

Montrose County School District No. RE-1J

FINANCIAL STATEMENTS AND REPORTS OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

June 30, 2022

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**INDEPENDENT AUDITOR'S REPORT**

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

Report on the Audit of the Financial Statements***Opinions***

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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



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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the pension and OPEB schedules and budgetary comparison information on pages i-ix and 53-58 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we



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obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and budgetary comparison schedules, the Colorado Automated Data Exchange Report, and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2022, 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 the District's internal control over financial reporting and compliance.

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

Chadwick, Steinkirchner, Davis & Co., P.C.
December 8, 2022

**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, 2022

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, 2022. 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 \$37.0 million to \$3.4 million from a deficit of \$33.6 million in 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 OBEB 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 decreased \$33.0 million from the prior year due to a decrease in the PERA pension liability mainly due to the State making their on-behalf payment to PERA in 2021-2022 as they were unable to during 2020-2021.
- The District retired debt totaling \$1.6 million during the fiscal year through principal payments on both general obligation bonds and on leases.
- Total cash and investments increased by \$6.6 million or 23.1 percent from the prior year, mainly attributable to a \$640 thousand increase from increased student enrollment and the State's funding true up of an additional \$141 in the Per Pupil funding, \$450 thousand more in Specific Ownership taxes than expected, the District securing alternative funding for technology needs from federal grants of \$1.2 million, receipt of a \$460 thousand settlement for a previous year IT fraud, receipt of \$1.1 from insurance reimbursements for asbestos removal at CTMS and OMHS in the prior year, \$688 thousand due to a decrease in employee medical claims, \$745 thousand increase due to free meals for all students during 2021-2022 resulting in higher student meal counts and a significant pause in spending for deferred maintenance projects to align with the Master Plan priorities and other new facility needs.
- Fund balance of all District's governmental funds increased by \$6.2 million, resulting in an ending fund balance of \$29.0 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 due to free meals for all students during 2021-2022 resulting in higher student meal counts. Fund balance in the Capital Lease Fund increased due to receipt of insurance funds for prior year IT fraud losses and utilization of grant funds to pay for replacement computers instead of through leases. The District increased fund balance in the Building Fund due to reimbursements from insurance and a BEST grant for Asbestos removal expenses in 2020-2021 at CTMS and OMHS and the use of one-time COVID funds to match the District's portion of HVAC BEST grants. 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 \$450 thousand more in Specific Ownership taxes than projected and \$640 thousand in supplemental state funding and Forest Service funds received in late Spring not spent by June of 21/22 fiscal year. In addition, the General Fund saw \$450 thousand in savings of salaries and compensation from unfilled positions and purchased services contracts and received \$350 thousand in indirect costs from Federal Grants not budgeted in 2021-2022.

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 4-52 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 4-5 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 53-54 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 65-73. Non-governmental fund budgetary comparisons are reported on pages 74-75.

The basic governmental fund financial statements can be found on pages 6-9 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 10-12 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 13-14 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 15-52 of this report.

Required Supplementary and Other Information

In addition to the basic financial statements and accompanying notes, this report also contains required and other supplementary information concerning the District's non-major governmental funds and schedules required as part of the Colorado Public School Finance Act. Combined and individual fund statements and schedules can be found on pages 60-73 of this report. The additional schedules required as part of the Colorado Public School Finance Act can be found on page 87 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 28.83 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 2022-2023. Long-term liabilities such as long-term debt obligations and compensated absences payable will be liquidated from resources that will become available after fiscal 2022-2022.

As noted earlier, assets and deferred outflows exceed the liabilities and deferred inflows of the primary government by \$3.4 million with an unrestricted balance of (\$65.0 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 (\$62.3 million) and other post-employment benefits liability (\$3.0 million) on the District's financial statements. The District's net position increased \$37.0 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 \$79.2 million in land, improvements, buildings, equipment, and vehicles that provide the services to the District's 6,061 public school students. The increase of \$2.4 million over the prior year net investment is mainly due to asbestos removal, roof repairs and replacement, and HVAC replacement at multiple school locations, completion of the Phase 2 security improvements at various school location, building and landscaping improvements to the Outer Range facility and computers and iPad's purchased for staff and students of all grade levels. Net position of \$1,706,458 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, 2022 and 2021

		Governmental Activities	
		2022	2021
Assets:			
Current assets		\$ 41,795,838	\$ 33,428,618
Capital assets		79,154,522	76,738,541
	Total Assets	<u>\$ 120,950,360</u>	<u>\$ 110,167,159</u>
Deferred Outflows:			
Loss on refunding		\$ -	\$ 16,187
Deferred pension/OPEB outflows		11,978,449	27,961,525
	Total Deferred Outflows	<u>11,978,449</u>	<u>27,977,712</u>
	Total Assets and Deferred Outflows	<u><u>\$ 132,928,809</u></u>	<u><u>\$ 138,144,871</u></u>
Liabilities:			
Current liabilities		\$ 10,790,258	\$ 8,968,774
Noncurrent liabilities		90,124,067	124,916,018
	Total Liabilities	<u>100,914,325</u>	<u>133,884,792</u>
Deferred Inflows:			
Deferred pension/OPEB inflow		28,635,286	37,873,401
Net Position:			
Net investment in capital assets		64,805,793	60,775,855
Restricted		3,531,458	3,349,866
Unrestricted		(64,958,053)	(97,739,043)
	Total Net Position	<u>3,379,198</u>	<u>(33,613,322)</u>
	Total Liabilities, Deferred Inflows and Net Position	<u><u>\$ 132,928,809</u></u>	<u><u>\$ 138,144,871</u></u>

Comparative Schedule of Changes in Net Position
 Years ended June 30, 2022 and 2021

	Governmental Activities	
	2022	2021
Revenues:		
Program Revenues:		
Charges for services	\$ 9,434,304	\$ 9,076,685
Operating grants and contributions	18,511,048	18,921,094
Capital grants and contributions	2,140,921	1,412,365
General revenues;		
Property taxes	17,086,571	14,853,444
Specific ownership taxes	2,419,786	2,275,783
Penalties and interest on delinquent taxes		
State equalization	36,145,225	33,214,728
Unrestricted investment earnings	(7,550)	4,601
Allocation to Charter Schools	(1,394,442)	(1,381,473)
Insurance recovery	1,322,889	-
Miscellaneous	16,825	83,693
Total Revenues	<u>85,675,577</u>	<u>78,460,920</u>
Expenses:		
Governmental activities:		
Instruction	25,480,805	28,456,482
Supporting services:		
Students	3,239,641	2,677,415
Instruction	2,985,040	3,607,360
General administration	599,649	576,483
School administration	1,462,827	1,570,755
Business	565,375	1,323,477
Plant operation and maintenance	4,161,469	4,238,366
Student transportation	1,947,444	1,896,819
Central Services	2,748,439	997,007
Nutritional Services	2,627,723	2,153,422
Other	22,061	69,018
Community services	739,442	1,620,170
Student activities	1,481,684	877,534
Interest on long-term debt	621,458	492,936
Total Expenses	<u>48,683,057</u>	<u>50,557,244</u>
Change in Net Position	36,992,520	27,903,676
Net position, beginning of year	<u>(33,613,322)</u>	<u>(61,516,998)</u>
Net Position - June 30	<u>\$ 3,379,198</u>	<u>\$ (33,613,322)</u>

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

- State equalization aid increased by \$2.9 million (8.8 percent) during the fiscal year. Also, property taxes increased by \$2.2 million or 15.0 percent over the prior year due to an increase in local property values and a 1.0 mill levy increase. The Colorado Public School Finance Act provides for the majority of the funding of local school districts based on a funded pupil count formula and a standardized maximum statewide property tax mill levy. The state equalization formula includes the local property and specific ownership tax. The combined equalization, specific ownership and property taxes increased by \$5.3 million (9.5 percent). Student enrollment for the 2021-2022 school year, showed an increase of 190 funded student full time equivalent (FTE) over the prior year as COVID concerns decreased in the community. 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 \$3.34 million (the equivalent of over \$567 per student) in fiscal year 2021-2022.
- Operating grants for governmental activities decreased by \$410 thousand mainly due to two factors: \$1.7 million of the decrease relates to pension related adjustments recorded for GASB 68. This year the State contributed an on-behalf payment to PERA which reduces the Operating grants revenues. Offsetting the pension related adjustment was an increase of approximately \$200 thousand in Coronavirus (COVID-19) funding from Elementary and Secondary School Emergency Relief Funds (ESSER) and GEER – Education Stabilization Funds and \$800 thousand in additional revenues for food services.
- Capital grants and contributions for governmental activities increased by \$728 thousand, as the District utilized one time grant funding for the replacement of computers and iPads for staff and students of all grade levels.
- Total governmental activities expenses decreased by \$1.9 million. Most of that decrease relates to pension related adjustments recorded for GASB 68.

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, 2022, the combined general fund shows an ending fund balance of \$15.7 million an increase of \$2.1 million from the fund balance of \$13.6 million 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 \$29.0 million, an increase of \$6.2 million in comparison with the prior year. A \$2.1 million increase in the General Fund due to approximately \$1.1 million received in additional Specific Ownership taxes, supplemental state funding and Forest Service funds along with expense savings of \$900 thousand from salaries and compensation from unfilled positions and purchased services contracts and indirect costs from Federal Grants; \$1.4 million is the result of increasing reserves in the Building Fund due to reimbursements from insurance and a BEST grant for 2020-2021 expenses for removal of Asbestos at both CTMS and OMHS and use of one time COVID 19 funds to cover the District portion of matching for the BEST HVAC grants; \$592 thousand is the result of increasing reserves in the Nutritional Services Fund due to increases in the number of meals served due to all student meals being free in 2021-2022; \$143 thousand is the result of increasing

reserves in the Student Activity fund: \$187 thousand is the result of increasing reserves in the Fee in Lieu Fund; \$32 thousand is the result of increasing reserves in the Bond Redemption Fund for bond payments; \$917 thousand is the result of increasing reserves in the Capital Lease Fund due to receipt of insurance funds for prior year IT fraud losses and utilizing grant funds to pay for replacement computers instead of doing the purchases through leases; and \$800 thousand is the result of increasing reserves in the Capital Projects Fund, for school building repairs and maintenance due to timing of projects and a pause in spending to align projects with the Master Plan priorities.

