

Montrose County School District No. RE-1J

FINANCIAL STATEMENTS AND REPORTS OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

June 30, 2021

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**INDEPENDENT AUDITOR'S REPORT**

December 8, 2021

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, 2021, 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, 2021, and the



Board of Education
December 8, 2021

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-ix and 55-60, and the notes to the supplementary information on page 61, 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 Colorado Automated Data Exchange Report, 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, 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 8, 2021, 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, 2021

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, 2021. 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 \$27.9 million to a deficit of \$33.6 million from the prior year. This increase is primarily due to the increase in deferred outflows and a decrease in deferred inflows from changes in assumptions in the pension and OBEA plans required by GASB 68 and 75 that require the District to show its proportionate share of PERA’s net pension liability in the government wide financial statements.
- Government-wide total liabilities increased \$3.5 million from the prior year also due to an increase in the PERA pension liability due to the State not being able to make their on-behalf payment to PERA during 2020-2021.
- The District retired debt totaling \$2.9 million during the fiscal year through principal payments on both general obligation bonds and on computer leases for district wide student use.
- Total cash and investments decreased by \$4.8 million or 14.3 percent from the prior year, mainly attributable to the spending of one-time relief funds for COVID-19 pandemic related items received late in Fiscal 2019-2020 and by the utilization of cash reserves for capital projects.
- Fund balance of the District’s governmental funds increased by \$722 thousand, resulting in an ending fund balance of \$22.8 million. This positive change is the result of the District’s increase in Federal one time funding utilized to offset one time capital projects and ongoing expenditures related to COVID response and the ability to continue education through the pandemic. The District received higher Federal food service reimbursements to allow for expanded food services during the pandemic. The District decreased fund balances related to the use of voter approved bond money for the construction of a new track at the Olathe Middle/High School, and additional spending on asbestos removal, security equipment upgrades at multiple school locations, roof repair and replacement, and HVAC replacement at multiple schools. The District also experienced an increase in fund balances related to student activities as current period student activity revenue exceeded student activities expenses. The General Fund received approximately \$600 thousand additional unanticipated state share revenues after the completion of the fiscal year. The General Fund paid approximately \$500 thousand in non-recurring staff compensation during 2019-20 that was not repeated during 2020-21. The District also adjusted General Fund expenditure levels to adapt to reduced student enrollment during 2020-21 remote learning from savings of salaries and compensation from unfilled positions and purchased services contracts.

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 3-54 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 55-56 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 67-75. Non-governmental fund budgetary comparisons are reported on pages 76-77.

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 14-54 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 62-75 of this report. The additional schedules required as part of the Colorado Public School Finance Act can be found on page 78 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 25.96 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 2021-2022. Long-term liabilities such as long-term debt obligations and compensated absences payable will be liquidated from resources that will become available after fiscal 2021-2022.

As noted earlier, the liabilities and deferred inflows of the primary government activities exceed assets and deferred outflows by \$33.6 million with an unrestricted balance of (\$97.7 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 (\$94.7 million) and other post-employment benefits liability (\$3.4 million) on the District's financial statements. The District's net position increased \$27.9 million due primarily to the

increase in deferred outflows and decreases in deferred inflows from changes in the assumptions in the pension and OPEB plans.

A net investment of \$76.7 million in land, improvements, buildings, equipment, and vehicles that provide the services to the District's 5,836 public school students. The increase of \$2.9 million over the prior year net investment is mainly due to the completion of a new track at Olathe Middle/High school, asbestos removal, the completion of the Phase 2 security improvements at various school locations, roof repairs and replacement, and HVAC replacement at multiple school locations. Net position of \$1,674,866 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, 2021 and 2020

		Governmental Activities	
		2021	2020
<u>Assets:</u>			
Current assets		\$ 33,428,618	\$ 39,103,717
Capital assets		76,738,541	73,805,087
	Total Assets	<u>\$ 110,167,159</u>	<u>\$ 112,908,804</u>
<u>Deferred Outflows:</u>			
Loss on refunding		\$ 16,187	\$ 80,936
Deferred pension/OPEB outflows		27,961,525	10,279,853
	Total Deferred Outflows	<u>27,977,712</u>	<u>10,360,789</u>
Total Assets and Deferred Outflows		<u><u>\$ 138,144,871</u></u>	<u><u>\$ 123,269,593</u></u>
<u>Liabilities:</u>			
Current liabilities		\$ 8,968,774	\$ 14,597,183
Noncurrent liabilities		124,916,018	115,749,710
	Total Liabilities	<u>133,884,792</u>	<u>130,346,893</u>
<u>Deferred Inflows:</u>			
Deferred pension/OPEB inflow		37,873,401	54,439,698
<u>Net Position:</u>			
Net investment in capital assets		60,775,855	45,938,927
Restricted		3,349,866	3,352,763
Unrestricted		(97,739,043)	(110,808,688)
	Total Net Position	<u>(33,613,322)</u>	<u>(61,516,998)</u>
Total Liabilities, Deferred Inflows and Net Position		<u><u>\$ 138,144,871</u></u>	<u><u>\$ 123,269,593</u></u>

Comparative Schedule of Changes in Net Position
 Years ended June 30, 2021 and 2020

	Governmental Activities	
	2021	2020
Revenues:		
Program Revenues:		
Charges for services	\$ 9,076,685	\$ 9,300,432
Operating grants and contributions	18,921,094	13,915,937
Capital grants and contributions	1,412,365	1,601,490
General revenues;		
Property taxes	14,853,444	14,590,277
Specific ownership taxes	2,275,783	2,035,946
Penalties and interest on delinquent taxes		
State equalization	33,214,728	36,734,546
Unrestricted investment earnings	4,601	390,956
Allocation to Charter Schools	(1,381,473)	(1,797,275)
Loss on disposal of capital assets	-	(4,420)
Miscellaneous	83,693	229,491
Total Revenues	<u>78,460,920</u>	<u>76,997,380</u>
Expenses:		
Governmental activities:		
Instruction	28,456,482	36,007,437
Supporting services:		
Students	2,677,415	3,213,800
Instruction	3,607,360	2,923,384
General administration	576,483	603,234
School administration	1,570,755	2,272,238
Business	1,323,477	647,548
Plant operation and maintenance	4,238,366	4,668,601
Student transportation	1,896,819	1,937,517
Central Services	997,007	1,065,745
Nutritional Services	2,153,422	2,314,581
Other	69,018	170,493
Community services	1,620,170	127,669
Student activities	877,534	1,498,952
Interest on long-term debt	492,936	744,564
Total Expenses	<u>50,557,244</u>	<u>58,195,763</u>
Change in Net Position	27,903,676	18,801,617
Net position, beginning of year	(61,516,998)	(80,318,615)
Net Position - June 30	<u>\$ (33,613,322)</u>	<u>\$ (61,516,998)</u>

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

- State equalization aid decreased by \$3,519,818 (9.6 percent) during the fiscal year. However, property taxes increased by \$263,167 or 1.8 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 decreased by \$3,016,812 (5.65 percent). Student enrollment for the 2020-2021 school year, showed a decrease of 85 funded student full time equivalent (FTE). The averaging of student count contributed to a smaller 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 Budget Stabilization Negative Factor to reflect this inability to fund the equalization amount. The negative factor reduced the District's equalization revenue by \$6.99 million in fiscal year 2020-2021.
- Operating grants for governmental activities increased by \$5 million mainly due to the Coronavirus Relief Funds (CRF) and Elementary and Secondary School Emergency Relief Funds (ESSER) the District received in 2020-21 for expenses pertaining to the Coronavirus (COVID-19). The District received \$4.1 million in CRF and \$600 thousand in ESSER funding.
- Capital grants and contributions for governmental activities decreased by \$189,125, as the District completed the work on HVAC replacements, asbestos removal and roof repair and replacements at multiple school locations during the 2020-21 fiscal year using BEST Grants.
- Total governmental activities expenses decreased by \$7.64 million. Most of that decrease relates to decreases in instructional expenses due to an increase in pension related adjustments of \$6.7 million compared to the 2019-20 fiscal year. Offsetting the pension related adjustments was a increase in the net capital asset adjustments for capital outlay and depreciation expense of \$2.93 million. Instructional program expenditures decreased \$3.0 million offset by increases of \$1.0 million in Instruction support, \$1.5 million in Community Services, \$800 thousand in Business, and \$700 thousand in Other.

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, 2021, the combined general fund shows an ending fund balance of \$13,569,534 an increase of \$1,583,688 from the fund balance of \$11,985,846 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 \$22.8 million, an increase of \$722,244 in comparison with the prior year. This increase is net of a \$1.8 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, security equipment upgrades at multiple school locations, roof repair/replacement, and HVAC replacement projects; a \$1.6 million increase in the General Fund due to approximately \$600 thousand additional unanticipated state share revenues after the completion of the fiscal year and a decrease in salaries and compensation due to non-recurring compensation paid in 2019-20 that was not repeated in 2020-21 and adjustment to reduced student enrollment in 2020-21 due to COVID; \$319 thousand is the result of increasing reserves in the Nutritional

Services Fund due to increases in reimbursement rate for meals served and a decrease in food costs.; \$108 thousand is the result of increasing reserves in the Student Activity fund; \$98 thousand is the result of increasing reserves in the Fee in Lieu Fund; \$42 thousand is the result of increasing reserves in the Bond Redemption Fund for bond payments; \$392 thousand is the result of increasing reserves in the Capital Lease Fund and; \$59 thousand 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 \$9.97 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 \$9.97 million unassigned balance. The remainder of the fund balance is either in non-spendable form (i.e. prepaids and inventories), restricted, committed, or assigned to indicate that it is not available for new spending. Fund balance is restricted 1) to pay debt service (\$1.6 million); and 2) restricted for TABOR amendment (\$1.68 million). Fund balance is committed 1) to pay debt service (\$1.1 million); 2) funds raised for the food nutrition program (\$532,470); 3) funds raised for student activities/athletics (\$1.6 million); 4) to pay for capital projects (\$4.3 million); and 5) to liquidate employee retirement benefits (\$77,000). Fund balance is assigned 1) to pay for the school-based health center (\$319,764); 2) reserved for future program sustainability (\$164,612); and 3) reserved for insurance in the Insurance Fund which is a sub-fund of the General Fund (\$1.05 million).

General Fund Budgetary Highlights

Montrose County School District RE-1J began budget development for the 2020-2021 fiscal year in December 2019 with discussions related to labor negotiations as well as the impact of Amendment 23.

