

Montrose County School District No. RE-1J

FINANCIAL STATEMENTS AND REPORTS OF  
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

June 30, 2020

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**INDEPENDENT AUDITOR'S REPORT**

December 22, 2020

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, 2020, 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, 2020, and the



Board of Education  
December 22, 2020

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.

***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 and 52-57, and the notes to the supplementary information on pages 58-59, 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 and budgetary comparison schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is 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, 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 22, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That 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, 2020

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, 2020. 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 \$18.8 million to a deficit of \$61.5 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 \$11.1 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 decreased deferred inflows of resources by \$19.5 million from changes in assumptions with the additional on-behalf payment from the State to PERA.
- The District retired debt totaling \$1.5 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 increased by \$448 thousand or 1.4 percent from the prior year, mainly attributable to the receipt of one-time relief funds and the reduction of operating expenditures due to the COVID-19 pandemic and offset by the utilization of cash reserves for capital projects.
- Fund balance of the District's governmental funds decreased by \$1.6 million, resulting in an ending fund balance of \$22.1 million. This negative change is the result of the District using voter approved bond money for the construction of a new track at Olathe Middle/High School and for asbestos removal, roof repair and replacement and HVAC replacement at multiple schools.

**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 3-51 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.

The District 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 52-53 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 67-73. Non-governmental fund budgetary comparisons are reported on pages 74-75.

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 among 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 District utilizes a fiduciary fund for its scholarships.

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 14-51 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 60-73 of this report. The additional schedules required as part of the Colorado Public School Finance Act can be found on page 86 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 29.56 percent of the total assets. Receivables reflect the result of the property tax collection process since the District receives 50 percent 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 2020-2021. Long-term liabilities such as long-term debt obligations and compensated absences payable will be liquidated from resources that will become available after fiscal 2020-2021.

As noted earlier, the liabilities and deferred inflows of the primary government activities exceed assets and deferred outflows by \$61.5 million with an unrestricted balance of (\$110.8 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 (\$82.0 million) and other post-employment benefits liability (\$4.0 million) on the District's financial statements. The District's net position increased \$18.8 million due to the on-behalf payment from the State to PERA for contributions during fiscal year 2019-2020 which reduced the pension liability for the District.

A net investment of \$73.8 million in land, improvements, buildings, equipment, and vehicles that provide the services to the District's 6,215 public school students. The increase of \$5.9 million over the prior year net investment is mainly due to the construction of a new track at Olathe Middle/High school, asbestos removal, roof repairs and replacement and HVAC replacement at multiple school locations and technology purchases. Net position of \$1,632,763 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, 2020 and 2019

		<b>Governmental Activities</b>	
		<b>2020</b>	<b>2019</b>
<b><u>Assets:</u></b>			
Current assets		\$ 39,103,717	\$ 37,135,053
Capital assets		73,805,087	67,915,008
	Total Assets	\$ 112,908,804	\$ 105,050,061
<b><u>Deferred Outflows:</u></b>			
Loss on refunding		\$ 80,936	\$ 145,684
Deferred pension/OPEB outflows		10,279,853	29,848,075
	Total Deferred Outflows	10,360,789	29,993,759
Total Assets and Deferred Outflows		\$ 123,269,593	\$ 135,043,820
<b><u>Liabilities:</u></b>			
Current liabilities		\$ 14,597,183	\$ 10,470,770
Noncurrent liabilities		115,749,710	130,950,097
	Total Liabilities	130,346,893	141,420,867
<b><u>Deferred Inflows:</u></b>			
Deferred pension/OPEB inflow		54,439,698	73,941,567
<b><u>Net Position:</u></b>			
Net investment in capital assets		45,938,927	48,862,983
Restricted		3,352,763	3,290,141
Unrestricted		(110,808,688)	(132,471,738)
	Total Net Position	(61,516,998)	(80,318,614)
Total Liabilities, Deferred Inflows and Net Position		\$ 123,269,593	\$ 135,043,820

Comparative Schedule of Changes in Net Position  
 Years ended June 30, 2020 and 2019

	<b>Governmental Activities</b>	
	<b>2020</b>	<b>2019</b>
<b>Revenues:</b>		
Program Revenues:		
Charges for services	\$ 9,300,432	\$ 9,423,447
Operating grants and contributions	13,915,937	13,291,535
Capital grants and contributions	1,601,490	2,886,262
General revenues:		
Property taxes	14,590,277	13,027,295
Specific ownership taxes	2,035,946	1,923,755
Penalties and interest on delinquent taxes		
State equalization	36,734,546	35,158,284
Unrestricted investment earnings	390,956	429,601
Allocation to Charter Schools	(1,797,275)	(1,545,278)
Loss on disposal of capital assets	(4,420)	(266,449)
Miscellaneous	229,491	42,621
Total Revenues	<u>76,997,380</u>	<u>74,371,073</u>
<b>Expenses:</b>		
Governmental activities:		
Instruction	36,007,437	33,132,801
Supporting services:		
Students	3,213,800	3,253,029
Instruction	2,923,384	2,965,131
General administration	603,234	441,164
School administration	2,272,238	2,299,464
Business	647,548	1,110,771
Plant operation and maintenance	4,668,601	5,140,965
Student transportation	1,937,517	1,949,606
Central Services	1,065,745	970,628
Nutritional Services	2,314,581	1,600,524
Other	170,493	401,440
Community services	127,669	110,432
Student activities	1,498,952	1,921,371
Interest on long-term debt	744,564	618,106
Total Expenses	<u>58,195,763</u>	<u>55,915,432</u>
Change in Net Position	18,801,617	18,455,641
Net position, beginning of year	(80,318,615)	(98,774,256)
Net Position - June 30	<u>\$ (61,516,998)</u>	<u>\$ (80,318,615)</u>

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

- State equalization aid increased by \$1,576,262 (4.5 percent) during the fiscal year, with property taxes also increasing by \$1,562,982 or 12 percent over 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 \$3,251,435 (6.09 percent). Student enrollment for the 2019-2020 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 \$3.83 million in fiscal year 2019-2020.
- Operating grants for governmental activities increased by \$624,402 due to the increase in availability of private, state and federal grants.
- Capital grants and contributions for governmental activities decreased by \$1,284,772, 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 increased by \$2.28 million. Most of that increase relates to increases in instructional expenses due to increases in employee salaries and benefits.

### **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, the 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, 2020, the combined general fund shows an ending fund balance of \$11,985,486 an increase of \$1,271,651 from the fund balance of \$10,714,195 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 \$22.1 million, a decrease of \$1.6 million in comparison with the prior year. This decrease is the result of \$2.9 million decrease in the Building Fund, which is the result of using the voter approved bond monies to build the new track at Olathe Middle/High School and for asbestos removal, roof repair/replacement and HVAC replacement projects at multiple school locations; (\$1,271,651) is the cost savings in the General Fund due to the reduction of expenditures from the onset of the COVID-19 pandemic including budgeted discretionary spending and savings from contracted bus transportation due to classes being conducted remotely from March 16, 2020 through the end of the 2019-2020 school year; \$151,809 is the result of decreasing reserves in the Nutritional Services Fund due to increases in salaries and food costs.; (\$151,275) is the result of increasing reserves in the Student Activity fund; \$56,621 is the result of decreasing reserves in the Fee in Lieu Fund; (\$36,449) is the result of increasing reserves in the Bond Redemption Fund for bond payments; (\$596,092) is the result of increasing reserves in the Capital Lease Fund and \$544,966 is the result of decreasing reserves in the Capital Projects Fund, for school building repairs and maintenance.

The unassigned fund balance for the District at the end of the fiscal year consists of the unassigned balance for the General Fund of \$7.30 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 \$7.30 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 (\$1.63 million); and 2) restricted for TABOR amendment (\$1.72 million). Fund balance is committed 1) to pay debt service (\$720,519); 2) funds raised for the food nutrition program (\$189,163); 3) funds raised for student activities/athletics (\$1.49 million); 4) to pay for capital projects (\$6.03 million); and 5) to liquidate employee retirement benefits (\$117,492). Fund balance is assigned 1) to pay for the school-based health center (\$288,299); 2) reserved for insurance in the Insurance Fund which is a sub-fund of the General Fund (\$961,780), and 3) appropriated for use of fund balance in 2020-2021 (\$1.12 million).

### General Fund Budgetary Highlights

Montrose County School District RE-1J began budget development for the 2019-2020 fiscal year in December 2018 with discussions related to labor negotiations as well as the impact of Amendment 23.

A 2018-2019 mid-year analysis was completed in February 2019 established the base of expenditure assumptions for 2019-2020. 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, 2019 and formally presented and adopted at the June 25, 2019 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, 2020 amounts to \$73.8 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 \$5.89 million (net of accumulated depreciation). Most of the increase was for the construction of a new track at Olathe Middle/High School and for asbestos removal, roof repair/replacements and HVAC replacement projects at multiple school locations that will be completed during the 2020-2021 school year.

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

- Olathe Middle/High school track construction project
- Asbestos removal, roof repair/replacements and HVAC replacement projects
- Computers were financed through a Lease Purchase with Apple, Inc.

#### Montrose County School District RE-1J

##### Net Investment in Capital Assets

June 30, 2020 and 2019

	<b>Governmental Activities</b>	
	<b>2020</b>	<b>2019</b>
Land	\$ 1,538,075	\$ 1,538,075
Construction in Progress	6,972,433	267,963
Improvements	5,748,825	5,314,809
Buildings	56,406,700	58,471,384
Equipment	3,139,054	2,322,777
Total Capital Assets	<u>\$ 73,805,087</u>	<u>\$ 67,915,008</u>

Additional information on the District’s capital assets can be found in Note F on pages 27-28.

At June 30, 2020, the District had total bonded debt outstanding of \$24.5 million, backed by the full faith and credit of the District. The District has debt outstanding for capital lease agreements in the amount of \$3.33 million. Additionally, the District has compensated absences payable for \$1.7 million, and retirement bonus benefits payable of \$117,493.

**General obligation Bonds, Employee Benefits, and Capital Leases**  
June 30, 2020 and 2019

<b>Governmental Activities</b>		
	<b>2020</b>	<b>2019</b>
General Obligation Bonds	\$24,534,676	\$25,846,211
2012 Lease Purchase Agreement	1,979,414	2,190,923
2020 Apple Lease Agreement	1,352,070	-
Compensated absences	1,695,410	1,557,304
Retirement Bonus benefits	117,493	67,493
Total long-term obligations	<u>\$ 29,679,063</u>	<u>\$ 29,661,931</u>

Additional information on the District’s long-term obligations can be found in Note G on pages 28-32 of this report.

