%
2029	5.50%	4.00%
2030	5.25%	4.25%
2031	5.00%	4.25%
2032	4.75%	4.25%
2033	4.50%	4.25%
2034	4.50%	4.25%
2035+	4.50%	4.50%

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

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

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

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

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

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

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

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

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

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

- Per capita health care costs in effect as of the December 31, 2022, valuation date for those PERACare enrollees under the PERA benefit structure who are expected to be age 65 and older and are not eligible for premium-free Medicare Part A benefits have been updated to reflect costs for the 2023 plan year.
- The morbidity rates used to estimate individual retiree and spouse costs by age and by gender were updated effective for the December 31, 2022, actuarial valuation. The revised morbidity rate factors are based on a review of historical claims experience by age, gender, and status (active versus retired) from actuary's claims data warehouse
- The health care cost trend rates applicable to health care premiums were revised to reflect the then current expectation of future increases in those premiums.

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

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

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

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

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

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

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

Sensitivity of the El Paso County School District #22 proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates. The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate[1]	5.75%	6.75%	7.75%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.50%	3.50%	4.50%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	$ 439,283	$ 452,263	$ 466,383

[1]For the January 1, 2024, plan year.

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2023, measurement date.

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

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

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.

- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.

- Benefit payments and contributions were assumed to be made at the middle of the year.

- Beginning with the December 31, 2023, measurement date and thereafter, the FNP as of the current measurement date is used as a starting point for the GASB 74 projection test.

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

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

Sensitivity of the El Paso County School District #22 *proportionate share of the net OPEB liability to changes in the discount rate.* The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25%, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	$ 534,180	$ 452,263	$ 382,184

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

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

Significant Changes in Plan Provisions Affecting Trends in Actuarial Information
2023 Changes in Plan Provision Since 2022

- As of the December 31, 2023, measurement date, the fiduciary net position (FNP) and related disclosure components for the Health Care Trust Fund (HCTF) reflect payments related to the disaffiliation of Tri-County Health Department (Tri-County Health) as a PERA-affiliated employer, effective December 31, 2022. As of the December 31, 2023, year-end, PERA recognized two additions for accounting and financial reporting purposes: a $24 million payment received on December 4, 2023, and a $2 million receivable. The employer disaffiliation payment and receivable allocations to the HCTF and Local Government Division Trust Fund were $1.033 million and $24.967 million, respectively.

Significant Changes in Assumptions or Other Inputs Affecting Trends in Actuarial Information
2023 Changes in Assumptions or Other Inputs Since 2022

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

NOTE 10 - 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; workers' compensation; general liability; unemployment; and employee benefit expenses related to health programs.

The District is provided with property and liability insurance through the Colorado School Districts Self Insurance Pool. The District carries commercial insurance for worker's compensation and medical coverage. Settled claims resulting from these risks have not exceeded the insurance coverage for each of the past three years.

NOTE 11 – JOINTLY GOVERNED ORGANIZATION

The District is a participant with other school districts in a joint venture known as the Peak Board of Cooperative Educational Services (BOCES). The BOCES is organized under provisions of Colorado law to provide special education services to member school districts in the BOCES' general area. The member school districts provide annual financial resources and each member district appoints a member of its board of education and the superintendent to serve on the governing body of the BOCES. The District does not have an ongoing financial interest in or ongoing financial responsibility for the BOCES. Financial statements for the BOCES can be obtained from the BOCES administrative offices at: 2883 South Circle Drive, Colorado Springs, CO 80906.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Grants

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

Capital Replacement Reserve

The District received a BEST grant through the Colorado Department of Education for facility improvements that commenced during fiscal year 2013. As part of the BEST grant agreement, the District is required to fund a capital replacement reserve in the amount of $100 per funded pupil in the facilities impacted by the grant based on the annual October student count. As of June 30, 2024, $230,700 is restricted in the Capital Reserve Fund for this reserve.

NOTE 13 - TAX, SPENDING, AND DEBT LIMITATIONS

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

The amendment requires emergency reserves be established. These reserves must be at least 3% of fiscal year spending. The District is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary and benefit increases. At June 30, 2024 there is a $390,000 reservation of fund balance in the General Fund for the amendment.

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

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

On November 4, 1997, voters within the District authorized the District to collect, retain and expend all non-property tax revenues in the 1997-1998 fiscal year and in each fiscal year thereafter from all sources without regard to the limitations imposed by the Amendment.

The amendment is complex and subject to judicial interpretation. Other than not being able to meet the June 30, 2024 reserve requirements with cash balances, the District believes it is in compliance with the requirements of the amendment. However, the District has made certain interpretations of the amendment's language in order to determine its compliance.

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

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

NOTE 15 – GOING CONCERN

The District experienced a decrease in total governmental fund balances of $6,099,614 in the current fiscal year, from a positive fund balance of $5,843,523 in fiscal year 2023 to a negative fund balance of $(256,091) in fiscal year 2024.

Management believes this reduction in fund balance presents cash flow issues that will make it difficult for the District to meet its financial obligations for twelve months from the date these financial statements are available to be issued. Management has taken the following steps to alleviate these cash flow issues:

- Liquidating one of the Districts broadband channel leases for roughly $1,200,000.
- Negotiating the IRS lien that has been issued against the District.
- Obtaining a line of credit from a local bank to provide liquidity if cash falls below required levels.
- Increase the frequency of grant reimbursement drawdowns to timely reimburse the District.
- Reducing expenditures by not rehiring open positions in fiscal year 2025 and minimizing all other purchases by requiring them to be approved prior to being purchased.