A 2019-2020 mid-year analysis was completed in February 2020 established the base of expenditure assumptions for 2020-2021. 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 29, 2020 and formally presented and adopted at the June 23, 2020 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, 2021 amounts to \$76.7 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 \$2.93 million (net of accumulated depreciation). Most of the increase was for the completion of a new track at Olathe Middle/High School, for asbestos removal, roof repair/replacements and HVAC replacement projects and security equipment upgrades at multiple school locations that were 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
- Phase 2 security equipment improvements
- Asbestos removal, roof repair/replacements and HVAC replacement projects

Montrose County School District RE-1J

Net Investment in Capital Assets

June 30, 2021 and 2020

	Governmental Activities	
	2021	2020
Land	\$ 1,538,075	\$ 1,538,075
Construction in Progress	1,689,103	6,972,433
Improvements	16,576,633	5,748,825
Buildings	54,505,644	56,406,700
Equipment	2,429,086	3,139,054
Total Capital Assets	<u>\$ 76,738,541</u>	<u>\$ 73,805,087</u>

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

At June 30, 2021, the District had total bonded debt outstanding of \$23.2 million, backed by the full faith and credit of the District. The District has debt outstanding for capital lease agreements in the amount of \$1.76 million. Additionally, the District has compensated absences payable for \$1.75 million, and retirement bonus benefits payable of \$77,182.

General obligation Bonds, Employee Benefits, and Capital Leases

June 30, 2021 and 2020

	Governmental Activities	
	2021	2020
General Obligation Bonds	\$23,188,141	\$24,534,676
2012 Lease Purchase Agreement	1,759,654	1,979,414
2020 Apple Lease Agreement	-	1,352,070
Compensated absences	1,745,874	1,695,410
Retirement Bonus benefits	77,182	117,493
Total long-term obligations	<u>\$ 26,770,851</u>	<u>\$ 29,679,063</u>

Additional information on the District’s long-term obligations can be found in Note G on pages 28-31 of this report.

Economic Factors and Next Year’s Budget and Rates

For 2021-22, the inflation rate increased from 1.9 percent to 2.0 percent. The District budgeted for \$9,443 State per-pupil funding which is an increase of 2.0 percent over the 2020-2021 State funding level. This increase will provide an additional \$181 per full-time student to the District in fiscal year 2021-22. However, the State established a Budget Stabilization Negative Factor (“Budget Stabilization”) in the amount of 7.0 percent of total program funding (\$3,853,000). This Budget Stabilization has been budgeted as a reduction in State revenue for the 2021-22 fiscal year.

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

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

Requests for Information

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

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

Montrose County School District No. RE - 1J

STATEMENT OF NET POSITION

June 30, 2021

	Primary Government Governmental Activities	Component Unit Vista Charter School
ASSETS		
Cash and cash equivalents	\$ 16,703,545	\$ 1,466,106
Investments	11,891,843	1,763,322
Receivables		
Taxes	893,964	-
Accounts	938,060	-
Intergovernmental	2,573,181	-
Other grants	10,422	-
Prepaid expense	140,437	-
Due from primary government	-	14,210
Due from component units	79,216	-
Inventories	197,950	-
Capital assets		
Nondepreciable	3,227,178	595,320
Depreciable, net of accumulated depreciation	73,511,363	4,103,391
Total assets	<u>110,167,159</u>	<u>7,942,349</u>
DEFERRED OUTFLOWS		
Loss on refunding, current portion	16,187	-
Deferred outflows related to other post employment benefits	232,672	5,092
Deferred outflows related to pension	27,728,853	424,064
Total deferred outflows	<u>27,977,712</u>	<u>429,156</u>
LIABILITIES		
Accounts payable	1,117,318	96,694
Accrued salaries and benefits	5,999,381	115,308
Due to component units	14,210	79,216
Claims payable	833,158	-
Accrued interest payable	85,656	-
Unearned revenue	919,051	140,330
Noncurrent liabilities		
Due within one year	1,477,427	-
General obligation bonds	22,243,141	-
Capital lease agreements	1,527,250	-
Compensated absences payable	1,486,108	-
Retirement benefits	37,245	-
Net other post employment benefits liability	3,442,267	83,201
Net pension liability	94,702,580	2,285,247
Total liabilities	<u>133,884,792</u>	<u>2,799,996</u>
DEFERRED INFLOWS		
Deferred inflows related to other post employment benefits	1,108,506	60,440
Deferred inflows related to pension	36,764,895	1,537,211
Total deferred inflows	<u>37,873,401</u>	<u>1,597,651</u>
NET POSITION		
Net investment in capital assets	60,775,855	4,698,711
Restricted		
Emergencies	1,675,000	54,098
Debt service	1,674,866	-
Capital renewal	-	40,000
Unrestricted	(97,739,043)	(818,951)
Total net position	<u>\$ (33,613,322)</u>	<u>\$ 3,973,858</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, 2021

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	\$ 28,456,482	\$ 7,959,416	\$ 6,800,770	\$ 424,520	\$ (13,271,776)	\$ 115,058
Support services						
Students	2,677,415	135,266	5,269,537	-	2,727,388	(79,285)
Instructional staff	3,607,360	-	1,293,536	-	(2,313,824)	(97,043)
General administration	576,483	-	-	-	(576,483)	(1,847)
School administration	1,570,755	-	-	-	(1,570,755)	(253,802)
Business	1,323,477	-	-	-	(1,323,477)	-
Operations and maintenance	4,238,366	4,480	7,303	987,845	(3,238,738)	(65,140)
Student transportation	1,896,819	1,207	369,656	-	(1,525,956)	-
Central	997,007	-	-	-	(997,007)	(20,786)
Nutritional	2,153,422	7,509	352,801	-	(1,793,112)	-
Other	69,018	35,535	3,033,024	-	2,999,541	-
Community services	1,620,170	19,439	1,501,705	-	(99,026)	-
Student activities	877,534	913,833	292,762	-	329,061	-
Interest on long-term debt	492,936	-	-	-	(492,936)	-
Total governmental activities	50,557,244	9,076,685	18,921,094	1,412,365	(21,147,102)	(402,845)
Total primary government	\$ 50,557,244	\$ 9,076,685	\$ 18,921,094	\$ 1,412,365	(21,147,102)	
Component units						
Vista Charter School	526,924	1,554	120,238	2,287		
Total component units	\$ 526,924	\$ 1,554	\$ 120,238	\$ 2,287		
General Revenue						
Property taxes					14,853,444	-
Specific ownership taxes					2,275,783	-
State equalization					31,833,257	1,381,473
Unrestricted investment earnings					4,601	9,224
Miscellaneous					83,693	-
Total general revenues and allocations					49,050,778	1,390,697
Change in net position					27,903,676	987,852
Net position, beginning of year					(61,516,998)	2,986,006
Net position, end of year					\$ (33,613,322)	\$ 3,973,858

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

Montrose County School District No. RE - 1J

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2021					
	General Fund	Designated Purpose Grants Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash	\$ 11,235,122	\$ -	\$ 721,918	\$ 4,645,980	\$ 16,603,020
Investments	5,578,130	27,868	2,372,403	1,312,082	9,290,483
Receivables					
Taxes	893,964	-	-	-	893,964
Accounts	85,341	-	5,062	725,744	816,147
Intergovernmental	923,211	1,642,745	7,225	-	2,573,181
Other grants	10,422	-	-	-	10,422
Prepaid expense	140,437	-	-	-	140,437
Due from component units	79,022	194	-	-	79,216
Due from other funds	906,574	143,459	-	304,676	1,354,709
Inventories	177,245	-	-	20,705	197,950
Total assets	<u>\$ 20,029,468</u>	<u>\$ 1,814,266</u>	<u>\$ 3,106,608</u>	<u>\$ 7,009,187</u>	<u>\$ 31,959,529</u>
Liabilities and fund balances					
Liabilities					
Accounts payable	\$ 412,167	\$ 20,051	\$ 549,951	\$ 68,075	\$ 1,050,244
Due to component units	7,769	6,441	-	-	14,210
Due to other funds	443,739	840,462	-	70,508	1,354,709
Accrued salaries and benefits	5,196,587	689,589	-	113,205	5,999,381
Unearned revenue	-	257,723	-	55,785	313,508
Total liabilities	<u>6,060,262</u>	<u>1,814,266</u>	<u>549,951</u>	<u>307,573</u>	<u>8,732,052</u>
Deferred inflows of resources					
Unavailable property tax revenues	99,672	-	-	4,150	103,822
Unavailable transportation revenues	300,000	-	-	-	300,000
Total deferred inflows of resources	<u>399,672</u>	<u>-</u>	<u>-</u>	<u>4,150</u>	<u>403,822</u>
Fund balances					
Non-spendable					
Prepays	140,437	-	-	-	140,437
Inventories	177,245	-	-	20,705	197,950
Restricted					
Emergency reserve - TABOR	1,675,000	-	-	-	1,675,000
Debt service	-	-	-	1,674,866	1,674,866
Committed					
Debt service	-	-	-	1,112,881	1,112,881
Nutritional service	-	-	-	532,470	532,470
Student activities	-	-	-	1,601,256	1,601,256
Capital projects	-	-	2,556,657	1,755,286	4,311,943
Retirement	77,000	-	-	-	77,000
Assigned					
School based health centers	319,764	-	-	-	319,764
Program sustainability reserve	164,612	-	-	-	164,612
Insurance	1,048,649	-	-	-	1,048,649
Unassigned	9,966,827	-	-	-	9,966,827
Total fund balances	<u>13,569,534</u>	<u>-</u>	<u>2,556,657</u>	<u>6,697,464</u>	<u>22,823,655</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 20,029,468</u>	<u>\$ 1,814,266</u>	<u>\$ 3,106,608</u>	<u>\$ 7,009,187</u>	<u>\$ 31,959,529</u>