**Economic Factors and Next Year’s Budget and Rates**

For 2020-2021, the inflation rate decreased to around 1.9 percent. The District budgeted for \$9,383 State per-pupil funding, which is an increase of 4.1 percent over the 2019-2020 funding. This increase will provide an additional \$371 per full time student to the District in fiscal year 2020-2021. However, the state established a Negative Factor in the amount of 14.0 percent of total program funding (\$7,854,000). This negative factor has been budgeted as a reduction in State revenue for the 2020-2021 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

## BASIC FINANCIAL STATEMENTS

Montrose County School District No. RE - 1J

STATEMENT OF NET POSITION

June 30, 2020

	Primary Government Governmental Activities	Component Unit Vista Charter School
<b>ASSETS</b>		
Cash and cash equivalents	\$ 22,239,772	\$ 682,739
Investments	11,131,205	1,762,695
Receivables		
Taxes	1,463,080	-
Accounts	2,885,804	-
Intergovernmental	864,300	-
Prepaid expenses	290,746	20,000
Due from primary government	-	514,291
Inventories	228,810	-
Capital assets		
Nondepreciable	8,510,508	595,320
Depreciable, net of accumulated depreciation	65,294,579	4,246,348
Total assets	<u>112,908,804</u>	<u>7,821,393</u>
<b>DEFERRED OUTFLOWS</b>		
Loss on refunding, current portion	64,749	-
Loss on refunding, long-term portion	16,187	-
Deferred outflows related to other post employment benefits	217,853	7,548
Deferred outflows related to pension	10,062,000	344,859
Total deferred outflows	<u>10,360,789</u>	<u>352,407</u>
<b>LIABILITIES</b>		
Accounts payable	1,641,402	41,299
Accrued salaries and benefits	6,056,865	152,981
Due to component units	514,291	-
Claims payable	1,157,889	-
Accrued interest payable	85,656	-
Unearned revenue	5,141,080	211,117
Noncurrent liabilities		
Due within one year	2,389,155	-
General obligation bonds	23,188,141	-
Capital lease agreements	2,615,819	-
Compensated absences payable	1,419,515	-
Retirement benefits	66,433	-
Net other post employment benefits liability	4,033,733	138,087
Net pension liability	82,036,914	2,811,689
Total liabilities	<u>130,346,893</u>	<u>3,355,173</u>
<b>DEFERRED INFLOWS</b>		
Deferred inflows related to other post employment benefits	755,348	25,509
Deferred inflows related to pension	53,684,350	1,807,112
Total deferred inflows	<u>54,439,698</u>	<u>1,832,621</u>
<b>NET POSITION</b>		
Net investment in capital assets	45,938,927	4,841,668
Restricted		
Emergencies	1,720,000	54,098
Debt service	1,632,763	-
Capital renewal	-	40,000
Unrestricted	(110,808,688)	(1,949,760)
Total net position	<u>\$ (61,516,998)</u>	<u>\$ 2,986,006</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, 2020

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	\$ 36,007,437	\$ 7,163,512	\$ 7,547,300	\$ -	\$ (21,296,625)	\$ (1,495,116)
Support services						
Students	3,213,800	117,068	2,330,694	-	(766,038)	(85,841)
Instructional staff	2,923,384	1,706	1,303,855	-	(1,617,823)	(190,756)
General administration	603,234	-	-	-	(603,234)	-
School administration	2,272,238	-	-	-	(2,272,238)	(186,118)
Business	647,548	-	-	-	(647,548)	-
Operations and maintenance	4,668,601	4,660	625,533	1,601,490	(2,436,918)	(63,735)
Student transportation	1,937,517	6,518	352,464	-	(1,578,535)	-
Central	1,065,745	-	-	-	(1,065,745)	-
Nutritional	2,314,581	298,265	1,624,930	-	(391,386)	-
Other	170,493	-	-	-	(170,493)	-
Community services	127,669	15,558	2,584	-	(109,527)	-
Student activities	1,498,953	1,693,145	128,577	-	322,769	-
Interest on long-term debt	744,564	-	-	-	(744,564)	-
Total governmental activities	<u>58,195,764</u>	<u>9,300,432</u>	<u>13,915,937</u>	<u>1,601,490</u>	<u>(33,377,905)</u>	<u>(2,021,566)</u>
Total primary government	<u>\$ 58,195,764</u>	<u>\$ 9,300,432</u>	<u>\$ 13,915,937</u>	<u>\$ 1,601,490</u>	<u>(33,377,905)</u>	
Component units						
Vista Charter School	2,082,743	2,076	37,956	21,145		
Total component units	<u>\$ 2,082,743</u>	<u>\$ 2,076</u>	<u>\$ 37,956</u>	<u>\$ 21,145</u>		
General Revenue						
Property taxes					14,590,277	-
Specific ownership taxes					2,035,946	-
State equalization					34,937,271	1,797,275
Unrestricted investment earnings					390,956	38,808
Loss on disposal of capital assets					(4,420)	-
Miscellaneous					229,491	-
Total general revenues and allocations					<u>52,179,521</u>	<u>1,836,083</u>
Change in net position					18,801,616	(185,483)
Net position, beginning of year					(80,318,614)	3,171,489
Net position, end of year					<u>\$ (61,516,998)</u>	<u>\$ 2,986,006</u>

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

Montrose County School District No. RE - 1J

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2020

	General Fund	Designated Purpose Grants Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash	\$ 11,555,765	\$ 3,949,192	\$ 1,795,806	\$ 3,959,074	\$ 21,259,837
Investments	5,577,118	27,868	2,368,884	1,240,619	9,214,489
Receivables					
Taxes	1,006,523	-	-	456,557	1,463,080
Accounts	2,594	1,567,733	773,882	251,198	2,595,407
Intergovernmental	864,300	-	-	-	864,300
Prepaid expense	290,746	-	-	-	290,746
Due from component units	-	194	-	-	194
Due from other funds	122,427	27,345	301,000	200,000	650,772
Inventories	183,645	-	-	45,165	228,810
<b>Total assets</b>	<b>\$ 19,603,118</b>	<b>\$ 5,572,332</b>	<b>\$ 5,239,572</b>	<b>\$ 6,152,613</b>	<b>\$ 36,567,635</b>
<b>Liabilities and fund balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 452,957	\$ 72,843	\$ 921,584	\$ 182,986	\$ 1,630,370
Due to component units	496,485	18,000	-	-	514,485
Due to other funds	828,395	322,377	-	-	1,150,772
Accrued salaries and benefits	5,292,400	658,510	-	105,955	6,056,865
Unearned revenue	-	4,500,602	-	47,654	4,548,256
<b>Total liabilities</b>	<b>7,070,237</b>	<b>5,572,332</b>	<b>921,584</b>	<b>336,595</b>	<b>13,900,748</b>
<b>Deferred inflows of resources</b>					
Unavailable property tax revenues	197,035	-	-	18,441	215,476
Unavailable transportation revenues	350,000	-	-	-	350,000
<b>Total deferred inflows of resources</b>	<b>547,035</b>	<b>-</b>	<b>-</b>	<b>18,441</b>	<b>565,476</b>
<b>Fund balances</b>					
<b>Non-spendable</b>					
Prepays	290,746	-	-	-	290,746
Inventories	183,645	-	-	45,165	228,810
<b>Restricted</b>					
Emergency reserve - TABOR	1,720,000	-	-	-	1,720,000
Debt service	-	-	-	1,632,763	1,632,763
<b>Committed</b>					
Debt service	-	-	-	720,519	720,519
Nutritional service	-	-	-	189,163	189,163
Student activities	-	-	-	1,493,039	1,493,039
Capital projects	-	-	4,317,988	1,716,928	6,034,916
Retirement	117,492	-	-	-	117,492
<b>Assigned</b>					
School based health centers	288,299	-	-	-	288,299
Insurance	961,780	-	-	-	961,780
Appropriated fund balance	1,119,700	-	-	-	1,119,700
Unassigned	7,304,184	-	-	-	7,304,184
<b>Total fund balances</b>	<b>11,985,846</b>	<b>-</b>	<b>4,317,988</b>	<b>5,797,577</b>	<b>22,101,411</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 19,603,118</b>	<b>\$ 5,572,332</b>	<b>\$ 5,239,572</b>	<b>\$ 6,152,613</b>	<b>\$ 36,567,635</b>

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, 2020

Total governmental funds balance		\$ 22,101,411
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Cost of capital assets	\$ 120,600,650	
Less accumulated depreciation	<u>(46,795,563)</u>	73,805,087
Receivables that are not available soon enough to pay for the current year's expenditures are deferred in the funds.		565,476
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.		1,928,174
Items related to pensions are considered to be long term items and are therefore not reported in the funds.		
Net pension liability	(82,036,914)	
Net OPEB liability	(4,033,733)	
Deferred outflows related to pension and OPEB	10,279,853	
Deferred inflows related to pension and OPEB	<u>(54,439,698)</u>	(130,230,492)
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	(22,235,000)	
Premiums on general obligation bonds	(2,299,676)	
Capital lease agreements	(3,131,484)	
Retainage payable	(202,947)	
Compensated absences	(1,695,410)	
Retirement benefits payable	<u>(117,493)</u>	(29,682,010)
Losses on refunding are reported in the fund when first issued, but deferred and amortized in government-wide.		81,012
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>(85,656)</u>
Net position of governmental activities		<u><u>\$ (61,516,998)</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, 2020				
	General Fund	Designated Purpose Grants Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Local sources	\$ 14,915,447	\$ 568,011	\$ 97,625	\$ 3,941,604	\$ 19,522,687
Intermediate sources	225,660	-	-	141,694	367,354
State sources	38,757,550	1,665,984	1,451,807	36,419	41,911,760
Federal sources	533,629	5,478,138	-	1,784,337	7,796,104
Total revenues	54,432,286	7,712,133	1,549,432	5,904,054	69,597,905
<b>Expenditures</b>					
Current:					
Instructional	31,954,619	3,721,592	-	-	35,676,211
Students	3,367,866	888,198	-	-	4,256,064
Instruction	2,017,352	1,496,699	-	-	3,514,051
General administration	729,768	27,625	-	-	757,393
School administration	3,400,491	55,785	-	-	3,456,276
Community services	13,800	113,869	-	-	127,669
Student activities	-	-	-	1,498,953	1,498,953
Nutritional services	22,039	-	-	2,280,788	2,302,827
Business	802,000	15,755	27,655	16,108	861,518
Operations and maintenance	5,600,056	162,707	-	-	5,762,763
Transportation	1,828,726	95	-	134,726	1,963,547
Central services	1,308,698	36,002	-	-	1,344,700
Other	60,658	129,238	-	-	189,896
Capital outlay	5,702	864,568	6,408,165	727,300	8,005,735
Debt service					
Principal	-	200,000	-	1,086,509	1,286,509
Interest & Fees	-	-	-	1,119,350	1,119,350
Total expenditures	51,111,775	7,712,133	6,435,820	6,863,734	72,123,462
Excess (deficiency) of revenues over (under) expenditures	3,320,511	-	(4,886,388)	(959,680)	(2,525,557)
<b>Other financing sources (uses)</b>					
Insurance proceeds	119,170	-	-	-	119,170
Capital lease proceeds	1,352,070	-	-	-	1,352,070
Transfers from other funds	865,000	-	2,030,000	2,088,100	4,983,100
Transfers to other funds	(4,385,100)	-	-	(1,098,000)	(5,483,100)
Total other financing sources (uses)	(2,048,860)	-	2,030,000	990,100	971,240
Change in fund balance	1,271,651	-	(2,856,388)	30,420	(1,554,317)
Fund balance, beginning of year	10,714,195	-	7,174,376	5,767,157	23,655,728
Fund balance, end of year	\$ 11,985,846	\$ -	\$ 4,317,988	\$ 5,797,577	\$ 22,101,411

