

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

**Financial Report**

**June 30, 2023**



**Montrose County School District RE-1J  
Financial Report  
June 30, 2023**

**Table of Contents**

	<b><u>Page(s)</u></b>
<b>INDEPENDENT AUDITOR'S REPORT</b>	A1 – A4
<b>Management’s Discussion and Analysis</b>	B1 – B11
<b>Basic Financial Statements:</b>	
<b>District-wide Financial Statements:</b>	
Statement of Net Position	C1
Statement of Activities	C2
<b>Fund Financial Statements:</b>	
Balance Sheet – Governmental Funds	C3
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	C4
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	C5
Reconciliation of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	C6
Statement of Net Position – Proprietary Funds	C7
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund	C8
Statement of Cash Flows – Proprietary Fund	C9
Statement of Fiduciary Net Position – Scholarship Trust Fund	C10
Statement of Changes in Fiduciary Net Position - Scholarship Trust Fund	C11
<b>Notes to the Financial Statements</b>	D1 – D43
<b>Required Supplementary Information:</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual with Reconciliation to GAAP Basis – General Fund	E1
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual – Designated-Purpose Grant Fund	E2
Schedule of the District’s Proportionate Share of the Net Pension Liability	E3

**Montrose County School District RE-1J**  
**Financial Report**  
**June 30, 2023**

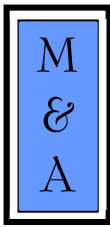
**Table of Contents**  
**(Continued)**

	<u><b>Page(s)</b></u>
<b>Required Supplementary Information (continued):</b>	
Schedule of District Pension Contributions	E4
Schedule of the District's Proportionate Share of the Net Other Post-Employment Benefits Liability	E5
Schedule of District Other Post-Employment Benefits Contributions	E6
Notes to the Required Supplementary Information	E7 – E10
<b>Supplementary Information:</b>	
Schedule of Combined General Fund – Balance Sheet	F1
Schedule of Combined General Fund – Revenues, Expenditures and Changes in Fund Balances	F2
Combining Balance Sheet – Non-Major Governmental Funds	F3
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds	F4
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:	
Food Service Fund	F5
Pupil Activity Fund	F6
Fee-in-Lieu Fund	F7
Bond Redemption Fund	F8
Capital Lease Fund	F9
Building Fund	F10
Capital Reserve Fund	F11
Employee Medical Benefit Fund	F12
Scholarship Trust Fund	F13
Expenditure Matrix – General Fund ( <i>Excluding Insurance Reserve Sub-Fund</i> )	F14
Auditor's Electronic Financial Data Integrity Check Figures	F15
<b>Single Audit Reports and Schedules:</b>	
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 <i>Government Auditing Standards</i>	G1 – G2

**Montrose County School District RE-1J  
Financial Report  
June 30, 2023**

**Table of Contents  
(Continued)**

	<b><u>Page(s)</u></b>
<b>Single Audit Reports and Schedules (continued):</b>	
Independent Auditor's Report on Compliance for Each Major Program and Report On Internal Control Over Compliance Required by the Uniform Guidance	G3 – G5
Schedule of Findings and Questioned Costs	G6
Schedule of Prior Audit Findings and Questioned Costs	G7
Schedule of Expenditures of Federal Awards	G8 – G9



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## INDEPENDENT AUDITOR'S REPORT

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

### 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 aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Montrose County School District RE-1J, Colorado (the "District"), as of and for the year ended June 30, 2023, 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 aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the District as of June 30, 2023, 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 ("U.S. GAAP").

We did not audit the financial statements of Vista Charter School, which represents 100% of the assets, net position and revenues of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Vista Charter School, is based solely on the report of the other auditors.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS") 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.

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**INDEPENDENT AUDITOR'S REPORT**  
**To the Board of Education**  
**Montrose County School District RE-1J**

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. GAAP; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 one year after the date that the financial statements are issued.

***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 U.S. GAAS 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 U.S. GAAS, 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.

**INDEPENDENT AUDITOR'S REPORT**  
**To the Board of Education**  
**Montrose County School District RE-1J**

***Required Supplementary Information***

U.S. GAAP require Management's Discussion and Analysis in Section B, the Schedule of the District's Proportionate Share of the Net Pension Liability, Schedule of District Pension Contributions, Schedule of District's Proportionate Share of the Other Post-Employment Benefits Liabilities, Schedule of District's Other Post-Employment Benefit Contributions, and the Notes to the Required Supplemental Information in Section E, 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 section B in accordance with U.S. GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison information in section E is not a required part of the basic financial statements but is supplementary information required by U.S. GAAP. The budgetary comparison information in section E is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***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 combining fund financial statements, individual budgetary schedules, the Colorado Department of Education Auditor's Electronic Data Integrity Check Figures, the statistical section, and the Schedule of Expenditures of Federal Awards as required by *Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* included in the Single Audit Section listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements, individual budgetary schedules, the Colorado Department of Education Auditor's Electronic Data Integrity Check Figures, the statistical section, and the Schedule of Expenditures of Federal Awards listed in the accompanying table of contents 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. GAAS. In our opinion, the combining fund financial statements, individual budgetary schedules, the Colorado Department of Education Auditor's Electronic Data Integrity Check Figures, the statistical section, and the Schedule of Expenditures of Federal Awards listed in the accompanying table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**INDEPENDENT AUDITOR'S REPORT  
To the Board of Education  
Montrose County School District RE-1J**

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated **December 4, 2023** on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 on compliance.

*McMahan and Associates, L.L.C.*

**McMahan and Associates, L.L.C.  
Avon, Colorado  
December 4, 2023**

Montrose County School District RE-1J

Management's Discussion and Analysis



# **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, 2023

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, 2023. 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 \$4.9 million to \$8.3 million from \$3.4 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 of \$18.2 billion in the government wide financial statements.
- Government-wide total liabilities increased \$21.1 million from the prior year primarily due to an increase in the PERA pension liability.
- The District retired debt totaling \$1.3 million during the fiscal year through principal payments on both general obligation bonds and on leases.
- Total cash and investments increased by \$4.1 million or 11.6 percent from the prior year. The majority of increase was in the General Fund of \$3.0 million mainly due to an increase of per pupil funding of \$538 per pupil and approximately \$680 thousand increase in Investment income over the prior year due to a significant increase in interest rates. Other funds saw increases in cash of \$280 thousand due to a decrease in employee medical claims, \$565 thousand due to timing of technology purchases and \$545 thousand due to a pause in spending for deferred maintenance projects to align with the Master Plan priorities and other new facility needs. These increases were offset by the planned spend down of \$96 thousand in cash in the Pupil Activity fund to cover the increase in transportation costs for pupil activities and \$224 thousand in the Nutritional Services fund to pay for equipment upgrades in the school kitchens.
- Fund balance of all District's governmental funds increased by \$3.2 million, resulting in an ending fund balance of \$32.2 million. This positive change is mainly due to staff vacancies not filled, the delay of capital reserve projects and the supplemental funding from pandemic-related relief funding.

### **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 District's basic financial statements presented on pages C3-D43 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.

## **Government-wide Financial Statements (continued)**

The Statement of Net Position presents information about all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The difference between assets plus deferred outflows and liabilities plus deferred inflows 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's 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 future periods (e.g., uncollected taxes and changes in long-term compensated absences).

Both of the 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 major funds including the General Fund and Designated Purpose Grants Fund along with the 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.

Governmental activities consolidate all of the following district funds: General Fund, Designated-Purpose Grant Fund, Food Service Fund, Pupil Activity Fund, Fee in Lieu of Land Fund, Bond Redemption Fund, Capital Lease Fund, Building Fund and Capital Reserve Fund.

The government-wide financial statements can be found on pages C1-C2 of this report.

### **Fund Financial Statements**

The 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. All funds of the District have been divided into three categories: 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 and the Designated Purpose Grants 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 Pupil Activity Fund, the Fee in Lieu Fund, the Bond Redemption Fund, the Capital Lease Fund, the Building 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 E1-E2 as required supplementary information in the financial statements to demonstrate compliance with the adopted budget. The remaining governmental funds budgetary comparisons are reported as other supplementary information on pages F5-F11. Non-governmental fund budgetary comparisons are reported on pages F12-F13.

The basic governmental fund financial statements can be found on pages C3-C6 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 C7-C9 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 the 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 C10-C11 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 government-wide and fund financial statements. The notes can be found in Section D 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 F1-F11 of this report. The additional schedules required as part of the Colorado Public School Finance Act can be found on page F15 of this report.

### **Government-wide Financial Analysis**

#### **Government-wide Net Position**

The assets of the District are classified as current assets and capital assets. Cash, investments, receivables, inventories and prepaid expenses are current assets. These assets are available to provide resources for the near-term operations of the District. Cash and investments account for 31.4 percent of the total assets. Receivables reflect grant reimbursements along with the result of the property tax collection process as the District's receives over 90 percent of the annual property tax assessment between February and June.

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.

A net investment of \$79.8 million in land, improvements, buildings, equipment, and vehicles that provide the services to the District's 6,059 public school students. The increase of \$662 thousand over the prior year net investment is mainly due to roof repairs and replacement, and HVAC replacement at multiple school locations, completion of the Phase 2 security improvements and work on Phase 3 security improvements at various school locations, 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 \$1,674,866 accumulated due to voter approved bonded debt mill levy assessments have been restricted to provide resources to liquidate the current general obligation bond principal, and related interest payments. The legally required TABOR reserve has also been restricted.

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 2023-2024.

Long-term liabilities such as long-term debt obligations and compensated absences payable will be liquidated from resources that will become available after fiscal 2022-2023. Also included in noncurrent liabilities is the District's proportionate share of the net pension liability and OPEB liability.

As noted earlier, assets and deferred outflows exceed the liabilities and deferred inflows of the primary government by \$8.3 million with an unrestricted balance of (\$59.2 million). Total net position of the primary government does not include internal balances. The net position reflects the District's proportional share of PERA's net pension liability (\$85.0 million) and other post-employment benefits liability (\$2.9 million) on the District's financial statements. The District's net position increased by \$4.9 million due primarily to the increase in deferred outflows and decreases in deferred inflows from changes in the assumptions in the pension and OPEB plans.

**Government-wide Activities**

Total assets increased by \$4.1 million and total deferred outflows of resources increased \$9.7 million. Total assets increased mainly due to the addition of \$8.9 million in capital assets offset by \$4.5 in depreciation expense. Deferred outflows of resources increased mainly to an increase in pensions related outflows of \$6.9 million.

Overall liabilities increased mainly due to the increase in the Net Pension liability of \$22.8 million, offset by principal payments of \$1.3 million. Pension related deferred inflows of resources decreased significantly due to a decrease in related inflows of \$15.3 million.

The table below provides a summary of the District's net position as of June 30, 2023 compared to June 30, 2022.