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

Montrose County School District No. RE - 1J

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

June 30, 2021

Total governmental funds balance		\$ 22,823,655
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Cost of capital assets	\$ 127,351,190	
Less accumulated depreciation	<u>(50,612,649)</u>	76,738,541
Receivables that are not available soon enough to pay for the current year's expenditures are deferred in the funds.		403,822
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.		1,376,682
Items related to pensions are considered to be long term items and are therefore not reported in the funds.		
Net pension liability	(94,702,580)	
Net OPEB liability	(3,442,267)	
Deferred outflows related to pension and OPEB	27,961,525	
Deferred inflows related to pension and OPEB	<u>(37,873,401)</u>	(108,056,723)
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	(21,325,000)	
Premiums on general obligation bonds	(1,863,141)	
Capital lease agreements	(1,759,654)	
Retainage payable	(58,979)	
Compensated absences	(1,745,874)	
Retirement benefits payable	<u>(77,182)</u>	(26,829,830)
Losses on refunding are reported in the fund when first issued, but deferred and amortized in government-wide.		16,187
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>\$ (33,613,322)</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, 2021				
	General Fund	Designated Purpose Grants Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Local sources	\$ 15,407,222	\$ 438,379	\$ 37,379	\$ 3,041,540	\$ 18,924,520
Intermediate sources	196,614	-	-	197,908	394,522
State sources	34,288,363	3,608,454	1,403,610	15,357	39,315,784
Federal sources	1,373,200	8,906,314	-	2,368,913	12,648,427
Total revenues	51,265,399	12,953,147	1,440,989	5,623,718	71,283,253
Expenditures					
Current:					
Instructional	28,444,690	4,162,410	-	-	32,607,100
Students	3,027,452	1,157,721	-	-	4,185,173
Instruction	1,988,148	2,528,157	-	-	4,516,305
General Administration	756,105	84,090	-	-	840,195
School administration	3,260,061	64,883	-	-	3,324,944
Community services	3	1,620,167	-	-	1,620,170
Student activities	-	-	-	877,534	877,534
Nutritional services	3,176	5,977	-	2,135,722	2,144,875
Business	777,630	26,398	864,450	14,454	1,682,932
Operations and maintenance	5,431,302	370,402	-	-	5,801,704
Transportation	1,888,847	27,845	-	-	1,916,692
Central services	1,138,925	229,087	-	-	1,368,012
Other	69,087	856,849	-	-	925,936
Capital outlay	7,285	1,819,161	3,837,870	795,418	6,459,734
Debt service					
Principal	-	-	-	1,210,422	1,210,422
Interest & Fees	-	-	-	1,079,281	1,079,281
Total expenditures	46,792,711	12,953,147	4,702,320	6,112,831	70,561,009
Excess (deficiency) of revenues over (under) expenditures	4,472,688	-	(3,261,331)	(489,113)	722,244
Other financing sources (uses)					
Transfers from other funds	815,000	-	1,500,000	1,489,000	3,804,000
Transfers to other funds	(3,704,000)	-	-	(100,000)	(3,804,000)
Total other financing sources (uses)	(2,889,000)	-	1,500,000	1,389,000	-
Change in fund balance	1,583,688	-	(1,761,331)	899,887	722,244
Fund balance, beginning of year	11,985,846	-	4,317,988	5,797,577	22,101,411
Fund balance, end of year	\$ 13,569,534	\$ -	\$ 2,556,657	\$ 6,697,464	\$ 22,823,655

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, 2021

Amounts reported for governmental activities in the statement of activities		
are different because:		
Net change in fund balances - total governmental funds	\$	722,244
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period:		
Capital outlay	\$ 6,970,315	
Depreciation expense	<u>(3,892,893)</u>	3,077,422
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.		
		(161,655)
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	22,173,694	
Increase in compensated absences payable	(50,464)	
Decrease in retirement benefits payable	<u>40,311</u>	22,163,541
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
		2,281,830
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>(551,492)</u>
Change in net position of governmental activities	\$	<u><u>27,903,676</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, 2021

		Governmental Activities - Internal Service Fund
		<u> </u>
ASSETS		
Current assets		
Cash and cash equivalents		\$ 100,525
Investments		2,601,360
Accounts receivable		121,913
	Total assets	<u>2,823,798</u>
 LIABILITIES		
Current liabilities		
Accounts payable		8,415
Claims payable		833,158
Unearned revenue		605,543
	Total liabilities	<u>1,447,116</u>
 NET POSITION		
Unrestricted		<u>1,376,682</u>
	Total net position	<u><u>\$ 1,376,682</u></u>

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

Montrose County School District No. RE - 1J

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

Year ended June 30, 2021

	Governmental Activities - Internal Service Fund
Operating revenues	
Premiums	\$ 7,336,736
	<hr/>
Total operating revenues	7,336,736
Operating expenses	
Purchased services	1,842,900
Claims	6,047,919
	<hr/>
Total operating expenses	7,890,819
	<hr/>
Operating income (loss)	(554,083)
Non-operating revenues	
Interest income	2,591
	<hr/>
Total non-operating revenue	2,591
	<hr/>
Change in net position	(551,492)
Net position, beginning of year	1,928,174
	<hr/>
Net position, end of year	\$ 1,376,682
	<hr/> <hr/>

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

Montrose County School District No. RE - 1J

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

Year ended June 30, 2021

	Governmental Activities - Internal Service Fund
Cash flows from operating activities	
Cash received from insurance premiums	\$ 7,517,939
Cash paid to suppliers	(1,842,646)
Cash paid for insurance claims	(6,372,650)
Net cash provided by/(used in) operating activities	<u>(697,357)</u>
Cash Flows from Noncapital Financing Activities	
Cash received from interfund subsidy	500,000
Net cash provided by/(used in) noncapital financing activities	<u>500,000</u>
Cash flows from investing activities	
Purchase of investments	(684,644)
Interest income	2,591
Net cash provided by/(used in) investing activities	<u>(682,053)</u>
Net increase (decrease) in cash and cash equivalents	(879,410)
Cash and cash equivalents, beginning of year	<u>979,935</u>
Cash and cash equivalents, end of year	<u><u>\$ 100,525</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (554,083)
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	168,484
Increase(decrease) in accounts payable	254
Increase (decrease) in claims payable	(324,731)
Increase (decrease) in unearned revenue	12,719
Total adjustments	<u>(143,274)</u>
Net cash used by operating activities	<u><u>\$ (697,357)</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, 2021

ASSETS	
Cash	\$ 95,861
Investments	1,282,539
Rental property	<u>10,000</u>
Total assets	1,388,400
LIABILITIES	
Scholarships payable	<u>257,361</u>
Total liabilities	257,361
NET POSITION	
Permanently restricted	885,400
Restricted for scholarships	<u>245,639</u>
Total net position	<u><u>\$ 1,131,039</u></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, 2021

Additions	
Earnings on deposits and investments	\$ 8,060
Contributions	77,579
Rental income	<u>9,600</u>
Total additions	95,239
Deductions	
Scholarships awarded	105,955
General and administrative	<u>3,665</u>
Total deductions	<u>109,620</u>
Change in net position	(14,381)
Net position, beginning of year	<u>1,145,420</u>
Net position, end of year	<u><u>\$ 1,131,039</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, 2021

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, 2021

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, 2021

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, 2021

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, 2021

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, 2021

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, 2021

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, 2021

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, 2021.

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, 2021

NOTE B – BUDGETARY INFORMATION – CONTINUED

Originally adopted budgets, amendments and final amended budgeted expenditures for the year ended June 30, 2021 are as follows:

	Original Budget	Supplemental	Final Budget
General Fund	\$ 50,579,700	\$ 1,215,000	\$ 51,794,700
Insurance Reserve Fund	820,430	–	820,430
Special Revenue Funds:			
Nutritional Service Fund	2,055,385	300,000	2,355,385
Designated Grants Fund	11,061,305	2,372,245	13,433,550
Student Activity Fund	1,900,000	–	1,900,000
Fee-In-Lieu Fund	100,000	–	100,000
Bond Redemption Fund	1,946,863	–	1,946,863
Capital Lease	710,000	–	710,000
Building Fund	5,500,000	2,044,285	7,544,285
Capital Projects Fund	895,000	100,000	995,000
Employee Medical Benefit			
Internal Service Fund	8,988,775	–	8,988,775
Scholarship Trust Fund	122,000	–	122,000
Total	<u>\$ 84,679,458</u>	<u>\$ 6,031,530</u>	<u>\$ 90,710,988</u>

The following is a summary of the Charter School’s budget and actual expenditures for the year ended June 30, 2021:

	Vista
Actual Expenditures (Budgetary Basis)	\$ 1,277,013
Budgeted Expenditures	1,544,145
Variance – Favorable (Unfavorable)	<u>\$ 267,132</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, 2021 for TABOR is \$1,675,000. 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, 2021

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, 2021, the carrying amount of the District's deposits was \$16,796,964 and the bank balance was \$17,998,673. Of that balance \$1,004,469 was covered by FDIC insurance and \$16,994,204 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, 2021

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. 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, 2021 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	\$ 2,489,954	\$ 2,489,954	\$ –
COLOTRUST, AAAM Rated	8,079,138	8,079,138	–
Negotiable Certificate of Deposit	2,265,586	1,045,356	1,220,230
Interest-bearing accounts	<u>339,704</u>	<u>339,704</u>	<u>–</u>
Total Investments	<u>\$ 13,174,382</u>	<u>\$ 11,954,152</u>	<u>\$ 1,220,230</u>

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE D – DEPOSITS AND INVESTMENTS – CONTINUED

2. Investments – Continued

Cash and investments on June 30, 2021, are as follows:

Cash on Hand	\$	2,442
Deposits		16,796,964
Investments		13,174,382
Total Cash and Investments	\$	<u>29,973,788</u>

Statement of Net Position:

Cash	\$	16,703,545
Investments		11,891,843
Total		<u>28,595,388</u>

Statement of Fiduciary Net Position:

Cash		95,861
Investments		1,282,539
Total		<u>1,378,400</u>
Total Cash and Investments	\$	<u>29,973,788</u>

Cash and investments of the charter school consists of the following as of June 30, 2021:

Demand accounts	\$	1,466,106
Investment in COLOTRUST		797,432
Cash and cash equivalents in investment fund		99
Certificates of deposit		965,791
Total cash and investments	\$	<u>3,229,428</u>

As of June 30, 2021, the carrying amount of the School's deposits and CDs was \$2,431,996 and the bank balance was \$2,475,894. Of that balance, \$1,215,890 was covered by FDIC insurance.