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, 2020

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds		\$ (1,554,317)
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 capital outlays exceeded depreciation in the current period:		
Capital outlay	\$ 9,035,790	
Depreciation expense	<u>(3,344,238)</u>	5,691,552
In the fund financial statements the loss on disposal of capital assets is not recognized but are recognized in the government wide statements.		(4,420)
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.		160,223
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	15,480,604	
Increase in compensated absences payable	(138,104)	
Increase in retirement benefits payable	<u>(50,000)</u>	15,292,500
The on-behalf payment for PERA from the State of Colorado creates less benefit on the full accrual basis than on the modified accrual basis.		(329,135)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		1,286,509
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 decreased.		3,000
Proceeds from debt issuance are recognized as other sources but in the government wide statements are recognized as long-term debt		(1,352,070)
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>(764,012)</u>
Change in net position of governmental activities		<u><u>\$ 18,801,616</u></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, 2020

	Governmental Activities - Internal Service Fund
	<u>                    </u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 979,935
Investments	1,916,716
Accounts receivable	290,397
Due from General Fund	<u>500,000</u>
Total assets	3,687,048
LIABILITIES	
Current liabilities	
Accounts payable	8,161
Claims payable	1,157,889
Unearned revenue	<u>592,824</u>
Total liabilities	1,758,874
NET POSITION	
Unrestricted	<u>1,928,174</u>
Total net position	<u>\$ 1,928,174</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, 2020

	Governmental Activities - Internal Service Fund
	<u>                    </u>
Operating revenues	
Premiums	\$ 7,078,377
	<u>                    </u>
Total operating revenues	7,078,377
Operating expenses	
Purchased services	844,546
Claims	7,538,647
	<u>                    </u>
Total operating expenses	<u>8,383,193</u>
Operating income (loss)	(1,304,816)
Non-operating revenues	
Interest income	40,804
	<u>                    </u>
Total non-operating revenue	<u>40,804</u>
Non-operating revenues	
Transfer In - General Fund	500,000
	<u>                    </u>
Change in net position	(764,012)
Net position, beginning of year	<u>2,692,186</u>
Net position, end of year	<u><u>\$ 1,928,174</u></u>

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, 2020

	Governmental Activities - Internal Service Fund
Cash flows from operating activities	
Cash received from insurance premiums	\$ 7,197,135
Cash paid to suppliers	(844,209)
Cash paid for insurance claims	(7,451,329)
Net cash (used in) operating activities	<u>(1,098,403)</u>
Cash flows from investing activities	
Sale of investments	960,206
Interest income	40,804
Net cash provided by investing activities	<u>1,001,010</u>
Net increase (decrease) in cash and cash equivalents	(97,393)
Cash and cash equivalents, beginning of year	<u>1,077,328</u>
Cash and cash equivalents, end of year	<u><u>\$ 979,935</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (1,304,816)
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	94,226
Increase(decrease) in accounts payable	337
Increase (decrease) in claims payable	87,318
Increase (decrease) in unearned revenue	24,532
Total adjustments	<u>206,413</u>
Net cash used by operating activities	<u><u>\$ (1,098,403)</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, 2020

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ASSETS	
Cash	\$ 97,995
Investments	1,284,895
Rental property	<u>10,000</u>
Total assets	1,392,890
LIABILITIES	
Scholarships payable	<u>247,470</u>
Total liabilities	247,470
NET POSITION	
Permanently restricted	885,400
Restricted for scholarships	<u>260,020</u>
Total net position	<u>\$ 1,145,420</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, 2020

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Additions	
Earnings on deposits and investments	\$ 25,727
Contributions	86,473
Rental income	<u>9,600</u>
Total additions	121,800
Deductions	
Scholarships awarded	116,937
Operations and Maintenance	<u>28,263</u>
Total deductions	<u>145,200</u>
Change in net position	(23,400)
Net position, beginning of year	<u>1,168,820</u>
Net position, end of year	<u><u>\$ 1,145,420</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, 2020

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**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.

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.

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

2. Government-Wide and Fund Financial Statements - continued

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.
- 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.

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

2. Government-Wide and Fund Financial Statements - Continued

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.

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.

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

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

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.

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, 2020

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**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.

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.

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

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

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:

*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.

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

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

*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.

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

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.

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

6. Pensions - 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. SB 18-200 makes changes to certain benefit provisions. Some, but not all, of these changes were in effect as of June 30, 2020.

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.

**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.

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

**NOTE B – BUDGETARY INFORMATION – CONTINUED**

Originally adopted budgets, amendments and final amended budgeted expenditures for the year ended June 30, 2020 are as follows:

	Original Budget	Supplemental	Final Budget
General Fund	\$ 52,106,000	\$ 3,102,000	\$ 55,208,000
Insurance Reserve Fund	815,000	350,000	1,165,000
Special Revenue Funds:			
Nutritional Service Fund	2,271,141	–	2,271,141
Designated Grants Fund	5,882,717	1,980,000	7,862,717
Student Activity Fund	1,675,000	225,000	1,900,000
Fee-In-Lieu Fund	–	198,000	198,000
Bond Redemption Fund	1,940,538	5,000	1,945,538
Capital Lease	738,597	400,000	1,138,597
Building Fund	10,432,616	1,200,000	11,632,616
Capital Projects Fund	953,479	1,148,000	2,101,479
Employee Medical Benefit			
Internal Service Fund	7,366,702	1,383,298	8,750,000
Scholarship Trust Fund	42,000	110,000	152,000
Total	<u>\$ 84,223,790</u>	<u>\$ 10,101,298</u>	<u>\$ 94,325,088</u>

The Nutritional Service Fund’s expenditures exceeded budget appropriations by \$9,647, which may be a violation of Colorado State Statute. This variance was due to a non-cash expenditure related to USDA commodity revenue and the corresponding expense.

The following is a summary of the Charter School’s budget and actual expenditures for the year ended June 30, 2020:

Actual Expenditures (Budgetary Basis)	Vista <u>\$ 1,897,078</u>
Budgeted Expenditures	<u>1,962,536</u>
Variance – Favorable (Unfavorable)	<u>\$ 65,458</u>

**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, 2020 for TABOR is \$1,720,000. 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, 2020

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**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, 2020, the carrying amount of the District's deposits was \$21,558,460 and the bank balance was \$23,856,503. Of that balance \$1,003,802 was covered by FDIC insurance and \$22,852,702 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
- Local government investment pools

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

**NOTE D – DEPOSITS AND INVESTMENTS – CONTINUED**

2. Investments – Continued

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](http://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, 2020 is as follows:

	<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	\$ 1,712,120	\$ 1,712,120	\$ –
COLOTRUST, AA+ Rated	8,572,345	8,572,345	–
Negotiable Certificate of Deposit	2,129,534	949,990	1,179,544
Interest-bearing accounts	<u>2,101</u>	<u>2,101</u>	<u>–</u>
Total Investments	<u>\$ 12,416,100</u>	<u>\$ 11,236,556</u>	<u>\$ 1,179,544</u>

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

**NOTE D – DEPOSITS AND INVESTMENTS – CONTINUED**

2. Investments – Continued

Cash and investments on June 30, 2020, are as follows:

Cash on Hand	\$	2,049
Deposits		22,335,718
Investments		12,416,100
Total Cash and Investments	\$	<u>34,753,867</u>

Statement of Net Position:

Cash	\$	22,239,772
Investments		11,131,205
Total		<u>33,370,977</u>

Statement of Fiduciary Net Position:

Cash		97,995
Investments		1,284,895
Total		<u>1,382,890</u>
Total Cash and Investments	\$	<u>34,753,867</u>

Cash and investments of the charter schools consist of the following as of June 30, 2020:

		<u>Vista</u>
Deposits:		
Carrying Amount	\$	<u>682,739</u>
Bank Balances	\$	1,379,243
Insured		(749,860)
Collateralized	\$	<u>629,383</u>

The bank balances include \$503,990 in certificates of deposit that are presented as investments in the financial statements.