Management believes that it is probable that these projected cost reductions and increased revenues will enable the District to meet its obligations for the twelve-month period from the date the financial statements are available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

EL PASO COUNTY SCHOOL DISTRICT #22
SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2024

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of the net pension liability (asset)	0.1059207257%	0.0858905430%	0.0948290913%	0.1060989858%	0.0935683598%	0.0945252308%	0.1156453174%	0.1214898279%	0.1146385689%	0.1058076847%
District's proportionate share of the net pension liability (asset)	$ 18,730,409	$ 15,640,208	$ 11,035,608	$ 16,040,027	$ 13,978,910	$ 16,737,634	$ 37,395,586	$ 36,172,220	$ 17,533,160	$ 14,340,495
State's proportionate share of the net pension liability (asset) associated with the School	410,702	4,557,714	1,265,092		1,573,472	2,013,342	-	-	-	-
Total	$ 19,141,111	$ 20,197,922	$ 12,300,700	$ 16,040,027	$ 15,552,382	$ 18,750,976	$ 37,395,586	$ 36,172,220	$ 17,533,160	$ 14,340,495
District's covered payroll	$ 7,002,316	$ 6,625,464	$ 5,926,519	$ 5,674,322	$ 5,498,667	$ 5,196,560	$ 5,334,582	$ 5,452,681	$ 4,995,923	$ 4,432,583
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	267.49%	236.06%	186.21%	282.68%	254.22%	322.09%	701.00%	663.38%	350.95%	323.52%
Plan fiduciary net position as a percentage of the total pension liability	64.7%	61.8%	74.9%	67.0%	64.5%	57.0%	44.0%	43.1%	59.2%	62.8%

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

See the accompanying independent auditors' report.

EL PASO COUNTY SCHOOL DISTRICT #22
SCHEDULE OF THE EMPLOYER'S PAYROLL CONTRIBUTIONS - PENSION
JUNE 30, 2024

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 1,516,660	$ 1,516,376	$ 1,250,233	$ 1,113,869	$ 1,058,768	$ 994,102	$ 993,833	$ 977,785	$ 865,793	$ 728,273
Contributions in relation to the contractually required contribution	(1,516,660)	(1,516,376)	(1,250,233)	(1,113,869)	(1,058,768)	(994,102)	(993,833)	(977,785)	(865,793)	(728,273)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 7,441,904	$ 7,440,510	$ 6,288,896	$ 5,602,963	$ 5,463,199	$ 5,196,560	$ 5,263,946	$ 5,319,831	$ 4,883,209	$ 4,314,414
Contributions as a percentage of covered payroll	20.38%	20.38%	19.88%	19.88%	19.38%	19.13%	18.88%	18.38%	17.73%	16.88%

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

*

See the accompanying independent auditors' report.

EL PASO COUNTY SCHOOL DISTRICT #22
SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
JUNE 30, 2024

	2023	2022	2021	2020	2019	2018	2017	2016
District's proportion of the net OPEB liability (asset)	0.0633665430%	0.0652843572%	0.0619161885%	0.0613277638%	0.0611523578%	0.0614419069%	0.0657087159%	0.0690556930%
District's proportionate share of the net OPEB liability (asset)	$ 452,263	$ 533,033	$ 533,906	$ 582,752	$ 687,351	$ 835,943	$ 853,950	$ 895,331
District's covered payroll	$ 7,002,316	$ 6,625,464	$ 5,926,519	$ 5,674,322	$ 5,498,667	$ 5,196,560	$ 5,334,582	$ 5,452,681
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	6.46%	8.05%	9.01%	10.27%	12.50%	16.09%	16.01%	16.42%
Plan fiduciary net position as a percentage of the total OPEB liability	46.2%	38.6%	39.4%	32.8%	24.5%	17.0%	17.5%	16.7%

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

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

See the accompanying independent auditors' report.

EL PASO COUNTY SCHOOL DISTRICT #22
SCHEDULE OF THE EMPLOYER'S PAYROLL CONTRIBUTIONS - OPEB
JUNE 30, 2024

	2024	2023	2022	2021	2020	2019	2018	2017
Contractually required contribution	$ 75,909	$ 75,896	$ 64,147	$ 58,625	$ 55,725	$ 53,005	$ 54,413	$ 55,011
Contributions in relation to the contractually required contribution	(75,909)	(75,896)	(64,147)	(58,625)	(55,725)	(53,005)	(54,413)	(55,011)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 7,441,904	$ 7,440,510	$ 6,288,896	$ 5,747,518	$ 5,463,199	$ 5,196,565	$ 5,334,587	$ 5,393,194
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%

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

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

See the accompanying independent auditors' report.

EL PASO COUNTY SCHOOL DISTRICT #22
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2024

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Local sources	$ 1,533,955	$ 1,533,955	$ 2,132,008	$ 598,053
State sources	11,202,936	11,202,936	10,195,509	(1,007,427)
Federal sources	111,266	111,266	847,421	736,155
Total revenues	12,848,157	12,848,157	13,174,938	326,781
EXPENDITURES				
Instruction	10,751,257	10,751,257	7,972,984	2,778,273
Supporting services				
Student support	315,123	315,123	177,281	137,842
Instructional staff	189,508	189,508	226,871	(37,363)
General administration	-	-	60,811	(60,811)
School administration	34,839	34,839	1,228,237	(1,193,398)
Business services	-	-	918,398	(918,398)
Operations and maintenance	1,260,603	1,260,603	1,167,579	93,024
Student transportation	949,080	949,080	928,400	20,680
Central support service	800	800	466,954	(466,154)
Debt Service				
Principal	-	-	30,861	(30,861)
Interest and other charges	-	-	1,543	(1,543)
Capital Outlay	-	-	60,645	(60,645)
Total expenditures	13,501,210	13,501,210	13,240,564	260,646
Excess (deficiency) of revenues over expenditures	(653,053)	(653,053)	(65,626)	587,427
OTHER FINANCING SOURCES (USES)				
Transfers out	1,800,000	1,800,000	(5,590,086)	(7,390,086)
Net change in fund balances	1,146,947	1,146,947	(5,655,712)	(6,802,659)
Fund balances - beginning	-	-	4,478,927	4,478,927
Fund balances - ending	$ 1,146,947	$ 1,146,947	$ (1,176,785)	$ (2,323,732)

