

Montrose County School District No. RE-1J

FINANCIAL STATEMENTS AND REPORTS OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

June 30, 2019

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**INDEPENDENT AUDITOR'S REPORT**

December 20, 2019

To the Board of Education
Montrose County School District RE-1J

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Montrose County School District RE-1J, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Montrose County School District RE-1J, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Board of Education
December 20, 2019

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the schedules of activity – OPEB liability and contribution schedules, and schedules of activity—pension liability and contribution schedules on pages i-viii, 56-61, and the notes to the supplementary information on page 62, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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.

Other Information

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

The Colorado Automated Data Exchange Report, the schedule of expenditures of federal awards, and the other supplementary information as listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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, based on our audit, the procedures performed as described above, and the report of the other auditors, the Colorado Automated Data Exchange Report, the schedule of expenditures of federal awards, and the other supplementary information as listed in the table of contents 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 December 20, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Montrose County School District RE-1J's internal control over financial reporting and compliance.

Chadwick, Steinkirchner, Davis & Co., P.C.

MONTROSE COUNTY SCHOOL DISTRICT RE-1J
MONTROSE AND OLATHE, COLORADO

MANAGEMENT'S DISCUSSION AND ANALYSIS

As of and for the fiscal year ended June 30, 2019

As management of the Montrose County School District RE-1J, Montrose and Olathe, Colorado (the District), we offer readers of the District's Annual Financial Report this narrative and analysis of the financial activities of the District for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here, in conjunction with additional information, that can be found in the basic financial statements.

Financial Highlights

- On a government-wide level, the District's total net position of governmental activities improved \$18.5 million to a deficit of \$80.3 million from the prior year. This increase is primarily due to the enactment of SB18-200 in 2018, which included an on-behalf contribution from the State to PERA to fund the pension liability.
- Government-wide total liabilities decreased \$104.5 million from the prior year also due to the SB18-200 on-behalf payment the State contributed to PERA for the pension liability. This created a significant reduction in the District's pension liability and increased deferred inflows of resources by \$61.9 million from changes in assumptions with the additional on-behalf payment from the State to PERA.
- The District retired debt totaling \$2.6 million during the fiscal year through principal payments on both general obligation bonds and on computer leases for district wide student use.
- Total cash and investments decreased by \$1.6 million or 4.1% from the prior year, mainly attributable to the utilization of bond proceeds received in prior years to fund the construction of the new Columbine Middle School and other school improvement projects.
- Fund balance of the District's governmental funds decreased by \$2.7 million, resulting in an ending fund balance of \$23.7 million. This negative change is the result of the District using voter approved bond money for the construction of the new Columbine Middle School.

Overview of the Financial Statements

Management's Discussion and Analysis is intended to serve as an introduction to the District's basic financial statements. Comparison to the prior year's activity is provided in this document. The basic financial statements presented on pages 3-57 are comprised of three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader of the District's Annual Financial Report a broad overview of the financial activities in a manner like a private sector business. The government-wide financial statements include the statement of net position and the statement of activities.

The statement of net position presents information about all the District's assets, deferred outflows, liabilities, and deferred inflows. The difference is reported as net position. Over time, changes in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the net position of the District changed during the current fiscal year. Changes in net position are recorded in the statement of activities when the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement even though the resulting cash flow may be recorded in a future period.

Both government-wide financial statements distinguish functions of the District that are supported from taxes and intergovernmental revenues (governmental activities) and other functions that are intended to recover all or most of their costs

from user fees and charges (business-type activities). Governmental activities consolidate governmental funds including the General Fund, Designated Purpose Grants Fund, Capital Projects Fund, and other non-major special revenue funds. Governmental activities also include the Employee Medical Benefit Fund which is a proprietary fund. The District does not have business-type activities.

The government-wide financial statements can be found on pages 3-4 of this report.

Fund Financial Statements

Fund financial statements are designed to demonstrate compliance with finance-related requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Montrose County School District RE-1J, like other governmental agencies, uses fund accounting to ensure and demonstrate compliance. The fund types presented here are governmental funds, proprietary funds and fiduciary fund.

Governmental Funds

Governmental funds account for essentially the same information reported in the governmental activities in the government-wide financial statements. However, unlike the government-wide statements, the governmental fund financial statements focus on near-term financial resources and fund balances. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Montrose County School District RE-1J maintains nine different governmental funds. The major funds are the General Fund, the Designated Purpose Grants Fund, and the Building Fund. They are presented separately in the fund financial statements. The remaining governmental funds, called non-major funds, are combined into a single aggregated presentation labeled other governmental funds. Non-major funds include the District's Nutritional Service Fund, the Student Activity Fund, the Fee in Lieu Fund, the Bond Redemption Fund, the Capital Lease Fund, and the Capital Projects Fund. Individual fund information for the non-major funds is presented as other supplementary information.

The District adopts an annual appropriated budget for each of the governmental funds. Budgetary comparison schedules for the General Fund, and the Designated Purpose Grants Fund are included on pages 57-58 as required supplementary information in the financial statements to demonstrate compliance with the adopted budget. The Capital Projects Fund and the remaining governmental funds budgetary comparisons are reported as other supplementary information on pages 72-78. Non-governmental fund budgetary comparisons are reported on pages 79-80.

The basic governmental fund financial statements can be found on pages 5-8 of this report.

Proprietary Funds

The District maintains one proprietary fund, which is an internal service fund. Internal service funds are used to accumulate and allocate costs internally amount the District's various functions. The District uses an internal service fund type to account for the Employee Medical Benefit activities related to the District's employees' medical insurance needs.

The basic proprietary fund financial statements are presented on pages 9-11 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because these sources of those funds are not available to support the District's direct educational programs. The accounting method used for fiduciary funds is much like that used for proprietary funds.

The fiduciary fund financial statements are presented on pages 12-13 of this report.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential for a full understanding of the data provided in the basic financial statements. The notes can be found on pages 14-55 of this report.

Required Supplementary and Other Information

In addition to the basic financial statements and accompanying notes, this report also contains required and other supplementary information concerning the District's non-major governmental funds and schedules required as part of the Colorado Public School Finance Act. Combined and individual fund statements and schedules can be found on pages 56-79 of this report. The additional schedules required as part of the Colorado Public School Finance Act can be found on page 90 of this report.

Government-wide Financial Analysis

Government-wide Net Position

The assets of the District are classified as current assets and capital assets. Cash, investments, receivables, inventories and prepaid expenses are current assets. These assets are available to provide resources for the near-term operations of the District. Cash and investments account for 31.34 percent of the total assets. Receivables reflect the result of the property tax collection process since the District receives 50% of the annual property tax assessment in April, May and June and grant reimbursements.

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

Current and long-term liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable, accrued salaries and benefits, unearned revenues, and current debt obligations. The liquidation of current liabilities is anticipated to be either from currently available resources, current assets or new resources that become available during fiscal year 2019-2020. Long-term liabilities such as long-term debt obligations and compensated absences payable will be liquidated from resources that will become available after fiscal 2019-2020.

As noted earlier, the liabilities and deferred inflows of the primary government activities exceed assets and deferred outflows by \$80.3 million with an unrestricted balance of (\$132.5 million). Total net position of the primary government does not include internal balances. The negative net position has been caused by the requirement to reflect the District's proportional share of PERA's net pension liability (\$96.5 million) and other post-employment benefits liability (\$4.8 million) on the District's financial statements. The District's net position increased \$18.5 million due to the on-behalf payment from the State to PERA for contributions during fiscal year 2019 which reduced the pension liability for the District.

A net investment of \$48.9 million in land, improvements, buildings, equipment, and vehicles that provide the services to the District's 6,215 public school students. The increase of \$7.1 million over the prior year net investment is mainly due to the completion of the Columbine Middle School construction project. Net position of \$1,596,314 accumulated due to voter approved bonded debt mill levy assessments have been restricted to provide resources to liquidate the current general obligation bond principal, and related interest payments. The legally required TABOR reserve has also been restricted.

Comparative Summary of Net Position
June 30, 2019 and 2018

	Governmental Activities	
	2019	2018
<u>Assets:</u>		
Current assets	\$ 37,135,053	\$ 38,713,251
Capital assets	67,915,008	62,753,057
Total Assets	<u>\$ 105,050,061</u>	<u>\$ 101,466,308</u>
<u>Deferred Outflows:</u>		
Loss on refunding	\$ 145,684	\$ 210,432
Deferred pension/OPEB outflows	29,848,075	57,561,946
Total Deferred Outflows	<u>29,993,759</u>	<u>57,772,378</u>
Total Assets and Deferred Outflows	<u>\$ 135,043,820</u>	<u>\$ 159,238,686</u>
<u>Liabilities:</u>		
Current liabilities	\$ 10,470,770	\$ 10,468,849
Noncurrent liabilities	130,950,097	235,488,657
Total Liabilities	<u>141,420,867</u>	<u>245,957,506</u>
<u>Deferred Inflows:</u>		
Deferred pension inflow	73,941,567	12,055,436
<u>Net Position:</u>		
Net investment in capital assets	48,862,983	41,724,064
Restricted	3,290,141	3,223,863
Unrestricted	(132,471,738)	(143,722,183)
Total Net Position	<u>(80,318,614)</u>	<u>(98,774,256)</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 135,043,820</u>	<u>\$ 159,238,686</u>

Comparative Schedule of Changes in Net Position
 Years ended June 30, 2019 and 2018

	<u>Governmental Activities</u>	
	<u>2019</u>	<u>2018</u>
<u>Revenues:</u>		
Program Revenues:		
Charges for services	\$ 9,422,568	\$ 9,167,727
Operating grants and contributions	13,291,535	11,854,488
Capital grants and contributions	2,886,262	8,179,877
General revenues;		
Property taxes	13,027,295	13,028,384
Specific ownership taxes	1,923,755	1,808,121
Penalties and interest on delinquent taxes		
State equalization	35,158,284	32,225,955
Unrestricted investment earnings	429,601	399,377
Allocation to Charter Schools	(1,545,278)	(1,440,515)
Loss on disposal of capital assets	(266,449)	-
Miscellaneous	42,623	(27,730)
Total Revenues	<u>74,370,196</u>	<u>75,195,684</u>
<u>Expenses:</u>		
Governmental activities:		
Instruction	33,132,803	61,734,849
Supporting services:		
Students	3,253,029	6,630,425
Instruction	2,965,131	4,213,574
General administration	441,164	954,296
School administration	2,299,464	5,541,087
Business	1,110,771	1,540,390
Plant operation and maintenance	5,140,965	7,888,038
Student transportation	1,949,606	1,875,387
Central Services	970,628	1,625,910
Nutritional Services	1,600,524	2,019,954
Other	401,440	79,357
Community services	110,432	113,420
Student activities	1,920,491	1,675,185
Debt issuance costs	-	-
Interest on long-term debt	618,106	900,924
Total Expenses	<u>55,914,554</u>	<u>96,792,796</u>
Change in Net Position	18,455,642	(21,597,112)
Change in accounting principle	-	(4,462,302)
Net position, beginning of year (restated)	(98,774,256)	(77,177,144) *
Net Position - June 30	<u>\$ (80,318,614)</u>	<u>\$ (98,774,256)</u>

*restated beginning net position for fiscal year 2018 due to implementation of GASB 75

Key elements of changes in net position for governmental activities are as follows:

- State equalization aid increased by \$2,932,329 (9.1 percent) during the fiscal year, with property taxes virtually remaining the same as the prior year. The Colorado Public School Finance Act provides for the majority of the funding of local school districts based on a funded pupil count formula and a standardized maximum statewide property tax mill levy. The state equalization formula includes the local property and specific ownership tax. The combined equalization, specific ownership and property taxes increased by \$2,942,111 (6.45 percent). Student enrollment for the 2018-2019 school year, showed a decrease of 2 funded student full time equivalent (FTE). The averaging of student count contributed to a larger increase in total per pupil revenue than had the averaging not been allowed.
- In November 2000, the voters of Colorado passed a statewide ballot issue to amend the State Constitution, Amendment 23. This amendment required that the state fund public education at a minimum of growth plus inflation plus one percent for the next ten years beginning with fiscal year 2001-2002 and thereafter at growth plus inflation. However, the State has been financially unable to fund to this required amount. Therefore, the State has implemented a Negative Factor to reflect this inability to fund the equalization amount. The negative factor reduced the District's equalization revenue by \$4.53 million in fiscal year 2018-2019.
- Operating grants for governmental activities increased by \$1,437,047 due to the increase in availability of private, state and federal grants.
- Capital grants and contributions for governmental activities decreased by \$8,968,226, as the District received the majority of a BEST Grant for the Columbine Middle School project during the 2018-2019 fiscal year.
- Total governmental activities expenses decreased by \$40.5 million. Most of that increase relates to the way pension expenses are recorded because of GASB 68. This year the State contributed an on-behalf payment to PERA which reduced the District pension expense. This is part of GASB 85 that recognizes on-behalf payments for pensions or OPEB in employer financial statements.

Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

The combined general fund is the major governmental fund of Montrose County School District RE-1J and is the core of operations for the District. The combined general fund under GASB 34 reporting requirements includes the general operating fund and the insurance reserve fund. As of June 30, 2019, the combined general fund shows an ending fund balance of \$10,714,195 a decrease of \$212,201 from the fund balance of \$10,926,396 for the prior year.

In recap, as of the end of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$23.7 million, a decrease of \$2.7 million in comparison with the prior year. This decrease is the result of \$2.5 million decrease in the Building Fund, which is the result of using the voter approved bond monies to build the new Columbine Middle School project; \$212,201 is the increase in expenses related items in the General Fund; (\$101,494) is the result of increasing reserves in the Nutritional Services Fund due to cost savings in salaries.; (\$6,750) is the result of increasing reserves in the Student Activity fund: (\$82,266) is the result of revenue in the Fee in Lieu Fund; (\$50,579) is the result of increasing reserves in the Bond Redemption Fund for bond payments; and \$206,685 is the result of decreasing reserves in the Capital Projects Fund, for security projects.

The unassigned fund balance for the District at the end of the fiscal year consists of the unassigned balance for the General Fund of \$7.39 million. The School Board took formal action in 2012 to create an emergency reserve of \$3 million (see Note A(4)(k), which is part of the \$7.39 million unassigned balance. The remainder of the fund balance is either in non-spendable form (i.e. prepaids and inventories), restricted, committed, or assigned to indicate that it is not available for new spending. Fund balance is restricted 1) to pay debt service (\$1.6 million); and 2) restricted for TABOR amendment (\$1.68 million). Fund balance is committed 1) funds raised for the food nutrition program (\$233,672); 2) funds raised for student activities/athletics (\$1.34 million); 3) to pay for capital projects (\$9.49 million); and 4) to liquidate employee retirement benefits (\$268,224). Fund balance is assigned 1) to pay for the school-based health center (\$290,235); and 2) reserved for insurance in the Insurance Fund which is a sub-fund of the General Fund (\$918,554).