*Comparative Summary of Net Position*  
June 30, 2023 and 2022

		<b>Governmental Activities</b>	
		<b>2023</b>	<b>2022</b>
<b>Assets:</b>			
Current assets		\$ 45,204,728	\$ 41,795,838
Capital assets		79,816,726	79,154,522
	Total Assets	<u>\$ 125,021,454</u>	<u>\$ 120,950,360</u>
<b>Deferred Outflows:</b>			
Deferred pension/OPEB outflows		21,647,118	11,978,449
	Total Deferred Outflows	<u>21,647,118</u>	<u>11,978,449</u>
	Total Assets and Deferred Outflows	<u><u>\$ 146,668,572</u></u>	<u><u>\$ 132,928,809</u></u>
<b>Liabilities:</b>			
Current liabilities		\$ 11,797,458	\$ 10,790,258
Noncurrent liabilities		110,214,433	90,124,067
	Total Liabilities	<u>122,011,891</u>	<u>100,914,325</u>
<b>Deferred Inflows:</b>			
Deferred pension/OPEB inflow		16,402,048	28,635,286
<b>Net Position:</b>			
Net investment in capital assets		57,119,855	64,805,793
Restricted		10,337,718	3,531,458
Unrestricted		(59,202,940)	(64,958,053)
	Total Net Position	<u>8,254,633</u>	<u>3,379,198</u>
	Total Liabilities, Deferred Inflows and Net Position	<u><u>\$ 146,668,572</u></u>	<u><u>\$ 132,928,809</u></u>

**Governmental Activities**

Governmental activities increased the net position of the District \$4.9 million during the year ended June 30, 2023. This increase in net position year over year is primarily attributable to the change in pension liability and related deferred inflows and outflows of resources.

The Statement of Activities shows the cost of program services and charges for services, grants and contributions offsetting those services. The table below provides a summary of the District’s change in net position for 2023 compared to 2022.

*Comparative Schedule of Changes in Net Position*  
 Years ended June 30, 2023 and 2022

	<b>Governmental Activities</b>	
	<b>2023</b>	<b>2022</b>
<b>Revenues:</b>		
Program Revenues:		
Charges for services	\$ 2,333,732	\$ 1,768,709
Operating grants and contributions	23,092,124	18,511,048
Capital grants and contributions	1,431,971	2,140,921
General revenues;		
Property taxes	16,932,825	17,086,571
Specific ownership taxes	2,568,881	2,419,786
Penalties and interest on delinquent taxes		
State equalization	39,491,781	36,145,225
Unrestricted investment earnings	829,638	(7,550)
Allocation to Charter Schools	(1,535,011)	(1,394,442)
Insurance recovery	-	1,332,889
Miscellaneous	-	16,825
Total Revenues	<u>85,145,941</u>	<u>78,019,982</u>
<b>Expenses:</b>		
Governmental activities:		
Instruction	46,287,999	20,966,641
Supporting services:		
Students	5,307,761	2,724,342
Instruction	4,757,848	2,480,253
General administration	1,491,079	323,888
School administration	4,456,908	1,005,955
Business	1,088,426	357,560
Plant operation and maintenance	7,237,164	3,475,309
Student transportation	2,006,117	1,941,803
Central Services	1,968,246	2,468,267
Nutritional Services	2,666,612	2,414,722
Other	-	22,061
Community services	392,134	733,519
Student activities	1,873,283	1,481,684
Interest on long-term debt	736,929	621,458
Total Expenses	<u>80,270,506</u>	<u>41,017,462</u>
Change in Net Position	4,875,435	37,002,520
Net position, beginning of year	3,389,198	(33,613,322)
Net Position - June 30	<u>\$ 8,264,633</u>	<u>\$ 3,389,198</u>

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

- The Colorado Public School Finance Act provides for the majority of the funding of local school districts based on a funded pupil count formula and a standardized maximum statewide property tax mill levy. The state equalization formula includes the local property and specific ownership tax. The combined equalization, specific ownership and property taxes increased by \$3.2 million (5.4 percent). Student enrollment for the 2022-2023 school year, showed a decrease of 40 funded student full time equivalent (FTE) over the prior year. However, state equalization aid increased during the fiscal year due to an increase in per-pupil funding of \$538 per pupil to \$9,534 for 2022-23.
- 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 \$2.13 million (the equivalent of over \$364 per student) in fiscal year 2022-2023.
- Operating grants for governmental activities increased by \$4.6 or 24.8 percent over the prior year due to an increase of approximately \$4.3 million in Coronavirus (COVID-19) funding from Elementary and Secondary School Emergency Relief Funds (ESSER II) and the American Rescue Plan (ARP) (ESSER III) funds. These funds were used to for: Accelerated Learning "Learning Loss", social emotional and mental health needs, ventilation and air quality (HVAC) and setup of outdoor classrooms.
- Capital grants and contributions for governmental activities decreased by \$709 thousand, mainly due to the completion of roofing projects for multi-school locations that utilized BEST grant funding. In FY 2022-23 the District received \$297 thousand compared to \$927 thousand in FY 2021-22 in BEST grant funding for roofing projects. BEST grant funds of \$366 thousand were utilized for HVAC replacements along with \$769 thousand for Security projects in FY 2022-23.
- Total governmental activities expenses increased \$39.3 million. Most of the increase relates to pension related adjustments recorded for GASB 68 and 75.

### **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.

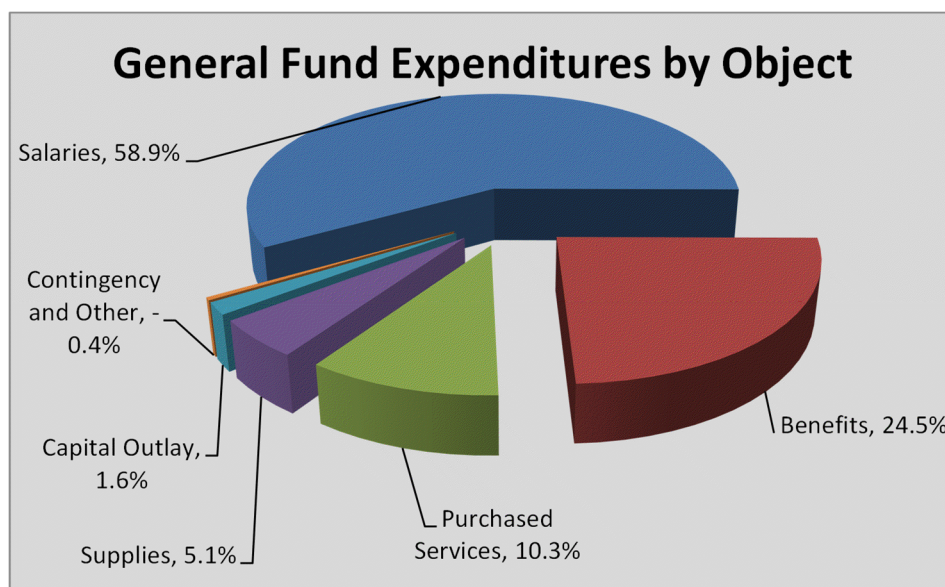
The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of the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

As of June 30, 2023, the District's governmental funds reported a combined fund balance of \$32.2 million, an increase of \$3.2 million over the prior year. Total unassigned fund balance at the end of the fiscal year of \$5.9 million constitutes 18.3% of the total fund balance, which is available for spending at the District's discretion. 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 as follows: non-spendable \$401 thousand; restricted \$3.7 million, committed \$16.5 million, and assigned \$5.7 million.

On the expense side, the General Fund saw \$1 million in savings of salaries and compensation from vacant positions mainly in Special Education and \$300 thousand in savings from the District's portion of health insurance costs due to lower employee participation of approximately 25 fewer employees, offset by \$158 thousand in additional Discretionary budget spending approved by the Board for technology purchases at year end.

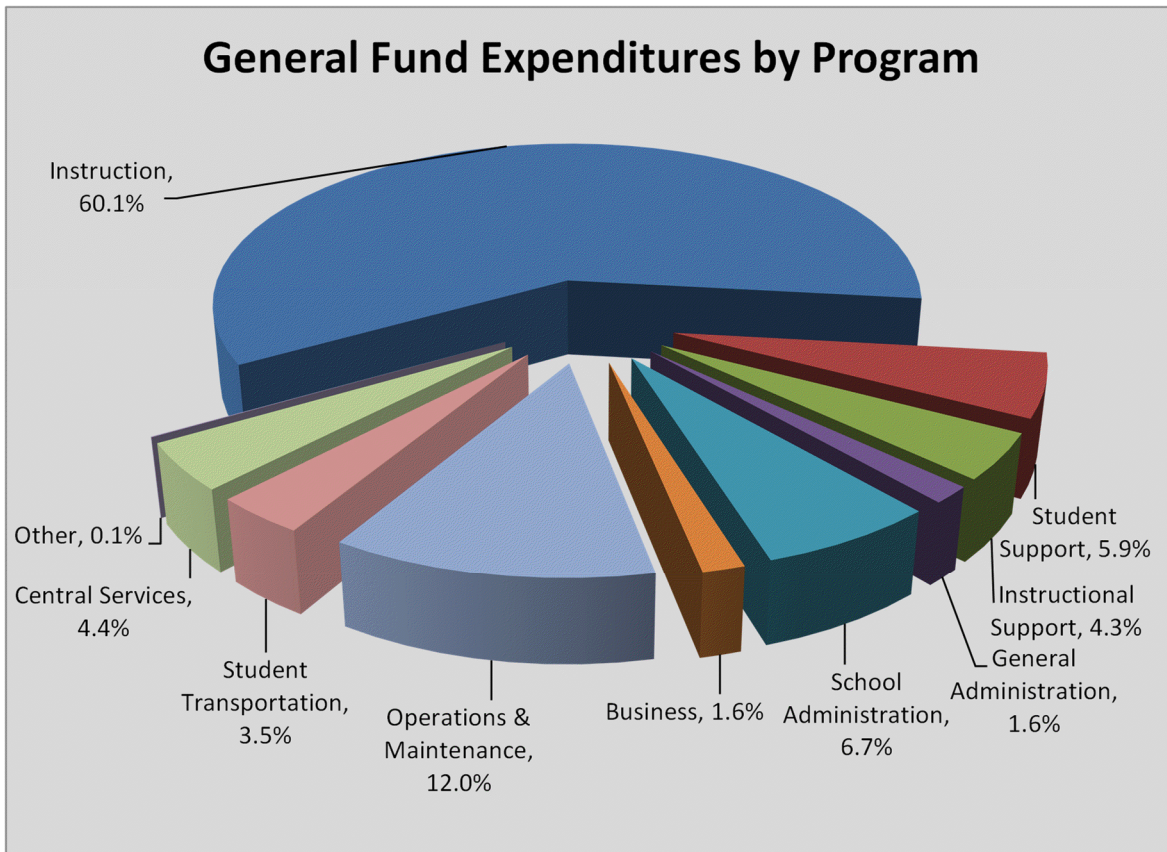
For the 2022-23 fiscal year, over 83% of General Fund expenditures are for staff salaries and benefits. All returning employees received an overall increase of 9.4% in a salary and benefits negotiated package. Included in the package was a 4% increase in the District’s contribution to employee medical premiums. General Fund expenditures by object are shown in the table and graph below.