The unassigned fund balance for all the District at the end of the fiscal year consists of the unassigned balance for the General Fund of \$9.78 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 \$9.78 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 (\$1.7 million); and 2) restricted for TABOR amendment (\$1.83 million). Fund balance is committed 1) to pay debt service (\$2.0 million); 2) funds raised for the food nutrition program (\$1.1 million); 3) funds raised for student activities/athletics (\$1.7 million); 4) to pay for capital projects (\$6.7 million); and 5) to liquidate employee retirement benefits (\$37,000). Fund balance is assigned 1) to pay for the school-based health center (\$311,995); 2) reserved for future program sustainability (\$2,291,746); and 3) reserved for insurance in the Insurance Fund which is a sub-fund of the General Fund (\$1.09 million).

General Fund Budgetary Highlights

Montrose County School District RE-1J began budget development for the 2021-2022 fiscal year in December 2020 with discussions related to labor negotiations as well as the impact of Amendment 23.

A 2020-2021 mid-year analysis was completed in February 2021 established the base of expenditure assumptions for 2021-2022. After reviewing enrollment projections and the most current revenue assumptions, the Superintendent and her 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 28, 2021 and formally presented and adopted at the June 22, 2021 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, 2022 amounts to \$79.2 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 \$2.42 million (net of accumulated depreciation). The increase was for asbestos removal, roof repair/replacements and HVAC replacement projects and security equipment upgrades at multiple school locations and the purchase of MacBook computers and iPad for students at all grade levels.

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

- Phase 2 security equipment improvements
- Asbestos removal, roof repair/replacements and HVAC replacement projects
- Building and landscaping improvements to the Outer Range facility
- Computers and iPad for staff and students of all grade levels

Montrose County School District RE-1J

Net Investment in Capital Assets

June 30, 2022 and 2021

	Governmental Activities	
	2022	2021
Land	\$ 1,538,075	\$ 1,538,075
Construction in Progress	3,752,474	1,689,103
Improvements	17,891,640	16,576,633
Buildings	52,530,141	54,505,644
Equipment	3,442,192	2,429,086
Total Capital Assets	<u>\$ 79,154,522</u>	<u>\$ 76,738,541</u>

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

At June 30, 2022, the District had total bonded debt outstanding of \$21.8 million, backed by the full faith and credit of the District. The District has debt outstanding for capital lease agreements in the amount of \$1.53 million. Additionally, the District has compensated absences payable for \$1.77 million, and retirement bonus benefits payable of \$36,710.

General obligation Bonds, Employee Benefits, and Capital Leases

June 30, 2022 and 2021

	Governmental Activities	
	2022	2021
General Obligation Bonds	\$21,806,606	\$23,188,141
2012 Lease Purchase Agreement	1,527,230	1,759,654
Compensated absences	1,766,466	1,745,874
Retirement Bonus benefits	36,710	77,182
Total long-term obligations	<u>\$ 25,137,012</u>	<u>\$ 26,770,851</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 2022-23, the inflation rate increased from 2.0 percent to 3.5 percent. The District budgeted for \$9,539 State per-pupil funding which is an increase of 6.0 percent over the 2021-2022 State funding level. This increase will provide an additional \$542 per full-time student to the District in fiscal year 2022-23. However, the State established a Budget Stabilization Negative Factor (“Budget Stabilization”) in the amount of 3.7 percent of total program funding (\$2,125,000). This Budget Stabilization has been budgeted as a reduction in State revenue for the 2022-23 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 strives to:

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

- Provide necessary resources to facilitate attainment of the following three goals:
 - 1) Ensure that all students have a safe and academically rigorous environment in which to learn, and that all students will graduate with life skills and knowledge required to enter into the workforce, to begin a career, and to attend college or other post-secondary education opportunities of their choice, without remediation.
 - 2) Recognize that staff is our most valuable asset.
 - 3) Promote good stewardship of our public funds.
- Provide resources to support MCSD to ignite a contagious spark for learning by providing engaging, relevant, and challenging instructional experiences for ALL students.
- Continue to provide resources that maintain jobs in the District, maintain reasonable class sizes to the extent possible, and ensure that current student programs can continue.

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, 2022

	Primary Government Governmental Activities	Component Unit Vista Charter School
ASSETS		
Cash and cash equivalents	\$ 22,519,183	\$ 1,423,910
Investments	12,686,781	1,714,636
Receivables		
Taxes	898,728	-
Accounts	780,250	-
Intergovernmental	4,496,822	8,420
Prepaid expense	205,869	3,061
Due from primary government	-	4,210
Due from component units	2,976	-
Inventories	205,229	-
Capital assets		
Nondepreciable	5,290,549	595,320
Depreciable, net of accumulated depreciation	73,863,973	3,965,081
Total assets	<u>120,950,360</u>	<u>7,714,638</u>
DEFERRED OUTFLOWS		
Deferred outflows related to other post employment benefits	1,318,822	5,390
Deferred outflows related to pension	10,659,627	232,324
Total deferred outflows	<u>11,978,449</u>	<u>237,714</u>
LIABILITIES		
Accounts payable	1,956,845	13,780
Accrued salaries and benefits	6,227,947	144,672
Due to component units	4,210	2,976
Claims payable	673,877	-
Accrued interest payable	88,772	-
Unearned revenue	1,538,607	191,241
Noncurrent liabilities		
Due within one year	1,994,167	-
General obligation bonds	20,375,325	-
Capital lease agreements	1,281,635	-
Compensated absences payable	1,478,897	-
Retirement benefits	6,988	-
Net other post employment benefits liability	3,012,933	65,572
Net pension liability	62,274,122	1,357,240
Total liabilities	<u>100,914,325</u>	<u>1,775,481</u>
DEFERRED INFLOWS		
Deferred inflows related to other post employment benefits	1,064,339	133,222
Deferred inflows related to pension	27,570,947	1,315,366
Total deferred inflows	<u>28,635,286</u>	<u>1,448,588</u>
NET POSITION		
Net investment in capital assets	64,805,793	4,560,401
Restricted		
Emergencies	1,825,000	54,098
Debt service	1,706,458	-
Capital renewal	-	40,000
Unrestricted	(64,958,053)	73,784
Total net position	<u>\$ 3,379,198</u>	<u>\$ 4,728,283</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, 2022

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	\$ 25,480,805	\$ 7,715,414	\$ 10,338,973	\$ -	\$ (7,426,418)	\$ (102,811)
Support services						
Students	3,239,641	109,007	3,148,811	-	18,177	(110,108)
Instructional staff	2,985,040	-	1,411,399	-	(1,573,641)	(69,260)
General administration	599,649	-	-	-	(599,649)	(15,728)
School administration	1,462,827	-	-	-	(1,462,827)	(203,966)
Business	565,375	-	-	-	(565,375)	-
Operations and maintenance	4,161,469	6,800	211,916	2,140,921	(1,801,832)	(81,375)
Student transportation	1,947,444	51	365,583	-	(1,581,810)	-
Central	2,748,439	-	-	-	(2,748,439)	(11,916)
Nutritional	2,627,723	9,873	2,960,909	-	343,059	-
Other	22,061	(910)	-	-	(22,971)	-
Community services	739,442	34,203	8,346	-	(696,893)	-
Student activities	1,481,684	1,559,866	5,111	-	83,293	-
Interest on long-term debt	621,458	-	-	-	(621,458)	-
Total governmental activities	48,683,057	9,434,304	18,451,048	2,140,921	(18,656,784)	(595,164)
Total primary government	\$ 48,683,057	\$ 9,434,304	\$ 18,451,048	\$ 2,140,921	(18,656,784)	
Component units						
Vista Charter School	612,352	600	16,588	-		
Total component units	\$ 612,352	\$ 600	\$ 16,588	\$ -		
General Revenue						
Property taxes					17,146,571	-
Specific ownership taxes					2,419,786	-
State equalization					34,750,783	1,394,442
Unrestricted investment earnings					(7,550)	(44,853)
Insurance recovery					1,322,889	-
Miscellaneous					16,825	-
Total general revenues and allocations					55,649,304	1,349,589
Change in net position					36,992,520	754,425
Net position, beginning of year					(33,613,322)	3,973,858
Net position, end of year					\$ 3,379,198	\$ 4,728,283

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

Montrose County School District No. RE - 1J

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2022

	General Fund	Designated Purpose Grants Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash	\$ 13,047,007	\$ 22,553	\$ 1,840,631	\$ 7,574,798	\$ 22,484,989
Investments	5,558,293	27,868	2,378,328	1,366,193	9,330,682
Receivables					
Taxes	898,728	-	-	-	898,728
Accounts	7,224	-	-	773,026	780,250
Intergovernmental	1,698,104	2,282,499	516,219	-	4,496,822
Prepaid expense	159,403	19,979	-	26,487	205,869
Due from component units	2,976	-	-	-	2,976
Due from other funds	634,181	36,279	54,984	4,002	729,446
Inventories	182,639	-	-	22,590	205,229
Total assets	\$ 22,188,555	\$ 2,389,178	\$ 4,790,162	\$ 9,767,096	\$ 39,134,991
Liabilities and fund balances					
Liabilities					
Accounts payable	\$ 689,534	\$ 126,805	\$ 756,369	\$ 223,707	\$ 1,796,415
Due to component units	4,210	-	-	-	4,210
Due to other funds	41,630	656,409	-	31,407	729,446
Accrued salaries and benefits	5,337,435	803,252	-	87,260	6,227,947
Unearned revenue	-	853,615	-	52,473	906,088
Total liabilities	6,072,809	2,440,081	756,369	394,847	9,664,106
Deferred inflows of resources					
Unavailable property tax revenues	76,660	-	-	3,977	80,637
Unavailable transportation revenues	360,000	-	-	-	360,000
Total deferred inflows of resources	436,660	-	-	3,977	440,637
Fund balances					
Non-spendable					
Prepays	159,403	-	-	26,487	185,890
Inventories	182,639	-	-	22,590	205,229
Restricted					
Emergency reserve - TABOR	1,825,000	-	-	-	1,825,000
Debt service	-	-	-	1,706,458	1,706,458
Committed					
Debt service	-	-	-	2,029,845	2,029,845
Nutritional service	-	-	-	1,122,526	1,122,526
Student activities	-	-	-	1,744,275	1,744,275
Capital projects	-	-	4,033,793	2,716,091	6,749,884
Retirement	37,000	-	-	-	37,000
Assigned					
School based health centers	315,880	-	-	-	315,880
Program sustainability reserve	2,291,746	-	-	-	2,291,746
Insurance	1,091,066	-	-	-	1,091,066
Unassigned	9,776,352	(50,903)	-	-	9,725,449
Total fund balances	15,679,086	(50,903)	4,033,793	9,368,272	29,030,248
Total liabilities, deferred inflows of resources, and fund balances	\$ 22,188,555	\$ 2,389,178	\$ 4,790,162	\$ 9,767,096	\$ 39,134,991