Investments:

Certificates of Deposit	\$	503,990
Cash and cash equivalents in an investment fund		463,436
COLOTRUST		795,269
Total Investments	\$	<u>1,762,695</u>

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

**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	\$ 122,427	\$ 828,395
Special Grants Fund	27,345	322,377
Capital Lease Fund	200,000	-
Building Fund	301,000	-
Medical Benefit Fund	500,000	-
Total	<u>\$ 1,150,772</u>	<u>\$ 1,150,772</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	\$ -	\$ 496,485
Special Grants Fund	194	18,000
Vista Charter School	514,291	-
Total	<u>\$ 514,485</u>	<u>\$ 514,485</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:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 4,385,100
Nutrition Services Fund	1,100	-
Fee in Lieu Fund	-	198,000
Insurance Reserve Fund	865,000	-
Building Fund	2,030,000	900,000
Capital Projects Fund	948,000	-
Capital Lease Fund	1,139,000	-
Medical Benefits Fund	500,000	-
Total	<u>\$ 5,483,100</u>	<u>\$ 5,483,100</u>

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

**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, 2020:

Governmental Activities:	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Non-depreciable:				
Land	\$ 1,538,075	\$ –	\$ –	\$ 1,538,075
Construction in Progress	<u>267,963</u>	<u>7,067,832</u>	<u>(363,362)</u>	<u>6,972,433</u>
Total non-depreciable capital assets	1,806,038	7,067,832	(363,362)	8,510,508
Depreciable capital assets:				
Improvements	9,376,583	797,064	–	10,173,647
Buildings	92,252,211	44,017	(75,783)	92,220,445
Equipment	<u>8,101,505</u>	<u>1,693,186</u>	<u>(98,641)</u>	<u>9,696,050</u>
Total depreciable capital assets	<u>109,730,299</u>	<u>2,534,267</u>	<u>(174,424)</u>	<u>112,090,142</u>
Accumulated depreciation:				
Improvements	(4,061,774)	(363,048)	–	(4,424,822)
Buildings	(33,780,827)	(2,108,701)	75,783	(35,813,745)
Equipment	<u>(5,778,728)</u>	<u>(872,489)</u>	<u>94,221</u>	<u>(6,556,996)</u>
Total accumulated depreciation	<u>(43,621,329)</u>	<u>(3,344,238)</u>	<u>170,004</u>	<u>(46,795,563)</u>
Net depreciable capital assets	<u>66,108,970</u>	<u>(809,971)</u>	<u>(4,420)</u>	<u>65,294,579</u>
Total net capital assets	<u>\$ 67,915,008</u>	<u>\$ 6,257,861</u>	<u>\$ (367,782)</u>	<u>\$ 73,805,087</u>

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

**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	131,772	—	(16,500)	115,272
Accumulated depreciation	(952,043)	(141,419)	16,500	(1,076,962)
Net depreciable capital assets	4,387,767	(141,419)	—	4,246,348
Net non-depreciable and depreciable capital assets	\$ 4,983,087	\$ (141,419)	\$ —	\$ 4,841,668

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

Depreciation charges to programs

Governmental Activities:

Instruction	\$ 3,043,239
Supporting Services:	
Students	107,507
General Administration	41,302
School Administration	12,573
Business	29,967
Plant Operations and Maintenance	97,896
Nutritional Services	11,754
Total	\$ 3,344,238

Charter Schools:

Vista Charter School	\$ 141,419
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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, 2020

**NOTE G – LONG-TERM OBLIGATIONS – CONTINUED**

1. General Obligation Bonds - 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 June 30, 2020	Principal	Interest	Total
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	1,040,000	893,250	1,933,250
2026-2030	6,020,000	3,613,000	9,633,000
2031-2035	7,685,000	1,908,125	9,593,125
2036-2037	3,640,000	184,250	3,824,250
Total	<u>\$ 22,235,000</u>	<u>\$ 10,518,582</u>	<u>\$ 32,753,582</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 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 2020 totaled \$262,827. Of that total, \$211,509 was principal, and \$51,318 was interest.

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

**NOTE G – LONG-TERM OBLIGATIONS – CONTINUED**

2. Lease Purchase Agreements - continued

On June 10, 2020, the District entered into a lease-purchase agreement with Apple Financial Services to lease tablets. The total original principal amount of the contract was \$1,352,070, with a contract interest rate of 2.19%. \$200,000 of principal became due upon the lease’s inception, followed by annual principal and interest payments of \$297,979 on July 10 beginning in 2020 with the final payment due on July 10, 2023.

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 June 30, 2019	Principal	Interest	Total
2021	\$ 715,665	\$ 48,290	\$ 763,955
2022	511,652	59,618	571,270
2023	530,939	47,846	578,785
2024	550,886	35,622	586,508
2025	273,535	22,929	296,464
2026-2028	748,807	21,897	770,704
Total	<u>\$ 3,331,484</u>	<u>\$ 236,202</u>	<u>\$ 3,567,686</u>

3. Accrued Liabilities for Compensated Absences

a. Vacation

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.

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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**NOTE G – LONG-TERM OBLIGATIONS – CONTINUED**

3. Accrued Liabilities for Compensated Absences – continued

b. General Leave/Sick Leave - continued

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	\$ 51,060
2022	22,734
2023	22,734
Thereafter	20,965
Total	<u>\$ 117,493</u>

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

**NOTE G – LONG-TERM OBLIGATIONS – CONTINUED**

5. Changes in Long-Term Debt

During the period ended June 30, 2020, the following changes occurred in the District’s long-term obligations:

Governmental Activities:

	Balance July, 1, 2019	Additions	Deletions	Balance June 30, 2020	Current
General Obligation					
Bonds, Series 2011	\$ 2,865,000	\$ –	\$ (675,000)	\$ 2,190,000	\$ 705,000
Premium on Series 2011	250,706	–	(58,990)	191,716	58,990
Bond, Series 2017	20,245,000	–	(200,000)	20,045,000	205,000
Premium on Series 2017	2,485,505	–	(377,545)	2,107,960	377,545
Total GO Bonds	<u>25,846,211</u>	<u>–</u>	<u>(1,311,535)</u>	<u>24,534,676</u>	<u>1,346,535</u>
2012 Capital Lease	2,190,923	–	(211,509)	1,979,414	219,760
Apple Lease 2020	–	1,352,070	–	1,352,070	495,905
Total Capital Leases	<u>2,190,923</u>	<u>1,352,070</u>	<u>(211,509)</u>	<u>3,331,484</u>	<u>715,665</u>
Retirement Bonuses	67,493	84,842	(34,842)	117,493	51,060
Compensated Absences	<u>1,557,304</u>	<u>379,418</u>	<u>(241,312)</u>	<u>1,695,410</u>	<u>275,895</u>
Totals	<u>\$ 29,661,931</u>	<u>\$ 1,816,330</u>	<u>\$ (1,799,198)</u>	<u>\$ 29,679,063</u>	<u>\$ 2,389,155</u>

**NOTE H – DEFINED BENEFIT PENSION PLAN**

**General Information about the Pension Plan**

*Plan description.* Eligible employees of the District are provided with pensions through the SCHDTF—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 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 (CAFR) that can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

*Benefits provided as of December 31, 2019.* PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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**NOTE H – DEFINED BENEFIT PENSION PLAN – CONTINUED**

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

- Highest average salary multiplied by 2.5 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.
- The lifetime retirement benefit for all eligible retiring employees under the Denver Public Schools (DPS) benefit structure is the greater of the:
  - Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit.
  - \$15 times the first 10 years of service credit plus \$20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100 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, 2019, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S., once certain criteria are met. Pursuant to SB 18-200, the annual increase for 2019 is 0.00 percent 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 of 1.25 percent unless adjusted by the automatic adjustment provision (AAP) pursuant to C.R.S. § 24-51-413. Benefit recipients under the PERA benefit structure who began eligible employment on or after January 1, 2007, will receive the lesser of an annual increase of 1.25 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SCHDTF. The AAP may raise or lower the aforementioned annual increase by up to 0.25 percent based on the parameters specified in C.R.S. § 24-51-413.

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

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

**NOTE H – DEFINED BENEFIT PENSION PLAN – CONTINUED**

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, 2020:* Eligible employees of the District and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Eligible employees are required to contribute 8.75 percent of their PERA-includable salary during the period of July 1, 2019 through June 30, 2020. Employer contribution requirements are summarized in the table below:

	July 1, 2019 Through June 30, 2020
Employer contribution rate	10.40%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02)%
Amount apportioned to the SCHDTF	9.38%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.50%
Total employer contribution rate to the SCHDTF	19.38%

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

As specified in C.R.S. § 24-51-414, 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 nonemployer contribution for financial reporting purposes.

Subsequent to the SCHDTF’s December 31, 2019, measurement date, HB 20-1379 *Suspend Direct Distribution to PERA Public Employees Retirement Association for 2020-21 Fiscal Year*, was passed into law during the 2020 legislative session and signed by Governor Polis on June 29, 2020. This bill suspends the July 1, 2020, \$225 million direct distribution allocated to the State, School, Judicial, and DPS Divisions, as required under Senate Bill 18-200.

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

**NOTE H – DEFINED BENEFIT PENSION PLAN – CONTINUED**

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, 2020 were as follows:

Vista	\$	219,423
MCS D		<u>6,409,671</u>
District Total	\$	<u><u>6,629,094</u></u>

**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, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll-forward the total pension liability to December 31, 2019. The District proportion of the net pension liability was based on the District contributions to the SCHDTF for the calendar year 2019 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

At June 30, 2020, the District reported a liability of \$82,036,914 for its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity. The amount recognized by the District as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the District were as follows:

District proportionate share of the net pension liability	\$ 82,036,914
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the District	\$ 9,234,110
Total	\$ 91,271,024

At December 31, 2019, the District proportion was 0.56794 percent, which was an increase of 0.00669 from its proportion measured as of December 31, 2018.

The District allocated 3.31 percent of that total to Vista Charter School, based on their share of PERA employer contributions paid through the District.

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

**NOTE H – DEFINED BENEFIT PENSION PLAN – CONTINUED**

Allocation of Net Pension Liability (NPL)

<u>Entity</u>	<u>NPL</u>	<u>% of District Total</u>
District Only	\$ 82,036,914	96.69%
Vista Charter	<u>2,811,689</u>	<u>3.31%</u>
District-Wide Total	<u>\$ 84,848,603</u>	<u>100.00%</u>

For the year ended June 30, 2020, the recognized pension expense for the District and the component unit were as follows:

<u>Entity</u>	<u>Expense Amount</u>
School District Only	\$(15,369,077)
Vista Charter School	<u>36,054</u>
District-Wide Total	<u>\$(15,333,023)</u>

The District recognized revenue of \$788,136 for support from the State as a nonemployer contributing entity. Vista Charter School recognized \$26,980 for support from the State.

At June 30, 2020, 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	\$ 4,471,066	\$ –
Changes of assumptions or other inputs	2,342,029	37,211,167
Net difference between projected and actual earnings on pension plan investments	–	9,718,089
Changes in proportion and differences between contributions recognized and proportionate share of contributions	–	6,755,094
Contributions subsequent to the measurement date	3,248,905	N/A
Total	\$ 10,062,000	\$ 53,684,350

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

**NOTE H – DEFINED BENEFIT PENSION PLAN – CONTINUED**

\$3,248,905 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30, 2020	
2021	\$ (26,162,967)
2022	(17,792,244)
2023	389,761
2024	(3,305,805)
2025	–
Thereafter	–

*Actuarial assumptions.* The total pension liability in the December 31, 2018 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 – 9.70 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (automatic) <sup>1</sup>	1.25 percent compounded annually
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic) <sup>1</sup>	Financed by the Annual Increase Reserve

<sup>1</sup> For 2019, the annual increase was 0.00 percent.