<b>General Fund Expenditures by Object</b>					
<b>Objects</b>	<b>2023</b>	<b>% of Actual</b>	<b>2022</b>	<b>% of Actual</b>	
Salaries	\$ 33,441,372	58.9%	\$ 31,003,177	59.5%	
Benefits	13,937,647	24.5%	11,960,800	23.0%	
Purchased Services	5,831,487	10.3%	4,722,618	9.1%	
Supplies	2,870,227	5.1%	2,643,278	5.1%	
Capital Outlay	927,613	1.6%	1,982,064	3.8%	
Contingency and Other	(225,715)	-0.4%	(235,677)	-0.5%	
<b>Total</b>	<b>\$ 56,782,631</b>	<b>100.0%</b>	<b>\$ 52,076,261</b>	<b>100.0%</b>	



The District spent 70.3% of General Fund dollars on instructional related activities. Schools and various departments include both instructional and support expenditures. General Fund expenditures by program are shown in the table and graph below.

<b>General Fund Expenditures by Program</b>					
<b>Programs</b>	<b>2023</b>	<b>% of Actual</b>	<b>2022</b>	<b>% of Actual</b>	
Instruction	\$ 34,138,560	60.1%	\$ 30,779,164	59.1%	
Student Support	3,348,799	5.9%	3,139,401	6.0%	
Instructional Support	2,420,437	4.3%	2,249,379	4.3%	
General Administration	886,433	1.6%	601,665	1.2%	
School Administration	3,798,933	6.7%	3,403,770	6.5%	
Business	899,134	1.6%	792,446	1.5%	
Operations & Maintenance	6,789,551	12.0%	5,994,542	11.5%	
Student Transportation	1,987,066	3.5%	1,965,315	3.8%	
Central Services	2,481,138	4.4%	3,106,127	6.0%	
Other	32,580	0.1%	24,452	0.0%	
<b>Total</b>	<b>\$ 56,782,631</b>	<b>100.0%</b>	<b>\$ 52,056,261</b>	<b>100.0%</b>	



**Designated -Purpose Grants Fund**

The Designated-Purpose Grant Fund is also a major fund for the District and is used to account for various federal, state and local grants awarded to the District to accomplish specific activities. Expenditures of \$12.2 million are lower than budgets of \$16 million because the budget allowed for full expenditure of certain one-time funds for specific spending guidelines for COVID-19 related uses. The District anticipates spending the balance of these funds, as allowed, in the coming year.

**Nutritional Services Fund**

The Nutritional Services Funds accounts for all revenues and expenditures associated with providing breakfast, lunch, and snacks for District students and staff. The majority of the \$2.5 million in revenues came from the National School Lunch Program for school year 2022-2023. The fund operates on a financially self-supporting basis and saw a decrease in fund balance of \$224 thousand due to a planned spend down of fund balance for school kitchen equipment.

**Student Activity Fund**

The Student Activity Fund is used to account for student activities at each of the schools. Such activities are funded by student fees, activity gate fees, and other fund-raising activities, which are all considered local revenues. All expenses are for the Instruction program. Fund balance for the Student Activity Fund decreased by \$86 thousand, as school activities matched pre-covid years and the District saw a significant increase in transportation costs for all activities.

**Fee-In-Lieu Fund**

The Fee-In-Lieu Fund is used to record revenues from subdivision fees from new, residential real estate development in the City of Montrose, Town of Olathe, and Montrose County and is used for fund future capital projects and had a fund balance of \$709 thousand, which is \$120 thousand increase over the prior year. The District saw a slight reduction in revenue during fiscal year 2022-23 and \$100 thousand was transferred to the Capital Reserve Fund for capital projects.

### **Bond Redemption Fund**

The Bond Redemption Fund has a fund balance of \$1.8 million as of June 30, 2023. This fund finances and accounts for the payment of principal and interest on all long-term bonded debt of the District. Revenues for this fund come from voter-approved property tax specifically for school district bonded debt. Principal and interest payments totaled \$1,940,563 while tax revenue totaled \$1,989,565.

### **Capital Lease Fund**

The Capital lease Fund is utilized to finance and account for the payment of principal and interest on long-term leases. Revenues for this fund in fiscal year 2022-2023 consist of transfers of \$739 thousand from the General Fund. Lease principal and interest payments totaled \$281 thousand. Fund balance increased \$563 thousand from the prior year that will be utilized in future years to help fund a 10-year technology plan.

### **Building Fund**

The Building Fund is used to account for the construction of large projects and large repairs to facilities. The primary source of funding for 2022-23 was from BEST grants from the State of Colorado of \$1.43 million for HVAC and Security projects along with one-time Rural funding from the State of approximately \$1.2 million. In addition, a \$200 thousand transfer was made from the General Fund to allow for future construction projects.

### **Capital Reserve Fund**

The Capital Reserve Fund accounts for the acquisition and maintenance of sites, buildings, equipment and vehicles. The majority of the revenues for this fund come from transfers from other funds. In 2022-23, the District transferred \$1.7 million from the General Fund and \$100 thousand from the Fee In-Lieu Fund.

### **General Fund Budgetary Highlights**

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 May 31 with budget adoption by June 30. The law provides for school boards to adjust revenues and expenditures through January 31 of each fiscal year.

A 2021-2022 mid-year analysis was completed in February 2022 and established the base of expenditure assumptions for 2022-2023. 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 31, 2022, and was formally presented and adopted at the June 21, 2022 Board meeting and the revised budget was adopted during January 2023.

A Budgetary Comparison Schedule for the General Fund is included on page E1 of this document. Significant differences between final budgeted and actual revenues are as follows:

There is a positive variance between actual revenues and the final budget of \$1.6 million. This is mainly due to Specific ownership taxes coming in higher by approximately \$540 thousand, investment income coming in at approximately \$680 thousand higher than estimated, and \$221 thousand for unbudgeted Forest Service funds received.

Total positive variance between the final expenditures budget and actual is \$7.7 million, is due mainly to the District not needing to utilize any of the \$6.4 million budgeted fund balance appropriation along with over \$1.0 million in savings of salaries and compensation from vacant positions not filled during the year.

### **Capital Assets and Debt Administration**

The District's investment in capital assets for its governmental activities as of June 30, 2023, amounts to \$79.8 million (net of accumulated depreciation). This investment in capital assets includes land, improvements, buildings, equipment and vehicles, and projects in progress. The increase in the District's investment in capital assets for the current fiscal year was \$662 thousand (net of accumulated depreciation). The increase was for roof repair/replacements and HVAC replacement projects and security equipment upgrades at multiple school locations and the purchase of MacBook computers and iPads for teachers and students in all schools.

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

- Phase 2 and 3 security equipment improvements
- 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, 2023 and 2022

	<b>Governmental Activities</b>	
	<b>2023</b>	<b>2022</b>
Land	\$ 1,538,075	\$ 1,538,075
Construction in Progress	1,873,703	3,752,474
Improvements	16,897,757	17,891,640
Buildings	56,151,236	52,530,141
Equipment	3,355,955	3,442,192
Total Capital Assets	\$ 79,816,726	\$ 79,154,522

Additional information on the District’s capital assets can be found in Note D on pages D18-D19.

At June 30, 2023, the District had total bonded debt outstanding of \$20.6 million, backed by the full faith and credit of the District. The District has debt outstanding for capital lease agreements in the amount of \$1.28 million. Additionally, the District has compensated absences payable for \$2.02 million, and retirement bonus benefits payable of \$6,988.

***General obligation Bonds, Employee Benefits, and Capital Leases***  
June 30, 2023, and 2022

	<b>Governmental Activities</b>	
	<b>2023</b>	<b>2022</b>
General Obligation Bonds	\$20,576,541	\$21,806,606
2012 Lease Purchase Agreement	1,281,635	1,527,230
Compensated absences	2,016,751	1,766,466
Retirement Bonus benefits	6,988	36,710
Total long-term obligations	\$ 23,881,915	\$ 25,137,012

Additional information on the District’s long-term obligations can be found in Note E on pages D19-D21 of this report.

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

The State economic picture is important to the District because more than 93% of the revenue anticipated to be received by the District’s General Fund is determined by the State’s School Finance Act of 1994 established by the State Legislature. The District budgeted for \$10,538 State per-pupil funding which is an increase of 10.5 percent over the 2022-2023 State funding level. This increase will provide an additional \$1,004 per full-time student to the District in fiscal year 2023-24. However, the State established a Budget Stabilization Negative Factor (“Budget Stabilization”) in the amount of 1.6 percent of total program funding (\$956,156). This Budget Stabilization has been budgeted as a reduction in State revenue for the 2023-24 fiscal year.

The vision of the District is to 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. All Budget monies that the district spends are dedicated toward this vision and the goals and initiatives of the Strategic Plan and Master Capital Plan. In order to support the vision of the District, the following items have been identified as goals, objective and budget priorities for 2023-24:

- Provide necessary resources to facilitate attainment of the three major goals noted above
- 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
- To be the highest paying school district on the western slopes
- Expand visual and performing arts and career pathways
- Support mental health needs for students and staff
- Ensure safe and adequate facilities in alignment with the Master Capital Plan

The District also has an objective to sustain programs implemented with one-time ESSER Federal Grant dollars beyond the three-year spending timeline ending in September 2024. During this period, any excess revenue funds in the General Fund will be assigned to the Program Sustainability Reserve in fund balance. These funds will be available to be released from Assigned Fund Balance as needed for use in periods after September 2024 to maintain established programs.