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, 2022

Total governmental funds balance		\$ 29,030,248
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Cost of capital assets	\$ 132,959,475	
Less accumulated depreciation	<u>(53,804,953)</u>	79,154,522
Receivables that are not available soon enough to pay for the current year's expenditures are deferred in the funds.		440,637
Internal service funds are used by the District to account for the costs of employee medical benefit activities. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.		2,074,380
Items related to pensions are considered to be long term items and are therefore not reported in the funds.		
Net pension liability	(62,274,122)	
Net OPEB liability	(3,012,933)	
Deferred outflows related to pension and OPEB	11,978,449	
Deferred inflows related to pension and OPEB	<u>(28,635,286)</u>	(81,943,892)
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	(20,380,000)	
Premiums on general obligation bonds	(1,426,606)	
Capital lease agreements	(1,527,230)	
Retainage payable	(150,913)	
Compensated absences	(1,766,466)	
Retirement benefits payable	<u>(36,710)</u>	(25,287,925)
Accrued interest payable is recognized in the government-wide statements, but is not due and payable within the current period and therefore is not reported in the funds.		<u>(88,772)</u>
Net position of governmental activities		<u>\$ 3,379,198</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, 2022				
	General Fund	Designated Purpose Grants Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Local sources	\$ 17,459,960	\$ 323,478	\$ 820,924	\$ 4,066,917	\$ 22,671,279
Intermediate sources	249,765	-	-	287,389	537,154
State sources	38,012,141	1,041,736	2,855,893	15,290	41,925,060
Federal sources	1,752,947	9,612,904	-	3,181,356	14,547,207
Total revenues	57,474,813	10,978,118	3,676,817	7,550,952	79,680,700
Expenditures					
Current:					
Instructional	30,799,164	4,510,853	-	-	35,310,017
Students	3,139,401	1,899,952	-	-	5,039,353
Instruction	2,249,379	1,889,412	-	-	4,138,791
General Administration	601,665	375,281	-	-	976,946
School administration	3,403,770	205,452	-	-	3,609,222
Community services	-	739,442	-	-	739,442
Student activities	-	-	-	1,481,684	1,481,684
Nutritional services	603	-	-	2,621,838	2,622,441
Business	792,446	116,226	67,318	5,025	981,015
Operations and maintenance	5,994,542	167,404	-	-	6,161,946
Transportation	1,965,315	14,270	-	-	1,979,585
Central services	3,106,127	147,425	-	-	3,253,552
Other	22,059	-	-	-	22,059
Capital outlay	1,790	963,304	3,432,363	544,483	4,941,940
Debt service					
Principal	-	-	-	1,177,424	1,177,424
Interest & Fees	-	-	-	1,038,690	1,038,690
Total expenditures	52,076,261	11,029,021	3,499,681	6,869,144	73,474,107
Excess (deficiency) of revenues over (under) expenditures	5,398,552	(50,903)	177,136	681,808	6,206,593
Other financing sources (uses)					
Transfers from other funds	815,000	-	1,300,000	2,089,000	4,204,000
Transfers to other funds	(4,104,000)	-	-	(100,000)	(4,204,000)
Total other financing sources (uses)	(3,289,000)	-	1,300,000	1,989,000	-
Change in fund balance	2,109,552	(50,903)	1,477,136	2,670,808	6,206,593
Fund balance, beginning of year	13,569,534	-	2,556,657	6,697,464	22,823,655
Fund balance, end of year	\$ 15,679,086	\$ (50,903)	\$ 4,033,793	\$ 9,368,272	\$ 29,030,248

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, 2022

Amounts reported for governmental activities in the statement of activities		
are different because:		
Net change in fund balances - total governmental funds	\$	6,206,593
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	\$	6,428,803
Depreciation expense	<u>(4,104,756)</u>	2,324,047
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 increased.		
		36,815
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 revenue adjustment for on-behalf payment	(1,706,557)	
Pension and OPEB expense	27,819,388	
Increase in accrued interest payable	(3,116)	
Increase in compensated absences payable	(20,592)	
Decrease in retirement benefits payable	<u>40,472</u>	26,129,595
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
		1,177,424
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		(16,187)
The change in net position of the internal service fund is reported with governmental activities in the statement of activities.		
		<u>697,698</u>
Change in net position of governmental activities	<u>\$</u>	<u><u>36,992,520</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, 2022

	Governmental Activities - Internal Service Fund
	Fund
ASSETS	
Current assets	
Cash and cash equivalents	\$ 34,194
Investments	3,356,099
Total assets	3,390,293
LIABILITIES	
Current liabilities	
Accounts payable	9,517
Claims payable	673,877
Unearned revenue	632,519
Total liabilities	1,315,913
NET POSITION	
Unrestricted	2,074,380
Total net position	\$ 2,074,380

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, 2022

	Governmental Activities - Internal Service Fund
Operating revenues	
Premiums	\$ 7,660,623
	<hr/>
Total operating revenues	7,660,623
Operating expenses	
Purchased services	1,576,896
Claims	5,390,001
	<hr/>
Total operating expenses	6,966,897
	<hr/>
Operating income (loss)	693,726
Non-operating revenues	
Interest income	3,972
	<hr/>
Total non-operating revenue	3,972
	<hr/>
Change in net position	697,698
Net position, beginning of year	1,376,682
	<hr/>
Net position, end of year	\$ 2,074,380
	<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, 2022

	Governmental Activities - Internal Service Fund
Cash flows from operating activities	
Cash received from insurance premiums	\$ 7,809,512
Cash paid to suppliers	(1,575,794)
Cash paid for insurance claims	(5,549,282)
Net cash provided by/(used in) operating activities	684,436
Cash flows from investing activities	
Purchase of investments	(754,739)
Interest income	3,972
Net cash provided by/(used in) investing activities	(750,767)
Net increase (decrease) in cash and cash equivalents	(66,331)
Cash and cash equivalents, beginning of year	100,525
Cash and cash equivalents, end of year	\$ 34,194
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 693,726
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	121,913
Increase(decrease) in accounts payable	1,102
Increase (decrease) in claims payable	(159,281)
Increase (decrease) in unearned revenue	26,976
Total adjustments	(9,290)
Net cash used by operating activities	\$ 684,436

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, 2022

ASSETS	
Cash	\$ 60,146
Investments	1,307,637
Rental property	<u>10,000</u>
Total assets	1,377,783
LIABILITIES	
Scholarships payable	<u>259,575</u>
Total liabilities	259,575
NET POSITION	
Permanently restricted	885,400
Restricted for scholarships	<u>232,808</u>
Total net position	<u><u>\$ 1,118,208</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, 2022

Additions	
Earnings on deposits and investments	\$ (3,105)
Contributions	40,696
Rental income	<u>9,600</u>
Total additions	47,191
Deductions	
Scholarships awarded	58,931
General and administrative	<u>1,091</u>
Total deductions	<u>60,022</u>
Change in net position	(12,831)
Net position, beginning of year	<u>1,131,039</u>
Net position, end of year	<u><u>\$ 1,118,208</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, 2022

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, 2022

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, 2022

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 120 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, 2022

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. The period of availability for grant funds is 90 days, after which receivables are recognized as deferred inflows of resources.

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, 2022

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, 2022

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, 2022

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.

The grants fund has a negative unassigned fund balance of \$50,903 at June 30, 2022 due to reimbursement of grant proceeds that were deferred because they weren't received until outside of the period of availability.

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

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

6. Pensions - Continued

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.

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.

Originally adopted budgets, amendments and final amended budgeted expenditures for the year ended June 30, 2022 are as follows:

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE B – BUDGETARY INFORMATION – CONTINUED

	Original Budget	Supplemental	Final Budget
General Fund	\$ 58,762,412	\$ 1,709,374	\$ 60,471,786
Insurance Reserve Fund	815,000	56,633	871,633
Special Revenue Funds:			
Nutritional Service Fund	2,470,805	331,695	2,802,500
Designated Grants Fund	9,322,305	4,877,479	14,199,784
Student Activity Fund	1,500,000	–	1,500,000
Fee-In-Lieu Fund	100,000	–	100,000
Bond Redemption Fund	1,946,863	–	1,946,863
Capital Lease	643,291	–	643,291
Building Fund	4,884,895	1,000,000	5,884,895
Capital Projects Fund	800,000	736,540	1,536,540
Employee Medical Benefit			
Internal Service Fund	8,522,400	–	8,522,400
Scholarship Trust Fund	123,500	–	123,500
Total	<u>\$ 89,891,471</u>	<u>\$ 8,711,721</u>	<u>\$ 98,603,192</u>

The following is a summary of the Charter School’s budget and actual expenditures for the year ended June 30, 2022:

	Vista
Actual Expenditures (Budgetary Basis)	\$ 1,377,342
Budgeted Expenditures	1,516,916
Variance – Favorable (Unfavorable)	<u>\$ 139,574</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, 2022 for TABOR is \$1,825,000. Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

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

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE D – DEPOSITS AND INVESTMENTS – CONTINUED

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, 2022, the carrying amount of the District's deposits was \$22,577,156 and the bank balance was \$24,954,557. Of that balance \$750,000 was covered by FDIC insurance and \$24,204,557 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

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."