General Fund Budgetary Highlights

Montrose County School District RE-1J began budget development for the 2018-2019 fiscal year in December 2017 with discussions related to labor negotiations as well as the impact of Amendment 23.

A 2017-2018 mid-year analysis was completed in February 2018 established the base of expenditure assumptions for 2018-2019. After reviewing enrollment projections and the most current revenue assumptions, the Superintendent and his senior staff prepared a preliminary budget plan by prioritizing the needs of the District. The Proposed Budget was informally presented to the Board of Education on May 30, 2018 and formally presented and adopted at the June 26, 2018 Board meeting.

The final phase of budget development was the review for possible modification of the June budget based on revenue adjustments due to the October count for pupil enrollment. This revised budget normally is submitted and approved by the Board at the January meeting. It was determined that an amended budget was required at that time.

The District's budget development process is consistent with current Colorado statutes that require a proposed budget be presented to Boards of Education on or before June 1, with budget adoption by June 30. The law provides for school boards to adjust revenues and expenditures through January 31 of each fiscal year.

Capital Assets and Debt Administration

The District's investment in capital assets for its governmental activities as of June 30, 2019 amounts to \$67.9 million (net of accumulated depreciation). This investment in capital assets includes land, improvements, buildings, equipment and vehicles, and projects in progress. The increase in the District's investment in capital assets for the current fiscal year was \$5.2 million (net of accumulated depreciation). Most of the increase was for the completion of the Columbine Middle School construction project.

Major capital asset events during the current fiscal year included the following:

- Columbine Middle School construction project
- Computers were financed through a Lease Purchase with Apple, Inc.

Capital Assets (net of accumulated depreciation) June 30, 2019 and 2018

	Governmental Activities	
	2019	2018
Land	\$ 1,538,075	\$ 1,538,075
Construction in Progress	267,963	24,981,048
Improvements	5,314,809	4,392,778
Buildings	58,471,384	29,919,865
Equipment	2,322,777	1,921,291
Total Capital Assets	<u>\$ 67,915,008</u>	<u>\$ 62,753,057</u>

Additional information on the District's capital assets can be found in Note F on pages 29-30.

At June 30, 2019, the District had total bonded debt outstanding of \$25.8 million, backed by the full faith and credit of the District. The District has debt outstanding for capital lease agreements in the amount of \$2.2 million. Additionally, the District has compensated absences payable for \$1.6 million, and retirement bonus benefits payable of \$67,493.

General obligation Bonds, Employee Benefits, and Capital Leases
June 30, 2019 and 2018

Governmental Activities		
	2019	2018
General Obligation Bonds	\$ 25,846,211	\$ 27,127,746
2012 Lease Purchase Agreement	2,190,923	2,394,411
2017 Apple Lease Agreement	-	491,945
Compensated absences	1,557,304	1,531,929
Retirement Bonus benefits	67,493	107,043
Total long-term obligations	<u>\$ 29,661,931</u>	<u>\$ 31,653,074</u>

Additional information on the District’s long-term obligations can be found in Note G on pages 30-34 of this report.

Economic Factors and Next Year’s Budget and Rates

For 2019-2020, the inflation rate continues to be around 2.4 percent. The District budgeted for \$9,100 State per-pupil funding, which is an increase of 2.6 percent over the 2018-2019 funding. This increase will provide an additional \$226 per full time student to the District in fiscal year 2019-2020. However, the state established a Negative Factor in the amount of 7.1 percent of total program funding (\$3,865,930). This negative factor has been budgeted as a reduction in State revenue for the 2019-2020 fiscal year.

The District is committed to an ongoing review of its programs and services for both effectiveness and efficiency. To accomplish this, the District examines how to best provide essential services on a cost-effective basis. In addition, the focus for the past year and the upcoming year is to re-direct resources towards the Board’s goal of increasing student achievement. In addition, due to the Federal and State of Colorado’s continuing financial stress, with projected shortfalls directly impacting the District’s financial resources, the District has

- Continued to evaluate all staff positions to facilitate cost savings while maintaining educational programs and increasing student achievement.
- Continued to actively seek out capital grants for District facilities.

Requests for Information

This financial report is designed to provide a general overview of the District’s finances for all those with an interest in the District. The financial report for Vista Charter School, a component unit which has separately issued financial statements, can be obtained by contacting the school at (970) 249-4470. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Emily Imus, Director of Finance
Montrose County School District RE-1J
930 Colorado Avenue
PO Box 10,000
Montrose, Colorado 81402
emily.imus@mcsd.org

Montrose County School District No. RE - 1J

STATEMENT OF NET POSITION

June 30, 2019

	Primary Government Governmental Activities	Component Unit Vista Charter School
ASSETS		
Cash and cash equivalents	\$ 18,016,493	\$ 1,037,755
Investments	14,906,405	1,729,481
Receivables		
Taxes	670,972	-
Accounts	902,911	-
Intergovernmental	2,328,165	-
Due from primary government	-	7,788
Due from component units	37	-
Inventories	310,070	-
Capital assets		
Nondepreciable	1,806,038	595,320
Depreciable, net of accumulated depreciation	66,108,970	4,387,766
Total assets	<u>105,050,061</u>	<u>7,758,110</u>
DEFERRED OUTFLOWS		
Loss on refunding, current portion	64,749	-
Loss on refunding, long-term portion	80,935	-
Deferred outflows related to other post employment benefits	242,585	7,318
Deferred outflows related to pension	29,605,490	893,003
Total deferred outflows	<u>29,993,759</u>	<u>900,321</u>
LIABILITIES		
Accounts payable	1,380,121	5,052
Accrued salaries and benefits	5,706,340	158,688
Due to component units	7,788	-
Claims payable	1,070,571	-
Accrued interest payable	88,656	-
Unearned revenue	2,217,294	55,138
Noncurrent liabilities		
Due within one year	1,839,831	-
General obligation bonds	24,534,676	-
Capital lease agreements	1,979,414	-
Compensated absences payable	1,270,729	-
Retirement benefits	36,977	-
Net other post employment benefits liability	4,818,052	145,332
Net pension liability	96,470,418	2,909,876
Total liabilities	<u>141,420,867</u>	<u>3,274,086</u>
DEFERRED INFLOWS		
Deferred inflows related to other post employment benefits	107,289	3,122
Deferred inflows related to pension	73,834,278	2,209,734
Total deferred inflows	<u>73,941,567</u>	<u>2,212,856</u>
NET POSITION		
Net investment in capital assets	48,862,983	4,983,087
Restricted		
Emergencies	1,716,649	54,098
Debt service	1,596,314	-
Capital renewal	-	40,000
Unrestricted	(132,494,560)	(1,905,696)
Total net position	<u>\$ (80,318,614)</u>	<u>\$ 3,171,489</u>

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

Montrose County School District No. RE - 1J

STATEMENT OF ACTIVITIES

Year ended June 30, 2019

Functions/Programs	Expenses	Program revenue			Net expenses (revenues) and changes in net position	
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Primary government	Component unit
					Governmental Activities	Vista Charter School
Primary government:						
Governmental activities						
Instruction	\$ 33,132,800	\$ 6,906,843	\$ 7,316,107	\$ -	\$ (18,909,850)	\$ (1,274,285)
Support services						
Students	3,253,029	151,726	2,681,973	-	(419,330)	(83,085)
Instructional staff	2,965,131	1,976	1,240,451	-	(1,722,704)	(198,054)
General administration	441,164	-	-	-	(441,164)	(51)
School administration	2,299,464	-	-	-	(2,299,464)	(193,932)
Business	1,110,771	-	-	-	(1,110,771)	-
Operations and maintenance	5,140,965	6,812	252,440	2,886,262	(1,995,451)	(69,838)
Student transportation	1,949,606	32,808	357,694	-	(1,559,104)	-
Central	970,628	-	-	-	(970,628)	(8,943)
Nutritional	1,600,524	302,801	1,199,886	-	(97,837)	-
Other	401,440	5,173	-	-	(396,267)	-
Community services	110,432	14,584	4,253	-	(91,595)	-
Student activities	1,921,371	2,000,724	238,731	-	318,084	-
Interest on long-term debt	618,106	-	-	-	(618,106)	-
Total governmental activities	\$ 55,915,431	\$ 9,423,447	\$ 13,291,535	\$ 2,886,262	(30,314,187)	(1,828,188)
Total primary government	\$ 55,915,431	\$ 9,423,447	\$ 13,291,535	\$ 2,886,262	(30,314,187)	
Component units						
Vista Charter School	2,031,549	77,182	97,533	28,646		
Total component units	\$ 2,031,549	\$ 77,182	\$ 97,533	\$ 28,646		
General Revenue						
Property taxes					13,027,295	-
Specific ownership taxes					1,923,755	-
State equalization					33,613,006	1,545,278
Unrestricted investment earnings					429,601	45,783
Loss on disposal of capital assets					(266,449)	-
Miscellaneous					42,621	-
Total general revenues and allocations					48,769,829	1,591,061
Change in net position					18,455,642	(237,127)
Net position, beginning of year					(98,774,256)	3,408,616
Net position, end of year					\$ (80,318,614)	\$ 3,171,489

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

Montrose County School District No. RE - 1J

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2019

	General Fund	Designated Purpose Grants Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash	\$ 9,561,300	\$ 1,052,173	\$ 2,227,946	\$ 4,097,746	\$ 16,939,165
Investments	5,453,584	27,868	5,322,522	1,225,509	12,029,483
Receivables					
Taxes	670,972	-	-	-	670,972
Accounts	86,848	-	-	431,477	518,325
Intergovernmental	406,157	1,584,891	337,117	-	2,328,165
Due from other funds	2,885	16,589	106,917	-	126,391
Inventories	157,605	-	-	152,465	310,070
Total assets	<u>\$ 16,339,351</u>	<u>\$ 2,681,521</u>	<u>\$ 7,994,502</u>	<u>\$ 5,907,197</u>	<u>\$ 32,922,571</u>
Liabilities and fund balances					
Liabilities					
Accounts payable	\$ 290,232	\$ 255,509	\$ 820,126	\$ 6,430	\$ 1,372,297
Due to component units	3,275	4,513	-	-	7,788
Due to other funds	16,589	109,802	-	-	126,391
Accrued salaries and benefits	4,918,025	686,030	-	102,285	5,706,340
Unearned revenue	-	1,625,667	-	23,335	1,649,002
Total liabilities	<u>5,228,121</u>	<u>2,681,521</u>	<u>820,126</u>	<u>132,050</u>	<u>8,861,818</u>
Deferred inflows of resources					
Unavailable property tax revenues	47,035	-	-	7,990	55,025
Unavailable transportation revenues	<u>350,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>350,000</u>
Total deferred inflows of resources	<u>397,035</u>	<u>-</u>	<u>-</u>	<u>7,990</u>	<u>405,025</u>
Fund balances					
Non-spendable					
Inventories	157,605	-	-	152,465	310,070
Restricted					
Emergency reserve - TABOR	1,720,000	-	-	-	1,720,000
Debt service	-	-	-	1,596,314	1,596,314
Committed					
Debt service	-	-	-	124,427	124,427
Nutritional service	-	-	-	233,672	233,672
Student activities	-	-	-	1,341,764	1,341,764
Capital projects	-	-	7,174,376	2,318,515	9,492,891
Retirement	268,224	-	-	-	268,224
Assigned					
School based health centers	290,235	-	-	-	290,235
Insurance	918,554	-	-	-	918,554
Unassigned	<u>7,359,577</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,359,577</u>
Total fund balances	<u>10,714,195</u>	<u>-</u>	<u>7,174,376</u>	<u>5,767,157</u>	<u>23,655,728</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 16,339,351</u>	<u>\$ 2,681,521</u>	<u>\$ 7,994,502</u>	<u>\$ 5,907,197</u>	<u>\$ 32,922,571</u>

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

Montrose County School District No. RE - 1J

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

June 30, 2019

Total governmental funds balance		\$ 23,655,728
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Cost of capital assets	\$ 111,536,337	
Less accumulated depreciation	<u>(43,621,329)</u>	67,915,008
Receivables that are not available soon enough to pay for the current year's expenditures are deferred in the funds.		405,025
Internal service funds are used by the District to account for the costs of employee medical benefit activities. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.		2,692,186
Items related to pensions are considered to be long term items and are therefore not reported in the funds.		
Net pension liability	(96,470,112)	
Net OPEB liability	(4,818,052)	
Deferred outflows related to pension and OPEB	29,848,074	
Deferred inflows related to pension and OPEB	<u>(73,941,568)</u>	(145,381,658)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the fund.		
Long term liabilities at year-end consist of:		
General obligation bonds	(23,110,000)	
Premiums on general obligation bonds	(2,736,211)	
Capital lease agreements	(2,190,923)	
Compensated absences	(1,557,304)	
Retirement benefits payable	<u>(67,493)</u>	(29,661,931)
Losses on refunding are reported in the fund when first issued, but deferred and amortized in government-wide.		145,684
Accrued interest payable is recognized in the government-wide statements, but is not due and payable within the current period and therefore is not reported in the funds.		<u>(88,656)</u>
Net position of governmental activities		<u><u>\$ (80,318,614)</u></u>

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

Montrose County School District No. RE - 1J

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS

Year ended June 30, 2019					
	General Fund	Designated Purpose Grants Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Local sources	\$ 13,504,331	\$ 315,020	\$ 238,416	\$ 4,285,699	\$ 18,343,466
Intermediate sources	247,588	-	-	126,739	374,327
State sources	37,569,142	2,065,334	2,757,144	35,157	42,426,777
Federal sources	506,817	4,811,148	-	1,324,691	6,642,656
Total revenues	51,827,878	7,191,502	2,995,560	5,772,286	67,787,226
Expenditures					
Current:					
Instructional	29,044,362	3,616,884	-	-	32,661,246
Students	3,091,468	994,881	-	-	4,086,349
Instruction	2,123,823	1,367,203	-	-	3,491,026
General Administration	531,012	-	-	-	531,012
School administration	3,166,965	83,701	-	-	3,250,666
Community services	-	110,432	-	-	110,432
Student activities	-	-	-	1,921,371	1,921,371
Nutritional services	-	11,640	-	1,576,393	1,588,033
Business	1,205,046	17,179	-	78,396	1,300,621
Operations and maintenance	5,727,501	372,297	-	-	6,099,798
Transportation	1,867,081	-	-	103,174	1,970,255
Central services	1,142,759	37,467	-	-	1,180,226
Other	87,988	-	-	-	87,988
Capital outlay	665,922	579,818	7,591,996	864,312	9,702,048
Debt service					
Principal	-	-	-	1,794,259	1,794,259
Interest & Fees	-	-	-	1,393,948	1,393,948
Total expenditures	48,653,927	7,191,502	7,591,996	7,731,853	71,169,278
Excess (deficiency) of revenues over (under) expenditures	3,173,951	-	(4,596,436)	(1,959,567)	(3,382,052)
Other financing sources (uses)					
Insurance proceeds	58,348	-	-	-	58,348
Capital lease proceeds	650,500	-	-	-	650,500
Transfers from other funds	815,000	-	2,118,915	2,020,085	4,954,000
Transfers to other funds	(4,910,000)	-	-	(44,000)	(4,954,000)
Total other financing sources (uses)	(3,386,152)	-	2,118,915	1,976,085	708,848
Change in fund balance	(212,201)	-	(2,477,521)	16,518	(2,673,204)
Fund balance, beginning of year	10,926,396	-	9,651,897	5,750,639	26,328,932
Fund balance, end of year	\$ 10,714,195	\$ -	\$ 7,174,376	\$ 5,767,157	\$ 23,655,728

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

Montrose County School District No. RE - 1J

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

Year ended June 30, 2019

Amounts reported for governmental activities in the statement of activities		
are different because:		
Net change in fund balances - total governmental funds		\$ (2,673,204)
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 as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period:		
Capital outlay	\$ 9,388,596	
Depreciation expense	<u>(2,797,799)</u>	6,590,797
In the fund financial statements the loss on disposal of capital assets is not recognized but are recognized in the government wide statements.		(324,797)
Some receivables will not be collected for several months after the District's fiscal year ends and are therefore not considered available revenues and are shown as deferred in the governmental funds. This is the amount by which the related deferred inflows decreased.		(104,945)
Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore are not reported as expenditures in the governmental funds:		
Pension and OPEB expense	12,879,652	
Increase in compensated absences payable	(25,375)	
Decrease in retirement benefits payable	<u>39,550</u>	12,893,827
The on-behalf payment for PERA from the State of Colorado creates more benefit on the full accrual basis than on the modified accrual basis.		67,767
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		2,190,936
Accrued interest payable is recognized for governmental activities, but is not due and payable in the current period, and therefore is not reported as a liability in the governmental funds. This is the amount that accrued interest increased.		7,379
Proceeds from debt issuance are recognized as other sources but in the government wide statements are recognized as long-term debt		(650,503)
Premiums and debt issuance costs on previously-issued bonds are amortized in the statement of activities.		
Amortization of bond premium		436,535
Amortization of loss on refunding		(64,749)
The change in net position of the internal service fund is reported with governmental activities in the statement of activities.		<u>86,599</u>
Change in net position of governmental activities		<u>\$ 18,455,642</u>
The accompanying notes are an integral part of the financial statements.		