See the accompanying independent auditors' report.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

DEBT SERVICE FUND

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

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

EL PASO COUNTY SCHOOL DISTRICT #22
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2024

	Final Budget	Actual	Variance with Final Budget
REVENUES			
Local sources:			
Property taxes	$ 176,000	$ 5,403	$ (170,597)
Specific ownership taxes	-	6,370	6,370
Other local sources	-	43,794	43,794
Total local revenues	176,000	55,567	(120,433)
EXPENDITURES			
Debt service	176,362	174,171	2,191
Total expenditures	176,362	174,171	2,191
Net change in fund balance	(362)	(118,604)	(118,242)
Fund balance - beginning	-	845,560	845,560
Fund balance - ending	$ (362)	$ 726,956	$ 727,318

See the accompanying independent auditors' report.

CAPITAL RESERVE FUND

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

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

EL PASO COUNTY SCHOOL DISTRICT #22
CAPITAL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2024

	Final Budget	Actual	Variance with Final Budget
REVENUES			
Local sources:			
Other local sources	$ 1,800,000	$ 170,500	$ (1,629,500)
Total revenues	1,800,000	170,500	(1,629,500)
EXPENDITURES			
Facilities acquisition and construction	-	5,566,523	(5,566,523)
Debt service	372,000	362,884	9,116
Total expenditures	372,000	5,929,407	(5,557,407)
Excess (deficiency) of revenues over expenditures	1,428,000	(5,758,907)	(7,186,907)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	5,557,000	5,557,000
Net change in fund balance	1,428,000	(201,907)	(1,629,907)
Fund balance - beginning	-	218,330	218,330
Fund balance - ending	$ 1,428,000	$ 16,423	$ (1,411,577)

See the accompanying independent auditors' report.

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

Food Service Fund

This fund accounts for transactions related to food service operations. It also accounts for USDA school breakfast/lunch money.

Pupil Activity Fund

This fund accounts for financial transactions related to school sponsored pupil intrascholastic and interscholastic athletic and other related activities.

EL PASO COUNTY SCHOOL DISTRICT #22
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2024

	Special Revenue Funds		
	Food Service Fund	Pupil Activity Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash and investments	$ -	$ 213,088	$ 213,088
Grants receivables	34,812	-	34,812
Other receivables	-	383	383
Inventories	36,524	-	36,524
Total assets	$ 71,336	$ 213,471	$ 284,807
LIABILITIES			
Accounts payable	$ 7,802	$ -	$ 7,802
Accrued salaries and benefits	26,554	-	26,554
Due to other funds	46,693	15,062	61,755
Unearned revenue	11,381	-	11,381
Total liabilities	92,430	15,062	107,492
FUND BALANCES			
Nonspendable	36,524	-	36,524
Committed	-	198,409	198,409
Unassigned	(57,618)	-	(57,618)
Total fund balances	(21,094)	198,409	177,315
Total liabilities and fund balances	$ 71,336	$ 213,471	$ 284,807

See the accompanying independent auditors' report.

EL PASO COUNTY SCHOOL DISTRICT #22
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2024

	Special Revenue Funds		
	Food Service Fund	Pupil Activity Fund	Total Nonmajor Governmental Funds
REVENUES			
Local sources	$ 29,945	$ 128,015	$ 157,960
State sources	148,617	-	148,617
Federal sources	587,213	-	587,213
Total revenues	765,775	128,015	893,790
EXPENDITURES			
Instruction	-	171,950	171,950
Food service operations	878,317	-	878,317
Total expenditures	878,317	171,950	1,050,267
Excess (deficiency) of revenues over expenditures	(112,542)	(43,935)	(156,477)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	33,086	33,086
Net change in fund balances	(112,542)	(10,849)	(123,391)
Fund balances - beginning	91,448	209,258	300,706
Fund balances - ending	$ (21,094)	$ 198,409	$ 177,315

See the accompanying independent auditors' report.

EL PASO COUNTY SCHOOL DISTRICT #22
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOOD SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2024

	Final Budget	Actual Amounts	Variance with Final Budget
REVENUES			
Local sources	$ 15,000	$ 29,945	$ 14,945
State sources	600,000	148,617	(451,383)
Federal sources	500,000	587,213	87,213
Total revenues	1,115,000	765,775	(349,225)
EXPENDITURES			
Food service operations	765,751	878,317	(112,566)
Total expenditures	765,751	878,317	(112,566)
Net change in fund balances	349,249	(112,542)	(461,791)
Fund balances - beginning	-	91,448	91,448
Fund balances - ending	$ 349,249	$ (21,094)	$ (370,343)

See the accompanying independent auditors' report.