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE D – DEPOSITS AND INVESTMENTS – CONTINUED

1. Investments – Continued

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.colotruster.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, 2022 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	\$ 3,254,072	\$ 3,254,072	\$ –
COLOTRUST, AAAM Rated	8,133,151	8,133,151	–
Negotiable Certificate of Deposit	2,143,802	240,047	1,903,755
Interest-bearing accounts	<u>463,394</u>	<u>463,394</u>	<u>–</u>
Total Investments	<u>\$ 13,994,419</u>	<u>\$ 12,090,664</u>	<u>\$ 1,903,755</u>

Cash and investments on June 30, 2022, are as follows:

Cash on Hand	\$ 2,172
Deposits	22,577,156
Investments	13,994,419
Total Cash and Investments	<u>\$ 36,573,747</u>

Statement of Net Position:

Cash	\$ 22,519,183
Investments	12,686,781
Total Cash and Investments	<u>35,205,964</u>

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE D – DEPOSITS AND INVESTMENTS – CONTINUED

Statement of Fiduciary Net Position:

Cash		60,146
Investments		<u>1,307,637</u>
Total		<u>1,367,783</u>
Total Cash and Investments		<u>\$ 36,573,747</u>

Cash and investments of the charter school consists of the following as of June 30, 2022:

Demand accounts	\$	1,423,910
Investment in COLOTRUST		800,586
Cash and cash equivalents in investment fund		184
Certificates of deposit		<u>913,866</u>
Total cash and investments	\$	<u>3,138,546</u>

As of June 30, 2022, the carrying amount of the School’s deposits and CDs was \$2,337,561 and the bank balance was \$2,346,475. Of that balance, \$1,164,049 was covered by FDIC insurance.

NOTE E – INTERFUND BALANCES AND TRANSFERS

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

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 634,181	\$ 41,630
Nutrition Services Fund	4,002	8,497
Special Grants Fund	36,279	656,409
Building Fund	54,984	–
Student Activity Fund	–	18,910
Capital Reserve Fund	–	4,000
Total	<u>\$ 729,446</u>	<u>\$ 729,446</u>

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

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 2,976	\$ 4,210
Vista Charter School	<u>4,210</u>	<u>2,976</u>
Total	<u>\$ 7,186</u>	<u>\$ 7,186</u>

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

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE E – INTERFUND BALANCES AND TRANSFERS – CONTINUED

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ –	\$ 4,104,000
Fee in Lieu Fund	–	100,000
Insurance Reserve Fund	815,000	–
Building Fund	1,300,000	–
Capital Projects Fund	1,350,000	–
Capital Lease Fund	739,000	–
Total	<u>\$ 4,204,000</u>	<u>\$ 4,204,000</u>

NOTE F – CAPITAL ASSETS

The following is a summary of changes in the governmental and business-type capital assets for the year ended June 30, 2022:

Governmental Activities:	<u>Balance</u>			<u>Balance</u>
	<u>July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2022</u>
Non-depreciable:				
Land	\$ 1,538,075	\$ –	\$ –	\$ 1,538,075
Construction in Progress	<u>1,689,103</u>	<u>4,301,134</u>	<u>(2,237,763)</u>	<u>3,752,474</u>
Total non-depreciable capital assets	3,227,177	4,301,134	(2,237,763)	5,290,548
Depreciable capital assets:				
Improvements	21,826,952	2,439,628	–	24,266,580
Buildings	92,348,901	53,572	–	92,402,473
Equipment	<u>9,948,159</u>	<u>1,964,166</u>	<u>(912,452)</u>	<u>10,999,873</u>
Total depreciable capital assets	<u>124,124,012</u>	<u>4,457,366</u>	<u>(912,452)</u>	<u>127,668,926</u>
Accumulated depreciation:				
Improvements	(5,250,319)	(1,124,622)	–	(6,374,941)
Buildings	(37,843,257)	(2,029,075)	–	(39,872,332)
Equipment	<u>(7,519,073)</u>	<u>(951,059)</u>	<u>912,452</u>	<u>(7,557,680)</u>
Total accumulated depreciation	<u>(50,612,649)</u>	<u>(4,104,756)</u>	<u>912,452</u>	<u>(53,804,953)</u>
Net depreciable capital assets	<u>73,511,363</u>	<u>352,610</u>	<u>–</u>	<u>73,863,973</u>
Total net capital assets	<u>\$ 76,738,541</u>	<u>\$ 4,653,744</u>	<u>\$ (2,237,763)</u>	<u>\$ 79,154,522</u>

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE F – CAPITAL ASSETS - CONTINUED

Vista:

Land	\$ 595,320	\$ —	\$ —	\$ 595,320
Total non-depreciable capital assets	595,320	—	—	595,320
Building	5,208,038	—	—	5,208,038
Equipment and vehicles	115,272	—	—	115,272
Total depreciable capital assets	5,323,310	—	—	5,323,310
Accumulated depreciation	(1,219,919)	(138,310)	—	(1,358,229)
Net depreciable capital assets	4,103,391	(138,310)	—	3,965,081
Net non-depreciable and depreciable capital assets	\$ 4,698,711	\$ (138,310)	\$ —	\$ 4,560,401

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

Depreciation charges to programs

Governmental Activities:

Instruction	\$ 3,771,947
Supporting Services:	
Students	83,594
General Administration	47,368
School Administration	8,227
Business	51,255
Plant Operations and Maintenance	136,640
Nutritional Services	5,725
Total	<u>\$ 4,104,756</u>

Charter Schools:

Vista Charter School	<u>\$ 138,310</u>
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NOTE G – LONG-TERM OBLIGATIONS

1. General Obligation Bonds

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

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

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE G – LONG-TERM OBLIGATIONS – CONTINUED

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.

1. General Obligation Bonds – Continued

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

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

<u>Year Ending June 30, 2022</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 980,000	\$ 960,563	\$ 1,940,563
2024	1,015,000	930,669	1,945,669
2025	1,040,000	893,250	1,933,250
2026	1,090,000	840,000	1,930,000
2027	1,145,000	784,125	1,929,125
2028-2032	6,635,000	2,980,625	9,615,625
2033-2037	8,475,000	1,100,625	9,575,625
Total	<u>\$ 20,380,000</u>	<u>\$ 8,489,857</u>	<u>\$ 28,869,857</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.

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE G – LONG-TERM OBLIGATIONS – CONTINUED

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

Year Ending June 30, 2022	Principal	Interest	Total
2023	\$ 245,595	\$ 35,211	\$ 280,806
2024	259,293	29,236	288,529
2025	273,535	22,929	294,464
2026	288,340	16,276	304,616
2027	303,728	9,265	312,993
2028	156,739	1,880	158,619
Total	<u>\$ 1,527,230</u>	<u>\$ 114,797</u>	<u>\$ 1,642,027</u>

3. Accrued Liabilities for Compensated Absences

a. Vacation

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

b. General Leave/Sick Leave

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

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

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE G – LONG-TERM OBLIGATIONS – CONTINUED

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>	
2023	\$ 29,722
2024	6,988
Total	<u>\$ 36,710</u>

5. Changes in Long-Term Debt

During the period ended June 30, 2022, the following changes occurred in the District's long-term obligations:

Governmental Activities:

	<u>Balance</u>			<u>Balance</u>	
	<u>July, 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2022</u>	<u>Current</u>
General Obligation					
Bonds, Series 2011	\$ 1,485,000	\$ –	\$ (730,000)	\$ 755,000	\$ 755,000
Premium on Series 2011	132,726	–	(58,990)	73,736	73,736
Bond, Series 2017	19,840,000	–	(215,000)	19,625,000	225,000
Premium on Series 2017	<u>1,730,415</u>	<u>–</u>	<u>(377,545)</u>	<u>1,352,870</u>	<u>377,545</u>
Total GO Bonds	<u>23,188,141</u>	<u>–</u>	<u>(1,381,535)</u>	<u>21,806,606</u>	<u>1,431,281</u>
2012 Capital Lease	<u>1,759,654</u>	<u>–</u>	<u>(232,424)</u>	<u>1,527,230</u>	<u>245,595</u>
Total Capital Leases	<u>1,759,654</u>	<u>–</u>	<u>(232,424)</u>	<u>1,527,230</u>	<u>245,595</u>
Retirement Bonuses	77,182	–	(40,472)	36,710	29,722
Compensated Absences	<u>1,745,874</u>	<u>352,094</u>	<u>(331,502)</u>	<u>1,766,466</u>	<u>287,569</u>
Totals	<u>\$ 26,770,851</u>	<u>\$ 352,094</u>	<u>\$ (1,985,933)</u>	<u>\$ 25,137,012</u>	<u>\$ 1,994,167</u>

NOTE H– DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies

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

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE H– DEFINED BENEFIT PENSION PLAN – CONTINUED

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.

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 annual comprehensive financial report (ACFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

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

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

- Highest average salary multiplied by 2.5 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.

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE H– DEFINED BENEFIT PENSION PLAN – CONTINUED

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.

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

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

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

Contributions provisions as of June 30, 2022: Eligible employees of, the District 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, 2021 through June 30, 2022. Employer contribution requirements are summarized in the table below:

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE H- DEFINED BENEFIT PENSION PLAN – CONTINUED

	July 1, 2021 Through June 30, 2022
Employer contribution rate	10.90%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02)%
Amount apportioned to the SCHDTF	9.88%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.50%
Total employer contribution rate to the SCHDTF	19.88%

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District and component units for the year ended June 30, 2022 were as follows:

Vista	\$	150,640
MCSD		6,911,792
District Total	\$	<u>7,062,432</u>

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

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE H– DEFINED BENEFIT PENSION PLAN – CONTINUED

to issue a warrant to PERA in the amount of \$380 million (actual dollars), upon enactment, with reductions to future direct distributions scheduled to occur July 1, 2023, and July 1, 2024.

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

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

At June 30, 2022, the District reported a liability of \$62,274,122 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:

District’s proportionate share of the net pension liability	\$62,274,122
The State’s proportionate share of the net pension liability as a nonemployer contributing entity associated with the District	\$6,404,714
Total	\$68,678,836

At December 31, 2021, the District’s proportion was .535122 percent, which was a reduction of .091301 percent from its proportion measured as of December 31, 2020.