### **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 RE-1J

Basic Financial Statements



**MONTROSE COUNTY SCHOOL DISTRICT RE-1J**  
**Statement of Net Position**  
**June 30, 2023**

	<b>Primary Government Governmental Activities</b>	<b>Component Unit Vista Charter School</b>
<b>Assets:</b>		
<b>Current Assets:</b>		
Cash and investments	\$ 39,290,603	\$ 2,867,335
Accounts receivable	76,111	184,502
Taxes receivable	1,395,975	-
Due from other governments	4,039,333	-
Due from component unit	2,050	-
Prepaid expenses	141,922	49,135
Inventory	258,734	-
<b>Total Current Assets</b>	<b>45,204,728</b>	<b>3,100,972</b>
<b>Capital Assets:</b>		
Nondepreciable	3,411,778	595,320
Depreciable, net of accumulated depreciation	76,404,948	3,833,504
<b>Total Capital Assets</b>	<b>79,816,726</b>	<b>4,428,824</b>
<b>Total Assets</b>	<b>125,021,454</b>	<b>7,529,796</b>
<b>Deferred Outflows of Resources:</b>		
Related to pensions	20,341,813	389,662
Related to other post-employment benefits	1,305,305	21,761
<b>Total Deferred Outflows of Resources</b>	<b>21,647,118</b>	<b>411,423</b>
<b>Liabilities:</b>		
<b>Current Liabilities:</b>		
Accounts, retainage, and deposits payable	2,311,450	41,346
Accrued compensation	6,505,924	63,408
Accrued interest	79,992	-
Unearned revenue	1,303,119	231,151
Bonds and notes payable - due within one year	1,274,293	-
Compensated absences and retirement benefit - due within one year	322,680	-
<b>Total Current Liabilities</b>	<b>11,797,458</b>	<b>335,905</b>
<b>Noncurrent Liabilities:</b>		
Bonds and notes payable - due in more than one year	20,583,883	-
Compensated absences and retirement benefit - due in more than one year	1,701,059	-
Net pension and OPEB liability:		
Due in more than one year - pension	85,031,101	1,905,263
Due in more than one year - OPEB	2,898,390	64,143
<b>Total Noncurrent Liabilities</b>	<b>110,214,433</b>	<b>1,969,406</b>
<b>Total Liabilities</b>	<b>122,011,891</b>	<b>2,305,311</b>
<b>Deferred Inflows of Resources:</b>		
Related to pensions	15,006,606	382,017
Related to other post-employment benefits	1,054,047	56,050
Unavailable property taxes	341,395	-
<b>Total Deferred Inflows of Resources</b>	<b>16,402,048</b>	<b>438,067</b>
<b>Net Position:</b>		
Net investment in capital assets	57,119,855	4,428,824
Restricted for:		
TABOR Reserve	1,910,000	50,000
Debt service	1,674,866	-
Other purposes	6,752,852	-
Unrestricted	(59,202,940)	719,017
<b>Total Net Position</b>	<b>\$ 8,254,633</b>	<b>\$ 5,197,841</b>

The accompanying notes are an integral part of this statement.

**MONTROSE COUNTY SCHOOL DISTRICT RE-1J**  
**Statement of Activities**  
**For the Year Ended June 30, 2023**

Functions/Programs	Program Revenues				Net Expenses (Revenues) and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Unit
					Governmental Activities	Vista Charter School
Governmental Activities:						
Direct instruction	\$ 46,287,999	\$ 98,701	\$ 2,913,850	\$ -	\$ (43,275,448)	
Supporting services:						
Students	5,307,761	-	-	-	(5,307,761)	
Instructional staff	4,757,848	-	-	-	(4,757,848)	
General administration	1,491,079	-	-	-	(1,491,079)	
School administration	4,456,908	-	-	-	(4,456,908)	
Business	1,088,426	-	-	-	(1,088,426)	
Central	1,968,246	-	-	-	(1,968,246)	
Transportation	2,006,117	-	362,914	-	(1,643,203)	
Operations and maintenance	7,237,164	-	6,600	1,431,971	(5,798,593)	
Community services	392,134	-	-	-	(392,134)	
Food service	2,666,612	455,221	2,046,924	-	(164,467)	
Student activities	1,873,283	1,779,810	-	-	(93,473)	
Interest on long-term debt	736,929	-	-	-	(736,929)	
Total Governmental Activities	<u>80,270,506</u>	<u>2,333,732</u>	<u>5,330,288</u>	<u>1,431,971</u>	<u>(71,174,515)</u>	
Total Primary Government	<u>\$ 80,270,506</u>	<u>\$ 2,333,732</u>	<u>\$ 5,330,288</u>	<u>\$ 1,431,971</u>	<u>\$ (71,174,515)</u>	
Component units						
Vista Charter School	\$ 1,395,493	\$ 110	\$ 274,835	\$ 15,681		\$ (1,104,867)
Total Component Units	<u>\$ 1,395,493</u>	<u>\$ 110</u>	<u>\$ 274,835</u>	<u>\$ 15,681</u>		<u>\$ (1,104,867)</u>
<b>General revenues:</b>						
Property taxes levied for general purposes					14,943,545	-
Property taxes levied for debt service					1,989,280	-
Specific ownership taxes					2,568,881	-
State Equalization					37,956,770	1,535,011
Grants and contributions not restricted to specific programs					12,894,781	-
Coronavirus State and Local Fiscal Recovery Funds					4,867,055	-
Interest and investment earnings					829,638	38,151
Other					-	1,263
Total general revenues					<u>76,049,950</u>	<u>1,574,425</u>
<b>Change in Net Position</b>					4,875,435	469,558
<b>Net Position - Beginning of Year</b>					<u>3,379,198</u>	<u>4,728,283</u>
<b>Net Position - End of Year</b>					<u>\$ 8,254,633</u>	<u>\$ 5,197,841</u>

The accompanying notes are an integral part of this statement.

**MONTROSE COUNTY SCHOOL DISTRICT RE-1J**

**Balance Sheet  
Governmental Funds  
June 30, 2023**

	<u>General Fund</u>	<u>Designated- Purpose Grant Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Cash and investments	\$ 21,590,598	\$ -	\$ 14,030,458	\$ 35,621,056
Accounts receivable, net:				
Taxes	985,237	-	409,540	1,394,777
Other governments	614,699	2,788,176	-	3,402,875
Grants	8,836	-	162,972	171,808
Other receivables	10,241	-	473,585	483,826
Due from other funds	85,946	13,569	-	99,515
Prepaid items	132,134	9,788	-	141,922
Inventories	207,664	-	51,070	258,734
	<u>23,635,355</u>	<u>2,811,533</u>	<u>15,127,625</u>	<u>41,574,513</u>
<b>Total Assets</b>	<b>\$ 23,635,355</b>	<b>\$ 2,811,533</b>	<b>\$ 15,127,625</b>	<b>\$ 41,574,513</b>
<b>Liabilities:</b>				
Accounts payable and accrued expenses	\$ 264,544	\$ 1,238,040	\$ 236,201	\$ 1,738,785
Accrued salaries and benefits	5,559,482	857,939	88,503	6,505,924
Due to other funds	12,669	60,080	26,766	99,515
Unearned revenue	-	655,474	43,024	698,498
	<u>5,836,695</u>	<u>2,811,533</u>	<u>394,494</u>	<u>9,042,722</u>
<b>Total Liabilities</b>	<b>5,836,695</b>	<b>2,811,533</b>	<b>394,494</b>	<b>9,042,722</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable property taxes	341,314	-	81	341,395
	<u>341,314</u>	<u>-</u>	<u>81</u>	<u>341,395</u>
<b>Fund Balances:</b>				
Non-spendable:				
Prepaid items	132,134	9,788	-	141,922
Inventories	207,664	-	51,070	258,734
Restricted for:				
Debt service	-	-	1,790,379	1,790,379
TABOR Reserve	1,910,000	-	-	1,910,000
Committed for:				
Retirement bonuses	7,000	-	-	7,000
Multi-year contracts	608,805	-	-	608,805
Debt service	-	-	2,592,897	2,592,897
Nutritional service	-	-	869,883	869,883
Student activities	-	-	1,657,979	1,657,979
Capital projects	-	-	7,770,842	7,770,842
Contingency reserve	3,000,000	-	-	3,000,000
Assigned for:				
School based health centers	305,438	-	-	305,438
Program sustainability reserve	4,451,746	-	-	4,451,746
Insurance	928,193	-	-	928,193
Unassigned	5,906,366	(9,788)	-	5,896,578
	<u>17,457,346</u>	<u>-</u>	<u>14,733,050</u>	<u>32,190,396</u>
<b>Total Fund Balances</b>	<b>17,457,346</b>	<b>-</b>	<b>14,733,050</b>	<b>32,190,396</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 23,635,355</b>	<b>\$ 2,811,533</b>	<b>\$ 15,127,625</b>	<b>\$ 41,574,513</b>

The accompanying notes are an integral part of this statement.

**MONTROSE COUNTY SCHOOL DISTRICT RE-1J**  
**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position**  
**June 30, 2023**

Governmental Funds Total Fund Balance \$ 32,190,396

*Add:*

Property taxes receivable will be collected this calendar year, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred inflows. 1,199

Capital assets used in governmental activities are not considered current financial resources and therefore, are not reported in the governmental funds. However, in the Statement of Net Position the cost of these assets are capitalized and expensed over their estimated lives through annual depreciation or amortization expense:

Capital assets	138,125,729	
Less accumulated depreciation	<u>(58,309,003)</u>	79,816,726

An internal service fund is used by the District's management to charge the cost of employee health and dental benefits to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities. 2,631,344

pension and OPEB amounts, differences between actual and expected experience and investment earnings, and differences between actual and annualized contributions to the pension plan and Health Care Trust Fund are recorded as deferred inflows or outflows of resources and amortized over the average remaining service life of all active and inactive plan members:

Unamortized pension-related deferred outflows	20,341,813	
Unamortized pension-related deferred inflows	(15,006,606)	
Unamortized OPEB-related deferred outflows	1,305,305	
Unamortized OPEB-related deferred inflows	<u>(1,054,047)</u>	5,586,465

*Less:*

Deferred items such as deferred refunding costs, and premiums and discounts on bonded debt, are treated as current transactions on the fund financial statements but are capitalized and amortized on the Statement of Net Position.

Premiums and discounts on bonded debt	<u>(1,176,541)</u>
---------------------------------------	--------------------

Long-term liabilities, including bonds payable, net pension and OPEB liability, accrued compensated absences, retainage payable, and accrued interest are not due and payable in the current period and therefore, are not reported in the funds. This is the amount of District long-term liabilities:

Bonds payable	(19,400,000)	
Notes payable	(1,281,635)	
Net pension liability	(85,031,101)	
Net OPEB liability	(2,898,390)	
Retainage payable	(80,099)	
Accrued compensated absences and retirement benefit obligations	(2,023,739)	
Accrued interest	<u>(79,992)</u>	<u>(110,794,956)</u>

Governmental Activities Net Position \$ 8,254,633

The accompanying notes are an integral part of this statement.