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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:

Fund	Due From	Due To
General Fund	\$ 906,574	\$ 443,739
Special Grants Fund	143,459	840,462
Nutrition Service Fund	304,676	70,508
Total	<u>\$ 1,354,709</u>	<u>\$ 1,354,709</u>

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

Fund	Due From	Due To
General Fund	\$ 79,022	\$ 7,769
Special Grants Fund	194	6,441
Vista Charter School	14,210	79,216
Total	<u>\$ 93,426</u>	<u>\$ 93,426</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:

	Transfers In	Transfers Out
General Fund	\$ —	\$ 3,704,000
Fee in Lieu Fund	—	100,000
Insurance Reserve Fund	815,000	—
Building Fund	1,500,000	—
Capital Projects Fund	750,000	—
Capital Lease Fund	739,000	—
Total	<u>\$ 3,804,000</u>	<u>\$ 3,804,000</u>

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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, 2021:

Governmental Activities:	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Non-depreciable:				
Land	\$ 1,538,075	\$ –	\$ –	\$ 1,538,075
Construction in Progress	<u>6,972,433</u>	<u>5,862,591</u>	<u>(11,145,921)</u>	<u>1,689,103</u>
Total non-depreciable capital assets	8,510,508	5,862,591	(11,145,921)	3,227,178
Depreciable capital assets:				
Improvements	10,173,647	11,653,305	–	21,826,952
Buildings	92,220,445	128,456	–	92,348,901
Equipment	<u>9,696,050</u>	<u>327,916</u>	<u>(75,807)</u>	<u>9,948,159</u>
Total depreciable capital assets	<u>112,090,142</u>	<u>12,109,677</u>	<u>(75,807)</u>	<u>124,124,012</u>
Accumulated depreciation:				
Improvements	(4,424,822)	(825,497)	–	(5,250,319)
Buildings	(35,813,745)	(2,029,512)	–	(37,843,257)
Equipment	<u>(6,556,996)</u>	<u>(1,037,884)</u>	<u>75,807</u>	<u>(7,519,073)</u>
Total accumulated depreciation	<u>(46,795,563)</u>	<u>(3,892,893)</u>	<u>75,807</u>	<u>(50,612,649)</u>
Net depreciable capital assets	<u>65,294,579</u>	<u>8,216,784</u>	<u>–</u>	<u>73,511,363</u>
Total net capital assets	<u>\$ 73,805,087</u>	<u>\$ 14,079,375</u>	<u>\$ (11,145,921)</u>	<u>\$ 76,738,541</u>
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	115,272	–	–	115,272
Accumulated depreciation	<u>(1,076,962)</u>	<u>(142,957)</u>	<u>–</u>	<u>(1,219,919)</u>
Net depreciable capital assets	<u>4,246,348</u>	<u>(142,957)</u>	<u>–</u>	<u>4,103,391</u>
Net non-depreciable and depreciable capital assets	<u>\$ 4,841,668</u>	<u>\$ (142,957)</u>	<u>\$ –</u>	<u>\$ 4,698,711</u>

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE F – CAPITAL ASSETS – CONTINUED

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

Depreciation charges to programs	
<u>Governmental Activities:</u>	
Instruction	\$ 3,556,131
Supporting Services:	
Students	94,334
General Administration	43,921
School Administration	11,407
Business	35,884
Plant Operations and Maintenance	140,682
Nutritional Services	10,534
Total	<u>\$ 3,892,893</u>
<u>Charter Schools:</u>	
Vista Charter School	<u>\$ 142,957</u>

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.

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.

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE G – LONG-TERM OBLIGATIONS – CONTINUED

1. General Obligation Bonds – Continued

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

Year Ending June 30, 2021	Principal	Interest	Total
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	1,090,000	840,000	1,930,000
2027-2031	6,320,000	3,304,500	9,624,500
2032-2036	8,070,000	1,514,250	9,584,250
2037	1,865,000	46,625	1,911,625
Total	<u>\$ 21,325,000</u>	<u>\$ 9,486,719</u>	<u>\$ 30,811,719</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 2021 totaled \$265,977. Of that total, \$219,760 was principal, and \$46,217 was interest.

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. During 2021 the District paid off the lease.

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

Year Ending June 30, 2021	Principal	Interest	Total
2022	\$ 232,424	\$ 40,868	\$ 273,292
2023	245,595	35,211	280,806
2024	259,293	29,236	288,529
2025	273,535	22,929	296,464
2026	288,340	16,276	304,616
2027-2028	460,467	11,146	471,613
Total	<u>\$ 1,759,654</u>	<u>\$ 155,666</u>	<u>\$ 1,915,320</u>

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE G – LONG-TERM OBLIGATIONS – CONTINUED

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.

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>	
2022	\$ 39,937
2023	29,722
2023	7,523
Total	<u>\$ 77,182</u>

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE G – LONG-TERM OBLIGATIONS – CONTINUED

5. Changes in Long-Term Debt

During the period ended June 30, 2021, the following changes occurred in the District’s long-term obligations:

Governmental Activities:

	Balance July, 1, 2020	Additions	Deletions	Balance June 30, 2021	Current
General Obligation					
Bonds, Series 2011	\$ 2,190,000	\$ –	\$ (705,000)	\$ 1,485,000	\$ 730,000
Premium on Series 2011	191,716	–	(58,990)	132,726	58,990
Bond, Series 2017	20,045,000	–	(205,000)	19,840,000	215,000
Premium on Series 2017	<u>2,107,960</u>	<u>–</u>	<u>(377,545)</u>	<u>1,730,415</u>	<u>377,545</u>
Total GO Bonds	<u>24,534,676</u>	<u>–</u>	<u>(1,346,535)</u>	<u>23,188,141</u>	<u>1,381,535</u>
2012 Capital Lease	1,979,414	–	(219,760)	1,759,654	232,424
Apple Lease 2020	<u>1,352,070</u>	<u>–</u>	<u>(1,352,070)</u>	<u>–</u>	<u>–</u>
Total Capital Leases	<u>3,331,484</u>	<u>–</u>	<u>(1,571,830)</u>	<u>1,759,654</u>	<u>232,424</u>
Retirement Bonuses	117,493	20,964	(61,275)	77,182	39,937
Compensated Absences	<u>1,695,410</u>	<u>294,101</u>	<u>(243,637)</u>	<u>1,745,874</u>	<u>259,766</u>
Totals	<u>\$ 29,679,063</u>	<u>\$ 315,065</u>	<u>\$ (3,223,277)</u>	<u>\$ 26,770,851</u>	<u>\$ 1,913,662</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 (ANNUAL REPORT) that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided as of December 31, 2020. 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, 2021

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, 2020, 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, eligible benefit recipients under the PERA benefit structure who began membership before January 1, 2007, and all eligible benefit recipients of the DPS benefit structure will receive an annual increase of 1.25 percent unless adjusted by the automatic adjustment provision (AAP) pursuant to C.R.S. § 24-51-413. Eligible 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.

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE H- DEFINED BENEFIT PENSION PLAN – CONTINUED

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

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

Contributions provisions as of June 30, 2021: 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 10.00 percent of their PERA-includable salary during the period of July 1, 2020 through June 30, 2021. Employer contribution requirements are summarized in the table below:

	July 1, 2020 Through June 30, 2021
Employer contribution rate	10.90%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02)%
Amount apportioned to the SCHDTF	9.88%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.50%
Total employer contribution rate to the SCHDTF	19.88%

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

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE H- DEFINED BENEFIT PENSION PLAN – CONTINUED

As specified in C.R.S. § 24-51-414, the State is required to contribute \$225 million (actual dollars) 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. House Bill (HB) 20-1379 suspended the \$225 million (actual dollars) direct distribution payable on July 1, 2020 for the State’s 2020-21 fiscal year.

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, 2021 were as follows:

Vista	\$	158,951
MCSD		<u>6,587,082</u>
District Total	\$	<u>6,746,033</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, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll-forward the total pension liability to December 31, 2020. The District’s proportion of the net pension liability was based on the District’s contributions to the SCHDTF for the calendar year 2020 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

Due to the aforementioned suspension of the July 1, 2020, direct distribution payment, the nonemployer contributing entity’s proportion is zero percent. Pursuant to C.R.S. § 24-51-414, the direct distribution payment from the State of Colorado is to recommence annually starting on July 1, 2021. For purposes of GASB 68 paragraph 15, a circumstance exists in which a nonemployer contributing entity is legally responsible for making contributions to the SCHDTF and is considered to meet the definition of a special funding situation.

At June 30, 2021, the District reported a liability of \$94,702,580 for its proportionate share of the net pension liability. 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:

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE H- DEFINED BENEFIT PENSION PLAN – CONTINUED

District’s proportionate share of the net pension liability	\$94,702,580
The State’s proportionate share of the net pension liability as a nonemployer contributing entity associated with the District	\$0
Total	\$94,702,580

At December 31, 2020, the District’s proportion was .626423 percent, which was an increase of .077260 from its proportion measured as of December 31, 2019.

For the year ended June 30, 2021, the District recognized pension expense of \$ (15,333,560). At June 30, 2021, 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	\$ 5,203,436	\$ –
Changes of assumptions or other inputs	9,110,094	15,918,702
Net difference between projected and actual earnings on pension plan investments	–	20,846,193
Changes in proportion and differences between contributions recognized and proportionate share of contributions	10,155,301	–
Contributions subsequent to the measurement date	3,260,022	N/A
Total	\$ 27,728,853	\$ 36,764,895

\$3,260,022 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE H- DEFINED BENEFIT PENSION PLAN – CONTINUED

Year ended June 30,2021:	
2022	\$ (13,838,956)
2023	6,530,688
2024	(1,699,192)
2025	(3,288,604)
2026	—
Thereafter	—

Actuarial assumptions. The total pension liability in the December 31, 2019 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 (compounded annually) ¹	1.25 percent
PERA benefit structure hired after 12/31/06	Financed by the AIR

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

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.

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.

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE H- DEFINED BENEFIT PENSION PLAN – CONTINUED

- 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, 2019, 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.

Based on the 2020 experience analysis, dated October 28, 2020, for the period January 1, 2016, through December 31, 2019, revised economic and demographic assumptions were adopted by PERA’s Board on November 20, 2020, and were effective as of December 31, 2020. The assumptions shown below were reflected in the roll forward calculation of the total pension liability from December 31, 2019 to December 31, 2020.

Actuarial cost method	Entry age
Price inflation	2.30 percent
Real wage growth	0.70 percent
Wage inflation	3.00 percent
Salary increases, including wage inflation	3.40 – 11.00 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 (compounded annually)	1.25 percent
PERA benefit structure hired after 12/31/06 ¹	Financed by the AIR

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

Salary scale assumptions were revised to align with revised economic assumptions and to more closely reflect actual experience.

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE H– DEFINED BENEFIT PENSION PLAN – CONTINUED

Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.

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

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

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

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

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

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

The mortality tables described above are generational mortality tables on a benefit-weighted basis

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020. As a result of the November 20, 2020, PERA Board meeting, the following economic assumptions were changed, effective December 31, 2020:

- Price inflation assumptions decreased from 2.40 percent per year to 2.30 percent per year.
- Real rate of investment return assumption increased from 4.85 percent per year, net of investment expenses, to 4.95 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.50 percent per year to 3.00 percent per year.