For the year ended June 30, 2022, the District recognized pension expense of \$ (26,259,737). At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE H- DEFINED BENEFIT PENSION PLAN – CONTINUED

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 2,384,103	\$ –
Changes of assumptions or other inputs	4,754,164	–
Net difference between projected and actual earnings on pension plan investments	–	23,413,210
Changes in proportion and differences between contributions recognized and proportionate share of contributions	–	4,157,737
Contributions subsequent to the measurement date	3,521,360	–
Total	\$ 10,659,627	\$ 27,570,947

\$3,521,360 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30, 2022:	
2023	\$ (1,494,077)
2024	(8,857,186)
2025	(7,239,554)
2026	(2,841,863)
2027	–
Thereafter	–

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

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE H– DEFINED BENEFIT PENSION PLAN – CONTINUED

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)	1.00 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.

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

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

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

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

- Males: 112 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:

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE H- DEFINED BENEFIT PENSION PLAN – CONTINUED

- 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% of the rates for all ages with generational projection using scale MP-2019.

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

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

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

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%	

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE H– DEFINED BENEFIT PENSION PLAN – CONTINUED

Note: In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25 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.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in Senate Bill (SB) 18-200, required adjustments resulting from the 2018 AAP assessment, and the additional 0.50 percent resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200, required adjustments resulting from the 2018 AAP assessment, and the additional 0.50 percent resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022. Employer contributions also include 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 July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE H– DEFINED BENEFIT PENSION PLAN – CONTINUED

- The AIR balance was excluded from the initial FNP, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the FNP and the subsequent AIR benefit payments were estimated and included in the projections.
- The projected benefit payments reflect the lowered AI cap, from 1.25 percent to 1.00 percent, resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the 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.

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	\$ 93,660,161	\$ 62,274,122	\$ 38,573,451

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.

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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 ACFR which includes additional information on the Voluntary Investment Program. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy - The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. In addition, the District has agreed to match employee contributions up to 0% of covered salary as determined by the Internal Revenue Service. Employees are immediately vested in their own contributions, employer contributions and investment earnings. For the year ended June 30, 2022, program members contributed \$502,601.

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

Summary of Significant Accounting Policies

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

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

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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

available annual comprehensive financial report (ACFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

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

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

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

PERA Benefit Structure

The maximum service-based premium subsidy is \$230 per month for 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

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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

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.

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 \$344,844 for the year ended June 30, 2022.

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

At June 30, 2022, the District reported a liability of \$3,012,933 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2020. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2021. 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.

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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

At December 31, 2021, the District’s proportion was .34941 percent, which was a reduction of .012848 from its proportion measured as of December 31, 2020.

For the year ended June 30, 2022, the District recognized OPEB expense of \$(1,559,651). At June 30, 2022, 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	\$ 4,591	\$ 714,403
Changes of assumptions or other inputs	62,379	163,434
Net difference between projected and actual earnings on OPEB plan investments	–	186,502
Changes in proportion and differences between contributions recognized and proportionate share of contributions	1,071,173	–
Contributions subsequent to the measurement date	180,679	N/A
Total	\$ 1,318,822	\$ 1,064,339

\$180,679 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, 2022:	
2023	\$ (70,448)
2024	(85,693)
2025	(56,464)
2026	74,167
2027	179,004
Thereafter	33,238

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

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NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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

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

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

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:

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NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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

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

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

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

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

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

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

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NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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

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

Mortality assumptions used in the December 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.

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.

Pre-retirement mortality assumptions for the Judicial Division were based upon the PubG-2010(A) Above-Median Employee Table with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for the State and Local Government Divisions (members other than State Troopers) were based upon the PubG-2010 Healthy Retiree Table, adjusted as follows:

- Males: 94% of the rates prior to age 80 and 90 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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

- Females: 87% of the rates prior to age 80 and 107 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Healthy Retiree Table, with generational projection using scale MP-2019.

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

- Males: 112 percent of the rates prior to age 80 and 94 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 mortality assumptions for the Judicial Division were based upon the unadjusted PubG-2010(A) Above-Median Healthy Retiree Table 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 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.

Disabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Disabled Retiree Table with generational projection using scale MP-2019.

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

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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

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

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

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

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

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

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%	

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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

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

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate	3.50%	4.50%	5.50%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.75%	3.75%	4.75%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	\$2,926,410	\$3,012,933	\$3,113,163

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.

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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

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

Based on the above assumptions and methods, the 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 (6.2%) 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	\$ 3,499,207	\$ 3,012,933	\$ 2,597,572

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

Montrose County School District No. RE-1J

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE K – RISK MANAGEMENT – CONTINUED

deductible of \$150,000, with an aggregating specific deductible of an additional \$100,000. The maximum aggregate benefit is \$1,000,000.

All funds of the District employees 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 \$673,878, reported at June 30, 2022, 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
2020	\$ 1,070,571	\$ 9,190,066	\$ 8,593,065	\$ 1,157,889
2021	1,157,889	7,624,652	7,949,383	883,158
2022	883,158	6,047,491	6,256,771	673,878

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, 2022 the District has unexpended Construction commitments totaling approximately \$3.1 million.

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, 2022

	Budget		Actual	Variance with
	Original	Amended		Final Budget
				Positive (Negative)
Revenues				
Local sources				
General property tax	\$ 14,333,000	\$ 14,787,000	\$ 14,824,510	\$ 37,510
Specific ownership tax	1,800,000	1,976,000	2,419,786	443,786
Penalties and interest on delinquent tax	30,000	30,000	25,937	(4,063)
Investment earnings	15,000	15,000	(18,856)	(33,856)
Other	205,000	261,633	208,583	(53,050)
Total local sources	16,383,000	17,069,633	17,459,960	390,327
Intermediate sources				
Forest service collection	-	-	241,234	241,234
Impact fees	-	-	8,531	8,531
Total intermediate sources	-	-	249,765	249,765
State sources				
Equalization	33,300,600	34,348,554	34,750,783	402,229
Exceptional Children's Educational Act	1,494,000	1,494,000	1,591,564	97,564
Transportation	340,000	340,000	365,583	25,583
Vocational education	94,000	94,000	66,988	(27,012)
English Language Proficiency Act	260,000	260,000	125,863	(134,137)
Gifted and Talented	58,000	58,000	87,812	29,812
On-behalf PERA contribution	800,000	800,000	762,195	(37,805)
Other	43,000	43,000	261,353	218,353
Total state sources	36,389,600	37,437,554	38,012,141	574,587
Federal sources				
Medicaid	469,000	469,000	501,864	32,864
NJROTC	46,000	46,000	3,283	(42,717)
Coronavirus relief fund	-	-	1,247,800	1,247,800
Total federal sources	515,000	515,000	1,752,947	1,237,947
Total revenues	53,287,600	55,022,187	57,474,813	2,452,626
Expenditures				
Current				
Instructional services	31,202,580	31,459,974	30,799,164	660,810
Supporting services				
Students	3,445,000	3,239,000	3,139,401	99,599
Instruction	2,271,764	2,257,550	2,249,379	8,171
General administration	886,550	922,035	601,665	320,370
School administration	3,384,396	3,417,399	3,403,770	13,629
Business	933,400	933,400	792,446	140,954
Plant operations maintenance	5,947,600	6,027,161	5,994,542	32,619
Student transportation	2,099,000	2,099,000	1,965,315	133,685
Central services	1,372,500	1,362,640	3,106,127	(1,743,487)
Food services	4,000	4,000	603	3,397
Other uses	8,510	500	22,059	(21,559)
Capital outlay	18,500	10,148	1,790	8,358
Total expenditures	51,573,800	51,732,807	52,076,261	(343,454)
Excess (deficiency) of revenues over (under) expenditures	1,713,800	3,289,380	5,398,552	2,109,172
Other financing sources (uses)				
Transfer (to)/from other funds	(1,689,000)	(3,289,000)	(3,289,000)	-
Total other financing sources (uses)	(1,689,000)	(3,289,000)	(3,289,000)	-
Excess of expenditures over revenues and other financing sources (uses)	\$ 24,800	\$ 380	2,109,552	\$ 2,109,172
Fund balance, beginning of year			13,569,534	
Fund balance, end of year			\$ 15,679,086	

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, 2022

	Budget		Actual	Variance with
	Original	Amended		Final Budget
				Positive (Negative)
Revenues				
Local sources	\$ 189,852	\$ 392,465	\$ 323,478	\$ (68,987)
State sources	1,031,555	1,298,791	1,041,736	(257,055)
Federal sources	8,100,898	12,508,528	9,612,904	(2,895,624)
Total revenues	9,322,305	14,199,784	10,978,118	(3,221,666)
Expenditures				
Current				
Instructional services	4,763,550	6,160,677	4,510,853	1,649,824
Supporting services				
Students	1,769,050	2,128,281	1,899,952	228,329
Instruction	1,879,691	2,249,648	1,889,412	360,236
General administration	136,972	489,031	375,281	113,750
School administration	209,036	196,877	205,452	(8,575)
Plant operations maintenance	9,741	424,987	167,404	257,583
Student transportation	28,867	41,734	14,270	27,464
Central services	84,326	227,275	147,425	79,850
Business	62,176	112,110	116,226	(4,116)
Community services	319,902	431,624	739,442	(307,818)
Other uses	44,699	5,000	-	5,000
Capital outlay	14,295	1,732,540	963,304	769,236
Total current expenditures	9,322,305	14,199,784	11,029,021	3,170,763
Change in fund balance	-	-	(50,903)	(50,903)
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ (50,903)	\$ (50,903)

Montrose County School District No. RE - 1J

SCHEDULE OF ACTIVITY - NET PENSION LIABILITY

June 30, 2022

	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
<u>Measurement date:</u>							
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%
December 31, 2021	0.53512%	62,274,122	6,404,714	68,678,836	34,635,143	180%	75%

Montrose County School District No. RE - 1J

SCHEDULE OF ACTIVITY - EMPLOYER PENSION CONTRIBUTIONS

June 30, 2022

	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%
June 30, 2022	6,911,792	6,911,792	-	33,444,064	20.67%

Montrose County School District No. RE - 1J

SCHEDULE OF ACTIVITY - NET OPEB LIABILITY

June 30, 2022

	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%
December 31, 2021	0.34941%	3,012,933	34,544,064	8.72%	39.40%