EL PASO COUNTY SCHOOL DISTRICT #22
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
PUPIL ACTIVITY FUND
FOR THE YEAR ENDED JUNE 30, 2024

	Final Budget	Actual Amounts	Variance with Final Budget
REVENUES			
Local sources	$ -	$ 128,015	$ 128,015
Total revenues	-	128,015	128,015
EXPENDITURES			
Instruction	-	171,950	(171,950)
Total expenditures	-	171,950	(171,950)
Excess (deficiency) of revenues over expenditures	-	(43,935)	(43,935)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	33,086	33,086
Net change in fund balances	-	(10,849)	(10,849)
Fund balances - beginning	-	209,258	209,258
Fund balances - ending	$ -	$ 198,409	$ 198,409

See the accompanying independent auditors' report.

FEDERAL COMPLIANCE

EL PASO COUNTY SCHOOL DISTRICT #22
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Additional Award Identification	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Agriculture					
Child Nutrition Cluster					
Passed Through Colorado Department of Education					
School Breakfast Program	10.553		4553	$ -	$ 79,633
National School Lunch Program	10.555		4555, 6555		436,422
Summer Food Service Program for Children	10.559		4559		10,239
Passed Through Colorado Department of Human Services					
National School Lunch Program	10.555		4555		36,345
Total Child Nutrition Cluster					562,639
Passed Through Colorado Department of Education					
Child Nutrition Discretionary Grants Limited Availability	10.579		5579		24,573
Summer Electronic Benefit Transfer Program for Children	10.646		4646		800
Total U.S. Department of Agriculture					588,012
U.S. Department of Education					
Direct Programs					
Impact Aid	84.041				545,949
					545,949
Passed Through Colorado Department of Education					
No Child Left Behind, Title I, Part A	84.010		4010		199,274
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367		4367		45,134
Student Support and Academic Enrichment Program	84.424A		4424		16,816
Total U.S. Department of Education					261,224
Total Federal Awards				$ -	$ 1,395,185

See the accompanying independent auditors' report.

EL PASO COUNTY SCHOOL DISTRICT #22
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of El Paso County School District #22 under programs of the federal government for the year ended June 30, 2024. 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 El Paso County School District #22, it is not intended to and does not present the financial position, changes in net position, or cash flows of El Paso County School District #22.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Pass-through entity identifying numbers are presented where available.

NOTE 3 – INDIRECT COST RATE

El Paso County School District #22 has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4 – NON-CASH ASSISTANCE

During the year end June 30, 2024, El Paso County School District #22 received $36,345 in non-cash assistance in the form of food commodities. Valuation of commodities is based on fair market value at the time of receipt.

Hoelting & Company, Inc.
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Education
El Paso County School District #22

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 Debt Service Fund and Capital Reserve Fund; and we were engaged to audit the Governmental Activities, General Fund, and Aggregate Remaining Fund Information of El Paso County School District #22, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise El Paso County School District #22's basic financial statements. Our report thereon, dated April 21, 2025, expressed an unmodified opinion on the Debt Service Fund and Capital Reserve Fund and a disclaimer of opinion over the Governmental Activities, General Fund, and Aggregate Remaining Fund Information.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered El Paso County School District #22'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 El Paso County School District #22's internal control. Accordingly, we do not express an opinion on the effectiveness of El Paso County School District #22's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2024-001, 2024-002, 2024-003, 2024-004, 2024-006, 2024-007, and 2024-008 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2024-005 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether El Paso County School District #22's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2024-08 and 2024-09.

El Paso County School District #22's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the El Paso County School District #22's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. El Paso County School District #22's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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

Hoelting & Company Inc.

Colorado Springs, Colorado
April 21, 2025

Hoelting & Company, Inc.
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Education
El Paso County School District #22

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited El Paso County School District #22's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of El Paso County School District #22's major federal programs for the year ended June 30, 2024. El Paso County School District #22's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, El Paso County School District #22 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of El Paso County School District #22 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 El Paso County School District #22'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 El Paso County School District #22's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on El Paso County School District #22'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 El Paso County School District #22'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 El Paso County School District #22'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 El Paso County School District #22'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 El Paso County School District #22's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

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

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



Colorado Springs, Colorado
April 21, 2025

EL PASO COUNTY SCHOOL DISTRICT #22
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024

Section I—Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Governmental Activities, General Fund, and Aggregate Remaining Fund Information – Disclaimer; Debt Service Fund and Capital Reserve Fund - Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	x yes ___ no
• Significant deficiency(ies) identified?	x yes ___ 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?	___ 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 200.516(a)?	___ yes x no
Identification of major programs:	

ALN Number(s)	Name of Federal Program or Cluster
ALN 10.553, 10.555, 10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs?	$750,000
Auditee qualified as low-risk auditee?	___ yes x no

EL PASO COUNTY SCHOOL DISTRICT #22
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024

Section II—Financial Statement Findings

2024-001 Year-End Closing Procedures

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

Condition: We noted that financial information included errors in certain balance sheet accounts and other significant accounts related to cash, prepaid items, accounts payable, payroll liabilities, capital assets, and expenditure allocations that warrant additional attention to monitoring and closing processes. Various balances in balance sheet and other significant accounts required material adjustments identified by the audit team and consultants that the District retained after field work started. The result was unsubstantiated adjustments of over $1,000,000 crediting expenditures and debits of $720,000, causing multiple disclaimed opinion units.

Cause: Lack of effective closing procedures.

Effect: These errors caused material misstatements on both the balance sheet and the statement of revenues, expenditures, and changes in fund balance.

Recommendation: We recommend that management develop year-end closing procedures that provide for review of transactions and balances for appropriate accounting treatment and should define the responsibilities of performing those procedures. Additionally, we recommend that the District retain a third party firm to provide month end closing services.