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE H- DEFINED BENEFIT PENSION PLAN – CONTINUED

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

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

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global Equity	54.00%	5.60%
Fixed Income	23.00%	1.30%
Private Equity	8.50%	7.10%
Real Estate	8.50%	4.40%
Alternatives ¹	6.00%	4.70%
Total	100.00%	

¹ The Opportunity Fund’s name changed to Alternatives effective January 1, 2020.

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 3.00 percent.

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE H- DEFINED BENEFIT PENSION PLAN – CONTINUED

- 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. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200. 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, as a nonemployer contributing entity, will provide an annual direct distribution of \$225 million (actual dollars), commencing on 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. HB 20-1379 suspended the \$225 million (actual dollars) direct distribution payable on July 1, 2020, for the State's 2020-21 fiscal year.
- 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 FNP position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the SCHDTF's FNP was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 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.

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE H- DEFINED BENEFIT PENSION PLAN – CONTINUED

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25 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:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$ 129,182,075	\$ 94,702,580	\$ 65,969,798

Pension plan fiduciary net position. Detailed information about the SCHDTF’s FNP is available in PERA’s Annual Report which can be obtained at 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.

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, 2021, program members contributed \$610,925.

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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 (ANNUAL REPORT) that can be obtained at www.copera.org/investments/pera-financial-reports.

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

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

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

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

PERA Benefit Structure

The maximum service-based premium subsidy is \$230 per month for retirees who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for retirees who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The maximum service 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 retirees not covered by Medicare Part A.

DPS Benefit Structure

The maximum service-based premium subsidy is \$230 per month for retirees who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for retirees who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The maximum 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.

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

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 \$324,082 for the year ended June 30, 2021.

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

At June 30, 2021, the District reported a liability of \$3,442,267 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2020. The District’s proportion of the net OPEB liability was based on District contributions to the HCTF for the calendar year 2020 relative to the total contributions of participating employers to the HCTF.

At December 31, 2020, the District’s proportion was .362258 percent, which was an increase of .003385 from its proportion measured as of December 31, 2019.

For the year ended June 30, 2021, the District recognized OPEB expense of \$88,570. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 9,136	\$ 756,775
Changes of assumptions or other inputs	25,720	211,077
Net difference between projected and actual earnings on OPEB plan investments	–	140,654
Changes in proportion and differences between contributions recognized and proportionate share of contributions	30,558	–
Contributions subsequent to the measurement date	167,258	N/A
Total	\$ 232,672	\$ 1,108,506

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

\$167,258 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, 2022. 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 30,2021:	
2022	\$ (252,717)
2023	(233,041)
2024	(249,202)
2025	(219,335)
2026	(83,450)
Thereafter	(5,347)

Actuarial assumptions. The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 percent in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	8.10 percent in 2020, gradually decreasing to 4.50 percent in 2029
Medicare Part A premiums	3.50 percent in 2020, 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

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

In determining the additional liability for PERACare enrollees who are age 65 or older and who are not eligible for premium-free Medicare Part A in the December 31, 2019, valuation, the following monthly costs/premiums (actual dollars) are assumed for 2020 for the PERA Benefit Structure:

Medicare Plan	Initial Costs for Members Without Medicare Part A		
	Monthly Cost	Monthly Premium	Monthly Cost Adjusted to Age 65
Medicare Advantage/Self-Insured Rx	\$588	\$227	\$550
Kaiser Permanente Medicare Advantage HMO	621	232	586

The 2020 Medicare Part A premium is \$458 (actual dollars) per month.

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

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2019, 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:

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

Year	PERACare Medicare Plans	Medicare Part A Premiums
2020	8.10%	3.50%
2021	6.40%	3.75%
2022	6.00%	3.75%
2023	5.70%	3.75%
2024	5.50%	4.00%
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%

Mortality assumptions used in the December 2019 valuation 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:

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

- 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, 2019, valuation were based on the results of the 2016 experience analysis for the period January 1, 2012, through December 31, 2015, as well as the October 28, 2016, actuarial assumptions workshop and were adopted by PERA’s Board during the November 18, 2016, Board meeting.

Based on the 2020 experience analysis, dated October 28, 2020, and November 4, 2020, for the period of January 1, 2016, through December 31, 2019, revised economic and demographic assumptions were adopted by PERA’s Board on November 20, 2020, and were effective as of December 31, 2020. The assumptions shown below were reflected in the roll forward calculation of the total OPEB liability from December 31, 2019, to December 31, 2020.

	Trust Fund			
	State Division	School Division	Local Government Division	Judicial Division
Actuarial cost method	Entry age	Entry age	Entry age	Entry age
Price inflation	2.30%	2.30%	2.30%	2.30%
Real wage growth	0.70%	0.70%	0.70%	0.70%
Wage inflation	3.00%	3.00%	3.00%	3.00%
Salary increases, including wage inflation:				
Members other than State Troopers	3.30%-10.90%	3.40%-11.00%	3.20%-11.30%	2.80%-5.30%
State Troopers	3.20%-12.40%	N/A	3.20%-12.40% ¹	N/A

¹ C.R.S. § 24-51-101 (46), as amended, expanded the definition of “State Troopers” to include certain employees within the Local Government Division, effective January 1, 2020. See Note 4 of the Notes to the Financial Statements in PERA’s 2020 Annual Report for more information.

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

The long-term rate of return, net of OPEB plan investment expense, including price inflation and discount rate assumptions were 7.25 percent.

Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.

Mortality assumptions used in the roll forward calculations for the determination of the total pension liability for each of the Division Trust Funds as shown below were applied, as applicable in the roll forward calculation for the HCTF, using a headcount-weighted basis.

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

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

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

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

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

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

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

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

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

The mortality tables described above are generational mortality tables on a head-count weighted basis.

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 2020 plan year.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020. As a result of the November 20, 2020, PERA Board meeting, the following economic assumptions were changed, effective December 31, 2020:

- Price inflation assumption decreased from 2.40 percent per year to 2.30 percent per year.
- Real rate of investment return assumption increased from 4.85 percent per year, net of investment expenses to 4.95 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.50 percent per year to 3.00 percent per year.

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

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

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

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global Equity	54.00%	5.60%
Fixed Income	23.00%	1.30%
Private Equity	8.50%	7.10%
Real Estate	8.50%	4.40%
Alternatives ¹	6.00%	4.70%
Total	100.00%	

¹ The Opportunity Fund’s name changed to Alternatives, effective January 1, 2020

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

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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	7.10%	8.10%	9.10%
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	\$ 3,353,296	\$ 3,442,267	\$ 3,545,840

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, 2020, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00 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.
- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

Based on the above assumptions and methods, the HCTF’s FNP 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’s proportionate share of the net OPEB liability to changes in the discount rate. The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ 3,943,179	\$ 3,442,267	\$ 3,014,277

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

NOTE K – RISK MANAGEMENT

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

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

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE K – RISK MANAGEMENT – CONTINUED

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 \$883,158, reported at June 30, 2021, 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	\$ 833,707	\$ 6,974,703	\$ 6,737,839	\$ 1,070,571
2019	1,070,571	9,190,066	8,593,065	1,157,889
2021	1,157,889	7,624,652	7,949,383	883,158

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, 2021 the District has unexpended Construction commitments totaling approximately \$2.3 million. These projects are expected to be completed by June 30, 2022.

NOTE M – CONTINGENT LIABILITIES

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

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

Montrose County School District No. RE - 1J

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

Year ended June 30, 2021

	Budget		Actual	Variance with
	Original	Amended		Final Budget
				Positive (Negative)
Revenues				
Local sources				
General property tax	\$ 12,480,000	\$ 12,480,000	\$ 12,804,149	\$ 324,149
Specific ownership tax	1,678,000	1,678,000	2,275,783	597,783
Penalties and interest on delinquent tax	20,000	20,000	28,611	8,611
Investment earnings	50,000	50,000	-	(50,000)
Other	205,000	220,000	296,071	76,071
Total local sources	14,433,000	14,448,000	15,404,614	956,614
Intermediate sources				
Forest service collection	-	-	196,111	196,111
Mineral leasing	-	-	-	-
Impact fees	-	-	503	503
Total intermediate sources	-	-	196,614	196,614
State sources				
Equalization	32,200,000	32,200,000	31,833,257	(366,743)
Exceptional Children's Educational Act	1,480,000	1,480,000	1,573,573	93,573
Transportation	340,000	340,000	369,656	29,656
Vocational education	120,000	120,000	87,464	(32,536)
English Language Proficiency Act	280,000	280,000	247,041	(32,959)
Gifted and Talented	58,000	58,000	59,458	1,458
Other	43,000	43,000	120,522	77,522
Total state sources	34,521,000	34,521,000	34,290,971	(230,029)
Federal sources				
Medicaid	446,000	446,000	532,480	86,480
NJROTC	60,000	60,000	55,602	(4,398)
Donated masks	-	-	197,160	197,160
Coronavirus relief fund	-	-	587,958	587,958
Total federal sources	506,000	506,000	1,373,200	867,200
Total revenues	49,460,000	49,475,000	51,265,399	1,790,399
Expenditures				
Current				
Instructional services	29,847,187	29,577,262	28,444,690	1,132,572
Supporting services				
Students	3,142,078	3,131,078	3,027,452	103,626
Instruction	2,015,072	2,189,114	1,988,148	200,966
General administration	769,978	786,383	756,105	30,278
School administration	3,151,232	3,266,625	3,260,061	6,564
Business	903,607	883,140	777,630	105,510
Plant operations maintenance	5,702,646	5,705,646	5,431,302	274,344
Student transportation	2,218,000	2,218,000	1,888,847	329,153
Central services	1,110,430	1,117,982	1,138,925	(20,943)
Food services	3,500	3,500	3,176	324
Community Services	11,500	11,500	3	11,497
Other uses	5,200	5,200	69,087	(63,887)
Capital outlay	15,700	15,700	7,285	8,415
Total expenditures	48,896,130	48,911,130	46,792,711	2,118,419
Excess (deficiency) of revenues over (under) expenditures	563,870	563,870	4,472,688	3,908,818
Other financing sources (uses)				
Transfer (to)/from other funds	(1,689,000)	(2,889,000)	(2,889,000)	-
Total other financing sources (uses)	(1,689,000)	(2,889,000)	(2,889,000)	-
Excess of expenditures over revenues and other financing sources (uses)	\$ (1,125,130)	\$ (2,325,130)	1,583,688	\$ 3,908,818
Fund balance, beginning of year			11,985,846	
Fund balance, end of year			\$ 13,569,534	