Montrose County School District No. RE - 1J

SCHEDULE OF ACTIVITY - EMPLOYER OPEB CONTRIBUTIONS

June 30, 2022

	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%
June 30, 2022	344,844	344,844	-	33,807,248	1.02%

Montrose County School District No. RE-1J

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2022

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, 2022

	General Fund	Insurance Reserve Fund	Total
Assets			
Cash	\$ 11,937,610	\$ 1,109,397	\$ 13,047,007
Investments	5,558,225	68	5,558,293
Receivables			
Taxes	898,728	-	898,728
Accounts	7,224	-	7,224
Intergovernmental	1,698,104	-	1,698,104
Due from other funds	634,181	-	634,181
Due from component units	2,976	-	2,976
Prepaid expense	159,403	-	159,403
Inventories	182,639	-	182,639
	<u>\$ 21,079,090</u>	<u>\$ 1,109,465</u>	<u>\$ 22,188,555</u>
Liabilities, deferred inflows of resources, and fund balance			
Liabilities			
Accounts payable	\$ 671,135	\$ 18,399	\$ 689,534
Due to other funds	41,630	-	41,630
Due to component units	4,210	-	4,210
Accrued salaries and benefits	5,337,435	-	5,337,435
	<u>6,054,410</u>	<u>18,399</u>	<u>6,072,809</u>
Deferred inflows of resources			
Unavailable property tax revenues	76,660	-	76,660
Unavailable transportation revenues	360,000	-	360,000
	<u>436,660</u>	<u>-</u>	<u>436,660</u>
Fund balances			
Nonspendable			
Prepays	159,403	-	159,403
Inventory	182,639	-	182,639
Restricted			
Emergency Reserve - TABOR	1,825,000	-	1,825,000
Committed			
Retirement	37,000	-	37,000
Assigned			
School based health centers	311,995	-	311,995
Program sustainability reserve	2,291,746	-	2,291,746
Insurance	-	1,091,066	1,091,066
Unassigned	9,780,237	-	9,780,237
	<u>14,588,020</u>	<u>1,091,066</u>	<u>15,679,086</u>
	<u>\$ 21,079,090</u>	<u>\$ 1,109,465</u>	<u>\$ 22,188,555</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, 2022

	General Fund	Insurance Reserve Fund	Total
Revenues			
Local sources	\$ 17,403,327	\$ 56,633	\$ 17,459,960
Intermediate sources	249,765	-	249,765
State sources	38,012,141	-	38,012,141
Federal sources	1,752,947	-	1,752,947
	<u>57,418,180</u>	<u>56,633</u>	<u>57,474,813</u>
Total revenues			
Expenditures			
Current			
Instructional services	30,799,164	-	30,799,164
Supporting services	20,424,032	829,216	21,253,248
Other uses	22,059	-	22,059
Capital outlay	1,790	-	1,790
	<u>51,247,045</u>	<u>829,216</u>	<u>52,076,261</u>
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures	6,171,135	(772,583)	5,398,552
Other financing sources (uses)			
Transfers from other funds	-	815,000	815,000
Transfers to other funds	(4,104,000)	-	(4,104,000)
	<u>(4,104,000)</u>	<u>815,000</u>	<u>(3,289,000)</u>
Total other financing sources (uses)			
Change in fund balance	2,067,135	42,417	2,109,552
Fund balance, beginning of year	<u>12,520,885</u>	<u>1,048,649</u>	<u>13,569,534</u>
Fund balance, end of year	<u>\$ 14,588,020</u>	<u>\$ 1,091,066</u>	<u>\$ 15,679,086</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, 2022

	Budget		Actual	Variance with
	Original	Amended		Final Budget
				Positive (Negative)
Revenues				
Local sources				
General property tax	\$ 14,333,000	\$ 14,787,000	\$ 14,824,510	\$ 37,510
Specific ownership tax	1,800,000	1,976,000	2,419,786	443,786
Penalties and interest on delinquent tax	30,000	30,000	25,937	(4,063)
Investment earnings	15,000	15,000	(18,856)	(33,856)
Other	205,000	205,000	151,950	(53,050)
Total local sources	16,383,000	17,013,000	17,403,327	390,327
Intermediate sources				
Forest service collection	-	-	241,234	241,234
Impact fees	-	-	8,531	8,531
Total intermediate sources	-	-	249,765	249,765
State sources				
Equalization	33,300,600	34,348,554	34,750,783	402,229
Exceptional children's educational act	1,494,000	1,494,000	1,591,564	97,564
Transportation	340,000	340,000	365,583	25,583
Vocational education	94,000	94,000	66,988	(27,012)
English language proficiency act	260,000	260,000	125,863	(134,137)
Gifted and talented	58,000	58,000	87,812	29,812
On-behalf PERA contribution	800,000	800,000	762,195	(37,805)
Other	43,000	43,000	261,353	218,353
Total state sources	36,389,600	37,437,554	38,012,141	574,587
Federal sources				
Medicaid	469,000	469,000	501,864	32,864
NJROTC	46,000	46,000	3,283	(42,717)
Coronavirus relief fund	-	-	1,247,800	1,247,800
Total federal sources	515,000	515,000	1,752,947	1,237,947
Total revenues	53,287,600	54,965,554	57,418,180	2,452,626
Expenditures				
Current				
Instructional services	31,202,580	31,459,974	30,799,164	660,810
Supporting services				
Students	3,445,000	3,239,000	3,139,401	99,599
Instruction	2,271,764	2,257,550	2,249,379	8,171
General administration	886,550	922,035	601,665	320,370
School administration	3,384,396	3,417,399	3,403,770	13,629
Business	933,400	933,400	792,446	140,954
Plant operations maintenance	5,274,100	5,287,168	5,290,611	(3,443)
Student transportation	2,099,000	2,099,000	1,965,315	133,685
Central services	1,231,000	1,231,000	2,980,842	(1,749,842)
Food services	4,000	4,000	603	3,397
Other uses	8,510	500	22,059	(21,559)
Capital outlay	18,500	10,148	1,790	8,358
Total expenditures	50,758,800	50,861,174	51,247,045	(385,871)
Excess (deficiency) of revenues over (under) expenditures	2,528,800	4,104,380	6,171,135	2,066,755
Other financing sources (uses)				
Transfers to other funds	(2,504,000)	(4,104,000)	(4,104,000)	-
Total other financing sources (uses)	(2,504,000)	(4,104,000)	(4,104,000)	-
Excess of expenditures over revenues and other financing sources (uses)	\$ 24,800	\$ 380	2,067,135	\$ 2,066,755
Fund balance, beginning of year			12,520,885	
Fund balance, end of year			\$ 14,588,020	

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, 2022

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Amended		
Revenues				
Local sources				
Other	\$ -	\$ 56,633	\$ 56,633	\$ -
Total revenues	-	56,633	56,633	-
Expenditures				
Insurance premiums	673,500	739,993	703,931	36,062
Administration	141,500	131,640	125,285	6,355
Total expenditures	815,000	871,633	829,216	42,417
Excess (deficiency) of revenues over (under) expenditures	(815,000)	(815,000)	(772,583)	42,417
Other financing sources (uses)				
Transfers from other funds	815,000	815,000	815,000	-
Total other financing sources (uses)	815,000	815,000	815,000	-
Change in fund balance	-	-	42,417	42,417
Fund balance, beginning of year	1,018,780	1,018,780	1,048,649	29,869
Fund balance, end of year	\$ 1,018,780	\$ 1,018,780	\$ 1,091,066	\$ 72,286

Montrose County School District No. RE - 1J

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

Year ended June 30, 2022

	Salaries	Employee Benefits	Purchased Services	Supplies	Capital	Other	Total Actual	Final Budget	Variance Favorable (Unfavorable)
Instruction	\$ 21,218,212	\$ 8,310,755	\$ 627,419	\$ 462,644	\$ 180,134	\$ -	\$ 30,799,164	\$ 31,459,975	\$ 660,811
Supporting services									
Students	2,096,411	809,243	212,261	19,749	1,577	160	3,139,401	3,238,999	99,598
Instruction	1,284,303	464,024	355,305	132,927	2,135	10,685	2,249,379	2,257,550	8,171
General administration	472,718	138,263	152,951	52,945	46,628	(261,840)	601,665	922,035	320,370
School administration	2,398,427	846,465	19,203	133,084	3,666	2,925	3,403,770	3,417,399	13,629
Business	519,726	177,731	141,095	6,861	3,399	(56,366)	792,446	933,400	140,954
Plant operations and maintenance	2,378,941	992,830	503,658	1,365,286	47,705	2,191	5,290,611	5,287,168	(3,443)
Student transportation	35,778	17,316	1,751,831	160,122	268	-	1,965,315	2,099,000	133,685
Central services	562,269	185,184	259,727	279,079	1,693,639	944	2,980,842	1,231,000	(1,749,842)
Food services	493	110	-	-	-	-	603	4,000	3,397
Other uses	-	-	2,752	2,779	-	16,528	22,059	500	(21,559)
Total supporting services expenditures	9,749,066	3,631,166	3,398,783	2,152,832	1,799,017	(284,773)	20,446,091	19,391,051	(1,055,040)
Capital outlay	-	-	506	-	1,284	-	1,790	10,148	8,358
Total actual expenditures	30,967,278	11,941,921	4,026,708	2,615,476	1,980,435	(284,773)	51,247,045	\$ 50,861,174	\$ (385,871)
Final Budget	30,877,585	12,339,232	4,457,091	2,529,848	365,476	291,943	50,861,174		
Variance Favorable (Unfavorable)	\$ (89,693)	\$ 397,311	\$ 430,383	\$ (85,628)	\$ (1,614,959)	\$ 576,716	\$ (385,871)		