Management response: The district will hire a 3rd party firm that will assist the district in developing a comprehensive year-end closing checklist, implement a monthly reconciliation process for all bank accounts and book accounts, which will be reviewed by the Business Manager and/or Superintendent and given to the Board of Education Monthly at its Regular Meetings.

The district will insist that the 3rd party provide the district a scope of work and deliverables that include office staff training and implementation of internal controls, to include but not limited to duty segregation and work flows. The scope of work will also include desk manuals with standard accounting procedures, that are aligned with GAAP requirements for governmental accounting.

2024-002 Grant Reconciliations and Reimbursements

Criteria: Grant reconciliation procedures should include a review of grant related transactions to ensure activity is recorded in the correct accounting period. A reconciliation process should be in place that requires all grant-related accounts in each fund to be reconciled to supporting schedules.

Section II—Financial Statement Findings (Continued)

2024-002 Grant Reconciliations and Reimbursements (Continued)

Condition: Grant reconciliation procedures were not completed in a timely manner. Material adjustments were required in grants receivable, deferred revenue, revenue, and expenditures to record current-year reimbursement grant activity.

Cause: The District does not have a grant reconciliation process that ensures that grant expenditures are identified and reimbursed in a timely manner.

Effect: Material adjustments were required in grants receivable, deferred revenue, revenue, and expenditures to record current year reimbursement grant activity.

Recommendation: We recommend that management develop grant reconciliation processes and define the responsibilities for performing those procedures. Additionally, we recommend that the District retain a third party firm to provide grant reconciliation services.

Management response: The district will implement a policy that any and all grants must be approved by building administration and the district office. When the district receives a grant, the submitter of the grant will be the main contact for providing the annual financial report. The district office will assign one person with the role of recording reconciliations and managing request for reimbursements and request for funds.

2024-003 Segregation of Duties

Criteria: Segregation of duties should be implemented throughout the finance department. There should be proper segregation of duties to ensure that no one person has the ability to initiate, authorize, and record financial transactions.

Condition: A single member of management has the ability to record adjusting journal entries, authorize and initiate payments, and perform reconciliations. It was noted that due to the lack of segregation of duties, specifically around review, a number of material misstatements went undetected.

Cause: Controls over authorization, initiation and recording have not been fully implemented.

Effect: A heightened risk of misstatements due to error or fraud exists under this condition.

Recommendation: We recommend the preparation and review of journal entries, the authorization and initiation of payments, and the performance of account reconciliations be segregated between different staff members. Additionally, we recommend that the District retain a third party firm to provide segregation of duties.

Section II—Financial Statement Findings (Continued)

2024-003 Segregation of Duties (Continued)

Management response: As the business manager continues to gain experience by being in the position, the district will continue to work with CDE and the School Finance Unit of CDE to seek and take professional development opportunities. The district will use resources provided by the Financial Policy Unit to build systems and procedures for establishing routine monthly checklists and procedures.

The district will continue to seek ways to increase the Business Office staff to be able to segregate duties and oversight so that established routines and procedures have personnel with skills to have redundancy (back-ups), so that not everything is vital to one person to complete necessary tasks.

2024-004 Bank Reconciliations

Criteria: Bank accounts should be reconciled in a timely manner. Additionally, bank reconciliations should be reviewed by an individual who did not perform the bank reconciliation.

Condition: Several material bank accounts were not adjusted throughout the year, requiring adjustments of over $5,000,000. This resulted in the District unknowingly spending down fund balance to the point where a going concern evaluation was considered necessary.

Cause: Bank reconciliations are not being regularly performed, and there is not an adequate review process of bank reconciliations to ensure that bank accounts are accurately reconciled in a timely manner.

Effect: Multiple bank accounts were either unreconciled at year-end, or the reconciliation was inaccurate.

Recommendation: We recommend that Management develop and implement procedures over bank reconciliations that ensure all transactions have been recorded in a timely manner. Additionally, we recommend that the District retain a third party firm to provide assistance with bank reconciliations.

Management response: The district create a yearly checklist with monthly milestones that have multiple business office staff involved with reconciling bank accounts and using the resources School Finance Unit that will help to develop a specific- task orientated reconciliation process. To include monthly reconciliation meetings with the superintendent to prepare reporting methods to the Board of Education.

Section II—Financial Statement Findings (Continued)

2024-005 Payroll Processing

Criteria: Once contracts are finalized, they should be entered into the payroll system and reviewed for accuracy.

Condition: During payroll testing, we noted that there were instances where the contract did not agree with the payroll system, as well as instances where the number of days contracted did not agree to the payroll system.

Cause: Controls over payroll have not been fully implemented and are not reviewed.

Effect: Multiple employee contracts were not entered correctly into the payroll system.

Recommendation: We recommend that Management develop a process to ensure that employee contracts are entered accurately in the payroll system. Additionally, we recommend that management develop review procedures to ensure payroll data has been accurately entered. Furthermore, we recommend that the District retain a third party firm to provide assistance with payroll processing.

Management response: The district will create a yearly checklist with monthly milestones that have multiple business office staff involved with preparing the monthly payroll. The leadership will work with the HR and BM positions to create solid on-boarding tasks and contract verification processes. Monthly HR reports will be prepared to present to the Board of Education.

2024-006 Accounts Payable and Accrued Liabilities

Criteria: Accounts payable and various accrued liabilities should be adjusted and reviewed on a regular basis.

Condition: We noted that period accounts payable and accrued liabilities were not cleared, causing both sets of accounts to be overstated at year-end. Additionally, we noted that the District did not accurately calculate or record accrued liabilities.

Cause: The District does not have a reconciliation process in place for reconciling accounts payable and accrued liability accounts.