Montrose County School District No. RE - 1J

STATEMENT OF NET POSITION - PROPRIETARY FUND

June 30, 2019

		Governmental Activities - Internal Service Fund
		<u> </u>
ASSETS		
Current assets		
Cash and cash equivalents		\$ 1,077,328
Investments		2,876,922
Accounts receivable		384,623
	Total assets	<u>4,338,873</u>
 LIABILITIES		
Current liabilities		
Accounts payable		7,824
Claims payable		1,070,571
Unearned revenue		568,292
	Total liabilities	<u>1,646,687</u>
 NET POSITION		
Unrestricted		<u>2,692,186</u>
	Total net position	<u><u>\$ 2,692,186</u></u>

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

Montrose County School District No. RE - 1J

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND
NET POSITION - PROPRIETARY FUND

Year ended June 30, 2019

	Governmental Activities - Internal Service Fund
Operating revenues	
Premiums	\$ 6,816,826
	<hr/>
Total operating revenues	6,816,826
Operating expenses	
Purchased services	748,933
Claims	6,051,641
	<hr/>
Total operating expenses	6,800,574
	<hr/>
Operating income (loss)	16,252
Non-operating revenues	
Interest income	70,347
	<hr/>
Total non-operating revenue	70,347
	<hr/>
Change in net position	86,599
Net position, beginning of year	2,605,587
	<hr/>
Net position, end of year	\$ 2,692,186
	<hr/> <hr/>

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

Montrose County School District No. RE - 1J

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

Year ended June 30, 2019

	Governmental Activities - Internal Service Fund
Cash flows from operating activities	
Cash received from insurance premiums	\$ 6,558,568
Cash paid to suppliers	(748,729)
Cash paid for insurance claims	(5,814,777)
Net cash (used in) operating activities	<u>(4,938)</u>
Cash flows from investing activities	
Purchase of investments	(69,113)
Interest income	70,347
Net cash provided by investing activities	<u>1,234</u>
Net increase (decrease) in cash and cash equivalents	(3,704)
Cash and cash equivalents, beginning of year	<u>1,081,032</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,077,328</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 16,252
Adjustment to reconcile net operating income (loss) to net cash provided (used) by operating activities	
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(278,245)
Increase(decrease) in accounts payable	204
Increase (decrease) in claims payable	236,864
Increase (decrease) in unearned revenue	19,987
Total adjustments	<u>(21,190)</u>
Net cash used by operating activities	<u><u>\$ (4,938)</u></u>

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

Montrose County School District No. RE - 1J

STATEMENT OF FIDUCIARY NET POSITION
SCHOLARSHIP TRUST FUNDS

June 30, 2019

ASSETS	
Cash	\$ 53,489
Investments	1,289,074
Rental property	<u>10,000</u>
Total assets	1,352,563
LIABILITIES	
Scholarships payable	<u>183,743</u>
Total liabilities	183,743
NET POSITION	
Permanently restricted	885,400
Restricted for scholarships	<u>283,420</u>
Total net position	<u>\$ 1,168,820</u>

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

Montrose County School District No. RE - 1J

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
SCHOLARSHIP TRUST FUNDS

Year ended June 30, 2019

Additions	
Earnings on deposits and investments	\$ 30,076
Contributions	21,708
Rental income	<u>9,600</u>
Total additions	61,384
Deductions	
Scholarships awarded	67,919
General and administrative	<u>1,543</u>
Total deductions	<u>69,462</u>
Change in net position	(8,078)
Net position, beginning of year	<u>1,176,898</u>
Net position, end of year	<u><u>\$ 1,168,820</u></u>

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

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Montrose County School District No. RE-1J (District) have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) as applied to governmental units and the Financial Policies and Procedures Handbook as prescribed by Colorado State law. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In addition, the District conforms to the Colorado Department of Education (CDE) Financial Policies and Procedures Handbook in all material respects required by Colorado Statutes. The District's more significant accounting policies are described below.

1. Reporting Entity

The District is a public school district organized under the laws of the State of Colorado and includes portions of Montrose, Gunnison, and Ouray Counties. The District is governed by an elected seven-member Board of Education.

The Legislature of the State of Colorado enacted the "Charter School Act – Colorado Revised Statutes (CRS) Section 22-30.5-101" in 1993. This Act permits the District to contract with individuals and organization for the operation of schools within the District. The statutes define these contracted schools as "charter schools". Charter schools are financed from a portion of the District's School Finance Act revenues and from revenues generated by the charter schools, within the limits established by the Charter School Act. Charter schools have separate governing boards; however, the District's Board of Education must approve all charter school applications and budgets. Based on criteria set forth in GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, Vista Charter School has been included in the District's basic financial statements in a separate column, as a discretely presented component unit.

Vista Charter School consists of an alternative high school and expulsion/intervention/prevention program. The charter school contracts with the District for payment of salaries, payroll costs, and other accounting services.

Complete financial statements of Vista Charter School can be obtained from the administrative offices of the District or from Vista Charter School at 1810 St. Mary's Dr., Montrose, CO 81401 or by calling (970) 249-4470.

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2. Government-Wide and Fund Financial Statements

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

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

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

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

The District reports the following major governmental funds:

- The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.
- The *Designated Purpose Grants Fund* accounts for revenues and expenditures of local, state and federal grants.

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2. Government-Wide and Fund Financial Statements - Continued

- The *Building Fund* accumulates resources to be used for construction of large projects and large repairs to District facilities.

The remaining governmental funds are aggregated and presented as non-major funds. Those funds include the Nutritional Services Fund, the Student Activity Fund, the Fee-in-Lieu Fund, the Bond Fund, the Capital Lease Fund, and the Capital Projects Fund. The Nutritional Services Fund accounts for activities of the District's school breakfast and lunch programs. The Student Activity Fund accounts for resources restricted by Colorado Revised Statutes (CRS) for student activities, such as school and athletic fees. The Fee-in-Lieu Fund accounts for monies received from new developments and is used for future capital projects. The Capital Lease and Bond Funds account for the payment of principal and interest on long-term debt of the District. The Capital Projects Fund accumulates resources to be used for capital purchases and repairs.

Internal Service Funds account for operations undertaken by District Staff that primarily support the District and/or its employees. The District's only internal service fund is the Employee Medical Benefit Fund which services the District's self-funded medical insurance program.

Fiduciary funds are used to account for funds held by the District in a trustee capacity for others. The District's only fiduciary fund is the Scholarship Trust Fund, which accounts for scholarship funds held by the District in a trustee capacity.

3. Measurement Focus, Basis of Accounting, and Basis of Presentation

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

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3. Measurement Focus, Basis of Accounting, and Basis of Presentation - Continued

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities in the current period. Revenues are considered to be available if collected within 60 days after year-end. Expenditures are generally recorded when the related fund liability is incurred, as under accrual accounting. Exceptions to this general rule include principal and interest on general long-term debt, which is recognized when due, and compensated absences and retirement benefits, which are recognized when the obligations are expected to be liquidated with expendable available resources. Entitlement revenues are not susceptible to accrual because generally they are not measurable until received. Grant revenues are recognized as they are earned.

Property taxes and interest 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. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

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

4. Assets, Liabilities, Deferred Outflows, Deferred Inflows, and Equity

a. Deposits and Investments

For the purpose of the statement of cash flows, the District considers all highly liquid investment purchases with an original maturity of three months or less to be cash equivalents.

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

4. Assets, Liabilities, Deferred Outflows, Deferred Inflows, and Equity - Continued

Investments in external investment pools are stated at cost, which is equal to fair value. All other investments are stated at fair value based on quoted market prices.

b. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “interfund receivables/payables” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Interfund receivables/payables within governmental activities are eliminated in the statement of net position.

Property taxes are levied in December and attach as a lien on property the following January 1. They are payable in full by April 30, or in two equal installments due February 28 and June 15. Property taxes previously levied and collected in the following year are reported as a receivable at June 30, net of an estimated uncollectible portion. The portion of the property taxes receivable and transportation revenues receivable not collected within 60 days after June 30 is recorded as deferred inflow of resources, since such tax collections are not available to pay liabilities of the fiscal year ended June 30.

c. Inventories

Inventories are considered expenditures when used and are stated at cost, on a first-in/first-out (FIFO) method. USDA commodities are valued at the purchase price of like items.

d. Prepayments and Deposits

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

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

4. Assets, Liabilities, Deferred Outflows, Deferred Inflows, and Equity - Continued

e. Capital Assets

Capital assets, which include land, buildings and improvements, vehicles, and equipment, are used for general District operations and are capitalized at actual cost or estimated cost. Donations of such assets are recorded at their estimated fair value at the date of donation. Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Maintenance, repairs and minor renovations are recorded as expenditures when incurred. Major additions and improvements are capitalized. When assets used in the operation of the governmental fund types are sold, the proceeds of the sale are recorded as revenues in the appropriate fund. The District does not capitalize interest on the construction of capital assets. The capitalization threshold of assets is \$5,000. The District's capital assets are depreciated using the straight-line method over the estimated useful lives of the capital assets.

Depreciation of all capital assets used in governmental activities and by proprietary funds is charged as an expense against their operations. Estimated useful lives are as follows:

<u>Assets</u>	<u>Years</u>
Buildings	40
Improvements	20
Vehicle and Equipment	5 – 15

f. Deferred Outflows

Deferred outflows consist of (1) loss-on-refunding costs that are amortized on the straight-line method over the term of the related debt and (2) pension and OPEB amounts paid to PERA in the current calendar year that were made subsequent to PERA's measurement date and other collective pension and OPEB amounts attributable to the District.

g. Compensated Absences

It is the District's policy to permit employees to accumulate earned, but unused, vacation and sick pay benefits. In the government-wide financial statements, vacation and sick pay are accrued when incurred and reported as a liability and an expense. A liability for these amounts is reported in the governmental funds only if they have matured, such as that resulting from employee resignations or retirements.

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

4. Assets, Liabilities, Deferred Outflows, Deferred Inflows, and Equity - Continued

h. Accrued Salaries

Salaries and benefits to teachers and certain other employees are paid over a 12-month period but are earned over a school year of approximately nine months. The salaries earned but unpaid at June 30 are reflected in the financial statements as an accrued liability.

i. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method of amortization.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance cost, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts 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. The District's general obligation bonds are serviced from property taxes and other revenues of the Debt Service Fund. The District entered into a custody agreement with American National Bank to administer its Debt Service Fund. The long-term compensated absences and retirement benefit liabilities are serviced from revenues of the General Fund from future appropriations.

j. Deferred Inflows

Deferred inflows consist of the District's proportionate share of PERA's collective deferred pension inflows and other collective pension and OPEB amounts attributable to the District.

k. Fund Balance/Net Position

Under GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in the fund financial statements, governmental funds report the following classifications of fund balance:

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

4. Assets, Liabilities, Deferred Outflows, Deferred Inflows and Equity - Continued

Non-spendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the Board of Education, the District's highest level of decision-making authority. Commitments may be modified or rescinded only through resolutions approved by the Board of Education.

Assigned – includes amounts the District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the District's adopted policy, amounts may be assigned by the Superintendent or designee.

Unassigned – includes amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition or construction of improvements on those assets, excluding unspent bond proceeds. Net position are reported as restricted when there are limitations imposed on their use, either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

The permanently restricted net position of the Scholarship Trust Funds represents assets subject to donor-imposed stipulations that they be maintained permanently by the District. Generally the donors of such assets permit the District to use the income earned on the assets for the District's scholarship awards.

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

4. Assets, Liabilities, Deferred Outflows, Deferred Inflows and Equity - Continued

In March 2012 the District's Board of Education passed a resolution to maintain a fiscal year-end fund balance as an operating reserve in the General Fund of \$3,000,000. The Board resolved that the funds will be used only for an unexpected loss of revenue or an extraordinary expenditure. Expenditure of any of these funds requires prior Board approval. This amount is part of the General Fund's unassigned fund balance.

5. State Equalization Aid

State equalization aid is revenue received from the State of Colorado computed in accordance with a funding formula as defined by State statute. The funding formula considers such factors as pupil enrollment and other revenue sources.

6. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement Association (PERA) Pension Plan and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

7. Other Post Employment Benefits (OPEB)

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

8. Estimates

The preparation of financial statements, in accordance with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, deferred inflows, revenues, and expenses. Actual results could differ from these estimates. The District believes the techniques and assumptions used in establishing these estimates are appropriate.

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE B – BUDGETARY INFORMATION

The District follows these procedures in establishing the budgetary data reflected in the financial statements for its fiscal year ending June 30:

- The District adopts budgets for all funds.
- The proposed budget for the following fiscal year is submitted to the Board of Education on or before June 1 for its consideration.
- By June 30, the budget is adopted and appropriations are made by formal resolution.
- Budgets for governmental funds are adopted on a basis consistent with GAAP. Budgets for proprietary and trust funds are adopted on a basis consistent with the spending measurement focus of the governmental funds.
- Appropriations lapse at the end of each fiscal year.
- Expenditures may not legally exceed appropriations at the fund level. Board approval is required for changes in the total budget of any fund. The Board of Education may adopt supplemental appropriations during the year. Budget amounts included in the financial statements are based on the final, legally amended budget.