Montrose County School District No. RE - 1J

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

June 30, 2022

	Nutritional Services Fund	Student Activity Fund	Fee-in-Lieu Fund	Bond Redemption Fund	Capital Lease Fund	Capital Projects Fund	Total
Assets							
Cash	\$ 946,953	1,758,161	\$ 588,422	\$ -	\$ 2,029,845	\$ 2,251,417	\$ 7,574,798
Investments	598	-	-	1,320,486	-	45,109	1,366,193
Accounts receivable	378,793	4,284	-	389,949	-	-	773,026
Prepaid expenses	-	-	-	-	-	26,487	26,487
Due from other funds	4,002	-	-	-	-	-	4,002
Inventories	22,590	-	-	-	-	-	22,590
Total assets	\$ 1,352,936	\$ 1,762,445	\$ 588,422	\$ 1,710,435	\$ 2,029,845	\$ 2,323,013	\$ 9,767,096
Liabilities, deferred inflows of resources, and fund balances							
Liabilities							
Accounts payable	59,390	(540)	-	-	-	164,857	223,707
Due to other funds	8,497	18,910	-	-	-	4,000	31,407
Accrued expenses	87,260	-	-	-	-	-	87,260
Unearned revenue	52,673	(200)	-	-	-	-	52,473
Total liabilities	207,820	18,170	-	-	-	168,857	394,847
Deferred inflows of resources							
Unavailable property tax revenue	-	-	-	3,977	-	-	3,977
Total deferred inflows of resources	-	-	-	3,977	-	-	3,977
Fund balances							
Non-spendable							
Prepaid expense	-	-	-	-	-	26,487	26,487
Inventories	22,590	-	-	-	-	-	22,590
Restricted							
Debt Service	-	-	-	1,706,458	-	-	1,706,458
Committed							
Debt service	-	-	-	-	2,029,845	-	2,029,845
Nutritional service	1,122,526	-	-	-	-	-	1,122,526
Student activities	-	1,744,275	-	-	-	-	1,744,275
Capital projects	-	-	588,422	-	-	2,127,669	2,716,091
Total fund balances	1,145,116	1,744,275	588,422	1,706,458	2,029,845	2,154,156	9,368,272
Total liabilities, deferred inflows, and fund balances	\$ 1,352,936	\$ 1,762,445	\$ 588,422	\$ 1,710,435	\$ 2,029,845	\$ 2,323,013	\$ 9,767,096

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, 2022

	Nutritional Services Fund	Student Activity Fund	Fee-in-Lieu Fund	Bond Redemption Fund	Capital Lease Fund	Capital Projects Fund	Total
Revenues							
Local sources	\$ 17,133	\$ 1,624,703	\$ -	\$ 1,974,415	\$ 451,255	\$ (589)	\$ 4,066,917
Intermediate sources	-	-	287,389	-	-	-	287,389
State sources	15,290	-	-	-	-	-	15,290
Federal sources	3,181,356	-	-	-	-	-	3,181,356
Total revenues	<u>3,213,779</u>	<u>1,624,703</u>	<u>287,389</u>	<u>1,974,415</u>	<u>451,255</u>	<u>(589)</u>	<u>7,550,952</u>
Expenditures							
Current:							
Student activities	-	1,481,684	-	-	-	-	1,481,684
Food service	2,621,838	-	-	-	-	-	2,621,838
Business	-	-	-	-	-	5,025	5,025
Capital outlay	-	-	-	-	-	544,483	544,483
Debt service							
Principal	-	-	-	945,000	232,424	-	1,177,424
Interest and fees	-	-	-	997,823	40,867	-	1,038,690
Total expenditures	<u>2,621,838</u>	<u>1,481,684</u>	<u>-</u>	<u>1,942,823</u>	<u>273,291</u>	<u>549,508</u>	<u>6,869,144</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources and uses	591,941	143,019	287,389	31,592	177,964	(550,097)	681,808
Other financing sources (uses)							
Transfers from other funds	-	-	-	-	739,000	1,350,000	2,089,000
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>1,350,000</u>	<u>1,989,000</u>
Change in fund balance	591,941	143,019	187,389	31,592	916,964	799,903	2,670,808
Fund balance, beginning 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>
Fund balance, end of year	<u>\$ 1,145,116</u>	<u>\$ 1,744,275</u>	<u>\$ 588,422</u>	<u>\$ 1,706,458</u>	<u>\$ 2,029,845</u>	<u>\$ 2,154,156</u>	<u>\$ 9,368,272</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, 2022

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Amended		
Revenues				
Local sources				
Food sales	\$ 24,600	\$ 31,900	\$ 14,625	\$ (17,275)
Miscellaneous	-	2,500	2,508	8
	<u>24,600</u>	<u>34,400</u>	<u>17,133</u>	<u>(17,267)</u>
State sources				
State child nutrition match	15,000	15,000	15,290	290
Total state sources	<u>15,000</u>	<u>15,000</u>	<u>15,290</u>	<u>290</u>
Federal sources				
National school lunch program	2,356,205	2,910,600	3,031,328	120,728
Commodities	200,000	200,000	150,028	(49,972)
Total federal sources	<u>2,556,205</u>	<u>3,110,600</u>	<u>3,181,356</u>	<u>70,756</u>
Total revenues	<u>2,595,805</u>	<u>3,160,000</u>	<u>3,213,779</u>	<u>53,779</u>
Expenditures				
Current				
Food service activities	2,470,805	2,802,500	2,621,838	180,662
Change in fund balance	125,000	357,500	591,941	234,441
Fund balance, beginning of year	<u>480,283</u>	<u>480,283</u>	<u>553,175</u>	<u>72,892</u>
Fund balance, end of year	<u>\$ 605,283</u>	<u>\$ 837,783</u>	<u>\$ 1,145,116</u>	<u>\$ 307,333</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, 2022

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Amended		
Revenues				
Local sources				
Student activities	\$ 1,600,000	\$ 1,600,000	\$ 1,624,703	\$ 24,703
Expenditures				
Current				
Student activities	1,500,000	1,500,000	1,481,684	18,316
Excess (deficiency) of revenues over (under) expenditures	100,000	100,000	143,019	43,019
Fund balance, beginning of year	1,578,039	1,578,039	1,601,256	23,217
Fund balance, end of year	<u>\$ 1,678,039</u>	<u>\$ 1,678,039</u>	<u>\$ 1,744,275</u>	<u>\$ 66,236</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, 2022

	Budget		Actual	Variance with
	Original	Amended		Final Budget
				Positive (Negative)
Revenues				
Intermediate sources				
Fees in lieu of land dedication	\$ 131,000	\$ 131,000	\$ 287,389	\$ 156,389
Total revenues	131,000	131,000	287,389	156,389
Other financing sources (uses)				
Transfers to other funds	(100,000)	(100,000)	(100,000)	-
Change in fund balance	31,000	31,000	187,389	156,389
Fund balance, beginning of year	394,125	394,125	401,033	6,908
Fund balance, end of year	\$ 425,125	\$ 425,125	\$ 588,422	\$ 163,297

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, 2022

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Amended		
Revenues				
Local sources				
General property tax	\$ 1,941,863	\$ 1,941,863	\$ 1,968,084	\$ 26,221
Penalties and interest on delinquent tax	-	-	3,833	3,833
Investment and interest earnings	-	-	1,878	1,878
Impact fees	-	-	620	620
Total revenues	<u>1,941,863</u>	<u>1,941,863</u>	<u>1,974,415</u>	<u>32,552</u>
Expenditures				
Debt service				
Principal	945,000	945,000	945,000	-
Interest	996,863	996,863	996,863	-
Bank fees	5,000	5,000	960	4,040
Total expenditures	<u>1,946,863</u>	<u>1,946,863</u>	<u>1,942,823</u>	<u>4,040</u>
Change in fund balance	(5,000)	(5,000)	31,592	36,592
Fund balance, beginning of year	<u>1,632,763</u>	<u>1,632,763</u>	<u>1,674,866</u>	<u>42,103</u>
Fund balance, end of year	<u>\$ 1,627,763</u>	<u>\$ 1,627,763</u>	<u>\$ 1,706,458</u>	<u>\$ 78,695</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, 2022

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Amended		
Revenues				
Insurance claim revenue	\$ -	\$ -	\$ 451,255	\$ 451,255
Total revenues	-	-	451,255	451,255
Expenditures				
Debt service				
Principal	602,424	602,424	232,424	\$ 370,000
Interest	40,867	40,867	40,867	-
Total expenditures	643,291	643,291	273,291	370,000
Excess (deficiency) of revenues over (under) expenditures	(643,291)	(643,291)	177,964	821,255
Other financing sources (uses)				
Transfers from other funds	739,000	739,000	739,000	-
Net change in fund balance	95,709	95,709	916,964	821,255
Fund balance, beginning of year	1,067,157	1,067,157	1,112,881	45,724
Fund balance, end of year	<u>\$ 1,162,866</u>	<u>\$ 1,162,866</u>	<u>\$ 2,029,845</u>	<u>\$ 866,979</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, 2022

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Amended		
Revenues				
Local sources				
Investment and interest earnings	\$ 5,000	\$ 5,000	\$ 5,924	\$ 924
Other	-	-	815,000	815,000
State sources				
Rural funding	1,034,612	1,034,612	1,034,612	-
Capital grant	1,635,733	1,635,733	1,821,281	185,548
Total revenues	<u>2,675,345</u>	<u>2,675,345</u>	<u>3,676,817</u>	<u>1,001,472</u>
Expenditures				
Current				
Business	71,968	71,968	67,318	4,650
Capital outlay	4,812,927	5,812,927	3,432,363	2,380,564
Total expenditures	<u>4,884,895</u>	<u>5,884,895</u>	<u>3,499,681</u>	<u>2,385,214</u>
Excess (deficiency) of revenues over (under) expenditures	(2,209,550)	(3,209,550)	177,136	3,386,686
Other financing sources (uses)				
Transfers from other funds	300,000	1,300,000	1,300,000	-
Total other financing sources (uses)	<u>300,000</u>	<u>1,300,000</u>	<u>1,300,000</u>	<u>-</u>
Change in fund balance	(1,909,550)	(1,909,550)	1,477,136	3,386,686
Fund balance, beginning of year	<u>2,731,738</u>	<u>2,731,738</u>	<u>2,556,657</u>	<u>(175,081)</u>
Fund balance, end of year	<u>\$ 822,188</u>	<u>\$ 822,188</u>	<u>\$ 4,033,793</u>	<u>\$ 3,211,605</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, 2022