Effect: Various balances in balance sheet and other significant accounts required material adjustments identified by the audit team.

Recommendation: We recommend that management develop a reconciliation process that ensures that accounts payable and other accrued liabilities are accurate at year end. Additionally, we recommend that the District retain a third party firm to provide month end closing services.

Management response: The district will work with a 3rd party to establish a comprehensive liability reconciliation process that aligns with accounts payable and accrued liabilities that are in compliance with the auditors findings.

Section II—Financial Statement Findings (Continued)

2024-007 Programmatic Allocations

Criteria: The CDE Chart of Accounts outlines a reporting structure that allows for expenditures to be allocated programmatically within each fund.

Condition: As noted in finding 2024-001, the District recorded unsubstantiated adjustments to expenditures that could not be supported, which resulted in multiple disclaimed opinion units.

Cause: Incorrect programmatic allocations at the transaction level.

Effect: A material number of items were miscoded to the incorrect program

Recommendation: We recommend that management ensure that transactions are allocated to the correct program when the transactions when recorded. Additionally, we recommend that the District retain a third party firm to assist with programmatic allocations.

Management response: Working with a 3rd party accounting firm the management will ensure all stakeholders who have access to accounts will know the proper procedures when making requisitions and purchase orders that identify correct coding for accounting. This will also include working with CDE's Grants Management Office to establish correct procedures and new requirements for receiving grants.

2024-008 Payroll Tax and PERA Pension Remittance and Reporting

Criteria: Employers are required to timely remit payroll tax liabilities to both the Federal Government as well as the State of Colorado. Additionally, employers are required to timely file various tax returns and reporting documents with the aforementioned agencies. Furthermore, Colorado local governments who participate in Colorado PERA are required to remit contributions collected in a timely manner to PERA.

Condition: It was noted that District failed to file the proper tax returns with the IRS and the State of Colorado going back to calendar year 2019. Additionally, during fiscal year 2024 the District stopped remitting payroll taxes, all of which led to fines and penalties in excess of $380,000. It was also discovered that from the months of November 2023 through March of 2024, the District did not remit member contributions to PERA. In April of 2024, the District remitted over $1,000,000 to PERA to catch up.

Cause: Controls over payroll reporting and compliance have not been fully implemented and are not reviewed.

Effect: Material non-compliance occurred and a material amount of fines and penalties were not recorded prior to audit field work commencing.

Section II—Financial Statement Findings (Continued)

2024-008 Payroll Tax and PERA Pension Remittance and Reporting (Continued)

Recommendation: We recommend that Management develop a process to ensure that payroll liabilities are recorded and remitted to the correct agencies timely. We also recommend that Management develop a process to ensure that the proper reports are filed on time with the taxing and pension authorities. Furthermore, we recommend that the District retain a third party firm to assist with payroll.

Management response: Working with a 3rd party accounting firm the management will ensure liabilities are reviewed and reconciled regularly to align with monthly payroll and reported to the Board of Education. This will be driven by a comprehensive and detailed tax and PERA calendar.

2024-009 Violation of Legal or Contractual Provisions

Criteria: Governmental entities are required to restrict certain portions of fund balance when constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Condition: The District is in violation of legal and contractual provisions related to TABOR, Preschool, and Capital Reserves. The General Fund has restrictions of $390,000 and $75,937 for TABOR and Preschool respectively, but a reported total fund balance of ($1,176,785). The Capital Projects Fund has a restriction of $230,700 related to requirements in the 2011 BEST Grant but a total fund balance of $16,423. Neither the General Fund or the Capital Projects Fund have sufficient fund balance to meet these restrictions.

Cause: As described in finding 2024-004, the District did not timely record transactions it or reconcile bank accounts. This led to the District unknowingly spending down fund balance.

Effect: Material non-compliance occurred as a result of legal and contractual provisions not being met.

Recommendation: We recommend that Management develop a process to ensure the required minimum fund balance be maintained throughout the year. Furthermore, we recommend that the District retain a third party firm to assist with compliance over legal and contractual provisions.

Management response: This will begin with the creation of the 2025-2026 Budget. Using the Financial Policy and Procedures Manual- management will find and follow the rules in the manual and seek guidance from CDE representatives.

EL PASO COUNTY SCHOOL DISTRICT #22
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024

Section III—Findings and Questioned Costs for Federal Awards

No findings reported.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2024

The Summary Schedule of Prior Audit Findings (the Summary) summarizes the status of the audit findings reported in the El Paso County School District #22 Schedule of Findings and Questioned Costs for the year ended June 30, 2023. If the prior audit finding was fully addressed, the Summary indicates that the corrective action described in the prior audit report was taken or that corrective action is no longer needed. Otherwise, the Summary references the page number of the June 30, 2024 single audit report where a repeat recommendation, description of the planned corrective action, or reason for not implementing the recommendation is presented.

Finding Number	ALN Number	Program/ Cluster Title	Finding	Status of Finding
2023-001	NA	NA	Year-End Closing Procedures	Not Corrected. Reported as finding 2024-001. See page 61.
2023-002	NA	NA	Grant Reconciliations and Reimbursements	Not Corrected. Reported as finding 2024-002. See page 61.
2023-003	NA	NA	Segregation of Duties	Not Corrected. Reported as finding 2024-03. See page 62.
2023-004	NA	NA	Bank Reconciliations	Not Corrected. Reported as finding 2024-004. See page 63.
2023-005	NA	NA	Payroll Processing	Not Corrected. Reported as finding 2024-005. See page 64.
2023-006	NA	NA	Use of Other Receivables	Corrected
2023-007	NA	NA	Fixed Assets	Corrected
2023-008	NA	NA	Accounts Payable and Accrued Liabilities	Not Corrected. Reported as finding 2024-006. See page 64.