Originally adopted budgets, amendments and final amended budgeted expenditures for the year ended June 30, 2019 are as follows:

	Original <u>Budget</u>	<u>Supplemental</u>	Final <u>Budget</u>
General Fund	\$ 51,441,500	\$ 2,567,000	\$ 54,008,500
Insurance Reserve Fund	841,955	–	841,955
Special Revenue Funds:			
Nutritional Service Fund	1,777,480	–	1,777,480
Designated Grants Fund	5,484,123	90,108	5,574,231
Student Activity Fund	1,825,000	–	1,825,000
Fee-In-Lieu Fund	–	44,000	44,000
Bond Redemption Fund	1,941,938	–	1,941,938
Capital Lease	578,799	648,085	1,226,884
Building Fund	15,388,112	1,918,915	17,307,027
Capital Projects Fund	810,000	44,000	854,000
Employee Medical Benefit			
Internal Service Fund	6,819,910	–	6,819,910
Scholarship Trust Fund	41,000	–	41,000
Total	<u>\$ 86,949,817</u>	<u>\$ 5,312,108</u>	<u>\$ 92,261,925</u>

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE B – BUDGETARY INFORMATION – CONTINUED

The following fund’s expenditures exceeded budgeted appropriations which may be a violation of Colorado State Statute:

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Designated Purpose Grants Fund	\$ 5,484,123	\$ 5,574,231	\$ 7,191,502	\$ (1,617,271)
Student Activity Fund	1,825,000	1,825,000	1,920,491	(95,491)
Bond Redemption Fund	1,941,938	1,941,938	1,944,236	(2,298)
Capital Lease Fund	578,799	1,226,884	1,243,971	(17,087)
Capital Projects Fund	810,000	854,000	1,045,882	(191,882)
Scholarship Trust Funds	41,000	41,000	79,180	(38,180)

On December 2, 2019 School Board approved the expenditures that were over-budget at June 30, 2019.

Following is a summary of the Charter School’s budget and actual expenditures for the year ended June 30, 2019:

	<u>Vista</u>
Actual Expenditures (Budgetary Basis)	\$ 1,379,219
Budgeted Expenditures	<u>1,222,015</u>
Variance – Favorable (Unfavorable)	<u>\$ (157,204)</u>

Actual Vista Charter School general fund expenditures of \$1,379,219 exceeded final appropriated funds of \$1,222,015 by \$157,204 which may be a violation of Colorado State Statute.

NOTE C – TAX, SPENDING AND DEBT LIMITATIONS

In November 1992, Colorado voters passed an amendment to Article X, Section 20 (TABOR), of the State Constitution, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments, including an emergency reserve to be maintained at 3% of fiscal year spending (excluding bonded debt service). On November 5, 1996, the District electors approved the retention and spending of the District’s non-tax revenues for the year ended June 30, 1996, and subsequent years, without regard to the limitations imposed by the Amendment. The District believes it is in compliance with the requirements of the Amendment. The amount restricted in the General Fund at June 30, 2019 for TABOR is \$1,693,827. Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE D – DEPOSITS AND INVESTMENTS

1. Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all units of local government to deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by 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 State Regulatory Commissions for banks and savings and loan associations are required by statute to monitor the naming of eligible depositories and the reporting of uninsured deposits and assets maintained in the collateral pools. The District does not have a formal deposit policy.

At June 30, 2019, the carrying amount of the District's deposits was \$17,651,894 and the bank balance was \$18,493,968. Of that balance \$1,004,254 was covered by FDIC insurance and \$17,489,714 was collateralized.

2. Investments

Colorado statutes define eligible investments for local governments. These include bonds and other interest-bearing obligations of the State of Colorado or any of its political subdivisions, repurchase agreements, commercial paper, guaranteed investment contracts and local government investment pools.

Interest rate risk: The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Colorado statutes do not allow investment maturities to exceed five years.

Credit risk: Colorado statutes specify investment instruments meeting defined rating and risk criteria in which Colorado school districts may invest, which include:

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

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE D – DEPOSITS AND INVESTMENTS – CONTINUED

2. Investments – Continued

- Local government investment pools

The District’s investment policy is to apply the “prudent investor” rule, which states “investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculations, but for investment, considering the probable safety of their capital as well as the probable income to be derived.”

Concentration of Credit Risk: The District places no limit on the amount the District may invest in any one issuer. More than five percent of the District’s investments are in investments guaranteed by the United States government.

The District has investments in a local government investment pool: the Colorado Government Liquid Asset Trust (COLOTRUST). COLOTRUST is an investment vehicle established for local government entities in Colorado to pool surplus funds for investment purposes. COLOTRUST is routinely monitored by the Colorado Division of Securities with regard to its operations and investments, which are also subject to provisions of C.R.S. Title 24, Article 75, Section 6. COLOTRUST is rated AAAM from Standard and Poor’s. Financial statements for COLOTRUST may be obtained at www.colotrust.com. Investments held in money market funds are not rated.

The District categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. COLOTRUST operates like a 2a-7 external investment pool and investments in the pool are valued at \$1 net asset value (NAV) per share. The underlying investments held by COLOTRUST are valued at fair market value.

The composition, including level under the GASB 72 fair value hierarchy, where applicable, of all cash and investments held by the District as of June 30, 2019 is as follows:

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE D – DEPOSITS AND INVESTMENTS – CONTINUED

2. Investments – Continued

	<u>Investment Maturities (in Years)</u>		
	<u>Fair Value</u>	<u>Less Than One</u>	<u>One to Five</u>
Money Market Funds with Brokers \$	1,072,338	\$ 1,072,338	\$ –
COLOTRUST, AA+ Rated	12,111,647	12,111,647	–
Negotiable Certificate of Deposit	2,111,195	449,519	1,661,676
US Treasury Notes, AA+ Rated (Level 2)	793,859	303,384	490,475
Government Bonds, AA+ Rated (Level 2)	<u>106,440</u>	<u>106,440</u>	<u>–</u>
Total Investments	<u>\$ 16,195,479</u>	<u>\$ 14,043,328</u>	<u>\$ 2,152,151</u>

Cash and investments on June 30, 2019, are as follows:

Cash on Hand	\$ 1,179
Deposits	18,068,803
Investments	<u>16,195,479</u>
Total Cash and Investments	<u>\$ 34,265,461</u>

Statement of Net Position:

Cash	\$ 18,016,493
Investments	<u>14,906,405</u>
Total	<u>32,922,898</u>

Statement of Fiduciary Net Position:

Cash	53,489
Investments	<u>1,289,074</u>
Total	<u>1,342,563</u>
Total Cash and Investments	<u>\$ 34,265,461</u>

Cash and investments of the charter schools consist of the following as of June 30, 2019:

	<u>Vista</u>
Deposits:	
Carrying Amount	<u>\$ 2,085,369</u>

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE D – DEPOSITS AND INVESTMENTS – CONTINUED

2. Investments – Continued

Bank Balances	2,097,556
Insured	<u>(1,195,805)</u>
Collateralized	<u>\$ 901,751</u>

The bank balances include 947,465 in certificates of deposit that are presented as investments in the financial statements.

Investments:	
Certificates of Deposit	\$ 947,465
COLOTRUST	<u>781,369</u>
Total Investments	<u>\$ 1,728,834</u>

NOTE E – INTERFUND BALANCES AND TRANSFERS

Outstanding interfund receivables and payables result mainly from the lag time between the dates payments between funds are made and borrowings from the pooled cash account. Therefore, all amounts are expected to be repaid within one year. Interfund receivables and payables consist of the following:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 2,885	\$ 16,589
Special Grants Fund	16,589	109,802
Building Fund	<u>106,917</u>	<u>–</u>
Total	<u>\$ 126,391</u>	<u>\$ 126,391</u>

Amounts due from component units to the District are as follows:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 37	\$ 3,274
Special Grants Fund	–	4,513
Vista Charter School	<u>7,787</u>	<u>37</u>
Total	<u>\$ 7,824</u>	<u>\$ 7,824</u>

Inter-fund transfers are used to move unrestricted revenues of various funds to other funds to provide subsidies, funds for various projects, and to meet legal obligations. Interfund transfers consist of the following:

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE E – INTERFUND BALANCES AND TRANSFERS – CONTINUED

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ –	\$ 4,910,000
Fee in Lieu Fund	–	44,000
Insurance Reserve Fund	815,000	–
Building Fund	2,118,915	–
Capital Projects Fund	794,000	–
Capital Lease Fund	1,226,085	–
Total	<u>\$ 4,954,000</u>	<u>\$ 4,954,000</u>

NOTE F – CAPITAL ASSETS

The following is a summary of changes in the governmental and business-type capital assets for the year ended June 30, 2019:

Governmental Activities:	<u>Balance</u>			<u>Balance</u>
	<u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2019</u>
Non-depreciable:				
Land	\$ 1,538,075	\$ –	\$ –	\$ 1,538,075
Construction in Progress	<u>24,981,048</u>	<u>5,576,098</u>	<u>(30,289,183)</u>	<u>267,963</u>
Total non-depreciable capital assets	26,519,123	5,576,098	(30,289,183)	1,806,038
Depreciable capital assets:				
Improvements	8,298,926	1,491,307	(413,650)	9,376,583
Buildings	64,421,164	30,300,226	(2,469,179)	92,252,211
Equipment	<u>7,215,911</u>	<u>1,206,098</u>	<u>(320,054)</u>	<u>8,101,505</u>
Total depreciable capital assets	<u>79,936,001</u>	<u>32,997,631</u>	<u>(3,203,333)</u>	<u>109,730,299</u>
Accumulated depreciation:				
Improvements	(3,906,148)	(420,024)	264,398	(4,061,774)
Buildings	(34,501,299)	(1,669,013)	2,389,485	(33,780,827)
Equipment	<u>(5,294,620)</u>	<u>(708,762)</u>	<u>224,654</u>	<u>(5,778,728)</u>
Total accumulated depreciation	<u>(43,702,067)</u>	<u>(2,797,799)</u>	<u>2,878,537</u>	<u>(43,621,329)</u>
Net depreciable capital assets	<u>36,233,934</u>	<u>30,199,832</u>	<u>(324,796)</u>	<u>66,108,970</u>
Total net capital assets	<u>\$ 62,753,057</u>	<u>\$ 35,775,930</u>	<u>\$ (30,613,979)</u>	<u>\$ 67,915,008</u>

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE F – CAPITAL ASSETS – CONTINUED

Vista:

Land	\$ 595,320	\$ —	\$ —	\$ 595,320
Total non-depreciable capital assets	595,320	—	—	595,320
Building	5,208,038	—	—	5,208,038
Equipment and vehicles	131,771	—	—	131,771
Accumulated depreciation	(810,623)	(141,419)	—	(952,042)
Net depreciable capital assets	4,529,186	(141,419)	—	4,387,767
Net non-depreciable and depreciable capital assets	\$ 5,124,506	\$ (141,419)	\$ —	\$ 4,983,087

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

Depreciation charges to programs

Governmental Activities:

Instruction	\$ 2,524,316
Supporting Services:	
Students	129,088
General Administration	41,302
School Administration	12,573
Business	22,906
Plant Operations and Maintenance	55,123
Nutritional Services	12,491
Total	<u>\$ 2,797,799</u>

Charter Schools:

Vista Charter School	<u>\$ 141,419</u>
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NOTE G – LONG-TERM OBLIGATIONS

1. General Obligation Bonds

The District issued general obligation bonds, Series 2002, in the amount of \$9,500,000, and a supplemental interest stripped “B” coupon, in the amount of \$230,610, dated December 1, 2002, and general obligation bonds, Series 2003, in the amount of \$1,500,000, and a supplemental interest stripped “B” coupon, in the amount of \$58,984, dated January 15, 2003. The indebtedness was approved by the electorate on November 5, 2002 to fund capital improvements. This indebtedness was refunded in fiscal year 2012.

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE G – LONG-TERM OBLIGATIONS – CONTINUED

The District issued general obligation refunding bonds, Series 2011, with a par balance of \$6,545,000 and a premium of \$707,876. These bonds are dated September 29, 2011 and were issued to refund the callable portions of the general obligation bonds Series 2002 and Series 2003. The bonds carry a variable interest rate ranging from 2.00% to 4.00% and mature on December 1, 2022. Principal and interest payments are made semiannually in June and December. The district received an upgrade from “no underlying rating” for the 2002 and 2003 bonds, to an underlying rating of “Aa3” for the Series 2011 bonds by Moody’s.

The refunding reduced total debt service payments over the next 10 years by \$730,329. This resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$657,751 for the year ended June 30, 2012.

On January 24, 2017 the District issued general obligation bonds, Series 2017, with a par value of \$20,775,000 and a premium of \$3,397,906. These bonds were issued to construct, repair, and improve District capital assets. The bonds carry a variable interest rate ranging from 2.00% to 5.00% and mature on December 1, 2036. Principal and interest payments are made semiannually in June and December. The District has an underlying rating by Moody’s of “Aa3” for the 2017 bonds.

Debt service requirements to maturity on general obligation bonds are as follows:

Year Ending	Principal	Interest	Total
June 30, 2019			
2020	\$ 875,000	\$ 1,065,538	\$ 1,940,538
2021	910,000	1,031,863	1,941,863
2022	945,000	996,863	1,941,863
2023	980,000	960,563	1,940,563
2024	1,015,000	930,668	1,945,668
2025-2029	5,735,000	3,906,875	9,641,875
2030-2034	7,320,000	2,283,250	9,603,250
2035-2037	<u>5,330,000</u>	<u>408,500</u>	<u>5,738,500</u>
Total	<u>\$ 23,110,000</u>	<u>\$ 11,584,120</u>	<u>\$ 34,694,120</u>

2. Lease Purchase Agreements

On December 11, 2012 the District entered into a lease-purchase agreement with All American Investment Group, LLC, with the purpose of performing energy-efficiency upgrades to electrical, mechanical, plumbing, and other selected systems in certain buildings and properties throughout the District. The lease agreement has been designated as a “Qualified Tax-Exempt Obligation” for the purpose and within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE G – LONG-TERM OBLIGATIONS – CONTINUED

amended. The total original principal amount of the contract was \$3,375,505, with a contract interest rate of 2.40% per annum. Payments, which include both principal and interest, occur at six-month intervals. Payments during fiscal year 2019 totaled \$259,761. Of that total, \$203,488 was principal, and \$56,273 was interest.

On July 15, 2018 the District commenced a lease-purchase agreement with Apple Inc. The lease agreement has been designated for personal computers, electronics, servers, and networking equipment with a value not to exceed \$673,355, which is also the total original principal amount of the contract. This is an interest free lease that has been assigned a present value of \$633,815 in the lease agreement with a yield rate of 4.19% per annum. Payments, which include principal and zero interest, occur per annum on the 15th day of July through year 2021. Payments during fiscal year 2019 totaled \$168,338.