**MONTROSE COUNTY SCHOOL DISTRICT RE-1J**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2023**

	<u>General Fund</u>	<u>Designated- Purpose Grant Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Local sources	\$ 18,893,440	\$ 492,863	\$ 4,463,852	\$ 23,850,155
Intermediate sources	221,810	-	220,373	442,183
State sources	43,123,124	1,064,666	2,626,535	46,814,325
Federal sources	496,528	10,595,707	2,007,645	13,099,880
<b>Total Revenues</b>	<u>62,734,902</u>	<u>12,153,236</u>	<u>9,318,405</u>	<u>84,206,543</u>
<b>Expenditures:</b>				
Direct instruction	34,042,858	4,875,600	-	38,918,458
Supporting services:				
Students	3,348,639	1,672,477	-	5,021,116
Instructional staff	2,417,983	2,144,278	-	4,562,261
General administration	873,617	438,789	-	1,312,406
School administration	3,792,774	457,526	-	4,250,300
Business	898,439	82,741	-	981,180
Central	1,732,451	144,557	-	1,877,008
Other	106	-	-	106
Operations and maintenance	6,757,834	110,704	-	6,868,538
Transportation	1,987,066	14,977	-	2,002,043
Community service	-	373,077	-	373,077
Food service	-	4,069	2,570,803	2,574,872
Student activities	-	-	1,864,158	1,864,158
Debt Service:				
Principal	-	-	1,225,595	1,225,595
Interest	-	-	998,771	998,771
Capital outlay	930,864	1,783,538	3,967,093	6,681,495
<b>Total Expenditures</b>	<u>56,782,631</u>	<u>12,102,333</u>	<u>10,626,420</u>	<u>79,511,384</u>
<b>Excess (Deficiency) or Revenues Over Expenditures</b>	<u>5,952,271</u>	<u>50,903</u>	<u>(1,308,015)</u>	<u>4,695,159</u>
<b>Other Financing Sources (Uses):</b>				
Charter school allocation	(1,535,011)	-	-	(1,535,011)
Transfers in	815,000	-	2,739,000	3,554,000
Transfers (out)	(3,454,000)	-	(100,000)	(3,554,000)
<b>Total Other Financing Sources (Uses)</b>	<u>(4,174,011)</u>	<u>-</u>	<u>2,639,000</u>	<u>(1,535,011)</u>
<b>Net Change in Fund Balance</b>	1,778,260	50,903	1,330,985	3,160,148
<b>Fund Balance (Deficit) - Beginning of Year</b>	<u>15,679,086</u>	<u>(50,903)</u>	<u>13,402,065</u>	<u>29,030,248</u>
<b>Fund Balance - End of Year</b>	<u>\$ 17,457,346</u>	<u>\$ -</u>	<u>\$ 14,733,050</u>	<u>\$ 32,190,396</u>

The accompanying notes are an integral part of this statement.

**MONTROSE COUNTY SCHOOL DISTRICT RE-1J**  
**Reconciliation of Revenues, Expenditures and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2023**

Governmental Funds Changes in Fund Balances	\$ 3,160,148
<i>Changes:</i>	
An internal service fund is used by the District's management to charge the costs of employee health and dental benefits to the individual funds. The assets and liabilities of the internal service fund are included within governmental activities on the Statement of Net Position.	556,964
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital outlay reported as an expenditure in the governmental funds functions.	5,166,254
Deferred property tax revenues do not provide current financial resources and are deferred on the governmental fund financial statements but recognized on the government-wide financial statements. This is the change in the deferred property tax recognized in the Statement of Activities.	(439,439)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of depreciation reported as an expenditures in the governmental activities' functions.	(4,504,050)
Retirement of bond principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position. This is the amount of principal repayments.	1,225,595
Retainage payable is not considered a current liability and is therefore recognized on the government-wide financial statements. This is the change in the retainage payable recognized in the Statement of Activities.	70,814
Interest on long-term debt in the Statement of Activities differed from the amount reported in the governmental funds. Interest is recorded as an expenditure in the funds when it is due, while interest is recorded when incurred in the Statement of Activities. This is the change in accrued interest payable during the year.	8,780
Amortization of deferred costs such as premium and discounts on bonds payable and deferred charges from refundings and changes in accrued interest have no impact on current available resources but do change government-wide net position.	250,065
Changes in the District's net pension and OPEB liabilities reported in the Statement of Net Position do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This is the change in the District's net pension and OPEB liabilities during the year, including differences between employer contributions to the pension plan or Health Care Trust Fund and amortization of pension-related and OPEB-related deferrals.	(399,133)
Accrued compensated absences and retirement benefit obligations reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds. This is the change in accrued compensated absences during the year.	(220,563)
Governmental Activities Change in Net Position	<u><u>\$ 4,875,435</u></u>

The accompanying notes are an integral part of this statement.

**MONTROSE COUNTY SCHOOL DISTRICT RE-1J**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2023**

	<b>Governmental Activities -</b>
	<b>Internal Service Fund</b>
<b>Assets:</b>	
Cash and investments	\$ 3,669,547
Accounts receivable	58,986
	<b>Total Assets</b>
	\$ 3,728,533
 <b>Liabilities:</b>	
Accrued medical claims payable	\$ 485,540
Accrued benefits payable	7,028
Unearned revenue	604,621
	<b>Total Liabilities</b>
	1,097,189
 <b>Net Position:</b>	
Unrestricted	2,631,344
	<b>Total Net Position</b>
	2,631,344
<b>Total Liabilities and Net Position</b>	\$ 3,728,533

The accompanying notes are an integral part of this statement.

**MONTROSE COUNTY SCHOOL DISTRICT RE-1J**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Fund**  
**For the Year Ended June 30, 2023**

	<b>Governmental- Activities Internal Service Fund</b>
<b>Revenues</b>	
Premiums	\$ 7,437,491
Stop loss reimbursements	348,835
Prescription rebates	107,122
<b>Total Revenues</b>	<b>7,893,448</b>
<b>Expenses</b>	
Medical claims paid	5,961,054
Fees and supplies	1,433,678
<b>Total Expenses</b>	<b>7,394,732</b>
<b>Income (loss) from Operations</b>	498,716
<b>Non-Operating Revenues (Expenses)</b>	
Investment income (loss)	58,248
<b>Total Non-Operating Revenues (Expenses)</b>	<b>58,248</b>
<b>Change in Net Position</b>	556,964
<b>Net Position - Beginning of Year</b>	<b>2,074,380</b>
<b>Net Position - End of Year</b>	<b>\$ 2,631,344</b>

The accompanying notes are an integral part of this statement.

**MONTROSE COUNTY SCHOOL DISTRICT RE-1J**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**For the Year Ended June 30, 2023**

	<b>Governmental Activities -</b>
	<b>Internal Service Fund</b>
<b>Cash Flows from Operating Activities:</b>	
Cash received for insurance premiums	\$ 7,409,593
Cash received for stop loss payments	289,849
Other cash receipts	107,122
Cash paid for insurance claims	(5,961,054)
Cash paid for goods and services	(1,624,504)
<b>Net Cash Provided (Used) by Operating Activities</b>	221,006
<b>Cash Flows from Investing Activities:</b>	
Interest income	58,248
<b>Net Cash Provided (Used) by Investing Activities</b>	58,248
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	279,254
<b>Cash and Cash Equivalents - Beginning of the Year</b>	3,390,293
<b>Cash and Cash Equivalents - End of the Year</b>	\$ 3,669,547
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>	
Income (loss) from Operations	\$ 498,716
<b>Adjustments to reconcile:</b>	
(Increase) decrease in accounts receivable	(58,986)
Increase (decrease) in accounts payable and accrued medical claims	(190,826)
Increase (decrease) in deferred revenue	(27,898)
<b>Net Cash Provided (Used) by Operating Activities</b>	\$ 221,006

The accompanying notes are an integral part of this statement.

**MONTROSE COUNTY SCHOOL DISTRICT RE-1J**  
**Statement of Fiduciary Net Position**  
**Scholarship Trust Fund**  
**June 30, 2023**

<b>Assets:</b>	
Cash and investments	\$ 1,378,759
Rental property	<u>10,000</u>
<b>Total Assets</b>	<b><u>\$ 1,388,759</u></b>
<b>Liabilities:</b>	
Scholarships payable	<u>\$ 232,516</u>
<b>Total Liabilities</b>	<u>232,516</u>
<b>Net Position:</b>	
Nonexpendable - Permanently restricted	885,400
Restricted for scholarships	<u>270,843</u>
<b>Total Net Position</b>	<b><u>1,156,243</u></b>
<b>Total Liabilities and Net Position</b>	<b><u>\$ 1,388,759</u></b>

The accompanying notes are an integral part of this statement.

**MONTROSE COUNTY SCHOOL DISTRICT RE-1J**  
**Statement of Changes in Fiduciary Net Position**  
**Scholarship Trust Fund**  
**June 30, 2023**

<b>Additions:</b>	
Investment income (loss)	\$ 37,867
Rental income	10,800
Contributions	<u>22,710</u>
<b>Total Additions</b>	<u><u>\$ 71,377</u></u>
 <b>Deductions</b>	
Scholarships awarded	\$ 32,432
General and administrative	<u>910</u>
<b>Total Deductions</b>	<u>33,342</u>
<b>Change in Net Position</b>	38,035
<b>Net Position - Beginning of Year</b>	<u>1,118,208</u>
<b>Net Position - End of Year</b>	<u><u>\$ 1,156,243</u></u>

The accompanying notes are an integral part of this statement.

Montrose County School District RE-1J

Notes to the Financial Statements



**Montrose County School District RE-1J**  
**Notes to the Financial Statements**  
**June 30, 2023**

**I. Summary of Significant Accounting Policies**

Montrose County School District RE-1J (the “District”) was formed in 1962 and is located in the Montrose communities on the Western Slope of Colorado, and includes portions of Montrose, Gunnison, and Ouray Counties. The District provides academic and vocational curriculum, student transportation, food services, athletic and cultural extracurricular activities, maintenance and general administrative services, and operates under an elected Board of Education comprised of seven members. The District operates the following schools:

<b>Early Childhood</b>	<b>Middle Schools</b>	<b>High Schools</b>
Early Childhood Centers	Columbine Middle School Centennial Middle School	Black Canyon High School Montrose High School Olathe Middle and High School
<b>Elementary Schools</b>	<b>Charter Schools</b>	<b>Other</b>
Cottonwood Elementary Johnson Elementary Northside Elementary Oak Grove Elementary Olathe Elementary Pomona Elementary	Vista Charter School	Peak Virtual Academy Outer Range Outdoor School

The District’s financial statements are prepared in accordance with generally accepted accounting principles (“GAAP”). The Governmental Accounting Standards Board (“GASB”) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established by GAAP used by the District are discussed below.

**A. Financial Reporting Entity**

The reporting entity consists of (a) the primary government, i.e., the District; and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if it is able to appoint the voting majority of an organization’s governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. Consideration is also given to other organizations that are fiscally dependent, i.e., unable to adopt a budget, levy tax, or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete are also included with the reporting entity. As required by GAAP, the financial statements of the reporting entity include those of the District and its component units, entities for which the District is considered financially accountable.

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 organizations for the operation of schools within the District. The statutes define these contracted schools as “charter schools”.

**Montrose County School District RE-1J**  
**Notes to the Financial Statements**  
**June 30, 2023**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**A. Reporting Entity (continued)**

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.

Vista Charter School consists of an alternative high school and expulsion/intervention/prevention program.

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.

The District receives funding from local, state, and federal government sources and must comply with all the requirements of these funding sources. However, the District is not included in any other governmental reporting entity.

**B. Government-wide and Fund Financial Statements**

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Government-wide financial statements report information on all the activities of the District and its component unit. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. The District has no business-type activities.

The government-wide Statement of Activities reports both the gross and net cost of the District's governmental functions. The governmental functions are also supported by general government revenues (property taxes, specific ownership taxes, investment earnings, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants.

Program revenues must be directly associated with the governmental function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The government-wide focus is on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's operations.

The financial transactions of the District are reported in individual fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise assets, liabilities, fund equity, revenues, and expenditures/expenses.