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.

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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**NOTE H – DEFINED BENEFIT PENSION PLAN – CONTINUED**

Post-retirement non-disabled mortality assumptions were based on the RP-2014 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 actuarial assumptions used in the December 31, 2018, valuation 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.

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.

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 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:

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

**NOTE H – DEFINED BENEFIT PENSION PLAN – CONTINUED**

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 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 cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50 percent.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200 and the additional 0.50 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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**NOTE H – DEFINED BENEFIT PENSION PLAN – CONTINUED**

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200 and the additional 0.50 percent, resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. Employer contributions also include the current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State provides an annual direct distribution of \$225 million, which commenced July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- The projected benefit payments reflect the lowered annual increase cap, from 1.50 percent to 1.25 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020.
- 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 rate determination does not use the municipal bond rate, and therefore, the discount rate is 7.25 percent. There was no change in the discount rate from the prior 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 7.25 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

**NOTE H – DEFINED BENEFIT PENSION PLAN – CONTINUED**

Proportionate share of the net pension liability	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
District only	\$108,798,513	\$82,036,914	\$ 59,568,220
Vista Charter	3,728,901	2,811,689	2,041,609
District-wide total	\$112,527,414	\$84,848,603	\$61,609,829

*Pension plan fiduciary net position.* Detailed information about the SCHDTF’s fiduciary net position is available in PERA’s CAFR which can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**NOTE I – DEFINED CONTRIBUTION PENSION PLAN**

Voluntary Investment Program

*Plan Description* – Employees of the District that are also members of the SCHDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available 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](http://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, 2020, program members contributed \$470,577.

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

**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 (CAFR) that can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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

*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 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.

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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

*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 contributions recognized by the HCTF from the District were \$337,351 for the year ended June 30, 2020.

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

At June 30, 2020, the District reported a liability of \$4,033,733 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2019. The District proportion of the net OPEB liability was based on the District contributions to the HCTF for the calendar year 2019 relative to the total contributions of participating employers to the HCTF.

At December 31, 2019, the District proportion was 0.37116 percent, which was an increase of 0.00634 from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the District recognized OPEB expense of \$(111,528). At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 13,386	\$ 677,815
Changes of assumptions or other inputs	33,465	–
Net difference between projected and actual earnings on OPEB plan investments	–	67,328
Changes in proportion and differences between contributions recognized and proportionate share of contributions	–	10,205
Contributions subsequent to the measurement date	171,002	N/A
<b>Total</b>	<b>\$ 217,853</b>	<b>\$ 755,348</b>

\$171,002 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30, 2020:	
2021	\$ (151,560)
2022	(151,553)
2023	(132,059)
2024	(147,979)
2025	(118,273)
Thereafter	(7,073)

*Actuarial assumptions.* The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

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NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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

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	5.60 percent in 2019, gradually decreasing to 4.50 percent in 2029
Medicare Part A premiums	3.50 percent in 2019, gradually increasing to 4.50 percent in 2029
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.

The actuarial assumptions used in the December 31, 2018, valuation 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 2019 for the PERA Benefit Structure:

Medicare Plan	Cost for Members Without Medicare Part A	Premiums for Members Without Medicare Part A
Medicare Advantage/Self-Insured Prescription	\$601	\$240
Kaiser Permanente Medicare Advantage HMO	605	237

The 2019 Medicare Part A premium is \$437 per month.

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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

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	Cost for Members Without Medicare Part A
Medicare Advantage/Self-Insured Prescription	\$562
Kaiser Permanente Medicare Advantage HMO	571

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

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2018, 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
2019	5.60%	3.50%
2020	8.60%	3.50%
2021	7.30%	3.50%
2022	6.00%	3.75%
2023	5.70%	3.75%
2024	5.50%	3.75%
2025	5.30%	4.00%
2026	5.10%	4.00%
2027	4.90%	4.25%
2028	4.70%	4.25%
2029+	4.50%	4.50%

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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

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.

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

- 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.

Post-retirement non-disabled 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 2019 plan year.

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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

- The morbidity assumptions were updated to reflect the assumed standard aging factors.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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.

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 percent.

*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, 2020

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

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate	4.60%	5.60%	6.60%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.50%	3.50%	4.50%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	\$3,937,914	\$4,033,733	\$4,144,460

*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, 2019, 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 percent.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the projection test indicates the HCTF’s 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.

*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:

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$4,560,948	\$4,033,733	\$3,582,855

*OPEB plan fiduciary net position.* Detailed information about the HCTF’s fiduciary net position is available in PERA’s CAFR which can be obtained at [www.copera.org/investments/pera-financial-reports](http://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 \$1,157,889, reported at June 30, 2020, 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.

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

	Beginning of Year Liability	Claims and Changes in Estimate	Claim Payments	End of Year Liability
2018	\$ 565,033	\$ 5,921,294	\$ 5,652,620	\$ 833,707
2019	833,707	6,974,703	6,737,839	1,070,571
2020	1,070,571	9,190,066	8,593,065	1,157,889

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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**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.

At June 30, 2020 the District has unexpended Construction commitments totaling approximately \$1.6 million. These projects are expected to be completed by June 30, 2021.

**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.

REQUIRED SUPPLEMENTARY INFORMATION

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, 2020

	Budget		Actual	Variance with
	Original	Amended		Final Budget
				Positive (Negative)
<b>Revenues</b>				
Local sources				
General property tax	\$ 12,116,000	\$ 12,116,000	\$ 12,292,651	\$ 176,651
Specific ownership tax	1,740,000	1,740,000	2,035,946	295,946
Penalties and interest on delinquent tax	70,000	70,000	31,999	(38,001)
Investment earnings	98,600	98,600	243,384	144,784
Other	207,200	211,200	311,467	100,267
Total local sources	14,231,800	14,235,800	14,915,447	679,647
Intermediate sources				
Forest service collection	-	-	223,680	223,680
Impact fees	-	-	1,980	1,980
Total intermediate sources	-	-	225,660	225,660
State sources				
Equalization	34,877,000	34,877,000	34,937,271	60,271
Exceptional Children's Educational Act	1,150,000	1,150,000	1,483,645	333,645
Rural Schools	631,000	631,000	631,877	877
Transportation	340,000	340,000	352,464	12,464
Vocational education	100,000	100,000	117,685	17,685
English Language Proficiency Act	254,200	254,200	279,179	24,979
Gifted and Talented	56,000	56,000	58,180	2,180
Other	46,000	46,000	897,249	851,249
Total state sources	37,454,200	37,454,200	38,757,550	1,303,350
Federal sources				
Medicaid	350,000	350,000	475,815	125,815
NJROTC	70,000	70,000	57,037	(12,963)
Other	-	-	777	777
Total federal sources	420,000	420,000	533,629	112,852
Total revenues	52,106,000	52,110,000	54,432,286	2,321,509
<b>Expenditures</b>				
Current				
Instructional services	30,363,202	32,005,203	31,954,619	50,584
Supporting services				
Students	3,203,605	3,265,605	3,367,866	(102,261)
Instruction	2,109,052	2,141,552	2,017,352	124,200
General administration	906,615	824,115	729,768	94,347
School administration	3,137,950	3,288,950	3,400,491	(111,541)
Business	1,073,604	1,077,604	802,000	275,604
Plant operations maintenance	5,595,751	5,651,251	5,600,056	51,195
Student transportation	2,190,433	2,190,433	1,828,726	361,707
Central services	1,160,786	1,505,786	1,308,698	197,088
Other	8,000	499	60,658	(60,159)
Food Service	-	-	22,039	(22,039)
Community Services	13,002	13,002	13,800	(798)
Capital outlay	25,000	25,000	5,702	19,298
Total expenditures	49,787,000	51,989,000	51,111,775	877,225
Excess (deficiency) of revenues over (under) expenditures	2,319,000	121,000	3,320,511	3,199,511
Other financing sources (uses)				
Insurance proceeds	-	-	119,170	119,170
Proceeds from capital lease	-	-	1,352,070	1,352,070
Transfer (to)/from other funds	(2,319,000)	(3,219,000)	(3,520,100)	(301,100)
Total other financing sources (uses)	(2,319,000)	(3,219,000)	(2,048,860)	1,170,140
Excess of expenditures over revenues and other financing sources (uses)	\$ -	\$ (3,098,000)	1,271,651	\$ 4,369,651
Fund balance, beginning of year			10,714,195	
Fund balance, end of year			\$ 11,985,846	

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, 2020

	Budget		Actual	Variance with
	Original	Amended		Final Budget
				Positive (Negative)
<b>Revenues</b>				
Local sources	\$ 153,500	\$ 234,472	\$ 568,011	\$ 333,539
State sources	1,152,061	1,332,389	1,665,984	333,595
Federal sources	4,577,156	4,315,856	5,478,138	1,162,282
<b>Total revenues</b>	<b>5,882,717</b>	<b>5,882,717</b>	<b>7,712,133</b>	<b>1,829,416</b>
<b>Expenditures</b>				
<b>Current</b>				
Instructional services	3,281,725	3,657,508	3,721,592	(64,084)
Supporting services				
Students	1,605,390	932,364	888,198	44,166
Instruction	528,693	1,458,277	1,496,699	(38,422)
General administration	30	28,040	27,625	415
School administration	48,500	55,254	55,785	(531)
Plant operations and maintenance	-	178,700	162,707	15,993
Student Transportation	-	234	95	139
Central services	25,700	37,755	36,002	1,753
Business	3,300	13,356	15,755	(2,399)
Community services	95,545	109,400	113,869	(4,469)
Other Uses	7,400	339,784	329,238	10,546
Capital outlay	286,434	1,052,045	864,568	187,477
<b>Total current expenditures</b>	<b>5,882,717</b>	<b>7,862,717</b>	<b>7,712,133</b>	<b>150,584</b>
Change in fund balance	-	(1,980,000)	-	1,980,000
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ (1,980,000)	\$ -	\$ 1,980,000

Montrose County School District No. RE - 1J

SCHEDULE OF ACTIVITY - NET PENSION LIABILITY

June 30, 2020

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%
December 31, 2019	0.54912%	82,036,914	9,234,110	91,271,024	33,374,525	246%	65%

Montrose County School District No. RE - 1J

SCHEDULE OF ACTIVITY - EMPLOYER PENSION CONTRIBUTIONS

June 30, 2020

	Required employer contribution	Employer contributions recognized by the plan	Difference	Employer covered payroll	Contributions as a percentage of employer covered payroll
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%
June 30, 2020	6,119,682	6,119,682	-	34,205,831	17.89%

Montrose County School District No. RE - 1J

SCHEDULE OF ACTIVITY - NET OPEB LIABILITY

June 30, 2020

	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%
December 31, 2019	0.35887%	4,003,733	33,374,525	12.00%	24.49%

Montrose County School District No. RE - 1J

SCHEDULE OF ACTIVITY - EMPLOYER OPEB CONTRIBUTIONS

June 30, 2020

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	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%
June 30, 2020	348,899	348,899	-	34,205,831	1.02%

Montrose County School District No. RE-1J

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2020

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**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.