On December 29, 2015, the District entered into a lease-purchase agreement with Apple Financial Services to lease tablets. The total original principal amount of the contract was \$1,074,813, with a contract interest rate of 1.88% per annum. On December 13, 2016, the District purchased more equipment and added an additional principal amount of \$480,164, with an effective interest rate of 2.69%, to the existing master lease. This lease was paid in full during the fiscal year 2019.

Payments, which include both principal and interest, occur at annual intervals. Amortization expense on the leased assets is included in depreciation expense.

Principal and interest payments on the District’s leases to maturity are as follows:

Year Ending	Principal	Interest	Total
June 30, 2019			
2020	\$ 211,509	\$ 51,318	\$ 262,827
2021	219,760	46,217	265,977
2022	232,424	40,868	273,292
2023	245,595	35,211	280,806
2024	259,293	29,236	288,529
2025-2028	<u>1,022,342</u>	<u>50,351</u>	<u>1,072,693</u>
Total	<u>\$ 2,190,923</u>	<u>\$ 253,201</u>	<u>\$ 2,444,124</u>

3. Accrued Liabilities for Compensated Absences

a. Vacation

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE G – LONG-TERM OBLIGATIONS – CONTINUED

Accrued vacation benefits represent accumulated vacation benefits of support and administrative employees. Employees may accumulate a maximum of two years vacation days with payment for unused days payable on termination, death or retirement.

b. General Leave/Sick Leave

General leave begins accruing on the first day of employment and accrues at the rate of 10 days per year. Employees with greater than 9 month contracts will accrue 1 additional day for each additional month contracted. Unused general leave in a given contract year accumulates as sick leave in subsequent years – up to 90 days. Employees may accumulate up to 90 days sick leave/general leave. At the end of each fiscal year, the unused leave in excess of 90 days is paid at the following rates: teachers at the rate of 75% of the cost of a substitute teacher; classified staff at the rate of 50% of their daily rates; and administrators at the rate of 40% of their daily rate, not to exceed \$100 per day.

At the time of resignation, or other termination of employment, teachers and administrators shall be paid for accrued general leave at the rates stated above. Only classified staff eligible for the District’s retirement bonus program will be paid for accrued general leave and will be paid at the rate stated above. At the time of retirement, unsaved leave for teachers will be paid at a rate of 100% of the cost of a substitute and for administrators at 40% of the daily rate, not to exceed

\$100 per day. Accrued general leave days shall be considered sick leave days.

Liabilities for compensated absences are liquidated by the General Fund or applicable special revenue funds.

4. Retirement Benefits

The retirement benefits payable represents the unpaid portion of the District’s retirement bonus program for certified personnel hired prior to May 1, 1986 and classified personnel hired prior to May 1, 1987 with a minimum of thirteen years of continuous employment. Payment is based on age and length of service. Annual payment requirements of those employees who have retired are as follows:

Retirement Benefits	
<u>Year ending June 30,</u>	
2021	\$ 30,516
2022	23,999
2023	6,489
2024	<u>6,489</u>
Total	<u>\$ 67,493</u>

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE G – LONG-TERM OBLIGATIONS – CONTINUED

5. Changes in Long-Term Debt

During the period ended June 30, 2019, the following changes occurred in the District’s long-term obligations:

Governmental Activities:

	Balance <u>July, 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2019</u>	<u>Current</u>
General Obligation					
Bonds, Series 2011	\$ 3,510,000	\$ –	\$ (645,000)	\$ 2,865,000	\$ 675,000
Premium on Series 2011	309,694	–	(58,990)	250,706	58,990
Bond, Series 2017	20,445,000	–	(200,000)	20,245,000	200,000
Premium on Series 2017	<u>2,863,052</u>	<u>–</u>	<u>(377,545)</u>	<u>2,485,505</u>	<u>377,545</u>
Total GO Bonds	<u>27,127,746</u>	<u>–</u>	<u>(1,281,535)</u>	<u>25,846,211</u>	<u>1,311,535</u>
2012 Capital Lease	2,394,411	–	(203,488)	2,190,923	211,509
Apple Lease 2018	–	650,503	(650,503)	–	–
Apple Lease 2017	<u>491,945</u>	<u>–</u>	<u>(491,945)</u>	<u>–</u>	<u>–</u>
Total Capital Leases	<u>2,886,356</u>	<u>650,503</u>	<u>(1,345,936)</u>	<u>2,190,923</u>	<u>211,509</u>
Retirement Bonuses	107,043	–	(39,550)	67,493	30,516
Compensated Absences	<u>1,531,929</u>	<u>25,375</u>	<u>–</u>	<u>1,557,304</u>	<u>286,271</u>
Totals	<u>\$ 31,653,074</u>	<u>\$ 675,878</u>	<u>\$ (2,667,021)</u>	<u>\$ 29,661,931</u>	<u>\$ 1,839,831</u>

NOTE H – DEFINED BENEFIT PENSION PLAN

1. Summary of Significant Accounting Policies

Pensions. The District participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees’ Retirement Association of Colorado (“PERA”). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position 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.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE H – DEFINED BENEFIT PENSION PLAN – CONTINUED

The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications to the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. A brief description of some of the major changes to plan provision required by SB 18-200 for the SCHDTF are listed below. A full copy of the bill can be found online at www.leg.colorado.gov.

- Increases employer contribution rates for the SCHDTF by 0.25 percent on July 1, 2019
- Increases employee contribution rates for the SCHDTF by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).
- As specified in C.R.S § 24-51-413, the State is required to contribute \$225 million 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. A portion of the direct distribution allocated to the SCHDTF is considered a non-employer contribution for financial reporting purposes.
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, increases the highest average salary for employees with less than five year of service credit on December 31, 2019 and raises the retirement age for new employees.
- Member contributions, employer contributions, the direct distribution from the State, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.

2. General Information about the Pension Plan

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

Benefits Provided as of December 31, 2018. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased,

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE H – DEFINED BENEFIT PENSION PLAN – CONTINUED

highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

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

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

In all cases the service retirement benefit is limited to 100 percent of highest average salary and 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 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

As of December 31, 2018, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to as annual increases in the C.R.S. Pursuant to SB 18-200, there are no annual increases (AI) for 2018 and 2019 for all benefit recipients. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure will receive an annual increase, unless PERA has a negative investment year, in which case the annual increase for the next three years is the less of 1.5 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Works (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of 1.5 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve for the SCHDTF. The automatic adjustment provision may raise or lower the aforementioned AI for a given year by up to one quarter of 1 percent based on the parameters specified 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

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE H – DEFINED BENEFIT PENSION PLAN – CONTINUED

on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

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

Contributions provisions as of June 30, 2019. Eligible employees and the District are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401 et seq. and § 24-51-413. Eligible employees are required to contribute 8 percent of their PERA-includable salary during the period of July 1, 2018 through June 30, 2019. Employer contribution requirements are summarized in the table below:

	Year Ended December 31, 2018	Year Ended December 31, 2019
Employer Contribution Rate ¹	10.15%	10.15%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) ¹	(1.02)%	(1.02)%
Amount Apportioned to the SCHDTF ¹	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	5.50%	5.50%
Total Employer Contribution Rate to the SCHDTF ¹	19.13%	19.13%

¹Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

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NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE H – DEFINED BENEFIT PENSION PLAN – CONTINUED

As specified in C.R.S. § 24-51-413, the State is required to contribute \$225 million each year to PERA starting 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. A portion of the direct distribution allocated to the SCHDTF is considered a non-employer contribution for financial reporting purposes.

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District and component units for the year ended June 30, 2019 were as follows:

Vista	\$	172,827
MCS D		5,729,688
District Total	\$	<u>5,902,515</u>

3. 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, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll-forward the total pension liability to December 31, 2018. The District's proportion of the net pension liability was based on the District's contributions to the SCHDTF for the calendar year 2017 relative to the total contributions of participating employers and the State as a non-employer contributing entity.

At June 30, 2019, the District reported a liability of \$96,470,418 for its proportionate share of the net pension liability that reflected a reduction for support from the State as a non-employer contributing entity. The amount recognized by the District as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the District were as follows:

The District's proportionate share of the net pension liability	\$	96,470,418
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the District		<u>108,074,685</u>
Total	\$	<u>204,545,103</u>

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE H – DEFINED BENEFIT PENSION PLAN – CONTINUED

At December 31, 2018, the District-wide proportion was .5612 percent, which was a decrease of .07159 percent from its proportion measured as of December 31, 2017.

The District allocated 2.93 percent of that total to Vista Charter School, based on their share of PERA employer contributions paid through the District.

Allocation of Net Pension Liability (NPL)

<u>Entity</u>	<u>NPL</u>	<u>% of District Total</u>
District Only	\$ 96,470,418	97.17%
Vista Charter	<u>2,909,876</u>	<u>2.93%</u>
District-Wide Total	<u>\$ 99,380,294</u>	<u>100.00%</u>

For the year ended June 30, 2019, the recognized pension expense for the District and the component unit were as follows:

<u>Entity</u>	<u>Expense Amount</u>
School District Only	\$ (5,917,955)
Vista Charter School	<u>345,981</u>
District-Wide Total	<u>\$ (5,571,974)</u>

The District recognized revenue of \$851,206 for support from the State as a nonemployer contributing entity. Vista Charter School recognized \$25,692 for support from the State.

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 3,272,384	\$ –
Changes of assumptions or other inputs	18,006,625	59,994,223
Net difference between projected and actual earnings on pension plan investments	5,258,240	–
Changes in proportion and differences between contributions recognized and proportionate share of contributions	–	13,840,055
Contributions subsequent to the measurement date	<u>3,068,241</u>	<u>–</u>
Total	<u>\$ 29,605,490</u>	<u>\$ 73,834,278</u>

The \$3,068,241 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

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE H – DEFINED BENEFIT PENSION PLAN – CONTINUED

pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	<u>Amortization</u>
2020	\$ (9,768,196)
2021	(24,363,414)
2022	(16,041,778)
2023	<u>2,876,359</u>
	<u>\$ 47,297,029</u>

Actuarial assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50-9.70 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	4.78 percent
Post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

The revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2017 to December 31, 2018:

Discount rate	7.25 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic)	0% through 2019 and 1.5% Compounded annually, thereafter
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

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NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE H – DEFINED BENEFIT PENSION PLAN – CONTINUED

Healthy mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Healthy, post-retirement mortality assumptions reflect the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The actuarial assumptions used in the December 31, 2016, valuations were based on the results of the 2016 experience analysis for the period January 1, 2012, through December 31, 2015, as well as the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting.

The long-term expected rate of return on pension plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

Several factors were considered in evaluating the long-term rate of return assumption for the SCHDTF, 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 by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the most recent adoption of the current long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE H – DEFINED BENEFIT PENSION PLAN – CONTINUED

<u>Asset Class</u>	<u>Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42%	4.80%
Non U.S. Equity – Developed	18.55%	5.20%
Non U.S. Equity – Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income – Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	<u>100.00%</u>	

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

Discount rate. The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial 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 3.5 percent.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB18-200. 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 fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200. Employer contributions also include the current and estimated future AED and SAED, until the actuarial

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE H – DEFINED BENEFIT PENSION PLAN – CONTINUED

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 included 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 will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the projection test indicates the SCHDTF's fiduciary net position 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 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount determination does not use the municipal bond rate, and therefore, the discount rate is 7.25 percent.

As of the prior measurement date, the long-term expected rate of return on plan investments of 7.25 percent and the municipal bond index rate of 3.43 percent were used in the discount rate determination resulting in a discount rate of 4.78 percent, 2.47 percent higher compared to the current measurement date.

Sensitivity of the District 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 4.78 percent, 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 (3.78 percent) or 1-percentage point higher (5.78 percent) than the current rate:

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE H – DEFINED BENEFIT PENSION PLAN – CONTINUED

Sensitivity of the NPL

Discount rate:	6.25%	7.25%	8.25%
District Only	\$ 122,645,633	\$ 96,470,418	\$ 74,504,998
Vista Charter	3,699,409	2,909,876	2,247,324
District-Wide Total	<u>\$ 126,345,042</u>	<u>\$ 99,380,294</u>	<u>\$ 76,752,322</u>

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

NOTE I – DEFINED CONTRIBUTION PENSION PLAN

Voluntary Investment Program

Plan Description – Employees of the school that are also members of the SCHDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report which includes additional information on the Voluntary Investment Program. The report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy – The Voluntary Investment Program is funded by voluntary member contribution up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions, and investment earnings. For the year ended June 30, 2019, program members contributed \$456,456.

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

1. Summary of Significant Accounting Policies

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

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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

2. General Information about the OPEB Plan

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

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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

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 basis for 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 percent reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

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

DPS Benefit Structure

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

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

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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

contributions recognized by the HCTF from the school were \$318,772 for the year ended June 30, 2019.

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

At June 30, 2019, the District reported a liability of \$4,818,052 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2018. The District proportion of the net OPEB liability was based on District contributions to the HCTF for the calendar year 2018 relative to the total contributions of participating employers to the HCTF.

At December 31, 2018, the District proportion was .36482 percent, which was an increase of .005 percent from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the District recognized OPEB expense of \$362,876. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	\$ 17,487	\$ 7,334
Changes of Assumptions or other Inputs	33,798	-
Net Difference between Projected and Actual		
Earnings on OPEB Plan Investments	27,707	-
Changes in Proportion and Differences between		
Contributions Recognized and Proportionate Share		
Share of Contributions	-	99,955
Contributions Subsequent to the Measurement Date	163,593	-
Total	<u>\$ 242,585</u>	<u>\$ 107,289</u>

\$163,593 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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

Year Ended June 30,	Amount
2020	\$ (10,371)
2021	(10,371)
2022	(10,365)
2023	8,872
2024	(6,710)
Thereafter	649
	<u>\$ (28,296)</u>

Actuarial assumptions. The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 percent in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	5.00 percent
Medicare Part A premiums	3.25 percent for 2018, gradually rising to 5.00 percent in 2025
DPS benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

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

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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

The actuarial assumption used in the December 31, 2017, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA’s actuary, as discussed below.

In determining the additional liability for PERACare enrollees who are age sixty-five or older and who are not eligible for premium-free Medicare Part A, the following monthly costs/premiums are assumed for 2018 for the PERA Benefit Structure:

Medicare Plan	Costs for Members Without Medicare Part A	Premiums for Members Without Medicare Part A
Self-Funded Medicare Supplement Plans	\$ 736	\$ 367
Kaiser Permanente Medicare Advantage HMO	602	236
Rocky Mountain Health Plans Medicare HMO	611	251
UnitedHealthcare Medicare HMO	686	213

The 2018 Medicare Part A premium is \$422 per month.