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Amended		
Revenues				
Local sources				
Investment and interest earnings	\$ 350	\$ 350	\$ (589)	\$ (939)
Total revenues	<u>350</u>	<u>350</u>	<u>(589)</u>	<u>(939)</u>
Expenditures				
Current				
Business	15,000	15,000	5,025	9,975
Transportation	50,000	50,000	-	50,000
Capital outlay	<u>735,000</u>	<u>1,471,540</u>	<u>544,483</u>	<u>927,057</u>
Total expenditures	<u>800,000</u>	<u>1,536,540</u>	<u>549,508</u>	<u>987,032</u>
Excess (deficiency) of revenues over (under) expenditures	(799,650)	(1,536,190)	(550,097)	986,093
Other financing sources (uses)				
Transfers from other funds	<u>750,000</u>	<u>1,350,000</u>	<u>1,350,000</u>	<u>-</u>
Total other financing sources (uses)	<u>750,000</u>	<u>1,350,000</u>	<u>1,350,000</u>	<u>-</u>
Net changes in fund balance	(49,650)	(186,190)	799,903	986,093
Fund balance, beginning of year	<u>1,169,163</u>	<u>1,169,163</u>	<u>1,354,253</u>	<u>185,090</u>
Fund balance, end of year	<u>\$ 1,119,513</u>	<u>\$ 982,973</u>	<u>\$ 2,154,156</u>	<u>\$ 1,171,183</u>

Montrose County School District No. RE - 1J

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

Year ended June 30, 2022

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Amended		
Revenues				
Premiums	\$ 8,011,500	\$ 8,011,500	\$ 7,660,623	\$ (350,877)
Interest income	3,000	3,000	3,972	972
Total revenues	<u>8,014,500</u>	<u>8,014,500</u>	<u>7,664,595</u>	<u>(349,905)</u>
Expenses				
Claims	6,642,470	6,642,470	5,390,001	1,252,469
Insurance premiums and administration	<u>1,879,930</u>	<u>1,879,930</u>	<u>1,576,896</u>	<u>303,034</u>
Total expenses	<u>8,522,400</u>	<u>8,522,400</u>	<u>6,966,897</u>	<u>1,555,503</u>
Change in net position	(507,900)	(507,900)	697,698	1,205,598
Net position, beginning of year	<u>1,028,844</u>	<u>1,028,844</u>	<u>1,376,682</u>	<u>347,838</u>
Net position, end of year	<u>\$ 520,944</u>	<u>\$ 520,944</u>	<u>\$ 2,074,380</u>	<u>\$ 1,553,436</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, 2022

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Amended		
Revenues				
Investment earnings	\$ 8,000	\$ 8,000	\$ (3,105)	\$ (11,105)
Contributions	15,000	15,000	40,696	25,696
Rental income	12,000	12,000	9,600	(2,400)
Total revenues	35,000	35,000	47,191	12,191
Expenditures				
Scholarships awarded	92,000	92,000	58,931	33,069
General and administrative	31,500	31,500	1,091	30,409
Total expenditures	123,500	123,500	60,022	63,478
Change in net position	(88,500)	(88,500)	(12,831)	75,669
Net position, beginning of year	1,111,020	1,111,020	1,131,039	20,019
Net position, end of year	\$ 1,022,520	\$ 1,022,520	\$ 1,118,208	\$ 95,688

Montrose County School District No. RE-1J

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - PRELIMINARY

Year ended June 30, 2022

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal ALN Number</u>	<u>State Pass-thru ID</u>	<u>2022 Amount of Award Expended</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through Colorado Department of Education			
National School Lunch Program	10.555	4555	\$ 62,750
Supply Chain Assistance	10.555	6555	88,834
Summer Food Service Program for Children	10.559	4559	88,215
National Seamless Summer Option - Breakfast	10.559	5553	590,718
National Seamless Summer Option – Lunch	10.559	5555	2,197,748
Passed through Colorado Department of Human Services			
USDA Food Commodities	10.555	4555	<u>150,028</u>
Child Nutrition Cluster Sub-Total			<u>3,178,293</u>
Total U.S. Department of Agriculture			3,178,293
U.S. DEPARTMENT OF DEFENSE			
NJROTC	12.000	9001	<u>3,283</u>
Total U.S. Department of Defense			3,283
U.S. DEPARTMENT OF EDUCATION			
Passed through Colorado Department of Education			
Adult Education – Basic Grants to States	84.002A	5002	103,360
Title I Grants to Local Educational Agencies	84.010A	4010,5010	1,597,923
COVID-19 Elementary and Secondary School Emergency Relief Funds (ESSER III)	84.425U	4414	533,641
COVID-19 Elementary and Secondary School Emergency Relief Funds (ESSER III) – Supplemental	84.425U	9414	108,994
COVID-19 Elementary and Secondary School Emergency Relief Funds (ESSER II) - Supplemental	84.425D	4419	13,587
COVID-19 Elementary and Secondary School Emergency Relief Funds (ESSER II)	84.425D	4420	3,029,690
COVID-19 Elementary and Secondary School Emergency Relief Funds (ESSER I)	84.425D	4425	413,296
COVID-19 Elementary and Secondary School Emergency Relief Funds (ESSER I) – Supplemental	84.425D	5425	104,687
COVID-19 Elementary and Secondary School Emergency Relief Funds (ESSER I Rapid Request)	84.425D	4448	50,903
Special Education – Grants to States	84.027A	4027	844,677
COVID-19 Special Education – Grants to States	84.027X	6027	263,451
Special Education – Preschool Grants	84.173A	4173	37,982

COVID-19 Special Education – Preschool Grants	84.173X	6173	<u>18,376</u>
Special Education Cluster (IDEA) Sub-Total			1,164,486
English Language Acquisition State Grants	84.365	4365	57,223
Improving Teacher Quality State Grants	84.367	4367	272,182
Academic Enrichment	84.424	4424	135,559
School Nurse Workforce Grant	93.354	7354	32,682
Student Engagement and Family Partnership	84.154F	8174	15,652
Passed through Colorado Office of the Governor			
COVID-19 GEER – Education Stabilization Fund (ESF)	84.425C	6425	679,558
Passed through State Board for Community College and Occupation Education			
Career and Technical Education – Basic Grants to States	84.048	4048	<u>69,930</u>
Total U.S. Department of Education			8,383,353
U.S. DEPARTMENT OF TREASURY			
Passed through Colorado Department of Education			
COVID State Recovery Funds	21.027	9019	<u>37,344</u>
			37,344
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Head Start	93.600	8600	1,084,053
COVID-19 Head Start (CRF)	93.600	8600	<u>80,613</u>
			1,164,666
Pass through Colorado Department of Public Health and Environment			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	7959	51,000
Pass through Colorado office of early Childhood			
COVID – 19 Child Care Assistance & Development			
Block Grant – 477 Cluster	93.575	7575	<u>2,841</u>
Total U.S. Department of Health and Human Services			1,218,507
INSTITUTE OF MUSEUM AND LIBRARY SERVICES			
Passed through Colorado Department of Education			
State Library Program	45.310	7310	<u>7,000</u>
			7,000
FEDERAL COMMUNICATIONS COMMISSION			
Emergency Connectivity Fund Program	32.009	8009	<u>1,252,047</u>
			1,252,047
Total expenditures of federal awards			<u>\$14,079,827</u>

Montrose County School District No. RE-1J

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2022

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 \$150,028 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.



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*

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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 8, 2022. 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.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) 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
Montrose County School District RE-1J

Report on Compliance and Other Matters

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

Chadwick, Steinkirchner, Davis & Co., P.C.
December 8, 2022



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

Board of Education
Montrose County School District RE-1J

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Montrose County School District RE-1J's (the Districts) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of District's major federal programs for the year ended June 30, 2022. 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.

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, 2022.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not



Board of Education
Montrose County School District RE-1J

detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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



Board of Education
Montrose County School District RE-1J

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

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

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

Chadwick, Steinkirchner, Davis & Co., P.C.
December 8, 2022

Montrose County School District No. RE-1J

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2022

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	<input checked="" type="checkbox"/>	no
Significant deficiency(ies) identified not considered to be material weaknesses?	_____	yes	<input checked="" type="checkbox"/>	none reported
Noncompliance material to financial statements noted?	_____	yes	<input checked="" type="checkbox"/>	no

Federal Awards

Internal Control over major programs:				
Material weakness(es) identified?	_____	yes	<input checked="" type="checkbox"/>	no
Significant deficiency(ies) identified not considered to be material weaknesses?	_____	yes	<input checked="" type="checkbox"/>	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	<input checked="" type="checkbox"/>	no
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Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
32.009	Emergency Connectivity Fund Program
10.555/10.559	Nutrition Services Cluster
84.525	Elementary and Secondary School Emergency Relief Fund

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/> yes _____ no

Montrose County School District No. RE-1J

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2022

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, 2022

There were no prior year audit findings.



Colorado Department of Education
Auditors Integrity Report
 District: 2180 - Montrose County RE-1J
 Fiscal Year 2021-22
 Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental	+		-	=
10 General Fund	12,520,885	53,314,181	51,247,046	14,588,020
18 Risk Mgmt Sub-Fund of General Fund	1,048,649	871,633	829,217	1,091,066
19 Colorado Preschool Program Fund	0	0	0	0
Sub- Total	13,569,535	54,185,814	52,076,263	15,679,086
11 Charter School Fund	2,812,090	1,366,777	1,377,299	2,801,567
20,26-29 Special Revenue Fund	401,033	187,389	0	588,422
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	553,174	3,213,779	2,621,838	1,145,115
22 Govt Designated-Purpose Grants Fund	0	10,978,118	11,029,021	-50,903
23 Pupil Activity Special Revenue Fund	1,601,256	1,624,702	1,481,684	1,744,274
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	1,674,866	1,974,415	1,942,823	1,706,458
39 Certificate of Participation (COP) Debt Service Fund	1,112,881	1,190,255	273,291	2,029,845
41 Building Fund	2,556,657	4,976,817	3,499,681	4,033,794
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	1,354,254	1,349,411	549,508	2,154,157
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
Totals	25,635,744	81,047,477	74,851,407	31,831,814
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	1,376,682	3,972	-693,725	2,074,379
Totals	1,376,682	3,972	-693,725	2,074,379
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	1,131,039	47,191	60,021	1,118,209
85 Foundations	0	0	0	0
Totals	1,131,039	47,191	60,021	1,118,209

FINAL