Montrose County School District No. RE-1J

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2020

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**NOTE 2 RSI – PENSIONS**

Subsequent Event

Subsequent to December 31, 2019, as a result of the COVID-19 pandemic, the global economic outlook has changed. The duration and full effects of the pandemic are currently unknown, as the global picture continues to evolve. Although unprecedented federal fiscal and monetary stimulus have helped to stabilize and soften the impact of economic contraction, the near-term negative impact on PERA's investment portfolio, as well the short-medium term impact on the Trust Fund's membership and demographics, remains uncertain.

**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.

## SUPPLEMENTARY INFORMATION

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

June 30, 2020

	General Fund	Insurance Reserve Fund	Total
<b>Assets</b>			
Cash	\$ 10,549,844	\$ 1,005,921	\$ 11,555,765
Investments	5,577,050	68	5,577,118
Receivables			
Taxes	1,006,523	-	1,006,523
Accounts	2,594	-	2,594
Intergovernmental	864,300	-	864,300
Due from other funds	122,427	-	122,427
Prepaid expenses	290,746	-	290,746
Inventories	183,645	-	183,645
	<u>\$ 18,597,129</u>	<u>\$ 1,005,989</u>	<u>\$ 19,603,118</u>
<b>Liabilities</b>			
Accounts payable	424,289	28,668	\$ 452,957
Due to other funds	812,854	15,541	828,395
Due to component units	496,485	-	496,485
Accrued salaries and benefits	5,292,400	-	5,292,400
	<u>7,026,028</u>	<u>44,209</u>	<u>7,070,237</u>
<b>Deferred inflows of resources</b>			
Unavailable property tax revenues	197,035	-	197,035
Unavailable transportation revenues	350,000	-	350,000
	<u>547,035</u>	<u>-</u>	<u>547,035</u>
<b>Fund balances</b>			
Nonspendable			
Prepaid expenses	290,746	-	290,746
Inventory	183,645	-	183,645
Restricted			
Emergency Reserve - TABOR	1,720,000	-	1,720,000
Committed			
Retirement	117,492	-	117,492
Assigned			
School based health centers	288,299	-	288,299
Insurance	-	961,780	961,780
Appropriated fund balance	1,119,700	-	1,119,700
Unassigned	7,304,184	-	7,304,184
	<u>11,024,066</u>	<u>961,780</u>	<u>11,985,846</u>
	<u>\$ 18,597,129</u>	<u>\$ 1,005,989</u>	<u>\$ 19,603,118</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, 2020

	General Fund	Insurance Reserve Fund	Total
<b>Revenues</b>			
Local sources	\$ 14,915,447	\$ -	\$ 14,915,447
Intermediate sources	225,660	-	225,660
State sources	38,757,550	-	38,757,550
Federal sources	533,629	-	533,629
	<u>54,432,286</u>	<u>-</u>	<u>54,432,286</u>
Total revenues	54,432,286	-	54,432,286
<b>Expenditures</b>			
Current			
Instructional services	31,954,619	-	31,954,619
Supporting services	18,210,510	940,944	19,151,454
Capital outlay	5,702	-	5,702
	<u>50,170,831</u>	<u>940,944</u>	<u>51,111,775</u>
Total expenditures	50,170,831	940,944	51,111,775
Excess (deficiency) of revenues over (under) expenditures	4,261,455	(940,944)	3,320,511
<b>Other financing sources (uses)</b>			
Insurance proceeds	-	119,170	119,170
Proceeds from capital lease	1,352,070	-	1,352,070
Transfers from other funds	-	865,000	865,000
Transfers to other funds	(4,385,100)	-	(4,385,100)
	<u>(3,033,030)</u>	<u>984,170</u>	<u>(2,048,860)</u>
Total other financing sources (uses)	(3,033,030)	984,170	(2,048,860)
Change in fund balance	1,228,425	43,226	1,271,651
Fund balance, beginning of year	<u>9,795,641</u>	<u>918,554</u>	<u>10,714,195</u>
Fund balance, end of year	<u>\$ 11,024,066</u>	<u>\$ 961,780</u>	<u>\$ 11,985,846</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, 2020

	Budget		Actual	Variance with
	Original	Amended		Final Budget
				Positive (Negative)
<b>Revenues</b>				
Local sources				
General property tax	\$ 12,116,000	\$ 12,116,000	\$ 12,292,651	\$ 176,651
Specific ownership tax	1,740,000	1,740,000	2,035,946	295,946
Penalties and interest on delinquent tax	70,000	70,000	31,999	(38,001)
Investment earnings	98,600	98,600	243,384	144,784
Other	207,200	211,200	311,467	100,267
Total local sources	14,231,800	14,235,800	14,915,447	679,647
Intermediate sources				
Forest service collection	-	-	223,680	223,680
Impact fees	-	-	1,980	1,980
Total intermediate sources	-	-	225,660	225,660
State sources				
Equalization	34,877,000	34,877,000	34,937,271	60,271
Exceptional Children's Educational Act	1,150,000	1,150,000	1,483,645	333,645
Rural Schools	631,000	631,000	631,877	877
Transportation	340,000	340,000	352,464	12,464
Vocational education	100,000	100,000	117,685	17,685
English Language Proficiency Act	254,200	254,200	279,179	24,979
Gifted and Talented	56,000	56,000	58,180	2,180
Other	46,000	46,000	897,249	851,249
Total state sources	37,454,200	37,454,200	38,757,550	1,303,350
Federal sources				
Medicaid	350,000	350,000	475,815	125,815
NJROTC	70,000	70,000	57,037	(12,963)
Other	-	-	777	777
Total federal sources	420,000	420,000	533,629	113,629
Total revenues	52,106,000	52,110,000	54,432,286	2,322,286
<b>Expenditures</b>				
Current				
Instructional services	30,363,202	32,005,203	31,954,619	50,584
Supporting services				
Students	3,203,605	3,265,605	3,367,866	(102,261)
Instruction	2,109,052	2,141,552	2,017,352	124,200
General administration	906,615	824,115	729,768	94,347
School administration	3,137,950	3,288,950	3,400,491	(111,541)
Business	1,073,604	1,077,604	802,000	275,604
Plant operations maintenance	4,926,751	4,977,251	5,018,826	(41,575)
Student transportation	2,190,433	2,190,433	1,828,726	361,707
Central services	1,014,786	1,014,786	948,984	65,802
Other	8,000	499	60,658	(60,159)
Food services	-	-	22,039	(22,039)
Community Services	13,002	13,002	13,800	(798)
Capital outlay	25,000	25,000	5,702	19,298
Total expenditures	48,972,000	50,824,000	50,170,831	653,169
Excess (deficiency) of revenues over (under) expenditures	3,134,000	1,286,000	4,261,455	1,669,117
Other financing sources (uses)				
Lease proceeds	-	-	1,352,070	1,352,070
Transfers to other funds	(3,134,000)	(4,384,000)	(4,385,100)	(1,100)
Total other financing sources (uses)	(3,134,000)	(4,384,000)	(3,033,030)	1,350,970
Excess of expenditures over revenues and other financing sources (uses)	\$ -	\$ (3,098,000)	1,228,425	\$ 3,020,087
Fund balance, beginning of year			9,795,641	
Fund balance, end of year			<u>\$ 11,024,066</u>	

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, 2020

	Budget		Actual	Variance with
	Original	Amended		Final Budget
				Positive (Negative)
Expenditures				
Insurance premiums	\$ 669,000	\$ 674,000	\$ 581,230	\$ 92,770
Administration	146,000	491,000	359,714	131,286
Total expenditures	815,000	1,165,000	940,944	224,056
Excess (deficiency) of revenues over (under) expenditures	(815,000)	(1,165,000)	(940,944)	224,056
Other financing sources (uses)				
Insurance proceeds	-	300,000	119,170	(180,830)
Transfers from other funds	815,000	865,000	865,000	-
Total other financing sources (uses)	815,000	1,165,000	984,170	(180,830)
Change in fund balance	-	-	43,226	43,226
Fund balance, beginning of year	936,728	936,728	918,554	36,016
Fund balance, end of year	\$ 936,728	\$ 936,728	\$ 961,780	\$ 79,242

Montrose County School District No. RE - 1J

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

Year ended June 30, 2020

	Salaries	Employee Benefits	Purchased Services	Supplies	Capital	Other	Total Actual	Final Budget	Variance Favorable (Unfavorable)
Instruction	\$ 21,403,909	\$ 7,998,793	\$ 550,224	\$ 418,271	\$ 1,583,422	\$ -	\$ 31,954,619	\$ 32,005,203	\$ 50,584
Supporting services									
Students	2,310,018	841,686	204,682	11,440	-	40	3,367,866	3,265,605	(102,261)
Instruction	1,186,716	426,026	298,790	70,940	27,768	7,112	2,017,352	2,141,552	124,200
General administration	392,346	100,044	143,525	63,377	178	30,298	729,768	824,115	94,347
School administration	2,401,616	852,775	35,430	105,282	1,249	4,139	3,400,491	3,288,950	(111,541)
Business	483,002	154,915	120,940	12,327	3,531	27,285	802,000	1,077,604	275,604
Plant operations and maintenance	2,350,176	949,908	478,684	1,217,079	22,299	680	5,018,826	4,977,251	(41,575)
Student transportation	52,297	11,398	1,698,179	66,852	-	-	1,828,726	2,190,433	361,707
Central services	522,185	151,662	187,255	67,656	19,047	1,179	948,984	1,014,786	65,802
Food services	-	-	-	-	-	22,039	22,039	-	(22,039)
Other	-	-	75	-	-	60,583	60,658	499	(60,159)
Community services	-	-	-	-	-	13,800	13,800	13,002	(798)
Total supporting services expenditures	9,698,356	3,488,414	3,167,560	1,614,953	74,072	167,155	18,210,510	18,793,797	583,287
Capital outlay	-	-	-	-	5,702	-	5,702	25,000	19,298
Total actual expenditures	31,102,265	11,487,207	3,717,784	2,033,224	1,663,196	167,155	50,170,831	\$ 50,824,000	\$ 653,169
Final Budget	30,620,924	11,580,211	4,253,686	2,332,398	1,507,120	529,661	50,824,000		
Variance Favorable (Unfavorable)	\$ (481,341)	\$ 93,004	\$ 535,902	\$ 299,174	\$ (156,076)	\$ 362,506	\$ 653,169		