In determining the additional liability for PERACare enrollees in the PERA Benefit Structure who are age sixty-five or older and who are not eligible for premium-free Medicare Part A, the following chart details the initial expected value of Medicare Part A benefits, age adjusted to age 65 for the year following the valuation date:

Medicare Plan	Costs for Members Without Medicare Part A
Self-Funded Medicare Supplement Plans	\$ 289
Kaiser Permanente Medicare Advantage HMO	300
Rocky Mountain Health Plans Medicare HMO	270
UnitedHealthcare Medicare HMO	686

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

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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

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 heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2017, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

Year	PERACare Medicare Plans	Medicare Part A Premiums
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.25%
2023	5.00%	4.50%
2024	5.00%	4.75%
2025+	5.00%	5.00%

Mortality assumptions for the determination of the total pension liability for each of the Division Trust Funds as shown below are applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Healthy, post-retirement mortality assumptions for the State and Local Government Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

Healthy, post-retirement mortality assumptions for the School and Judicial Divisions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The following health care costs assumptions were updated and used in the measurement of the obligations for the HCTF:

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2018 plan year.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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

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

As of the most recent adoption of the long-term expected rate of return by the PERA Board, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42%	4.80%
Non U.S. Equity – Developed	18.55%	5.20%
Non U.S. Equity – Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income – Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	100.00%	

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

Sensitivity of the District 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:

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.25%	3.25%	4.25%
Ultimate Medicare Part A trend rate	4.00%	5.00%	6.00%
Net OPEB Liability	\$4,685,007	\$4,818,052	\$4,971,078

Discount rate. The discount rate used to measure the total OPEB liability was 7.25 percent. 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, 2018, 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 3.50%.
- 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 used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the projection test indicates the HCTF’s fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent.

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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

Sensitivity of the District 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 percent, 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 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$5,390,980	\$4,818,052	\$4,328,251

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

NOTE K – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has established an Insurance Reserve Fund, a sub-fund of the General Fund, in accordance with Colorado Statutes to insure against loss or damage to property, pay premiums on loss insurances, and pay administrative costs. The Insurance Reserve Fund receives funding from a General Fund transfer. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

In addition, the District has established an Employee Medical Benefit Fund (EMBF) (an internal service fund) to account for and finance its uninsured risks of loss for employee health and accident insurance. Under this program, EMBF provides coverage from the purchase of commercial insurance for a specific deductible of \$150,000, with an aggregating specific deductible of an additional \$100,000. The maximum aggregate benefit is \$1,000,000.

All funds of the District participate in the program and make payments to the EMBF based on estimates of the amounts needed to pay prior and current year claims. The claims liability of \$1,070,571, reported at June 30, 2019, is based on the requirements of GASB Statement 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements, and the amount of the loss can be reasonably estimated. These losses include an estimate of claims that have been incurred, but not reported.

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE K – RISK MANAGEMENT – CONTINUED

Changes in the EMBF's claims liability amount for the past three years were as follows:

	<u>Beginning of Year Liability</u>	<u>Claims and Changes in Estimate</u>	<u>Claim Payments</u>	<u>End of Year Liability</u>
2017	\$ 676,710	\$ 5,177,937	\$ 5,289,414	\$ 565,033
2018	565,033	5,921,294	5,652,620	833,707
2019	833,707	6,974,703	6,737,839	1,070,571

NOTE L – COMMITMENTS

In December 2010, the District, as the chartering authority for the charter school, entered into a sublease agreement with the State of Colorado and Vista Charter School, to construct a new building. The building is complete, but the sublease is ongoing, and the District continues in its underwriter relationship with the Charter School and the State. More information can be found in the financial statements of Vista Charter School.

NOTE M – CONTINGENT LIABILITIES

Under the terms of federal and state grants, costs may be questioned as not being appropriate expenditures under the terms of the grants which could lead to reimbursement to the grantor agencies. District management believes any questioned costs would be immaterial.

The District is subject to various claims arising from events occurring in its ordinary operations. District management believes that the disposition of these matters will not have a material adverse effect on the financial position of the District.

Montrose County School District No. RE - 1J

GENERAL FUND AND RELATED SUB-FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGETARY BASIS

Year ended June 30, 2019

	Budget		Actual	Variance with
	Original	Amended		Final Budget
				Positive (Negative)
Revenues				
Local sources				
General property tax	\$ 10,840,000	\$ 10,840,000	\$ 11,004,796	\$ 164,796
Specific ownership tax	1,560,000	1,560,000	1,920,598	360,598
Penalties and interest on delinquent tax	40,000	40,000	29,055	(10,945)
Investment earnings	50,000	50,000	229,541	179,541
Other	100,500	100,500	320,341	219,841
Total local sources	12,590,500	12,590,500	13,504,331	913,831
Intermediate sources				
Forest service collection	-	-	241,735	241,735
Mineral leasing	-	-	3,157	3,157
Impact fees	-	-	2,696	2,696
Total intermediate sources	-	-	247,588	247,588
State sources				
Equalization	33,277,000	33,277,000	33,613,006	336,006
Exceptional Children's Educational Act	1,150,000	1,150,000	1,285,582	135,582
Rural Schools	997,000	997,000	984,038	(12,962)
Transportation	340,000	340,000	357,694	17,694
Vocational education	140,000	140,000	130,588	(9,412)
English Language Proficiency Act	246,000	246,000	254,200	8,200
Gifted and Talented	56,000	56,000	58,786	2,786
Other	-	60,000	101,809	41,809
Total state sources	36,206,000	36,266,000	36,785,703	519,703
Federal sources				
Medicaid	320,000	320,000	433,888	113,888
NJROTC	70,000	70,000	72,929	2,929
SWAP	60,000	-	-	-
Total federal sources	450,000	390,000	506,817	116,817
Total revenues	49,246,500	49,246,500	51,044,439	1,797,939
Expenditures				
Current				
Instructional services	28,595,000	28,595,000	28,506,454	88,546
Supporting services				
Students	3,108,000	3,108,000	3,047,977	60,023
Instruction	1,830,000	1,830,000	2,087,336	(257,336)
General administration	528,000	528,000	531,012	(3,012)
School administration	3,010,000	3,010,000	3,086,889	(76,889)
Business	2,572,500	2,572,500	1,205,046	1,367,454
Plant operations maintenance	5,628,100	5,624,650	5,642,024	(17,374)
Student transportation	2,029,000	2,029,000	1,867,081	161,919
Central services	1,081,855	1,085,305	1,142,759	(57,454)
Other	-	-	20,338	(20,338)
Other uses	63,000	5,000	67,650	(62,650)
Capital outlay	-	58,000	665,922	(607,922)
Total expenditures	48,445,455	48,445,455	47,870,488	574,967
Excess (deficiency) of revenues over (under) expenditures	801,045	801,045	3,173,951	2,372,906
Other financing sources (uses)				
Insurance proceeds	-	-	58,348	58,348
Proceeds from capital lease	-	-	650,500	650,500
Transfer (to)/from other funds	(1,528,000)	(4,095,000)	(4,095,000)	-
Total other financing sources (uses)	(1,528,000)	(4,095,000)	(3,386,152)	708,848
Excess of expenditures over revenues and other financing sources (uses)	\$ (726,955)	\$ (3,293,955)	(212,201)	\$ 3,081,754
Other State revenue - on behalf contribution from State to PERA, District portion			783,439	
On-behalf payment from State to PERA, District portion			(783,439)	
Fund balance, beginning of year			10,926,396	
Fund balance, end of year			\$ 10,714,195	

Montrose County School District No. RE - 1J

DESIGNATED PURPOSE GRANTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

Year ended June 30, 2019

	Budget		Actual	Variance with
	Original	Amended		Final Budget
				Positive (Negative)
Revenues				
Local sources	\$ 223,500	\$ 313,608	\$ 315,020	\$ 1,412
State sources	872,812	872,812	2,065,334	1,192,522
Federal sources	4,387,652	4,387,652	4,811,148	423,496
Total revenues	5,483,964	5,574,072	7,191,502	1,617,430
Expenditures				
Current				
Instructional services	2,751,123	2,841,231	3,616,884	(775,653)
Supporting services				
Students	988,700	988,700	994,881	(6,181)
Instruction	1,205,700	1,205,700	1,367,203	(161,503)
General administration	3,500	3,500	-	3,500
School administration	58,300	58,300	83,701	(25,401)
Plant operations maintenance	-	-	372,297	(372,297)
Central services	-	-	37,467	(37,467)
Nutrition Service	-	-	11,640	(11,640)
Business	9,300	9,300	17,179	(7,879)
Community services	81,900	81,900	110,432	(28,532)
Capital outlay	385,600	385,600	579,818	(194,218)
Total current expenditures	5,484,123	5,574,231	7,191,502	(1,617,271)
Change in fund balance	(159)	(159)	-	159
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ (159)	\$ (159)	\$ -	\$ 159

Montrose County School District No. RE - 1J

SCHEDULE OF ACTIVITY - NET PENSION LIABILITY

June 30, 2019

Measurement date:	Employer proportion of NPL	Employer proportionate share of NPL	Nonemployer contributing entity proportionate share of NPL associated with employer	Total of employer and nonemployer proportionate share of NPL	Employer covered payroll	Employer proportionate share of NPL as a percentage of covered payroll	Pension plan's fiduciary net position as a percentage of total pension liability
December 31, 2014	0.67857%	\$91,969,306	\$ -	\$ 91,969,306	\$ 28,427,842	324%	63%
December 31, 2015	0.66306%	101,409,279	-	101,409,279	28,895,561	351%	59%
December 31, 2016	0.62836%	187,086,389	-	187,086,389	27,643,098	677%	43%
December 31, 2017	0.61629%	199,286,005	-	199,286,005	28,486,266	700%	44%
December 31, 2018	0.54481%	96,470,418	11,604,267	108,074,685	29,539,135	327%	57%

Montrose County School District No. RE - 1J

SCHEDULE OF ACTIVITY - EMPLOYER PENSION CONTRIBUTIONS

June 30, 2019

	Required employer contribution	Employer contributions recognized by the plan	Difference	Employer covered payroll	Contributions as a percentage of employer covered payroll
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
June 30, 2015	\$ 5,245,937	\$ 5,245,937	\$ -	\$ 29,295,350	17.91%
June 30, 2016	5,144,580	5,144,580	-	29,012,232	17.73%
June 30, 2017	5,298,573	5,298,573	-	28,177,402	18.80%
June 30, 2018	5,785,174	5,785,174	-	29,062,972	19.91%
June 30, 2019	6,119,777	6,119,777	-	30,684,706	19.94%

Montrose County School District No. RE - 1J

SCHEDULE OF ACTIVITY - NET OPEB LIABILITY

June 30, 2019

	Employer proportion of net OPEB liability	Employer proportionate share of net OPEB liability	Employer covered payroll	Employer proportionate share of net OPEB liability as a percentage of covered payroll	OPEB plan's fiduciary net position as a percentage of total OPEB liability
<u>Measurement date:</u>					
December 31, 2016	0.35717%	\$ 4,603,451	\$ 27,643,098	16.65%	16.70%
December 31, 2017	0.35017%	4,550,839	28,486,266	15.98%	17.53%
December 31, 2018	0.35413%	4,818,052	29,539,135	16.31%	17.03%

Montrose County School District No. RE - 1J

SCHEDULE OF ACTIVITY - EMPLOYER OPEB CONTRIBUTIONS

June 30, 2019

	Required employer contribution	Employer contributions recognized by the plan	Difference	Employer covered payroll	Contributions as a percentage of employer covered payroll
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
June 30, 2017	\$ 287,567	\$ 287,567	\$ -	\$ 28,177,402	1.02%
June 30, 2018	296,442	296,442	-	29,062,972	1.02%
June 30, 2019	312,978	312,978	-	30,684,706	1.02%

Montrose County School District No. RE-1J

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2019

NOTE 1 RSI – BUDGETARY INFORMATION

The District follows these procedures in establishing the budgetary data reflected in the financial statements for its fiscal year ending June 30:

- The District adopts budgets for all funds.
- The proposed budget for the following fiscal year is submitted to the Board of Education on or before June 1 for its consideration.
- By June 30, the budget is adopted and appropriations are made by formal resolution.
- Budgets for governmental funds are adopted on a basis consistent with GAAP. Budgets for proprietary and trust funds are adopted on a basis consistent with the spending measurement focus of the governmental funds.
- Appropriations lapse at the end of each fiscal year.
- Expenditures may not legally exceed appropriations at the fund level. Board approval is required for changes in the total budget of any fund. The Board of Education may adopt supplemental appropriations during the year. Budget amounts included in the financial statements are based on the final, legally amended budget.
- In the event actual District expenditures exceed final appropriated expenditures without prior School District Board of Education approval, the over-expenditures may be a violation of Colorado State Statute.

Supplemental appropriations were approved for the general fund for \$2,567,000 and for the designated grants fund in the amount of \$90,108. As noted in footnote B to the financial statements, the designated grants fund had over-expenditures of \$1,617,271 at June 30, 2019.

Montrose County School District No. RE-1J

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2019

NOTE 2 RSI – PENSIONS

Factors that Significantly Affect Trends in the Amounts Reported

For the measurement period ended December 31, 2018, the discount rate changed from 4.78% to 7.25%. This change significantly affected the total plan net pension liability and the employer share of the net pension liability. There were no other changes in benefit terms, size or composition of the population covered by the benefit plan, or assumptions used that significantly affect trends in the amounts reported.

NOTE 3 RSI – OPEB

Factors that Significantly Affect Trends in the Amounts Reported

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or assumptions used that significantly affect trends in the amounts reported.