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, 2021

	Budget		Actual	Variance with
	Original	Amended		Final Budget
				Positive (Negative)
Revenues				
Local sources	\$ 529,155	\$ 661,413	\$ 438,379	\$ (223,034)
State sources	2,532,056	3,749,603	3,608,454	(141,149)
Federal sources	8,000,094	9,022,534	8,906,314	(116,220)
Total revenues	11,061,305	13,433,550	12,953,147	(480,403)
Expenditures				
Current				
Instructional services	3,871,808	4,248,382	4,162,410	85,972
Supporting services				
Students	1,352,804	1,175,436	1,157,721	17,715
Instruction	2,464,511	2,538,268	2,528,157	10,111
General administration	63,996	74,310	84,090	(9,780)
School administration	53,424	57,736	64,883	(7,147)
Plant operations maintenance	725,394	770,269	370,402	399,867
Student transportation	7,000	7,000	27,845	(20,845)
Central services	134,583	161,228	229,087	(67,859)
Nutrition Service	-	4,910	5,977	(1,067)
Business	16,651	22,328	26,398	(4,070)
Community services	132,011	1,635,875	1,620,167	15,708
Other uses	911,000	776,357	856,849	(80,492)
Capital outlay	1,328,123	1,961,451	1,819,161	142,290
Total current expenditures	11,061,305	13,433,550	12,953,147	480,403
Change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -

Montrose County School District No. RE - 1J

SCHEDULE OF ACTIVITY - NET PENSION LIABILITY

June 30, 2021

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%
December 31, 2020	0.62642%	94,702,580	-	94,702,580	32,751,721	289%	67%

Montrose County School District No. RE - 1J

SCHEDULE OF ACTIVITY - EMPLOYER PENSION CONTRIBUTIONS

June 30, 2021

	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%
June 30, 2021	6,587,082	6,587,082	-	31,773,927	20.73%

Montrose County School District No. RE - 1J

SCHEDULE OF ACTIVITY - NET OPEB LIABILITY

June 30, 2021

	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%
December 31, 2020	0.36227%	3,442,267	32,751,721	10.51%	32.78%

Montrose County School District No. RE - 1J

SCHEDULE OF ACTIVITY - EMPLOYER OPEB CONTRIBUTIONS

June 30, 2021

	Required employer contribution	Employer contributions recognized by the plan	Difference	Employer covered payroll	Contributions as a percentage of employer covered payroll
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%
June 30, 2021	324,082	324,082	-	31,773,927	1.02%

Montrose County School District No. RE-1J

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2021

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

GENERAL FUND AND RELATED SUB-FUND
COMBINING BALANCE SHEET

June 30, 2021

	General Fund	Insurance Reserve Fund	Total
Assets			
Cash	\$ 10,172,672	\$ 1,062,450	\$ 11,235,122
Investments	5,578,062	68	5,578,130
Receivables			
Taxes	893,964	-	893,964
Accounts	85,341	-	85,341
Intergovernmental	923,211	-	923,211
Other grants	10,422	-	10,422
Due from other funds	906,574	-	906,574
Due from component units	79,022	-	79,022
Prepaid expense	140,437	-	140,437
Inventories	177,245	-	177,245
	<u>\$ 18,966,950</u>	<u>\$ 1,062,518</u>	<u>\$ 20,029,468</u>
Liabilities, deferred inflows of resources, and fund balance			
Liabilities			
Accounts payable	\$ 398,348	\$ 13,819	\$ 412,167
Due to other funds	443,689	50	443,739
Due to component units	7,769	-	7,769
Accrued salaries and benefits	5,196,587	-	5,196,587
	<u>6,046,393</u>	<u>13,869</u>	<u>6,060,262</u>
Deferred inflows of resources			
Unavailable property tax revenues	99,672	-	99,672
Unavailable transportation revenues	300,000	-	300,000
	<u>399,672</u>	<u>-</u>	<u>399,672</u>
Fund balances			
Nonspendable			
Prepays	140,437	-	140,437
Inventory	177,245	-	177,245
Restricted			
Emergency Reserve - TABOR	1,675,000	-	1,675,000
Committed			
Retirement	77,000	-	77,000
Assigned			
School based health centers	319,764	-	319,764
Program sustainability reserve	164,612	-	164,612
Insurance	-	1,048,649	1,048,649
Unassigned	9,966,827	-	9,966,827
	<u>12,520,885</u>	<u>1,048,649</u>	<u>13,569,534</u>
	<u>\$ 18,966,950</u>	<u>\$ 1,062,518</u>	<u>\$ 20,029,468</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, 2021

	General Fund	Insurance Reserve Fund	Total
Revenues			
Local sources	\$ 15,407,222	\$ -	\$ 15,407,222
Intermediate sources	196,614	-	196,614
State sources	34,288,363	-	34,288,363
Federal sources	1,373,200	-	1,373,200
	<u>51,265,399</u>	<u>-</u>	<u>51,265,399</u>
Total revenues			
Expenditures			
Current			
Instructional services	28,444,690	-	28,444,690
Supporting services	17,543,518	728,131	18,271,649
Other uses	69,087	-	69,087
Capital outlay	7,285	-	7,285
	<u>46,064,580</u>	<u>728,131</u>	<u>46,792,711</u>
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures	5,200,819	(728,131)	4,472,688
Other financing sources (uses)			
Transfers from other funds	-	815,000	815,000
Transfers to other funds	(3,704,000)	-	(3,704,000)
	<u>(3,704,000)</u>	<u>815,000</u>	<u>(2,889,000)</u>
Total other financing sources (uses)			
Change in fund balance	1,496,819	86,869	1,583,688
Fund balance, beginning of year	<u>11,024,066</u>	<u>961,780</u>	<u>11,985,846</u>
Fund balance, end of year	<u>\$ 12,520,885</u>	<u>\$ 1,048,649</u>	<u>\$ 13,569,534</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, 2021

	Budget		Actual	Variance with
	Original	Amended		Final Budget
				Positive (Negative)
Revenues				
Local sources				
General property tax	\$ 12,480,000	\$ 12,480,000	\$ 12,804,148	\$ 324,148
Specific ownership tax	1,678,000	1,678,000	2,275,783	597,783
Penalties and interest on delinquent tax	20,000	20,000	28,611	8,611
Investment earnings	50,000	50,000	-	(50,000)
Other	205,000	220,000	298,680	78,680
Total local sources	14,433,000	14,448,000	15,407,222	959,222
Intermediate sources				
Forest service collection	-	-	196,111	196,111
Impact fees	-	-	503	503
Total intermediate sources	-	-	196,614	196,614
State sources				
Equalization	32,200,000	32,200,000	31,833,257	(366,743)
Exceptional children's educational act	1,480,000	1,480,000	1,573,573	93,573
Transportation	340,000	340,000	367,048	27,048
Vocational education	120,000	120,000	87,464	(32,536)
English language proficiency act	280,000	280,000	247,041	(32,959)
Gifted and talented	58,000	58,000	59,458	1,458
Other	43,000	43,000	120,522	77,522
Total state sources	34,521,000	34,521,000	34,288,363	(232,637)
Federal sources				
Medicaid	446,000	446,000	532,480	86,480
NJROTC	60,000	60,000	55,602	(4,398)
Donated masks	-	-	197,160	197,160
Coronavirus relief fund	-	-	587,958	587,958
Total federal sources	506,000	506,000	1,373,200	867,200
Total revenues	49,460,000	49,475,000	51,265,399	1,790,399
Expenditures				
Current				
Instructional services	29,847,187	29,577,262	28,444,690	1,132,572
Supporting services				
Students	3,142,078	3,131,078	3,027,452	103,626
Instruction	2,015,072	2,189,114	1,988,148	200,966
General administration	769,978	786,383	756,105	30,278
School administration	3,151,232	3,266,625	3,260,061	6,564
Business	903,607	883,140	777,630	105,510
Plant operations maintenance	5,000,646	5,000,646	4,811,103	189,543
Student transportation	2,218,000	2,218,000	1,888,847	329,153
Central services	992,000	1,002,552	1,030,993	(28,441)
Food services	3,500	3,500	3,176	324
Community Services	11,500	11,500	3	11,497
Other uses	5,200	5,200	69,087	(63,887)
Capital outlay	15,700	15,700	7,285	8,415
Total expenditures	48,075,700	48,090,700	46,064,580	2,026,120
Excess (deficiency) of revenues over (under) expenditures	1,384,300	1,384,300	5,200,819	(235,721)
Other financing sources (uses)				
Transfers to other funds	(2,504,000)	(3,704,000)	(3,704,000)	-
Total other financing sources (uses)	(2,504,000)	(3,704,000)	(3,704,000)	-
Excess of expenditures over revenues and other financing sources (uses)	\$ (1,119,700)	\$ (2,319,700)	1,496,819	\$ (235,721)
Fund balance, beginning of year			11,024,066	
Fund balance, end of year			\$ 12,520,885	

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, 2021

	Budget		Actual	Variance with
	Original	Amended		Final Budget
				Positive (Negative)
Expenditures				
Insurance premiums	702,000	705,000	620,199	84,801
Administration	118,430	115,430	107,932	7,498
Total expenditures	<u>820,430</u>	<u>820,430</u>	<u>728,131</u>	<u>92,299</u>
Excess (deficiency) of revenues over (under) expenditures	(820,430)	(820,430)	(728,131)	92,299
Other financing sources (uses)				
Transfers from other funds	815,000	815,000	815,000	-
Total other financing sources (uses)	<u>815,000</u>	<u>815,000</u>	<u>815,000</u>	<u>-</u>
Change in fund balance	(5,430)	(5,430)	86,869	92,299
Fund balance, beginning of year	<u>917,454</u>	<u>917,454</u>	<u>961,780</u>	<u>44,326</u>
Fund balance, end of year	<u>\$ 912,024</u>	<u>\$ 912,024</u>	<u>\$ 1,048,649</u>	<u>\$ 136,625</u>