Finding Number	ALN Number	Program/ Cluster Title	Finding	Status of Finding
2023-010	NA	NA	Pupil Activities Fund	Corrected
2023-011	NA	NA	Inter-Fund Transfers	Corrected.
2023-012	NA	NA	Grant Cash Management	Corrected
2023-013	84.425U&D	Education Stabilization Fund	Activities Allowed or Unallowed, and Allowable Costs and Cost Principles.	Corrected
2023-014	84.425U&D	Education Stabilization Fund	Reporting for Education Stabilization Fund	Corrected

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2024

2024-001 Year-End Closing Procedures

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

Condition: We noted that financial information included errors in certain balance sheet accounts and other significant accounts related to cash, prepaid items, accounts payable, payroll liabilities, capital assets, and expenditure allocations that warrant additional attention to monitoring and closing processes. Various balances in balance sheet and other significant accounts required material adjustments identified by the audit team and consultants that the District retained after field work started. The result was unsubstantiated adjustments of over $1,000,000 crediting expenditures and debits of $720,000, causing multiple disclaimed opinion units.

Management Response and Planned Corrective Actions Criteria: The district will hire a 3rd party firm that will assist the district in developing a comprehensive year-end closing checklist, implement a monthly reconciliation process for all bank accounts and book accounts, which will be reviewed by the Business Manager and/or Superintendent and given to the Board of Education Monthly at its Regular Meetings.

The district will insist that the 3rd party provide the district a scope of work and deliverables that include office staff training and implementation of internal controls, to include but not limited to duty segregation and work flows. The scope of work will also include desk manuals with standard accounting procedures, that are aligned with GAAP requirements for governmental accounting.
Responsibility for Corrective Action: Chris Smith, Superintendent and Amanda Kobilan, Business Manager

Anticipated Completion Date: Unknown

2024-002 Grant Reconciliations and Reimbursements

Criteria: Grant reconciliation procedures should include a review of grant related transactions to ensure activity is recorded in the correct accounting period. A reconciliation process should be in place that requires all grant-related accounts in each fund to be reconciled to supporting schedules.

Condition: Grant reconciliation procedures were not completed in a timely manner. Material adjustments were required in grants receivable, deferred revenue, revenue, and expenditures to record current-year reimbursement grant activity.

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2024 (CONTINUED)

2024-002 Grant Reconciliations and Reimbursements (Continued)

Management Response and Planned Corrective Actions Criteria: The district will implement a policy that any and all grants must be approved by building administration and the district office. When the district receives a grant, the submitter of the grant will be the main contact for providing the annual financial report. The district office will assign one person with the role of recording reconciliations and managing request for reimbursements and request for funds.

Responsibility for Corrective Action: Chris Smith, Superintendent and Amanda Kobilan, Business Manager

Anticipated Completion Date: Unknown

2024-003 Segregation of Duties

Criteria: Segregation of duties should be implemented throughout the finance department. There should be proper segregation of duties to ensure that no one person has the ability to initiate, authorize, and record financial transactions.

Condition: A single member of management has the ability to record adjusting journal entries, authorize and initiate payments, and perform reconciliations. It was noted that due to the lack of segregation of duties, specifically around review, a number of material misstatements went undetected.

Management Response and Planned Corrective Actions Criteria: As the business manager continues to gain experience by being in the position, the district will continue to work with CDE and the School Finance Unit of CDE to seek and take professional development opportunities. The district will use resources provided by the Financial Policy Unit to build systems and procedures for establishing routine monthly checklists and procedures.

The district will continue to seek ways to increase the Business Office staff to be able to segregate duties and oversight so that established routines and procedures have personnel with skills to have redundancy (back-ups), so that not everything is vital to one person to complete necessary tasks.

Responsibility for Corrective Action: Chris Smith, Superintendent and Amanda Kobilan, Business Manager

Anticipated Completion Date: Unknown

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2024 (CONTINUED)

2024-004 Bank Reconciliations

Criteria: Bank accounts should be reconciled in a timely manner. Additionally, bank reconciliations should be reviewed by an individual who did not perform the bank reconciliation.

Condition: Several material bank accounts were not adjusted throughout the year, requiring adjustments of over $5,000,000. This resulted in the District unknowingly spending down fund balance to the point where a going concern evaluation was considered necessary.

Management Response and Planned Corrective Actions Criteria: The district create a yearly checklist with monthly milestones that have multiple business office staff involved with reconciling bank accounts and using the resources School Finance Unit that will help to develop a specific- task orientated reconciliation process. To include monthly reconciliation meetings with the superintendent to prepare reporting methods to the Board of Education.

Responsibility for Corrective Action: Chris Smith, Superintendent and Amanda Kobilan, Business Manager

Anticipated Completion Date: Unknown

2024-005 Payroll Processing

Criteria: Once contracts are finalized, they should be entered into the payroll system and reviewed for accuracy.

Condition: During payroll testing, we noted that there were instances where the contract did not agree with the payroll system, as well as instances where the number of days contracted did not agree to the payroll system.

Management Response and Planned Corrective Actions Criteria: The district will create a yearly checklist with monthly milestones that have multiple business office staff involved with preparing the monthly payroll. The leadership will work with the HR and BM positions to create solid on-boarding tasks and contract verification processes. Monthly HR reports will be prepared to present to the Board of Education.