Montrose County School District No. RE - 1J
GENERAL FUND AND RELATED SUB-FUND
COMBINING BALANCE SHEET

June 30, 2019

	General Fund	Insurance Reserve Fund	Total
Assets			
Cash	\$ 8,634,588	\$ 926,712	\$ 9,561,300
Investments	5,453,516	68	5,453,584
Receivables			
Taxes	670,972	-	670,972
Accounts	86,848	-	86,848
Intergovernmental	406,157	-	406,157
Due from other funds	2,885	-	2,885
Due from component units	-	-	-
Inventories	157,605	-	157,605
	<u>15,412,571</u>	<u>926,780</u>	<u>16,339,351</u>
Total assets	<u>\$ 15,412,571</u>	<u>\$ 926,780</u>	<u>\$ 16,339,351</u>
Liabilities, deferred inflows of resources, and fund balance			
Liabilities			
Accounts payable	\$ 282,006	\$ 8,226	\$ 290,232
Due to other funds	16,589	-	16,589
Due to component units	3,275	-	3,275
Accrued salaries and benefits	4,918,025	-	4,918,025
	<u>5,219,895</u>	<u>8,226</u>	<u>5,228,121</u>
Total liabilities	<u>5,219,895</u>	<u>8,226</u>	<u>5,228,121</u>
Deferred inflows of resources			
Unavailable property tax revenues	47,035	-	47,035
Unavailable transportation revenues	350,000	-	350,000
	<u>397,035</u>	<u>-</u>	<u>397,035</u>
Total deferred inflows of resources	<u>397,035</u>	<u>-</u>	<u>397,035</u>
Fund balances			
Nonspendable			
Inventory	157,605	-	157,605
Restricted			
Emergency Reserve - TABOR	1,720,000	-	1,720,000
Committed			
Retirement	268,224	-	268,224
Assigned			
School based health centers	290,235	-	290,235
Insurance	-	918,554	918,554
Unassigned	7,359,577	-	7,359,577
	<u>9,795,641</u>	<u>918,554</u>	<u>10,714,195</u>
Total fund balances	<u>9,795,641</u>	<u>918,554</u>	<u>10,714,195</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 15,412,571</u>	<u>\$ 926,780</u>	<u>\$ 16,339,351</u>

Montrose County School District No. RE - 1J

GENERAL FUND AND RELATED SUB-FUND
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE

Year ended June 30, 2019

	General Fund	Insurance Reserve Fund	Total
Revenues			
Local sources	\$ 13,504,313	\$ 18	\$ 13,504,331
Intermediate sources	247,588	-	247,588
State sources	37,569,142	-	37,569,142
Federal sources	506,817	-	506,817
	<u>51,827,860</u>	<u>18</u>	<u>51,827,878</u>
Total revenues	51,827,860	18	51,827,878
Expenditures			
Current			
Instructional services	29,044,361	-	29,044,361
Supporting services	18,011,689	864,305	18,875,994
Other uses	67,650	-	67,650
Capital outlay	665,922	-	665,922
	<u>47,789,622</u>	<u>864,305</u>	<u>48,653,927</u>
Total expenditures	47,789,622	864,305	48,653,927
Excess (deficiency) of revenues over (under) expenditures	4,038,238	(864,287)	3,173,951
Other financing sources (uses)			
Insurance proceeds	-	58,348	58,348
Proceeds from capital lease	650,500	-	650,500
Transfers from other funds	-	815,000	815,000
Transfers to other funds	(4,910,000)	-	(4,910,000)
	<u>(4,259,500)</u>	<u>873,348</u>	<u>(3,386,152)</u>
Total other financing sources (uses)	(4,259,500)	873,348	(3,386,152)
Change in fund balance	(221,262)	9,061	(212,201)
Fund balance, beginning of year	10,016,903	909,493	10,926,396
Fund balance, end of year	<u>\$ 9,795,641</u>	<u>\$ 918,554</u>	<u>\$ 10,714,195</u>

Montrose County School District No. RE - 1J

GENERAL FUND (Excluding insurance reserve sub-fund)
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

Year ended June 30, 2019

	Budget		Actual	Variance with
	Original	Amended		Final Budget
				Positive (Negative)
Revenues				
Local sources				
General property tax	\$ 10,840,000	\$ 10,840,000	\$ 11,004,796	\$ 164,796
Specific ownership tax	1,560,000	1,560,000	1,920,598	360,598
Penalties and interest on delinquent tax	40,000	40,000	29,055	(10,945)
Investment earnings	50,000	50,000	229,541	179,541
Other	100,500	100,500	320,323	219,823
Total local sources	12,590,500	12,590,500	13,504,313	913,813
Intermediate sources				
Forest service collection	-	-	241,735	241,735
Mineral leasing	-	-	3,157	3,157
Impact fees	-	-	2,696	2,696
Total intermediate sources	-	-	247,588	247,588
State sources				
Equalization	33,277,000	33,277,000	33,613,006	336,006
Exceptional Children's Educational Act	1,150,000	1,150,000	1,285,582	135,582
Rural Schools	997,000	997,000	984,038	(12,962)
Transportation	340,000	340,000	357,694	17,694
Vocational education	140,000	140,000	130,588	(9,412)
English Language Proficiency Act	246,000	246,000	254,200	8,200
Gifted and Talented	56,000	56,000	58,786	2,786
Other	-	60,000	101,809	41,809
Total state sources	36,206,000	36,266,000	36,785,703	519,703
Federal sources				
Medicaid	320,000	320,000	433,888	113,888
NJROTC	70,000	70,000	72,929	2,929
SWAP	60,000	-	-	-
Total federal sources	450,000	390,000	506,817	116,817
Total revenues	49,246,500	49,246,500	51,044,421	1,797,921
Expenditures				
Current				
Instructional services	28,595,000	28,595,000	28,506,454	88,546
Supporting services				
Students	3,108,000	3,108,000	3,047,977	60,023
Instruction	1,830,000	1,830,000	2,087,336	(257,336)
General administration	528,000	528,000	531,012	(3,012)
School administration	3,010,000	3,010,000	3,086,889	(76,889)
Business	2,572,500	2,572,500	1,205,046	1,367,454
Plant operations maintenance	4,887,000	4,887,000	4,944,118	(57,118)
Student transportation	2,029,000	2,029,000	1,867,081	161,919
Central services	981,000	981,000	976,360	4,640
Food services	-	-	4,178	(4,178)
Community Services	-	-	16,160	(16,160)
Other uses	63,000	5,000	67,650	(62,650)
Capital outlay	-	58,000	665,922	(607,922)
Total expenditures	47,603,500	47,603,500	47,006,183	597,317
Excess (deficiency) of revenues over (under) expenditures	1,643,000	1,643,000	4,038,238	1,200,604
Other financing sources (uses)				
Lease proceeds	-	-	650,500	650,500
Transfers to other funds	(2,343,000)	(4,910,000)	(4,910,000)	-
Total other financing sources (uses)	(2,343,000)	(4,910,000)	(4,259,500)	650,500
Excess of expenditures over revenues and other financing sources (uses)	\$ (700,000)	\$ (3,267,000)	(221,262)	\$ 1,851,104
Other State revenue - on behalf contribution from State to PERA, District portion			783,439	
On-behalf payment from State to PERA, District portion			(783,439)	
Fund balance, beginning of year			10,016,903	
Fund balance, end of year			\$ 9,795,641	

Montrose County School District No. RE - 1J

INSURANCE RESERVE FUND (A SUB-FUND OF THE GENERAL FUND)
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL

Year ended June 30, 2019

	Budget		Actual	Variance with
	Original	Amended		Final Budget
				Positive (Negative)
Revenues				
Local sources				
Investment earnings	\$ -	\$ -	\$ -	\$ -
Other	-	-	18	18
Total revenues	-	-	18	18
Expenditures				
Insurance premiums	741,100	737,650	697,906	39,744
Administration	100,855	104,305	166,399	(62,094)
Total expenditures	841,955	841,955	864,305	(22,350)
Excess (deficiency) of revenues over (under) expenditures	(841,955)	(841,955)	(864,287)	(22,332)
Other financing sources (uses)				
Insurance proceeds	-	-	58,348	58,348
Transfers from other funds	815,000	815,000	815,000	-
Total other financing sources (uses)	815,000	815,000	873,348	58,348
Change in fund balance	(26,955)	(26,955)	9,061	36,016
Fund balance, beginning of year	878,782	909,493	909,493	-
Fund balance, end of year	<u>\$ 851,827</u>	<u>\$ 882,538</u>	<u>\$ 918,554</u>	<u>\$ 36,016</u>

Montrose County School District No. RE - 1J

EXPENDITURE MATRIX - GENERAL FUND (Excluding Insurance Reserve Sub-fund)
BUDGETARY BASIS

Year ended June 30, 2019

	Salaries	Employee Benefits	Purchased Services	Supplies	Capital	Other	Total Actual	Final Budget	Variance Favorable (Unfavorable)
Instruction	\$ 20,000,508	\$ 6,891,355	\$ 570,428	\$ 586,904	\$ 456,209	\$ 1,050	\$ 28,506,454	\$ 28,595,000	\$ 88,546
Supporting services									
Students	2,177,657	693,752	162,337	14,231	-	-	3,047,977	3,108,000	60,023
Instruction	1,189,952	486,755	315,657	76,609	-	18,363	2,087,336	1,830,000	(257,336)
General administration	296,756	76,132	79,858	38,062	5,779	34,425	531,012	528,000	(3,012)
School administration	2,180,751	725,035	70,016	104,322	3,654	3,111	3,086,889	3,010,000	(76,889)
Business	481,407	124,147	130,443	12,770	8,891	447,388	1,205,046	2,572,500	1,367,454
Plant operations and maintenance	2,294,296	879,901	487,068	1,261,892	20,470	491	4,944,118	4,887,000	(57,118)
Student transportation	46,723	10,160	1,693,403	115,503	1,292	-	1,867,081	2,029,000	161,919
Central services	474,262	137,101	161,301	52,276	150,446	974	976,360	981,000	4,640
Other	15,546	3,321	2,712	4,854	-	61,555	87,988	5,000	(82,988)
Fiscal emergency reserve	-	-	-	-	-	-	-	-	-
Contingency reserve	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total supporting services expenditures	9,157,350	3,136,304	3,102,795	1,680,519	190,532	566,307	17,833,807	18,950,500	1,116,693
Capital outlay	-	-	-	-	665,922	-	665,922	58,000	(607,922)
Total actual expenditures	29,157,858	10,027,659	3,673,223	2,267,423	1,312,663	567,357	47,006,183	\$ 47,603,500	\$ 597,317
Final Budget	28,726,000	10,050,000	4,124,000	2,237,000	439,000	2,027,500	47,603,500		
Variance Favorable (Unfavorable)	\$ (431,858)	\$ 22,341	\$ 450,777	\$ (30,423)	\$ (873,663)	\$ 1,460,143	\$ 597,317		

Montrose County School District No. RE - 1J

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

June 30, 2019

	Nutritional Services Fund	Student Activity Fund	Fee-in-Lieu Fund	Bond Redemption Fund	Capital Lease Fund	Capital Projects Fund	Total
Assets							
Cash	\$ 358,524	\$ 1,334,744	\$ 359,746	\$ -	\$ 124,427	\$ 1,920,305	\$ 4,097,746
Investments	586	-	-	1,180,424	-	44,499	1,225,509
Accounts receivable	577	7,020	-	423,880	-	-	431,477
Inventories	152,465	-	-	-	-	-	152,465
Total assets	\$ 512,152	\$ 1,341,764	\$ 359,746	\$ 1,604,304	\$ 124,427	\$ 1,964,804	\$ 5,907,197
Liabilities, deferred inflows of resources, and fund balances							
Liabilities							
Accounts payable	395	-	-	-	-	6,035	6,430
Accrued expenses	102,285	-	-	-	-	-	102,285
Unearned revenue	23,335	-	-	-	-	-	23,335
Total liabilities	126,015	-	-	-	-	6,035	132,050
Deferred inflows of resources							
Unavailable property tax revenue	-	-	-	7,990	-	-	7,990
Total deferred inflows of resources	-	-	-	7,990	-	-	7,990
Fund balances							
Non-spendable							
Inventories	152,465	-	-	-	-	-	152,465
Restricted							
Debt Service	-	-	-	1,596,314	-	-	1,596,314
Committed							
Debt service	-	-	-	-	124,427	-	124,427
Nutritional service	233,672	-	-	-	-	-	233,672
Student activities	-	1,341,764	-	-	-	-	1,341,764
Capital projects	-	-	359,746	-	-	1,958,769	2,318,515
Total fund balances	386,137	1,341,764	359,746	1,596,314	124,427	1,958,769	5,767,157
Total liabilities, deferred inflows, and fund balances	\$ 512,152	\$ 1,341,764	\$ 359,746	\$ 1,604,304	\$ 124,427	\$ 1,964,804	\$ 5,907,197

Montrose County School District No. RE - 1J

NON-MAJOR GOVERNMENTAL FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE

Year ended June 30, 2019

	Nutritional Services Fund	Student Activity Fund	Fee-in-Lieu Fund	Bond Redemption Fund	Capital Lease Fund	Capital Projects Fund	Total
Revenues							
Local sources	\$ 318,039	\$ 1,928,121	\$ -	\$ 1,994,342	\$ -	\$ 45,197	\$ 4,285,699
Intermediate sources	-	-	126,266	473	-	-	126,739
State sources	35,157	-	-	-	-	-	35,157
Federal sources	1,324,691	-	-	-	-	-	1,324,691
Total revenues	1,677,887	1,928,121	126,266	1,994,815	-	45,197	5,772,286
Expenditures							
Current:							
Instructional	-	-	-	-	-	-	-
Student activities	-	1,921,371	-	-	-	-	1,921,371
Food service	1,576,393	-	-	-	-	-	1,576,393
Business	-	-	-	-	-	78,396	78,396
Transportation	-	-	-	-	-	103,174	103,174
Capital outlay	-	-	-	-	-	864,312	864,312
Debt service							
Principal	-	-	-	845,000	949,259	-	1,794,259
Interest and fees	-	-	-	1,099,236	294,712	-	1,393,948
Total expenditures	1,576,393	1,921,371	-	1,944,236	1,243,971	1,045,882	7,731,853
Excess (deficiency) of revenues over (under) expenditures before other financing sources and uses	101,494	6,750	126,266	50,579	(1,243,971)	(1,000,685)	(1,959,567)
Other financing sources (uses)							
Transfers from other funds	-	-	-	-	1,226,085	794,000	2,020,085
Transfers to other funds	-	-	(44,000)	-	-	-	(44,000)
Total other financing sources (uses)	-	-	(44,000)	-	1,226,085	794,000	1,976,085
Change in fund balance	101,494	6,750	82,266	50,579	(17,886)	(206,685)	16,518
Fund balance, beginning of year	284,643	1,335,014	277,480	1,545,735	142,313	2,165,454	5,750,639
Fund balance, end of year	\$ 386,137	\$ 1,341,764	\$ 359,746	\$ 1,596,314	\$ 124,427	\$ 1,958,769	\$ 5,767,157

Montrose County School District No. RE - 1J

NON-MAJOR GOVERNMENTAL FUND - NUTRITIONAL SERVICE FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL

Year ended June 30, 2019

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Amended		
Revenues				
Local sources				
Food sales	\$ 327,000	\$ 327,000	\$ 318,025	\$ (8,975)
Miscellaneous	-	-	14	14
	<u>327,000</u>	<u>327,000</u>	<u>318,039</u>	<u>(8,961)</u>
State sources				
K-12 reduced lunch program	30,500	30,500	14,621	(15,879)
Start smart	-	-	3,977	3,977
State child nutrition match	-	-	16,559	16,559
Total state sources	<u>30,500</u>	<u>30,500</u>	<u>35,157</u>	<u>4,657</u>
Federal sources				
National school lunch program	1,460,000	1,460,000	1,177,608	(282,392)
Commodities	-	-	136,311	136,311
Other grants	-	-	10,772	10,772
Total federal sources	<u>1,460,000</u>	<u>1,460,000</u>	<u>1,324,691</u>	<u>(135,309)</u>
Total revenues	<u>1,817,500</u>	<u>1,817,500</u>	<u>1,677,887</u>	<u>(139,613)</u>
Expenditures				
Current				
Food service activities	<u>1,777,480</u>	<u>1,777,480</u>	<u>1,576,393</u>	<u>201,087</u>
Change in fund balance	40,020	40,020	101,494	61,474
Fund balance, beginning of year	<u>453,751</u>	<u>453,751</u>	<u>284,643</u>	<u>(169,108)</u>
Fund balance, end of year	<u>\$ 493,771</u>	<u>\$ 493,771</u>	<u>\$ 386,137</u>	<u>\$ (107,634)</u>