Montrose County School District No. RE - 1J

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

Year ended June 30, 2021

	Salaries	Employee Benefits	Purchased Services	Supplies	Capital	Other	Total Actual	Final Budget	Variance Favorable (Unfavorable)
Instruction	\$ 19,720,223	\$ 7,265,007	\$ 500,463	\$ 714,845	\$ 244,152	\$ -	\$ 28,444,690	\$ 29,577,262	\$ 1,132,572
Supporting services									
Students	2,092,679	722,623	203,721	8,230	-	199	3,027,452	3,131,078	103,626
Instruction	1,187,279	546,855	184,784	64,045	1,997	3,188	1,988,148	2,189,114	200,966
General administration	401,835	120,993	138,245	53,939	15,158	25,935	756,105	786,383	30,278
School administration	2,306,250	784,133	24,834	139,149	4,065	1,630	3,260,061	3,266,625	6,564
Business	516,398	146,131	101,760	-	13,341	-	777,630	883,140	105,510
Plant operations and maintenance	2,225,819	893,028	467,189	1,209,307	14,017	1,743	4,811,103	5,000,646	189,543
Student transportation	25,958	11,575	1,754,901	96,397	16	-	1,888,847	2,218,000	329,153
Central services	484,613	152,541	311,883	46,534	34,523	899	1,030,993	1,002,552	(28,441)
Food services	2,596	580	-	-	-	-	3,176	3,500	324
Community services	-	-	-	3	-	-	3	11,500	11,497
Other uses	-	-	180	2,166	-	66,741	69,087	5,200	(63,887)
Total supporting services expenditures	9,243,427	3,378,459	3,187,497	1,619,770	83,117	100,335	17,612,605	18,497,738	885,133
Capital outlay	-	-	-	-	7,285	-	7,285	15,700	8,415
Total actual expenditures	28,963,650	10,643,466	3,687,960	2,334,615	334,554	100,335	46,064,580	\$ 48,090,700	\$ 2,026,120
Final Budget	29,964,403	10,892,547	4,251,067	2,326,791	371,374	284,518	48,090,700		
Variance Favorable (Unfavorable)	\$ 1,000,753	\$ 249,081	\$ 563,107	\$ (7,824)	\$ 36,820	\$ 184,183	\$ 2,026,120		

Montrose County School District No. RE - 1J

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

June 30, 2021

	Nutritional Services Fund	Student Activity Fund	Fee-in-Lieu Fund	Bond Redemption Fund	Capital Lease Fund	Capital Projects Fund	Total
Assets							
Cash	\$ 201,857	\$ 1,596,249	\$ 401,033	\$ -	\$ 1,112,881	\$ 1,333,960	\$ 4,645,980
Investments	596	-	-	1,265,788	-	45,698	1,312,082
Accounts receivable	306,932	5,584	-	413,228	-	-	725,744
Due from other funds	304,676	-	-	-	-	-	304,676
Inventories	20,705	-	-	-	-	-	20,705
Total assets	\$ 834,766	\$ 1,601,833	\$ 401,033	\$ 1,679,016	\$ 1,112,881	\$ 1,379,658	\$ 7,009,187
Liabilities, deferred inflows of resources, and fund balances							
Liabilities							
Accounts payable	42,093	577	-	-	-	25,405	68,075
Due to other funds	70,508	-	-	-	-	-	70,508
Accrued expenses	113,205	-	-	-	-	-	113,205
Unearned revenue	55,785	-	-	-	-	-	55,785
Total liabilities	281,591	577	-	-	-	25,405	307,573
Deferred inflows of resources							
Unavailable property tax revenue	-	-	-	4,150	-	-	4,150
Total deferred inflows of resources	-	-	-	4,150	-	-	4,150
Fund balances							
Non-spendable							
Inventories	20,705	-	-	-	-	-	20,705
Restricted							
Debt Service	-	-	-	1,674,866	-	-	1,674,866
Committed							
Debt service	-	-	-	-	1,112,881	-	1,112,881
Nutritional service	532,470	-	-	-	-	-	532,470
Student activities	-	1,601,256	-	-	-	-	1,601,256
Capital projects	-	-	401,033	-	-	1,354,253	1,755,286
Total fund balances	553,175	1,601,256	401,033	1,674,866	1,112,881	1,354,253	6,697,464
Total liabilities, deferred inflows, and fund balances	\$ 834,766	\$ 1,601,833	\$ 401,033	\$ 1,679,016	\$ 1,112,881	\$ 1,379,658	\$ 7,009,187

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, 2021

	Nutritional Services Fund	Student Activity Fund	Fee-in-Lieu Fund	Bond Redemption Fund	Capital Lease Fund	Capital Projects Fund	Total
Revenues							
Local sources	\$ 70,299	\$ 985,751	\$ -	\$ 1,985,168	\$ -	\$ 322	\$ 3,041,540
Intermediate sources	-	-	197,908	-	-	-	197,908
State sources	15,357	-	-	-	-	-	15,357
Federal sources	2,368,913	-	-	-	-	-	2,368,913
Total revenues	<u>2,454,569</u>	<u>985,751</u>	<u>197,908</u>	<u>1,985,168</u>	<u>-</u>	<u>322</u>	<u>5,623,718</u>
Expenditures							
Current:							
Student activities	-	877,534	-	-	-	-	877,534
Food service	2,135,722	-	-	-	-	-	2,135,722
Business	-	-	-	-	-	14,454	14,454
Capital outlay	-	-	-	-	-	795,418	795,418
Debt service							
Principal	-	-	-	910,000	300,422	-	1,210,422
Interest and fees	-	-	-	1,033,065	46,216	-	1,079,281
Total expenditures	<u>2,135,722</u>	<u>877,534</u>	<u>-</u>	<u>1,943,065</u>	<u>346,638</u>	<u>809,872</u>	<u>6,112,831</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources and uses	318,847	108,217	197,908	42,103	(346,638)	(809,550)	(489,113)
Other financing sources (uses)							
Transfers from other funds	-	-	-	-	739,000	750,000	1,489,000
Transfers to other funds	-	-	(100,000)	-	-	-	(100,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(100,000)</u>	<u>-</u>	<u>739,000</u>	<u>750,000</u>	<u>1,389,000</u>
Change in fund balance	318,847	108,217	97,908	42,103	392,362	(59,550)	899,887
Fund balance, beginning 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>
Fund balance, end of year	<u>\$ 553,175</u>	<u>\$ 1,601,256</u>	<u>\$ 401,033</u>	<u>\$ 1,674,866</u>	<u>\$ 1,112,881</u>	<u>\$ 1,354,253</u>	<u>\$ 6,697,464</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, 2021

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Amended		
Revenues				
Local sources				
Food sales	\$ 382,320	\$ 382,320	\$ 67,698	\$ (314,622)
Miscellaneous	-	-	2,601	2,601
	<u>382,320</u>	<u>382,320</u>	<u>70,299</u>	<u>(312,021)</u>
State sources				
K-12 reduced lunch program	21,144	21,144	-	(21,144)
Start smart	8,484	8,484	-	(8,484)
State child nutrition match	15,225	15,225	15,357	132
Total state sources	<u>44,853</u>	<u>44,853</u>	<u>15,357</u>	<u>(29,496)</u>
Federal sources				
National school lunch program	1,689,070	1,689,070	2,241,111	552,041
Commodities	-	200,000	127,802	(72,198)
Other grants	9,352	9,352	-	(9,352)
Total federal sources	<u>1,698,422</u>	<u>1,898,422</u>	<u>2,368,913</u>	<u>470,491</u>
Total revenues	<u>2,125,595</u>	<u>2,325,595</u>	<u>2,454,569</u>	<u>128,974</u>
Expenditures				
Current				
Food service activities	<u>2,055,385</u>	<u>2,355,385</u>	<u>2,135,722</u>	<u>219,663</u>
Change in fund balance	70,210	(29,790)	318,847	348,637
Fund balance, beginning of year	<u>353,411</u>	<u>353,411</u>	<u>234,328</u>	<u>(119,083)</u>
Fund balance, end of year	<u>\$ 423,621</u>	<u>\$ 323,621</u>	<u>\$ 553,175</u>	<u>\$ 229,554</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, 2021

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Amended		
Revenues				
Local sources				
Student activities	\$ 1,900,000	\$ 1,900,000	\$ 985,751	\$ (914,249)
Expenditures				
Current				
Student activities	1,900,000	1,900,000	877,534	1,022,466
Excess (deficiency) of revenues over (under) expenditures	-	-	108,217	108,217
Fund balance, beginning of year	1,501,764	1,501,764	1,493,039	(8,725)
Fund balance, end of year	<u>\$ 1,501,764</u>	<u>\$ 1,501,764</u>	<u>\$ 1,601,256</u>	<u>\$ 99,492</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, 2021

	Budget		Actual	Variance with
	Original	Amended		Final Budget
				Positive (Negative)
Revenues				
Intermediate sources				
Fees in lieu of land dedication	\$ 95,000	\$ 95,000	\$ 197,908	\$ 102,908
Total revenues	95,000	95,000	197,908	102,908
Other financing sources (uses)				
Transfers to other funds	(100,000)	(100,000)	(100,000)	-
Change in fund balance	(5,000)	(5,000)	97,908	102,908
Fund balance, beginning of year	291,746	291,746	303,125	11,379
Fund balance, end of year	\$ 286,746	\$ 286,746	\$ 401,033	\$ 114,287

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, 2021

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Amended		
Revenues				
Local sources				
General property tax	\$ 1,941,863	\$ 1,941,863	\$ 1,979,912	\$ 38,049
Penalties and interest on delinquent tax	-	-	4,521	4,521
Investment and interest earnings	-	-	735	735
Total revenues	<u>1,941,863</u>	<u>1,941,863</u>	<u>1,985,168</u>	<u>43,305</u>
Expenditures				
Debt service				
Principal	910,000	910,000	910,000	-
Interest	1,031,863	1,031,863	1,031,863	-
Bank fees	5,000	5,000	1,202	3,798
Total expenditures	<u>1,946,863</u>	<u>1,946,863</u>	<u>1,943,065</u>	<u>3,798</u>
Change in fund balance	(5,000)	(5,000)	42,103	47,103
Fund balance, beginning of year	<u>1,555,335</u>	<u>1,555,335</u>	<u>1,632,763</u>	<u>77,428</u>
Fund balance, end of year	<u>\$ 1,550,335</u>	<u>\$ 1,550,335</u>	<u>\$ 1,674,866</u>	<u>\$ 124,531</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, 2021

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Amended		
Expenditures				
Debt service				
Principal	\$ 661,709	\$ 661,709	\$ 300,422	\$ 361,287
Interest	48,291	48,291	46,216	2,075
Total expenditures	<u>710,000</u>	<u>710,000</u>	<u>346,638</u>	<u>363,362</u>
Excess (deficiency) of revenues over (under) expenditures	710,000	710,000	346,638	363,362
Other financing sources (uses)				
Transfers from other funds	<u>739,000</u>	<u>739,000</u>	<u>739,000</u>	<u>-</u>
Net change in fund balance	29,000	29,000	392,362	363,362
Fund balance, beginning of year	<u>526,427</u>	<u>526,427</u>	<u>720,519</u>	<u>194,092</u>
Fund balance, end of year	<u><u>\$ 555,427</u></u>	<u><u>\$ 555,427</u></u>	<u><u>\$ 1,112,881</u></u>	<u><u>\$ 557,454</u></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, 2021