The fund focus is on current available resources and budget compliance.

**Montrose County School District RE-1J**  
**Notes to the Financial Statements**  
**June 30, 2023**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**C. 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 accounted for in another fund. Major revenue sources include local property taxes, specific ownership (personal property) taxes, and State of Colorado equalization funding, as determined by the School Finance Act of 1994, as amended. Expenditures include all costs assisted with the daily operation of the schools, except for certain programs funded by grants from federal and state governments, certain capital outlay expenditures, debt service, food service operations, and other pupil activities.

The *Designated-Purpose Grant Fund* accounts for all federal, state, and local grants which are restricted as to the type of expenditures for which they may be used.

Additionally, the District reports the following fund types:

An Internal Service Fund accounts for benefits or goods or services undertaken by the District to 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 health insurance plan.

A Fiduciary Fund accounts for assets held on behalf of others, which will benefit parties that are not part of the District administering the fund. Fiduciary funds are excluded from reporting in the government-wide financial statements. The Budgets are not required to be adopted for the District's custodial funds. The District's only Fiduciary fund is the *Scholarship Trust Fund*, which accounts for scholarship funds held by the District in a trustee capacity.

**D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements. Financial statement presentation refers to classification of revenues by source and expenses by function.

**1. Long-term Economic Focus and Accrual Basis**

Both the governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flow.

**Montrose County School District RE-1J**  
**Notes to the Financial Statements**  
**June 30, 2023**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)**

**2. Current Financial Focus and Modified Accrual Basis**

The governmental fund financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter (120 days) to be used to pay liabilities of the current period. Expenditures are generally recognized when the related liability is incurred.

The exception to this general rule is that principal and interest on general long-term debt and compensated absences are recorded only when payment is due.

Property taxes, charges for services, 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. Expenditure-driven grants are recognized as revenue when qualified expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the District.

**3. Financial Statement Presentation**

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) fees, fines, and charges to customers or applicants 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. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

**E. Financial Statement Accounts**

**1. Cash, Cash Equivalents, and Investments**

For the purpose of the statement of cash flows, the District defines cash and cash equivalents as amounts in demand deposits as well as short-term, highly liquid investments with original maturities of three months or less.

Cash equivalents are both readily convertible to cash and are so near their maturity they present insignificant risk of change in value due to interest rate changes.

**Montrose County School District RE-1J**  
**Notes to the Financial Statements**  
**June 30, 2023**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**E. Financial Statement Accounts**

**1. Cash, Cash Equivalents, and Investments (continued)**

The District is required to comply with State statutes which specify investment instruments meeting defined rating, maturity, custodial and concertation risk criteria in which local governments may invest, which include (with applicable minimum NRSRO credit rating restrictions):

- Obligations of the United States and certain U.S. agency securities
- General obligation and revenue bonds of U.S. local government entities (AA)
- Bankers' acceptance of certain banks (AA)
- Commercial paper and corporate bonds (A-1)
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds (AAAm)
- Certificates of deposit – non-negotiable
- Local government investment pools (AAAm)

Investments are stated at fair value. The change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

**2. Receivables**

All property tax and other receivables are shown net of an allowance for uncollectible accounts. At June 30, 2023, the District deems all receivables collectable and therefore does not have an allowance for uncollectible accounts established.

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.

**3. Inventories**

Inventories are valued at cost using the first-in, first-out method. Inventories recorded in the *Food Service Fund* consist of purchased and donated commodities. Donated commodities inventories are offset by unearned revenue. Donated inventories, received at no cost under a program supported by the Federal Government, are recorded at their estimated fair value at the date of receipt. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

**Montrose County School District RE-1J**  
**Notes to the Financial Statements**  
**June 30, 2023**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**E. Financial Statement Accounts (continued)**

**4. Prepaid Items**

The District uses the consumption method to account for prepaid items. Payments to vendors that reflect costs applicable to future accounting periods are recorded as prepaid items in both government-wide and fund financial statements

**5. Capital Assets**

Capital assets, which include land, buildings improvements, vehicles, and equipment, are reported in the governmental column in the government-wide financial statements. The District defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost where historical records are available and at an estimated historical cost where no historical record exists. Donated capital assets are recorded at acquisition value.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Capital outlay for projects is capitalized as projects are constructed. Costs related to the construction of assets including interest, engineering, legal, surveying, and landscaping that were incurred from the beginning of construction until the assets were substantially complete are capitalized.

Capital assets (excluding land and construction in progress) of the primary government and its component unit are depreciated using the straight-line method over estimated useful lives of the underlying assets, as shown below.

	<u>Estimated lives</u>
Improvements	40 years
Buildings	20 years
Equipment	5 - 15 years

**6. Compensated Absences and Retirement Benefits Liability**

**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.

**Montrose County School District RE-1J**  
**Notes to the Financial Statements**  
**June 30, 2023**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**E. Financial Statement Accounts (continued)**

**6. Compensated Absences and Retirement Benefits Liability (continued)**

**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.

**C. Retirement Benefits Liability**

The retirement benefits payable represents the unpaid portion of the District's retirement bonus program for certified personnel hired prior to May 1, 1986 and classified personnel hired prior to May 1, 1987 with a minimum of thirteen years of continuous employment. Payment is based on age and length of service.

**7. 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.

**8. Deferred Outflows and Inflows of Resources**

Deferred outflows of resources represent a consumption of net assets that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditures) until then. The District has three items, deferred charge on refunding, pension, and other post-employment benefits ("OPEB") related deferred outflows, which qualify for reporting under this category on the Statement of Net Position. The deferred charge on refunding represents the difference between the carrying value of refunded debt and its reacquisition price, and is deferred and amortized over the shorter of the life of the refunded or refunding debt.

**Montrose County School District RE-1J**  
**Notes to the Financial Statements**  
**June 30, 2023**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**E. Financial Statement Accounts (continued)**

**8. Deferred Outflows and Inflows of Resources (continued)**

Deferred inflows of resources represent an acquisition of net assets that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category, pension and OPEB related deferred inflows, reported in the Statement of Net Position. These amounts are deferred and recognized as an inflow from resources in the period that the amounts become available.

See Note III.F and Note III.G below for discussion on pension and OPEB, respectively, related deferred outflows and inflows.

**9. Long-term Debt**

In the government-wide financial statements, long-term debt is reported as liabilities in the governmental activities statement of net position. Bonds payable are reported net of the applicable bond premium or discount and deferred refunding costs. Bond premiums, discounts, and deferred refunding costs are amortized over the life of the bonds based on interest payments.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

**10. Pensions**

The District participates in the School Division Trust Fund ("SCHDTF"), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position, and additions to/deductions from the fiduciary net position of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Montrose County School District RE-1J**  
**Notes to the Financial Statements**  
**June 30, 2023**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**E. Financial Statement Accounts (continued)**

**11. Post-Employment Benefits**

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

**12. Fund Balance and Fund Classifications**

Governmental accounting standards establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications, include Non-spendable, Restricted, Committed, Assigned, and Unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund Balance can have different levels of restraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the General Fund. The General Fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance.

The District classifies governmental fund balances as follows:

*Non-spendable* - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.

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

*Committed* – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority which is the Board of Education. Commitments may be modified or rescinded only through resolutions approved by the Board of Education.

*Assigned* – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Board of Education or its management designee.

**Montrose County School District RE-1J**  
**Notes to the Financial Statements**  
**June 30, 2023**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**E. Financial Statement Accounts (continued)**

**12. Fund Balance and Fund Classifications (continued)**

*Unassigned* - includes residual positive fund balance within the General Fund which has not been classified within the other above-mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The District uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

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 permanently restricted net position of the Scholarship Trust Fund 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 scholarship awards.

The Designated-Purpose Grant Fund has a negative unassigned fund balance of \$9,788 at June 30, 2023 due to the restriction of fund balance for prepaid items, categorized as non-spendable fund balance.

In addition to the above note disclosure, GASB requires disclosure of the following fund definitions:

**General Fund** - The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

**Special Revenue Funds** - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term "proceeds of specific revenue sources" establishes that one or more specific restricted or committed revenues should be the foundation for a special revenue fund.

**Montrose County School District RE-1J**  
**Notes to the Financial Statements**  
**June 30, 2023**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**E. Financial Statement Accounts (continued)**

**12. Fund Balance and Fund Classifications (continued)**

Capital Projects Funds - Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

Debt Service Funds - Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should be used to report resources if legally mandated. Financial resources that are being accumulated for principal and interest maturing in future years also should be reported in debt service funds.

**13. Interfund Transactions**

Interfund services provided and used are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures or expenses initially made from it that are properly applicable to another fund, are recorded as "due from other funds" or "due to other funds" on the balance sheet when they are expected to be liquidated within one year. If the receivable or payable is not expected to be liquidated after one year, it is classified as "advances to other funds" or "advances from other funds".

**14. 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.

**F. Significant Accounting Policies**

**1. Use of Estimates**

The preparation of financial statements in conformity with GAAP requires the District's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

**2. Credit Risk**

The receivables of the various funds of the District are primarily due from other governments. Management believes that the credit risk related to the receivables is minimal.

**Montrose County School District RE-1J**  
**Notes to the Financial Statements**  
**June 30, 2023**  
**(Continued)**

**II. Stewardship, Compliance, and Accountability**

**A. Bond Trustee**

Colorado state statutes require all property taxes levied for the purpose of satisfying bonded indebtedness to be administered by at least one third party custodian designated by the District. The third-party custodian is required to ensure all taxes levied to satisfy the obligations of bonded indebtedness are used accordingly. The District has entered into a custody agreement with Montrose County, Colorado in order to meet this requirement.

**B. Budgetary Information**

Budgets are adopted on a basis consistent with GAAP. As required by Colorado Statutes, all funds have legally adopted budgets and appropriations. The total expenditures for each fund may not exceed the amount appropriated. Appropriations for a fund may be increased if unanticipated revenues offset them. All appropriations lapse at year-end.

As required by Colorado Statutes, the District followed the required timetable noted below in preparing, approving, and enacting its budget for fiscal year 2023:

1. The proposed budget was submitted to the Board of Education by May 31 of the year preceding the budget year. The proposed budget must include a description of major educational objectives and how the proposed budget fulfills those objectives.
2. Notice was published within ten (10) days which contained: availability of proposed budget for inspection, date and time of budget adoption meeting, and that any County taxpayer may file objections prior to the adoption of the budget.
3. The Board of Education certified revenue requirements to the local County Commissioners prior to December 15.
4. The final budget was adopted prior to June 30, along with an appropriation resolution.