Montrose County School District No. RE - 1J

NON-MAJOR GOVERNMENTAL FUND - STUDENT ACTIVITY FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL

Year ended June 30, 2019

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Amended		
Revenues				
Local sources				
Student activities	\$ 1,825,000	\$ 1,825,000	1,928,121	\$ 103,121
Expenditures				
Current				
Student activities	1,825,000	1,825,000	1,921,371	(96,371)
Excess (deficiency) of revenues over (under) expenditures	-	-	6,750	6,750
Change in fund balance	-	-	6,750	6,750
Fund balance, beginning of year	1,233,800	1,233,800	1,335,014	101,214
Fund balance, end of year	\$ 1,233,800	\$ 1,233,800	\$ 1,341,764	\$ 107,964

Montrose County School District No. RE - 1J

NON-MAJOR GOVERNMENTAL FUND - FEE-IN-LIEU FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL

Year ended June 30, 2019

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Amended		
Revenues				
Intermediate sources				
Fees in lieu of land dedication	\$ 50,000	\$ 50,000	\$ 126,266	\$ 76,266
Total revenues	50,000	50,000	126,266	76,266
Expenditures				
Supporting services	-	-	-	-
Other financing sources (uses)				
Transfers to other funds	-	(44,000)	(44,000)	-
Change in fund balance	50,000	6,000	82,266	76,266
Fund balance, beginning of year	242,045	277,480	277,480	-
Fund balance, end of year	\$ 292,045	\$ 283,480	\$ 359,746	\$ 76,266

Montrose County School District No. RE - 1J

NON-MAJOR GOVERNMENTAL FUND - BOND REDEMPTION FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL

Year ended June 30, 2019

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Amended		
Revenues				
Local sources				
General property tax	\$ 1,915,243	\$ 1,915,243	\$ 1,966,953	\$ 51,710
Penalties and interest on delinquent tax	-	-	5,170	5,170
Investment and interest earnings	-	-	22,219	22,219
Intermediate sources - other fees	-	-	473	473
Total revenues	<u>1,915,243</u>	<u>1,915,243</u>	<u>1,994,815</u>	<u>79,572</u>
Expenditures				
Debt service				
Principal	845,000	845,000	845,000	-
Interest	1,096,938	1,096,938	1,096,938	-
Bank fees	-	-	2,298	(2,298)
Total expenditures	<u>1,941,938</u>	<u>1,941,938</u>	<u>1,944,236</u>	<u>(2,298)</u>
Change in fund balance	(26,695)	(26,695)	50,579	77,274
Fund balance, beginning of year	<u>1,599,241</u>	<u>1,599,241</u>	<u>1,545,735</u>	<u>(53,506)</u>
Fund balance, end of year	<u>\$ 1,572,546</u>	<u>\$ 1,572,546</u>	<u>\$ 1,596,314</u>	<u>\$ 23,768</u>

Montrose County School District No. RE - 1J

NON-MAJOR GOVERNMENTAL FUND - CAPITAL LEASE FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

Year ended June 30, 2019

	Budget		Actual	Variance with
	Original	Amended		Final Budget
				Positive (Negative)
Expenditures				
Debt service				
Principal	\$ 513,279	\$ 1,161,364	\$ 949,259	\$ 212,105
Interest	65,520	65,520	294,712	(229,192)
Total expenditures	<u>578,799</u>	<u>1,226,884</u>	<u>1,243,971</u>	<u>(17,087)</u>
Excess (deficiency) of revenues over (under) expenditures	578,799	1,226,884	1,243,971	(17,087)
Other financing sources (uses)				
Transfers from other funds	<u>578,799</u>	<u>1,226,884</u>	<u>1,226,085</u>	<u>(799)</u>
Net change in fund balance	-	-	(17,886)	(17,886)
Fund balance, beginning of year	<u>138,937</u>	<u>142,313</u>	<u>142,313</u>	<u>-</u>
Fund balance, end of year	<u>\$ 138,937</u>	<u>\$ 142,313</u>	<u>\$ 124,427</u>	<u>\$ (17,886)</u>

Montrose County School District No. RE - 1J

BUILDING FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL

Year ended June 30, 2019

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Amended		
Revenues				
Local sources				
Investment and interest earnings	\$ 79,000	\$ 79,000	\$ 105,946	\$ 26,946
Other	-	-	132,470	132,470
State sources				
Capital grant	6,324,031	6,324,031	2,757,144	(3,566,887)
Total revenues	6,403,031	6,403,031	2,995,560	(3,407,471)
Expenditures				
Current				
Capital outlay	15,388,112	16,641,112	7,591,996	9,049,116
Total expenditures	15,388,112	16,641,112	7,591,996	9,049,116
Excess (deficiency) of revenues over (under) expenditures	(8,985,081)	(10,238,081)	(4,596,436)	5,641,645
Other financing sources (uses)				
Transfers from other funds	200,000	1,453,000	2,118,915	665,915
Total other financing sources (uses)	200,000	1,453,000	2,118,915	665,915
Change in fund balance	(8,785,081)	(8,785,081)	(2,477,521)	6,307,560
Fund balance, beginning of year	9,440,334	9,651,897	9,651,897	-
Fund balance, end of year	\$ 655,253	\$ 866,816	\$ 7,174,376	\$ 6,307,560

Montrose County School District No. RE - 1J

NON-MAJOR GOVERNMENTAL FUND - CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL

Year ended June 30, 2019

	Budget		Actual	Variance with
	Original	Amended		Final Budget
				Positive
				(Negative)
Revenues				
Local sources				
Investment and interest earnings	\$ -	\$ -	\$ 1,004	\$ 1,004
Mini bus charges	20,000	20,000	8,340	(11,660)
Miscellaneous	-	-	35,853	35,853
Total revenues	20,000	20,000	45,197	25,197
Expenditures				
Current				
Business	-	-	78,396	(78,396)
Transportation	60,000	104,000	103,174	826
Capital outlay	750,000	750,000	864,312	(114,312)
Total expenditures	810,000	854,000	1,045,882	(191,882)
Excess (deficiency) of revenues over (under) expenditures	(790,000)	(834,000)	(1,000,685)	(166,685)
Other financing sources (uses)				
Transfers from other funds	750,000	1,459,915	794,000	(665,915)
Total other financing sources (uses)	750,000	1,459,915	794,000	(665,915)
Net changes in fund balance	(40,000)	625,915	(206,685)	(832,600)
Fund balance, beginning of year	759,228	2,165,454	2,165,454	-
Fund balance, end of year	\$ 719,228	\$ 2,791,369	\$ 1,958,769	\$ (832,600)

Montrose County School District No. RE - 1J

EMPLOYEE MEDICAL BENEFIT FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN NET POSITION - BUDGET AND ACTUAL

Year ended June 30, 2019

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Amended		
Revenues				
Premiums	\$ 6,651,370	\$ 6,651,370	\$ 6,816,826	\$ 165,456
Interest income	28,500	28,500	70,347	41,847
Total revenues	<u>6,679,870</u>	<u>6,679,870</u>	<u>6,887,173</u>	<u>207,303</u>
Expenses				
Claims	6,072,810	6,072,810	6,051,641	21,169
Insurance premiums and administration	<u>747,100</u>	<u>747,100</u>	<u>748,933</u>	<u>(1,833)</u>
Total expenses	<u>6,819,910</u>	<u>6,819,910</u>	<u>6,800,574</u>	<u>19,336</u>
Change in net position	(140,040)	(140,040)	86,599	226,639
Net position, beginning of year	<u>1,998,016</u>	<u>1,998,016</u>	<u>2,605,587</u>	<u>607,571</u>
Net position, end of year	<u>\$ 1,857,976</u>	<u>\$ 1,857,976</u>	<u>\$ 2,692,186</u>	<u>\$ 834,210</u>

Montrose County School District No. RE - 1J

SCHOLARSHIP TRUST FUNDS
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN NET POSITION - BUDGET AND ACTUAL

Year ended June 30, 2019

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Amended		
Revenues				
Investment earnings	\$ 15,000	\$ 15,000	\$ 30,076	\$ 15,076
Contributions	10,000	10,000	21,708	11,708
Rental income	8,000	8,000	9,600	1,600
Total revenues	33,000	33,000	61,384	28,384
Expenditures				
Scholarships awarded	40,000	40,000	67,919	(27,919)
General and administrative	1,000	1,000	1,543	(543)
Total expenditures	41,000	41,000	69,462	(28,462)
Change in net position	(8,000)	(8,000)	(8,078)	(78)
Net position, beginning of year	1,138,795	1,176,898	1,176,898	-
Net position, end of year	\$ 1,130,795	\$ 1,168,898	\$ 1,168,820	\$ (78)

Montrose County School District No. RE-1J

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2019

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State Pass-thru ID</u>	<u>2019 Amount of Award Expended</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through Colorado Department of Human Services Donated Commodities	10.555		\$ 136,310
Passed through Colorado Department of Education			
School Breakfast Program	10.553	4553	222,912
National School Lunch Program	10.555	4555	941,817
Summer Food Service Program for Children	10.559	4559	<u>23,652</u>
Child Nutrition Cluster Sub-Total			<u>1,324,691</u>
Total U.S. Department of Agriculture			<u>1,324,691</u>
U.S. DEPARTMENT OF DEFENSE			
NJROTC	12.000	9001	<u>72,929</u>
Total U.S. Department of Defense			<u>72,929</u>
U.S. DEPARTMENT OF EDUCATION			
Passed through Colorado Department of Education			
Adult Education – Basic Grants to States	84.002	5002-6002	165,126
Title I Grants to Local Educational Agencies	84.010	4010-5010	1,787,198
Special Education – Grants to States	84.027	4027	1,235,378
Special Education – Preschool Grants	84.173	4173	<u>35,890</u>
Special Education Cluster (IDEA) Sub-Total			<u>1,271,268</u>
Rural Education	84.358	6358	118,805
English Language Acquisition State Grants	84.365	4365	96,928
Supportive Effective Instruction State Grants	84.367	4367	231,760
Student Support and Academic Enrichment Program	84.424	4424	87,802
Passed through State Board for Community College and Occupation Education			
Career and Technical Education – Basic Grants to States	84.048	4048	<u>58,046</u>
Total U.S. Department of Education			<u>3,816,933</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Head Start	93.600	8600	<u>994,215</u>
Total U.S. Department of Health and Human Services			<u>994,215</u>
Total expenditures of federal awards			<u>\$ 6,208,768</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2019

NOTE A – GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of Montrose County School District No. RE-1J (the District), for the year ended June 30, 2019. The District's reporting entity is defined in Note A to the District's basic financial statements.

Indirect costs

The District did not elect to use the 10% de minimis indirect cost rate.

Pass-through entities

The District did not pass-through any federal funds to other entities for the year ended June 30, 2019.

Commodities

USDA donated foods (commodities) of \$136,310 have been valued at the USDA pricing levels.

NOTE B – BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards presents the activity of all federal award programs expended by Montrose County School District No. RE-1J. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), using the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.



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*

December 20, 2019

Board of Education
Montrose County School District RE-1J

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Montrose County School District RE-1J (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 20, 2019. The financial statements of Vista Charter School were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of



Board of Education
December 20, 2019

financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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.

Chadwick, Steinkirchner, Davis & Co., P.C.



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

December 20, 2019

Board of Education
Montrose County School District RE-1J

Report on Compliance for Each Major Federal Program

We have audited Montrose County School District RE-1J’s (the District’s) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District’s major federal programs for the year ended June 30, 2019. The District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, contracts, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the District’s major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District’s compliance.

Opinion on Each Major Federal Program

In our opinion, Montrose County School District RE-1J, 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, 2019.



Board of Education
December 20, 2019

Report on Internal Control over Compliance

Management of Montrose County School District RE-1J, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Chadwick, Steinkirchner, Davis & Co., P.C.

Montrose County School District No. RE-1J

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2019

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	<u>Unmodified Opinion</u>		
Internal control over financial reporting:			
Material weakness(es) identified?	_____ yes	_____ ✓ _____	no
Significant deficiency(ies) identified not considered to be material weaknesses?	_____ yes	_____ ✓ _____	none reported
Noncompliance material to financial statements noted?	_____ yes	_____ ✓ _____	no

Federal Awards

Internal Control over major programs:			
Material weakness(es) identified?	_____ yes	_____ ✓ _____	no
Significant deficiency(ies) identified not considered to be material weaknesses?	_____ yes	_____ ✓ _____	none reported

Type of auditor's report issued on compliance for major programs:	<u>Unmodified Opinion</u>		
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Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516?	_____ yes	_____ ✓ _____	no
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Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.555/10.553/10.559	Child Nutrition Cluster
84.367	Supportive Effective Instruction State Grants
93.600	Head Start

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	_____ yes _____ ✓ _____ no

Montrose County School District No. RE-1J

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2019

SECTION II - FINDINGS UNDER GENERALLY ACCEPTED GOVERNMENT AUDITING
STANDARDS

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAMS

Our audit did not disclose any matters required to be reported in accordance with 2CFR 200.516(a).

Montrose County School District No. RE-1J

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended June 30, 2019

There were no prior year audit findings.



Colorado Department of Education
Auditors Integrity Report
 District: 2180 - Montrose County RE-1J
 Fiscal Year 2018-19
 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	10,016,902	46,917,863	47,139,124	9,795,641
18 Risk Mgmt Sub-Fund of General Fund	909,493	815,019	805,957	918,554
19 Colorado Preschool Program Fund	0	0	0	0
Sub- Total	10,926,395	47,732,882	47,945,081	10,714,196
11 Charter School Fund	2,481,219	1,792,376	1,717,450	2,556,145
20,26-29 Special Revenue Fund	277,480	82,266	0	359,746
06 Supplemental Cap Const, Tech, Main. Fund	0	0	0	0
21 Food Service Spec Revenue Fund	284,643	1,677,888	1,576,394	386,137
22 Govt Designated-Purpose Grants Fund	0	7,191,501	7,191,501	0
23 Pupil Activity Special Revenue Fund	1,335,014	1,928,120	1,921,371	1,341,764
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	1,545,735	1,994,816	1,944,236	1,596,314
39 Certificate of Participation (COP) Debt Service Fund	142,313	1,226,085	1,243,970	124,427
41 Building Fund	9,651,898	5,114,474	7,591,996	7,174,376
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	2,165,454	839,198	1,045,883	1,958,769
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
Totals	28,810,150	69,579,606	72,177,883	26,211,873
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	2,605,587	70,347	-16,252	2,692,186
Totals	2,605,587	70,347	-16,252	2,692,186
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	1,176,898	61,383	69,460	1,168,821
85 Foundations	0	0	0	0
Totals	1,176,898	61,383	69,460	1,168,821

FINAL

*If you have a prior period adjustment in any fund (Balance Sheet 6880), the amount of your priorperiod adjustment is added into both your ending and beginning fund balances on this report.