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Amended		
Revenues				
Local sources				
Investment and interest earnings	\$ 45,000	\$ 45,000	\$ 3,519	\$ (41,481)
Other	-	-	33,860	33,860
State sources				
Rural funding	-	844,285	844,285	-
Capital grant	1,440,000	1,440,000	559,325	(880,675)
Total revenues	<u>1,485,000</u>	<u>2,329,285</u>	<u>1,440,989</u>	<u>(888,296)</u>
Expenditures				
Current				
Business	-	850,000	864,450	(14,450)
Capital outlay	5,500,000	6,694,285	3,837,870	2,856,415
Total expenditures	<u>5,500,000</u>	<u>7,544,285</u>	<u>4,702,320</u>	<u>2,856,415</u>
Excess (deficiency) of revenues over (under) expenditures	(4,015,000)	(5,215,000)	(3,261,331)	1,968,119
Other financing sources (uses)				
Transfers from other funds	300,000	1,500,000	1,500,000	-
Total other financing sources (uses)	<u>300,000</u>	<u>1,500,000</u>	<u>1,500,000</u>	<u>-</u>
Change in fund balance	(3,715,000)	(3,715,000)	(1,761,331)	1,968,119
Fund balance, beginning of year	<u>4,009,106</u>	<u>4,009,106</u>	<u>4,317,988</u>	<u>308,882</u>
Fund balance, end of year	<u>\$ 294,106</u>	<u>\$ 294,106</u>	<u>\$ 2,556,657</u>	<u>\$ 2,277,001</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, 2021

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Amended		
Revenues				
Local sources				
Investment and interest earnings	\$ 150	\$ 150	\$ 322	\$ 172
Total revenues	150	150	322	172
Expenditures				
Current				
Business	15,000	11,692	14,454	(2,762)
Transportation	-	48,589	-	48,589
Capital outlay	880,000	934,719	795,418	139,301
Total expenditures	895,000	995,000	809,872	185,128
Excess (deficiency) of revenues over (under) expenditures	(894,850)	(994,850)	(809,550)	185,300
Other financing sources (uses)				
Transfers from other funds	750,000	750,000	750,000	-
Total other financing sources (uses)	750,000	750,000	750,000	-
Net changes in fund balance	(144,850)	(244,850)	(59,550)	185,300
Fund balance, beginning of year	1,323,894	1,323,894	1,413,803	89,909
Fund balance, end of year	\$ 1,179,044	\$ 1,079,044	\$ 1,354,253	\$ 275,209

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, 2021

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Amended		
Revenues				
Premiums	\$ 7,740,200	\$ 7,740,200	\$ 7,336,736	\$ (403,464)
Interest income	3,000	3,000	2,591	(409)
Total revenues	<u>7,743,200</u>	<u>7,743,200</u>	<u>7,339,327</u>	<u>(403,873)</u>
Expenses				
Claims	7,013,900	7,013,900	6,047,919	965,981
Insurance premiums and administration	<u>1,974,875</u>	<u>1,974,875</u>	<u>1,842,900</u>	<u>131,975</u>
Total expenses	<u>8,988,775</u>	<u>8,988,775</u>	<u>7,890,819</u>	<u>1,097,956</u>
Change in net position	(1,245,575)	(1,245,575)	(551,492)	694,083
Net position, beginning of year	<u>1,647,186</u>	<u>1,647,186</u>	<u>1,928,174</u>	<u>280,988</u>
Net position, end of year	<u>\$ 401,611</u>	<u>\$ 401,611</u>	<u>\$ 1,376,682</u>	<u>\$ 975,071</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, 2021

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Amended		
Revenues				
Investment earnings	\$ 1,300	\$ 1,300	\$ 8,060	\$ 6,760
Contributions	15,000	15,000	77,579	62,579
Rental income	9,600	9,600	9,600	-
Total revenues	25,900	25,900	95,239	69,339
Expenditures				
Scholarships awarded	92,000	92,000	105,955	(13,955)
General and administrative	30,000	30,000	3,665	26,335
Total expenditures	122,000	122,000	109,620	12,380
Change in net position	(96,100)	(96,100)	(14,381)	81,719
Net position, beginning of year	1,133,820	1,133,820	1,145,420	11,600
Net position, end of year	\$ 1,037,720	\$ 1,037,720	\$ 1,131,039	\$ 93,319



Colorado Department of Education
Auditors Integrity Report
 District: 2180 - Montrose County RE-1J
 Fiscal Year 2020-21
 Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental	+		-	=
10 General Fund	11,024,066	47,561,398	46,064,579	12,520,885
18 Risk Mgmt Sub-Fund of General Fund	961,780	815,000	728,131	1,048,649
19 Colorado Preschool Program Fund	0	0	0	0
Sub- Total	11,985,846	48,376,398	46,792,710	13,569,535
11 Charter School Fund	2,574,327	1,514,776	1,277,014	2,812,090
20,26-29 Special Revenue Fund	303,125	97,908	0	401,033
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	234,328	2,454,569	2,135,724	553,174
22 Govt Designated-Purpose Grants Fund	0	12,953,147	12,953,147	0
23 Pupil Activity Special Revenue Fund	1,493,040	985,751	877,535	1,601,256
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	1,632,762	1,985,167	1,943,063	1,674,866
39 Certificate of Participation (COP) Debt Service Fund	720,519	739,000	346,638	1,112,881
41 Building Fund	4,317,988	2,940,990	4,702,320	2,556,657
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	1,413,803	750,322	809,871	1,354,254
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
Totals	24,675,738	72,798,028	71,838,022	25,635,744
Proprietary				
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	1,928,174	2,591	554,084	1,376,682
Totals	1,928,174	2,591	554,084	1,376,682
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	0	0	0	0
79 GASB 34:Permanent Fund	1,145,419	95,238	109,618	1,131,039
85 Foundations	0	0	0	0
Totals	1,145,419	95,238	109,618	1,131,039

FINAL

Montrose County School District No. RE-1J

SINGLE AUDIT REPORT

June 30, 2021

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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 8, 2021

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, 2021, 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 8, 2021. 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 8, 2021

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 30, 2021

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, 2021. 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, 2021.

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



Board of Education
December 30, 2021

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Montrose County School District No. RE-1J, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated December 8, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Montrose County School District No. RE-1J

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2021

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal ALN Number</u>	<u>State Pass-thru ID</u>	<u>2021 Amount of Award Expended</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through Colorado Department of Education			
National School Lunch Program	10.555	4555	\$ 5,562
Summer Food Service Program for Children	10.559	4559	1,906,267
Summer Food Service Program for Children – COVID-19	10.559	4559	329,282
Passed through Colorado Department of Human Services			
USDA Food Commodities	10.555	4555	<u>127,802</u>
Child Nutrition Cluster Sub-Total			<u>2,368,913</u>
Total U.S. Department of Agriculture			2,368,913
U.S. DEPARTMENT OF DEFENSE			
NJROTC	12.000	9001	<u>55,602</u>
Total U.S. Department of Defense			55,602
U.S. DEPARTMENT OF EDUCATION			
Passed through Colorado Department of Education			
Adult Education – Basic Grants to States	84.002	5002	121,329
Title I Grants to Local Educational Agencies	84.010	4010,5010	1,778,905
COVID-19 Elementary and Secondary School Emergency Relief Funds (ESSER 1)	84.425D	4425	594,085
COVID-19 Elementary and Secondary School Emergency Relief Funds (ESSER 1) – Supplemental	84.425D	5425	7,766
Special Education – Grants to States	84.027	4027	1,143,304
Special Education – Preschool Grants	84.173	4173	<u>33,925</u>
Special Education Cluster (IDEA) Sub-Total			1,177,229
English Language Acquisition State Grants	84.365	4365	44,930
Improving Teacher Quality State Grants	84.367	4367	175,288
Academic Enrichment	84.424	4424	48,780
Passed through Colorado Office of the Governor			
COVID-19 GEER – Education Stabilization Fund (ESF)	84.425C	6425	25,375
Passed through State Board for Community College and Occupation Education			
Career and Technical Education – Basic Grants to States	84.048	4048	<u>57,499</u>
Total U.S. Department of Education			4,031,186

U.S. DEPARTMENT OF TREASURY

Passed through Colorado Department of Education			
COVID-19 Coronavirus Relief Fund (CRF)	21.019	4012	3,033,024
COVID-19 Coronavirus Relief Fund (CRF)			
K-12 At-Risk Pupils	21.019	5012	587,958
Passed through Montrose County			
COVID-19 Coronavirus Relief Fund (CRF)	21.019	4012	400,000
Passed through City of Montrose			
COVID-19 Coronavirus Relief Fund (CRF)	21.019	4012	<u>124,967</u>
Total US Department of Treasury			<u>4,145,949</u>

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Head Start	93.600	8600	1,086,808
COVID-19 Head Start (CRF)	93.600	8600	<u>74,064</u>
Total Head Start Cluster			<u>1,160,872</u>

Passed through Colorado Department of Public Health and Environment

Block Grants for Prevention and Treatment of Substance Abuse	93.959	7959	61,105
COVID-19 Block Grants for Prevention and Treatment of Substance Abuse (CRF)	93.959	7959	<u>8,600</u>
Total Block Grants for Prevention and Treatment of Substance Abuse			<u>69,705</u>

Pass through Colorado office of early Childhood

COVID – 19 Child Care Assistance & Development Block Grant – 477 Cluster	93.575	7575	<u>64,430</u>
Total U.S. Department of Health and Human Services			<u>1,295,007</u>

Total expenditures of federal awards \$ 11,896,657

Montrose County School District No. RE-1J

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2021

NOTE A – GENERAL

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. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Indirect costs:

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

Commodities

USDA donated foods (commodities) of \$127,802 have been valued at the USDA pricing levels.

NOTE B – BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting.

NOTE C – SUB-RECIPIENTS

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

NOTE D – NON-CASH PROGRAMS

The State of Colorado donated masks to the District with a fair market value of \$197,160 as a result of COVID-19. This program is unaudited in relation to the Single Audit per OMB Guidance.

Montrose County School District No. RE-1J

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2021

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>
84.010	Title I Grants to Local Educational Agencies
21.019	Coronavirus Relief Fund (CRF)

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, 2021

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, 2021

There were no prior year audit findings.