Montrose County School District No. RE - 1J

NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET

June 30, 2020

	Nutritional Services Fund	Student Activity Fund	Fee-in-Lieu Fund	Bond Redemption Fund	Capital Lease Fund	Capital Projects Fund	Total
<b>Assets</b>							
Cash	\$ 238,453	\$ 1,487,224	\$ 303,125	\$ -	\$ 520,519	\$ 1,409,753	\$ 3,959,074
Investments	596	-	-	1,194,647	-	45,376	1,240,619
Accounts receivable	243,781	7,417	-	456,557	-	-	707,755
Due from other funds	-	-	-	-	200,000	-	200,000
Inventories	45,165	-	-	-	-	-	45,165
<b>Total assets</b>	<b>\$ 527,995</b>	<b>\$ 1,494,641</b>	<b>\$ 303,125</b>	<b>\$ 1,651,204</b>	<b>\$ 720,519</b>	<b>\$ 1,455,129</b>	<b>\$ 6,152,613</b>
<b>Liabilities, deferred inflows of resources, and fund balances</b>							
<b>Liabilities</b>							
Accounts payable	\$ 140,058	\$ 1,602	\$ -	\$ -	\$ -	\$ 41,326	\$ 182,986
Accrued expenses	105,955	-	-	-	-	-	105,955
Unearned revenue	47,654	-	-	-	-	-	47,654
<b>Total liabilities</b>	<b>293,667</b>	<b>1,602</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>41,326</b>	<b>336,595</b>
<b>Deferred inflows of resources</b>							
Unavailable property tax revenue	-	-	-	18,441	-	-	18,441
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,441</b>	<b>-</b>	<b>-</b>	<b>18,441</b>
<b>Fund balances</b>							
<b>Non-spendable</b>							
Inventories	45,165	-	-	-	-	-	45,165
<b>Restricted</b>							
Debt Service	-	-	-	1,632,763	-	-	1,632,763
<b>Committed</b>							
Debt service	-	-	-	-	720,519	-	720,519
Nutritional service	189,163	-	-	-	-	-	189,163
Student activities	-	1,493,039	-	-	-	-	1,493,039
Capital projects	-	-	303,125	-	-	1,413,803	1,716,928
<b>Total fund balances</b>	<b>234,328</b>	<b>1,493,039</b>	<b>303,125</b>	<b>1,632,763</b>	<b>720,519</b>	<b>1,413,803</b>	<b>5,797,577</b>
<b>Total liabilities, deferred inflows, and fund balances</b>	<b>\$ 527,995</b>	<b>\$ 1,494,641</b>	<b>\$ 303,125</b>	<b>\$ 1,651,204</b>	<b>\$ 720,519</b>	<b>\$ 1,455,129</b>	<b>\$ 6,152,613</b>

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, 2020

	Nutritional Services Fund	Student Activity Fund	Fee-in-Lieu Fund	Bond Redemption Fund	Capital Lease Fund	Capital Projects Fund	Total
Revenues							
Local sources	\$ 307,123	\$ 1,650,228	\$ -	\$ 1,979,166	\$ -	\$ 5,087	\$ 3,941,604
Intermediate sources	-	-	141,379	315	-	-	141,694
State sources	36,419	-	-	-	-	-	36,419
Federal sources	1,784,337	-	-	-	-	-	1,784,337
Total revenues	<u>2,127,879</u>	<u>1,650,228</u>	<u>141,379</u>	<u>1,979,481</u>	<u>-</u>	<u>5,087</u>	<u>5,904,054</u>
Expenditures							
Current:							
Student activities	-	1,498,953	-	-	-	-	1,498,953
Food service	2,280,788	-	-	-	-	-	2,280,788
Business	-	-	-	-	-	16,108	16,108
Transportation	-	-	-	-	-	134,726	134,726
Capital outlay	-	-	-	-	280,081	447,219	727,300
Debt service							
Principal	-	-	-	875,000	211,509	-	1,086,509
Interest and fees	-	-	-	1,068,032	51,318	-	1,119,350
Total expenditures	<u>2,280,788</u>	<u>1,498,953</u>	<u>-</u>	<u>1,943,032</u>	<u>542,908</u>	<u>598,053</u>	<u>6,863,734</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources and uses	(152,909)	151,275	141,379	36,449	(542,908)	(592,966)	(959,680)
Other financing sources (uses)							
Transfers from other funds	1,100	-	-	-	1,139,000	948,000	2,088,100
Transfers to other funds	-	-	(198,000)	-	-	(900,000)	(1,098,000)
Total other financing sources (uses)	<u>1,100</u>	<u>-</u>	<u>(198,000)</u>	<u>-</u>	<u>1,139,000</u>	<u>48,000</u>	<u>990,100</u>
Change in fund balance	(151,809)	151,275	(56,621)	36,449	596,092	(544,966)	30,420
Fund balance, beginning of year	<u>386,137</u>	<u>1,341,764</u>	<u>359,746</u>	<u>1,596,314</u>	<u>124,427</u>	<u>1,958,769</u>	<u>5,767,157</u>
Fund balance, end of year	<u>\$ 234,328</u>	<u>\$ 1,493,039</u>	<u>\$ 303,125</u>	<u>\$ 1,632,763</u>	<u>\$ 720,519</u>	<u>\$ 1,413,803</u>	<u>\$ 5,797,577</u>

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, 2020

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Amended		
Revenues				
Local sources				
Food sales	\$ 412,300	\$ 412,300	\$ 304,013	\$ (108,287)
Miscellaneous	10	10	3,110	3,100
	<u>412,310</u>	<u>412,310</u>	<u>307,123</u>	<u>(105,187)</u>
State sources				
K-12 reduced lunch program	20,416	20,416	15,573	(4,843)
Start smart	4,120	4,120	5,618	1,498
State child nutrition match	17,000	17,000	15,228	(1,772)
Total state sources	<u>41,536</u>	<u>41,536</u>	<u>36,419</u>	<u>(5,117)</u>
Federal sources				
National school lunch program	1,611,295	1,611,295	1,043,107	(568,188)
Commodities	206,000	206,000	158,487	(47,513)
Other grants	-	-	582,743	582,743
Total federal sources	<u>1,817,295</u>	<u>1,817,295</u>	<u>1,784,337</u>	<u>(32,958)</u>
Total revenues	<u>2,271,141</u>	<u>2,271,141</u>	<u>2,127,879</u>	<u>(143,262)</u>
Expenditures				
Current				
Food service activities	2,271,141	2,271,141	2,280,788	(9,647)
Other financing sources (uses)				
Transfers from other funds	-	-	1,100	1,100
Change in fund balance	-	-	(151,809)	(151,809)
Fund balance, beginning of year	240,460	240,460	386,137	145,677
Fund balance, end of year	<u>\$ 240,460</u>	<u>\$ 240,460</u>	<u>\$ 234,328</u>	<u>\$ (6,132)</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, 2020

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Amended		
Revenues				
Local sources				
Student activities	\$ 1,675,000	\$ 1,675,000	\$ 1,650,228	\$ (24,772)
Expenditures				
Current				
Student activities	1,675,000	1,900,000	1,498,953	401,047
Change in fund balance	-	(225,000)	151,275	376,275
Fund balance, beginning of year	1,269,675	1,269,675	1,341,764	72,089
Fund balance, end of year	<u>\$ 1,269,675</u>	<u>\$ 1,044,675</u>	<u>\$ 1,493,039</u>	<u>\$ 448,364</u>

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, 2020

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Amended		
Revenues				
Intermediate sources				
Fees in lieu of land dedication	\$ 88,251	\$ 88,251	\$ 141,379	\$ 53,128
Total revenues	88,251	88,251	141,379	53,128
Other financing sources (uses)				
Transfers to other funds	-	(198,000)	(198,000)	-
Change in fund balance	88,251	(109,749)	(56,621)	53,128
Fund balance, beginning of year	320,821	320,821	359,746	38,925
Fund balance, end of year	\$ 409,072	\$ 211,072	\$ 303,125	\$ 92,053

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, 2020

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Amended		
Revenues				
Local sources				
General property tax	\$ 1,940,538	\$ 1,940,538	\$ 1,959,325	\$ 18,787
Penalties and interest on delinquent tax	-	-	4,473	4,473
Investment and interest earnings	-	-	15,368	15,368
Intermediate sources - other fees	-	-	315	315
Total revenues	<u>1,940,538</u>	<u>1,940,538</u>	<u>1,979,481</u>	<u>38,943</u>
Expenditures				
Debt service				
Principal	875,000	875,000	875,000	-
Interest	1,065,538	1,065,538	1,065,538	-
Bank fees	-	5,000	2,494	2,506
Total expenditures	<u>1,940,538</u>	<u>1,945,538</u>	<u>1,943,032</u>	<u>2,506</u>
Change in fund balance	-	(5,000)	36,449	41,449
Fund balance, beginning of year	<u>1,545,735</u>	<u>1,545,735</u>	<u>1,596,314</u>	<u>50,579</u>
Fund balance, end of year	<u>\$ 1,545,735</u>	<u>\$ 1,540,735</u>	<u>\$ 1,632,763</u>	<u>\$ 92,028</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, 2020

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Amended		
Expenditures				
Capital outlay	\$ -	\$ -	\$ 280,081	\$ (280,081)
Debt service				
Principal	687,279	1,057,279	211,509	845,770
Interest	51,318	81,318	51,318	30,000
Total expenditures	<u>738,597</u>	<u>1,138,597</u>	<u>542,908</u>	<u>595,689</u>
Excess (deficiency) of revenues over (under) expenditures	(738,597)	(1,138,597)	(542,908)	595,689
Other financing sources (uses)				
Transfers from other funds	<u>738,597</u>	<u>1,139,000</u>	<u>1,139,000</u>	<u>-</u>
Net change in fund balance	-	403	596,092	595,689
Fund balance, beginning of year	<u>142,313</u>	<u>142,313</u>	<u>124,427</u>	<u>(17,886)</u>
Fund balance, end of year	<u>\$ 142,313</u>	<u>\$ 142,716</u>	<u>\$ 720,519</u>	<u>\$ 577,803</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, 2020