Supplemental appropriations for the primary government during 2023 resulted in budget amendments as follows:

<b>Fund</b>	<b>Original Appropriation</b>	<b>Final Appropriation</b>	<b>Change</b>
General Fund	\$ 66,062,150	\$ 68,412,783	\$ 2,350,633
Insurance Reserve Fund	815,000	1,050,000	235,000
Food Service Fund	2,365,230	2,784,055	418,825
Designated-Purpose Grant Fund	13,358,375	16,335,493	2,977,118
Pupil Activity Fund	1,500,000	1,900,000	400,000
Building Fund	4,741,850	5,657,120	915,270
Capital Reserve Fund	1,545,785	2,615,395	1,069,610
Employee Medical Benefit Fund	7,350,660	7,950,000	599,340

**Montrose County School District RE-1J**  
**Notes to the Financial Statements**  
**June 30, 2023**  
**(Continued)**

**II. Stewardship, Compliance, and Accountability**

**B. Budgetary Information (continued)**

Supplemental appropriations for the District's discretely presented component unit during 2023 resulted in budget amendments as follows:

<u>Fund</u>	<u>Original Appropriation</u>	<u>Final Appropriation</u>	<u>Change</u>
Vista Charter School	\$ 1,553,638	\$ 2,039,512	\$ 485,874

**C. TABOR Amendment**

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20; commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government. Any revenues earned in excess of the fiscal year spending limit must be refunded in the next fiscal year, unless voters approve retention of such excess revenue.

Except for refinancing debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

TABOR also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year spending. The District has reserved \$1,910,000 of its June 30, 2023 fund balances for this purpose. The District's management believes it is in compliance with the financial provisions of TABOR. However, the TABOR is complex and subject to interpretation. Many of its provisions, including the interpretation of how to calculate fiscal year spending limits, will require judicial interpretation.

In November 1996, District voters approved a ballot question to exempt the District from the revenue and expenditure limits of the TABOR amendments.

**III. Detailed Notes on All Funds**

**A. Cash and Investments**

The Colorado Public Deposit Protection Act ("PDPA") requires that all units of local government deposit cash in eligible depositories. The PDPA specify eligible depositories for public cash deposits, which must be Colorado institutions and must maintain federal insurance ("FDIC") on deposits held. Each eligible depository with deposits in excess of the insured levels must pledge a collateral pool of defined eligible assets maintained by another institution or held in trust for all of its local government depositors as a group with a market value equal to at least 102 percent of the uninsured deposits.

**Montrose County School District RE-1J**  
**Notes to the Financial Statements**  
**June 30, 2023**  
**(Continued)**

**III. Detailed Notes on All Funds**

**A. Cash and Investments (continued)**

*Fair Value of Investments*

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

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs. At June 30, 2023, the District had the following recurring fair value measurements:

<u>Investments by Fair Value Level</u>	<u>6/30/2023</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Debt securities:				
U.S. agency bonds	\$ 348,842	\$ 348,842	\$ -	\$ -
Total Investments by Fair Value Level	<u>\$ 348,842</u>	<u>\$ 348,842</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Investments Measured at Net Asset Value</u>		<u>Total</u>		
Local government investment pool: COLOTRUST		<u>\$ 8,669,664</u>		

*Interest Rate Risk.* The District limits investments maturities as required by state statutes as a means of managing its exposure to fair value losses arising from increasing interest rates. State statutes require the District to limit maturities to five years from the date of purchase. Maturities of investments held at June 30, 2023 are provided in the previous schedule. The District coordinates its investment maturities to closely match cash flow needs.

*Custodial Risk.* State law specify instruments in which local governments may invest, including obligations of the United States, certain U.S. governmental agency securities, local government investment pools, and commercial paper, among other items. The District's general investment policy is to invest surplus funds in accordance with state law, to ensure the preservation of capital, to ensure that adequate funds are available at all times to meet the financial obligations of the District when due, and to realize rates of return on invested funds which are comparable to market levels.

*Concentration of Credit Risk.* The District diversifies its investments by security type and institution. The District places no limit on the amount it may invest in any one issuer.

**Montrose County School District RE-1J**  
**Notes to the Financial Statements**  
**June 30, 2023**  
**(Continued)**

**III. Detailed Notes on All Funds**

**A. Cash and Investments (continued)**

*Local Government Investment Pool* – At June 30, 2023, the District had invested \$8,669,664 in the Colorado Government Liquid Asset Trust (“COLOTRUST”), referred to as the Trust. The Trust is an investment vehicle established by State statute for local government entities in Colorado to pool surplus funds for investment purposes, and is registered with the State Securities Commissioner. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions of each pooled investment. The majority of securities owned by the Trust are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian’s internal records identify investments owned by the Trust. The Trust investments consist of U.S. Treasury and U.S. agency securities, and repurchase agreements collateralized by U.S. Treasury and U.S. agency securities. These investments are not categorized because the underlying securities cannot be determined. Of the investments held in the Trust at June 30, 2023, the District had invested in COLOTRUST PLUS+, which operates similarly to money market funds and each share is equal in value to \$1.

At June 30, 2023, the District had an unrealized loss of \$38,026, which reflects changes in the fair value of its investments. The District’s cash and investments at June 30, 2023 had the following maturities:

	<u>Standard &amp; Poors Rating</u>	<u>Carrying Amounts</u>	<u>Maturities</u>	
			<u>Less than One Year</u>	<u>Less than Five Years</u>
<b>Deposits:</b>				
Petty cash	Not rated	\$ 2,751	\$ 2,751	\$ -
Checking	Not rated	7,605,002	7,605,002	-
Savings and money market	Not rated	166,948	166,948	-
<b>Investments:</b>				
Investment pools	AAAm	8,669,664	8,669,664	-
Certificates of deposit	Not rated	1,928,531	1,170,841	757,690
Cash with Fiscal Agent	AAAm	1,380,920	1,380,920	-
U.S. Treasuries	AAAm	20,566,704	20,566,704	-
U.S. Agency bonds	AAA	348,842	348,842	-
Total		<u>\$ 40,669,362</u>	<u>\$ 39,911,672</u>	<u>\$ 757,690</u>

**Reconciliation to Statement of Net Position:**

Cash and investments - Governmental Activities	\$ 39,290,603
Fiduciary Funds	1,378,759
	<u>\$ 40,669,362</u>

At June 30, 2023, Vista Charter School held the following cash and investments:

Deposits	\$ 1,357,430
Investments	1,509,905
Total	<u>\$ 2,867,335</u>

**Montrose County School District RE-1J**  
**Notes to the Financial Statements**  
**June 30, 2023**  
**(Continued)**

**III. Detailed Notes on All Funds**

**B. Interfund and Component Unit Receivables, Payables, and Transfers**

The composition of and component unit balances as of June 30, 2023 is as follows:

	<u>Due from</u>	<u>Due to</u>
General Fund	\$ 87,996	\$ (12,669)
Designated-Purpose Grant Fund	13,569	(60,080)
Food Service Fund	-	(7,446)
Pupil Activity Fund	-	(8,267)
Building Fund	-	(900)
Capital Reserve Fund	-	(10,153)
Component unit	-	(2,050)
	<u>\$ 101,565</u>	<u>\$ (101,565)</u>

Interfund and component unit balances at June 30, 2023 represent allocations of resources based upon Board of Education adopted budgetary policies or as a result of interfund services provided. These remaining balances resulted from the time lag between the dates that transactions are recorded in the accounting period, and payments between funds are made.

Interfund transfers during 2023 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ (3,454,000)
Insurance Reserve Fund	815,000	-
Fee-in-lieu Fund	-	(100,000)
Capital Lease Fund	739,000	-
Building Fund	200,000	-
Capital Reserve Fund	1,800,000	-
	<u>\$ 3,554,000</u>	<u>\$ (3,554,000)</u>

Transfers are used to 1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, 2) move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and, 3) provide additional resources for current operations or debt service. All District transfers either occur on a regular basis or are consistent with the purpose of the fund making the transfer.

During the year ended June 30, 2023, the District made the following significant one-time transfers:

1. A transfer of \$1,700,000 from the General and \$100,000 from the Fee In-Lieu of Land Funds to the Capital Reserve Fund for the acquisition and maintenance of sites, buildings, equipment, and vehicles.
2. A transfer of \$815,000 from the General Fund to the Insurance Reserve Fund for premiums relating to workers' compensation, property, auto, casualty, and liability insurance.

**Montrose County School District RE-1J**  
**Notes to the Financial Statements**  
**June 30, 2023**  
**(Continued)**

**III. Detailed Notes on All Funds (continued)**

**B. Interfund and Component Unit Receivables, Payables, and Transfers (continued)**

3. A transfer of \$739,000 from the General Fund to the Capital Lease Fund for debt principal and interest payments.

**C. Receivables**

Receivables as of year-end for the District's major and non-major funds, including applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Designated- Purpose Grant Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Receivables:</b>				
Taxes	\$ 985,237	\$ -	\$ 409,540	\$ 1,394,777
Other	10,241	-	473,585	483,826
Grants	8,836	-	162,972	171,808
Other governments	614,699	2,788,176	-	3,402,875
<b>Net receivables</b>	<u>\$ 1,619,013</u>	<u>\$ 2,788,176</u>	<u>\$ 1,046,097</u>	<u>\$ 5,453,286</u>

Governmental funds report *unavailable revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

**Montrose County School District RE-1J**  
**Notes to the Financial Statements**  
**June 30, 2023**  
**(Continued)**

**III. Detailed Notes on All Funds (continued)**

**D. Capital Assets**

Capital asset activity for the year ended June 30, 2023, was as follows:

Primary Government

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,538,075	\$ -	\$ -	\$ 1,538,075
Construction in progress	3,752,474	1,862,453	(3,741,224)	1,873,703
Total capital assets not depreciated	<u>5,290,549</u>	<u>1,862,453</u>	<u>(3,741,224)</u>	<u>3,411,778</u>
Capital assets being depreciated:				
Improvements	24,266,580	353,529	-	24,620,109
Buildings	92,402,473	5,658,372	-	98,060,845
Equipment	10,999,873	1,033,124	-	12,032,997
Total capital assets being depreciated	<u>127,668,926</u>	<u>7,045,025</u>	<u>-</u>	<u>134,713,951</u>
Less accumulated depreciation:				
Improvements	(6,374,941)	(1,347,411)	-	(7,722,352)
Buildings	(39,872,332)	(2,037,277)	-	(41,909,609)
Equipment	(7,557,680)	(1,119,362)	-	(8,677,042)
Total accumulated depreciation	<u>(53,804,953)</u>	<u>(4,504,050)</u>	<u>-</u>	<u>(58,309,003)</u>
Total capital assets, being depreciated, net	<u>73,863,973</u>	<u>2,540,975</u>	<u>-</u>	<u>76,404,948</u>
<b>Governmental Activities - Capital Assets, Net</b>	<u><u>\$ 79,154,522</u></u>	<u><u>\$ 4,403,428</u></u>	<u><u>\$ (3,741,224)</u></u>	<u><u>\$ 79,816,726</u></u>