Responsibility for Corrective Action: Chris Smith, Superintendent and Amanda Kobilan, Business Manager

Anticipated Completion Date: Unknown

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2024 (CONTINUED)

2024-006 Accounts Payables and Accrued Liabilities

Criteria: Accounts payable and various accrued liabilities should be adjusted and reviewed on a regular basis.

Condition: We noted that period accounts payable and accrued liabilities were not cleared, causing both sets of accounts to be overstated at year-end. Additionally, we noted that the District did not accurately calculate or record accrued liabilities.

Management Response and Planned Corrective Actions Criteria: The district will work with a 3rd party to establish a comprehensive liability reconciliation process that aligns with accounts payable and accrued liabilities that are in compliance with the auditors findings.

Responsibility for Corrective Action: Chris Smith, Superintendent and Amanda Kobilan, Business Manager

Anticipated Completion Date: Unknown

2024-007 Programmatic Allocations

Criteria: The CDE Chart of Accounts outlines a reporting structure that allows for expenditures to be allocated programmatically within each fund.

Condition: As noted in finding 2024-001, the District recorded unsubstantiated adjustments to expenditures that could not be supported, which resulted in multiple disclaimed opinion units.

Management Response and Planned Corrective Actions Criteria: Working with a 3rd party accounting firm the management will ensure all stakeholders who have access to accounts will know the proper procedures when making requisitions and purchase orders that identify correct coding for accounting. This will also include working with CDE's Grants Management Office to establish correct procedures and new requirements for receiving grants.

Responsibility for Corrective Action Chris Smith, Superintendent and Amanda Kobilan, Business Manager

Anticipated Completion Date: Unknown

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2024 (CONTINUED)

2024-008 Payroll Tax and PERA Pension Remittance and Reporting

Criteria: Employers are required to timely remit payroll tax liabilities to both the Federal Government as well as the State of Colorado. Additionally, employers are required to timely file various tax returns and reporting documents with the aforementioned agencies. Furthermore, Colorado local governments who participate in Colorado PERA are required to remit contributions collected in a timely manner to PERA.

Condition: It was noted that District failed to file the proper tax returns with the IRS and the State of Colorado going back to calendar year 2019. Additionally, during fiscal year 2024 the District stopped remitting payroll taxes, all of which led to fines and penalties in excess of $380,000. It was also discovered that from the months of November 2023 through March of 2024, the District did not remit member contributions to PERA. In April of 2024, the District remitted over $1,000,000 to PERA to catch up.

Management Response and Planned Corrective Actions Criteria: Working with a 3rd party accounting firm the management will ensure liabilities are reviewed and reconciled regularly to align with monthly payroll and reported to the Board of Education. This will be driven by a comprehensive and detailed tax and PERA calendar.

Responsibility for Corrective Action Chris Smith, Superintendent and Amanda Kobilan, Business Manager

Anticipated Completion Date: Unknown

2024-009 Violation of Legal or Contractual Provisions

Criteria: Governmental entities are required to restrict certain portions of fund balance when constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Condition: The District is in violation of legal and contractual provisions related to TABOR, Preschool, and Capital Reserves. The General Fund has restrictions of $390,000 and $75,937 for TABOR and Preschool respectively, but a reported total fund balance of ($1,176,785). The Capital Projects Fund has a restriction of $230,700 related to requirements in the 2011 BEST Grant but a total fund balance of $16,423. Neither the General Fund or the Capital Projects Fund have sufficient fund balance to meet these restrictions.

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2024 (CONTINUED)

2024-009 Violation of Legal or Contractual Provisions (Continued)

Management Response and Planned Corrective Actions Criteria: This will begin with the creation of the 2025-2026 Budget. Using the Financial Policy and Procedures Manual- management will find and follow the rules in the manual and seek guidance from CDE representatives.

Responsibility for Corrective Action Chris Smith, Superintendent and Amanda Kobilan, Business Manager

Anticipated Completion Date: Unknown

STATE COMPLIANCE

Hoelting & Company, Inc.
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Education
El Paso County School District #22

We have audited the accompanying financial statements of the Debt Service Fund and Capital Reserve Fund; and we were engaged to audit the Governmental Activities, General Fund, and Aggregate Remaining Fund Information, of El Paso County School District #22, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the El Paso County School District #22's basic financial statements as listed in the table of contents. Our report thereon, dated April 21, 2025, expressed an unmodified opinion on the Debt Service Fund and Capital Reserve Fund and a disclaimer of opinion over the Governmental Activities, General Fund, and Aggregate Remaining Fund Information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the El Paso County School District #22's basic financial statements. The accompanying *Colorado School District/BOCES, Auditor's Integrity Report* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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 *Colorado School District/BOCES, Auditor's Integrity Report* is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Hoelting & Company Inc.

Colorado Springs, Colorado
April 21, 2025

Colorado Department of Education

Auditors Integrity Report

District: 1050 - Ellicott 22
Fiscal Year 2023-24
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	5,236,577	6,326,630	12,669,228	-1,106,022
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	-757,650	1,258,222	571,336	-70,763
Sub- Total	**4,478,927**	**7,584,851**	**13,240,564**	**-1,176,785**
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	91,448	765,775	878,316	-21,094
22 Govt Designated-Purpose Grants Fund	0	0	0	0
23 Pupil Activity Special Revenue Fund	209,258	161,101	171,950	198,409
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	845,560	55,567	174,171	726,956
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	0	0	0	0
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	218,330	5,727,500	5,929,407	16,423
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
Totals	**5,843,523**	**14,294,794**	**20,394,408**	**-256,091**
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	0	0	0	0
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	**0**	**0**	**0**	**0**

FINAL