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Amended		
<b>Revenues</b>				
Local sources				
Investment and interest earnings	\$ 45,000	\$ 45,000	\$ 90,049	\$ 45,049
Other	-	-	7,576	7,576
State sources				
Capital grant	2,946,430	2,946,430	1,451,807	(1,494,623)
Total revenues	<u>2,991,430</u>	<u>2,991,430</u>	<u>1,549,432</u>	<u>(1,441,998)</u>
<b>Expenditures</b>				
Current				
Business	1,252,444	1,252,444	27,655	1,224,789
Capital outlay	9,180,172	10,380,172	6,408,165	3,972,007
Total expenditures	<u>10,432,616</u>	<u>11,632,616</u>	<u>6,435,820</u>	<u>5,196,796</u>
Excess (deficiency) of revenues over (under) expenditures	(7,441,186)	(8,641,186)	(4,886,388)	3,754,798
<b>Other financing sources (uses)</b>				
Transfers from other funds	830,000	2,030,000	2,030,000	-
Total other financing sources (uses)	<u>830,000</u>	<u>2,030,000</u>	<u>2,030,000</u>	<u>-</u>
Change in fund balance	(6,611,186)	(6,611,186)	(2,856,388)	3,754,798
Fund balance, beginning of year	<u>7,916,844</u>	<u>7,916,844</u>	<u>7,174,376</u>	<u>(742,468)</u>
Fund balance, end of year	<u>\$ 1,305,658</u>	<u>\$ 1,305,658</u>	<u>\$ 4,317,988</u>	<u>\$ 3,012,330</u>

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, 2020

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Amended		
<b>Revenues</b>				
Local sources				
Investment and interest earnings	\$ 900	\$ 900	\$ 877	\$ (23)
Mini bus charges	20,000	20,000	1,760	(18,240)
Miscellaneous	-	-	2,450	2,450
Total revenues	<u>20,900</u>	<u>20,900</u>	<u>5,087</u>	<u>(15,813)</u>
<b>Expenditures</b>				
Current				
Business	15,000	15,000	16,108	(1,108)
Transportation	170,000	135,000	134,726	274
Capital outlay	768,479	1,051,479	447,219	604,260
Total expenditures	<u>953,479</u>	<u>1,201,479</u>	<u>598,053</u>	<u>603,426</u>
Excess (deficiency) of revenues over (under) expenditures	(932,579)	(1,180,579)	(592,966)	587,613
<b>Other financing sources (uses)</b>				
Transfers from other funds	750,000	948,000	948,000	-
Transfers to other funds	-	(900,000)	(900,000)	-
Total other financing sources (uses)	<u>750,000</u>	<u>48,000</u>	<u>48,000</u>	<u>-</u>
Net changes in fund balance	(182,579)	(1,132,579)	(544,966)	587,613
Fund balance, beginning of year	<u>2,001,287</u>	<u>2,001,287</u>	<u>1,958,769</u>	<u>(42,518)</u>
Fund balance, end of year	<u>\$ 1,818,708</u>	<u>\$ 868,708</u>	<u>\$ 1,413,803</u>	<u>\$ 545,095</u>

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, 2020

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Amended		
Revenues				
Premiums	\$ 6,880,300	\$ 6,880,300	\$ 7,078,377	\$ 198,077
Interest income	59,387	59,387	40,804	(18,583)
Total revenues	<u>6,939,687</u>	<u>6,939,687</u>	<u>7,119,181</u>	<u>179,494</u>
Expenses				
Claims	6,609,589	7,992,887	7,538,647	454,240
Insurance premiums and administration	<u>757,113</u>	<u>757,113</u>	<u>844,546</u>	<u>(87,433)</u>
Total expenses	<u>7,366,702</u>	<u>8,750,000</u>	<u>8,383,193</u>	<u>366,807</u>
Other financing sources (uses)				
Transfers from other funds	<u>-</u>	<u>500,000</u>	<u>500,000</u>	<u>-</u>
Change in net position	(427,015)	(1,310,313)	(764,012)	546,301
Net position, beginning of year	<u>2,174,736</u>	<u>2,174,736</u>	<u>2,692,186</u>	<u>517,450</u>
Net position, end of year	<u>\$ 1,747,721</u>	<u>\$ 864,423</u>	<u>\$ 1,928,174</u>	<u>\$ 1,063,751</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, 2020

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Amended		
Revenues				
Investment earnings	\$ 12,665	\$ 12,665	\$ 25,727	\$ 13,062
Contributions	69,052	69,052	86,473	17,421
Rental income	8,000	8,000	9,600	1,600
Total revenues	89,717	89,717	121,800	32,083
Expenditures				
Scholarships awarded	40,000	122,000	116,937	5,063
Operations and Maintenance	2,000	30,000	28,263	1,737
Total expenditures	42,000	152,000	145,200	6,800
Change in net position	47,717	(62,283)	(23,400)	38,883
Net position, beginning of year	1,198,998	1,198,998	1,168,820	(30,178)
Net position, end of year	\$ 1,246,715	\$ 1,136,715	\$ 1,145,420	\$ 8,705

SINGLE AUDIT

Montrose County School District No. RE-1J

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2020

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State Pass-thru ID</u>	<u>2020 Amount of Award Expended</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through Colorado Department of Human Services Donated Commodities	10.555	4555	\$ 158,487
Passed through Colorado Department of Education			
School Breakfast Program	10.553	4553	219,554
National School Lunch Program	10.555	4555	1,370,469
Summer Food Service Program for Children	10.559	4559	40,439
Child Nutrition Cluster Sub-Total			<u>1,788,949</u>
Total U.S. Department of Agriculture			<u>1,788,949</u>
<b>U.S. DEPARTMENT OF DEFENSE</b>			
NJROTC	12.000	9001	<u>57,037</u>
Total U.S. Department of Defense			<u>57,037</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through Colorado Department of Education			
Adult Education – Basic Grants to States	84.002	5002	147,186
Title I Grants to Local Educational Agencies	84.010	4010 5010	2,137,094
Special Education – Grants to States	84.027	4027	1,225,518
Special Education – Preschool Grants	84.173	4173	36,793
Special Education Cluster (IDEA) Sub-Total			<u>1,262,311</u>
Rural Education	84.358	6358	7,758
English Language Acquisition State Grants	84.365	4365	52,898
Supportive Effective Instruction State Grants	84.367	4367	216,966
Student Support and Academic Enrichment Program	84.424	4424	57,571
Passed through State Board for Community College and Occupation Education			
Career and Technical Education – Basic Grants to States	84.048	4048	<u>70,465</u>
Total U.S. Department of Education			<u>3,952,249</u>
<b>U.S. DEPARTMENT OF TREASURY</b>			
Passed through Colorado Department of Education			
Coronavirus Relief Fund (CRF) – (COVID-19)	21.019	4012	<u>443,118</u>
Total U.S. Department of Treasury			<u>443,118</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Head Start Cluster	93.600	8600	<u>1,074,676</u>
Total U.S. Department of Health and Human Services			<u>1,074,676</u>
Total expenditures of federal awards			<u>\$ 7,316,029</u>

Montrose County School District No. RE-1J

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2020

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**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, 2020. 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, 2020.

*Commodities*

USDA donated foods (commodities) of \$158,487 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.

**NOTE C – SUBRECIPIENTS**

Montrose County School District No. RE-1J did not pass through any federal funds to sub-recipients.



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 22, 2020

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, 2020, 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 22, 2020. The financial statements of Vista Charter School were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Vista Charter School.

**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. However, material weaknesses may exist that have not been identified.



Board of Education  
December 22, 2020

**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 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. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**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 22, 2020

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, 2020. 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, 2020.



Board of Education  
December 22, 2020

### **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, 2020

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	<u>✓</u>	no
Significant deficiency(ies) identified not considered to be material weaknesses?	_____	yes	<u>✓</u>	none reported
Noncompliance material to financial statements noted?	_____	yes	<u>✓</u>	no

Federal Awards

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

Type of auditor's report issued on compliance  
for major programs: Unmodified Opinion

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516?	_____	yes	<u>✓</u>	no
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Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027/84.173	Special Education Cluster (IDEA)
93.600	Head Start

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

Montrose County School District No. RE-1J

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2020

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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, 2020

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There were no prior year audit findings.

COLORADO DEPARTMENT OF EDUCATION  
AUDITORS INTEGRITY REPORT



**Colorado Department of Education**

**Auditors Integrity Report**

District: 2180 - Montrose County RE-1J

Fiscal Year 2019-20  
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
<b>Governmental</b>	<b>+</b>		<b>-</b>	<b>=</b>
10 General Fund	9,795,641	51,399,255	50,170,831	11,024,066
18 Risk Mgmt Sub-Fund of General Fund	918,554	984,171	940,945	961,780
19 Colorado Preschool Program Fund	0	0	0	0
<b>Sub- Total</b>	<b>10,714,196</b>	<b>52,383,426</b>	<b>51,111,776</b>	<b>11,985,846</b>
11 Charter School Fund	2,556,146	1,897,259	1,879,077	2,574,327
20,26-29 Special Revenue Fund	359,746	-56,621	0	303,125
06 Supplemental Cap Const, Tech, Main. Fund	0	0	0	0
07 Total Program Reserve Fund	0	0	0	0
21 Food Service Spec Revenue Fund	386,137	2,128,979	2,280,788	234,328
22 Govt Designated-Purpose Grants Fund	0	7,712,132	7,712,132	0
23 Pupil Activity Special Revenue Fund	1,341,764	1,650,228	1,498,952	1,493,040
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	1,596,314	1,979,479	1,943,031	1,632,762
39 Certificate of Participation (COP) Debt Service Fund	124,427	1,139,000	542,908	720,519
41 Building Fund	7,174,376	3,579,433	6,435,820	4,317,988
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	1,958,769	53,087	598,053	1,413,803
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
<b>Totals</b>	<b>26,211,874</b>	<b>72,466,402</b>	<b>74,002,538</b>	<b>24,675,738</b>
<b>Proprietary</b>				
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	2,692,186	540,804	1,304,816	1,928,174
<b>Totals</b>	<b>2,692,186</b>	<b>540,804</b>	<b>1,304,816</b>	<b>1,928,174</b>
<b>Fiduciary</b>				
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	1,168,820	121,799	145,200	1,145,419
85 Foundations	0	0	0	0
<b>Totals</b>	<b>1,168,820</b>	<b>121,799</b>	<b>145,200</b>	<b>1,145,419</b>

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.  
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