**Montrose County School District RE-1J**  
**Notes to the Financial Statements**  
**June 30, 2023**  
**(Continued)**

**III. Detailed Notes on All Funds (continued)**

**D. Capital Assets (continued)**

*Discretely presented component unit:*

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Vista Charter School:</b>				
Capital assets, not being depreciated:				
Land	\$ 595,320	\$ -	\$ -	\$ 595,320
Total capital assets not depreciated	<u>595,320</u>	<u>-</u>	<u>-</u>	<u>595,320</u>
Capital assets being depreciated:				
Buildings and improvements	5,208,038	-	-	5,208,038
Equipment	115,272	-	-	115,272
Total capital assets being depreciated	<u>5,323,310</u>	<u>-</u>	<u>-</u>	<u>5,323,310</u>
Less accumulated depreciation:				
Buildings and improvements	(1,243,506)	(131,028)	-	(1,374,534)
Equipment	(114,723)	(549)	-	(115,272)
Total accumulated depreciation	<u>(1,358,229)</u>	<u>(131,577)</u>	<u>-</u>	<u>(1,489,806)</u>
Total capital assets, being depreciated, net	<u>3,965,081</u>	<u>(131,577)</u>	<u>-</u>	<u>3,833,504</u>
<b>Capital Assets, Net - Vista Charter School</b>	<u><u>\$ 4,560,401</u></u>	<u><u>\$ (131,577)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,428,824</u></u>

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

<b>Governmental activities:</b>	<u>Capital Outlay</u>	<u>Depreciation</u>
Direct instruction	\$ 4,565,844	\$ 4,130,261
Supporting services:		
Students	-	74,698
General administration	353,529	58,569
School administration	-	8,227
Business	-	64,232
Operations and maintenance	166,283	151,404
Food Services	151,412	16,659
<b>Total - Governmental Activities</b>	<u><u>\$ 5,237,068</u></u>	<u><u>\$ 4,504,050</u></u>

**Montrose County School District RE-1J**  
**Notes to the Financial Statements**  
**June 30, 2023**  
**(Continued)**

**III. Detailed Notes on All Funds (continued)**

**E. Long-term Debt**

**1. General Obligation Refunding Bonds, Series 2011**

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

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

**2. General Obligation Bonds, Series 2017**

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.

**3. Annual Debt Service Requirements – General Obligations Bonds**

Debt service requirements to maturity for general obligation bonds associated with the District’s governmental activities are as follows:

<b>Year Ending</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<b>June 30,</b>			
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	1,200,000	725,500	1,925,500
2029-2033	6,970,000	2,640,500	9,610,500
2034-2037	6,940,000	715,250	7,655,250
<b>Totals</b>	<b>\$ 19,400,000</b>	<b>\$ 7,529,294</b>	<b>\$ 26,929,294</b>

**Montrose County School District RE-1J**  
**Notes to the Financial Statements**  
**June 30, 2023**  
**(Continued)**

**III. Detailed Notes on All Funds (continued)**

**F. Long-term Debt (continued)**

**4. Notes Payable**

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 purchase 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 2023 totaled \$280,806. Of that total, \$245,595 was principal, and \$35,211 was interest.

Principal and interest payments on the District’s lease purchase agreement to maturity are as follows:

<b>Year Ending</b>			
<b>June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2024	\$ 259,293	\$ 29,236	\$ 288,529
2025	273,535	22,929	296,464
2026	288,340	16,276	304,616
2027	303,728	9,265	312,993
2028	156,739	1,881	158,620
Totals	<u>\$ 1,281,635</u>	<u>\$ 79,587</u>	<u>\$ 1,361,222</u>

**5. Debt Compliance**

The District is compliant in ongoing disclosure requirements to the secondary bond market in accordance with the Securities and Exchange Commission’s Rule 15c2-12.

**6. Defeasance of Debt**

As noted above, proceeds of the 2011 refunding bond issuances were used to purchase U.S. government securities to retire previous bonds issues. Sufficient U.S. government, state and local governmental securities were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the District’s financial records. The amount of the District’s defeased debt is not readily determinable.

**Montrose County School District RE-1J**  
**Notes to the Financial Statements**  
**June 30, 2023**  
**(Continued)**

**III. Detailed Notes on All Funds (continued)**

**E. Long-term Debt (continued)**

**7. Changes in Long-term Liabilities**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2023:

	<u>July 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2023</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
General Obligation Bonds:					
Bond, Series 2011	\$ 755,000	\$ -	\$ (755,000)	\$ -	\$ -
Refunding Bonds, Series 2017	19,625,000	-	(225,000)	19,400,000	1,015,000
Notes payable	1,527,230	-	(245,595)	1,281,635	259,293
Unamortized premium	1,426,606	-	(250,065)	1,176,541	-
Accrued compensated absences	1,766,466	250,285	-	2,016,751	322,680
Retirement obligation	36,710	-	(29,722)	6,988	6,988
Net pension liability	62,274,122	22,756,979	-	85,031,101	-
Net OPEB liability	3,012,933	-	(114,543)	2,898,390	-
<b>Total Governmental Activities</b>	<u>\$ 90,424,067</u>	<u>\$ 23,007,264</u>	<u>\$ (1,619,925)</u>	<u>\$ 111,811,406</u>	<u>\$ 1,603,961</u>

The compensated absences liability will be paid from the following funds from which employees' salaries are paid: General Fund, Designated-Purpose Grant Fund, Food Service Fund, and as applicable, other special revenue funds

**F. Defined Benefit Pension – Plan, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources**

*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](http://www.copera.org/investments/pera-financial-reports).

*Benefits provided as of December 31, 2022:* PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

**Montrose County School District RE-1J**  
**Notes to the Financial Statements**  
**June 30, 2023**  
**(Continued)**

**III. Detailed Notes on All Funds (continued)**

**F. Defined Benefit Pension – Plan, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)**

*Benefits provided as of December 31, 2022 (continued):*

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

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

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% and then multiplied by years of service credit.
- \$15 times the first 10 years of service credit plus \$20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100% of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50% or 100% on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

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

**Montrose County School District RE-1J**  
**Notes to the Financial Statements**  
**June 30, 2023**  
**(Continued)**

**III. Detailed Notes on All Funds (continued)**

**F. Defined Benefit Pension – Plan, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)**

*Benefits provided as of December 31, 2022 (continued)*

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

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

*Contributions provisions as of June 30, 2023:* 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 11.00% of their PERA-includable salary during the period of July 1, 2022 through June 30, 2023. Employer contribution requirements are summarized in the table below:

	<b>July 1, 2022 through June 30, 2023</b>
Employer contribution rate	11.40%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02%)
Amount apportioned to the Trust Fund	10.38%
Amortization equalization disbursement (AED) as specified in C.R.S. § 24-51-411	4.50%
Supplemental amortization equalization disbursement (SAED) as specified in C.R.S. § 24-51-411	5.50%
<b>Total employer contribution rate to Trust Fund</b>	<b>20.38%</b>

\*\*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 were \$7,612,140 for the year ended June 30, 2023.

**Montrose County School District RE-1J**  
**Notes to the Financial Statements**  
**June 30, 2023**  
**(Continued)**

**III. Detailed Notes on All Funds (continued)**

**F. Defined Benefit Pension – Plan, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)**

*Contributions provisions as of June 30, 2023 (continued):*

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 a \$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. House Bill (HB) 22-1029, instructed the State treasurer to issue an additional direct distribution to PERA in the amount of \$380 million (actual dollars), upon enactment. The July 1, 2023, payment is reduced by \$190 million (actual dollars) to \$35 million (actual dollars). The July 1, 2024, payment will not be reduced due to PERA's negative investment return in 2022. Senate Bill (SB) 23-056, enacted June 2, 2023, requires an additional direct distribution of approximately \$14.5 million (actual dollars), for a total of approximately \$49.5 million (actual dollars) to be contributed July 1, 2023.

The net pension liability for the SCHDTF was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. Standard update procedures were used to roll-forward the total pension liability to December 31, 2022. The District's proportion of the net pension liability was based on the District's contributions to the SCHDTF for the calendar year 2022 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

At June 30, 2023, the District reported a liability of \$85,031,101 for its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity. The amount recognized by the District as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the District were as follows:

The District's proportionate share of the net pension liability	\$ 85,031,101
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the District	19,187,490
	19,187,490
Total	\$ 104,218,591

At December 31, 2022, the District proportion was 0.4670%, which was a decrease of 0.0798% from its proportion of 0.5468% measured as of December 31, 2021.

**Montrose County School District RE-1J**  
**Notes to the Financial Statements**  
**June 30, 2023**  
**(Continued)**

**III. Detailed Notes on All Funds (continued)**

**F. Defined Benefit Pension – Plan, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)**

*Contributions provisions as of June 30, 2023 (continued):*

For the year ended June 30, 2023, the District recognized pension expense of \$8,122,592 and revenue of \$2,913,850 for support from the State as a nonemployer contributing entity.

At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 804,728	\$ -
Changes of assumptions or other inputs	1,506,178	-
Net difference between projected and actual earnings on pension plan investments	11,422,809	-
Changes in proportionate share of contributions	2,744,124	15,006,606
Contributions subsequent to the measurement date	3,863,974	-
Total	\$ 20,341,813	\$ 15,006,606

\$3,863,974 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date of December 31, 2022, will be recognized as a reduction of the net pension liability in the year ended June 30, 2024 measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	
2024	\$ (4,821,770)
2025	(3,314,362)
2026	2,963,225
2027	6,644,140
<b>Total</b>	<b>\$ 1,471,233</b>

**Montrose County School District RE-1J**  
**Notes to the Financial Statements**  
**June 30, 2023**  
**(Continued)**

**III. Detailed Notes on All Funds (continued)**

**F. Defined Benefit Pension – Plan, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)**

*Actuarial assumptions.* The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

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

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

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

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

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

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

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

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

**Montrose County School District RE-1J**  
**Notes to the Financial Statements**  
**June 30, 2023**  
**(Continued)**

**III. Detailed Notes on All Funds (continued)**

**F. Defined Benefit Pension – Plan, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)**

*Actuarial Assumptions (continued)*

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, 2021, 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 at least every five years for PERA. The most recent analyses were outlined in the Experience Study report dated October 28, 2020.

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

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

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

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

**Montrose County School District RE-1J**  
**Notes to the Financial Statements**  
**June 30, 2023**  
**(Continued)**

**III. Detailed Notes on All Funds (continued)**

**F. Defined Benefit Pension – Plan, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)**

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200 and required adjustments resulting from the 2018 and 2020 AAP assessments. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200 and required adjustments resulting from the 2018 and 2020 AAP assessments. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State, as a nonemployer contributing entity, will provide an annual direct distribution of \$225 million (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.
- HB 22-1029, effective upon enactment in 2022, required the State treasurer to issue, in addition to the regularly scheduled \$225 million (actual dollars) direct distribution, a warrant to PERA in the amount of \$380 million (actual dollars). The July 1, 2023, direct distribution is reduced by \$190 million (actual dollars) to \$35 million (actual dollars). The July 1, 2024, direct distribution will not be reduced from \$225 million (actual dollars) due to PERA's negative investment return in 2022.
- 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 RE-1J**  
**Notes to the Financial Statements**  
**June 30, 2023**  
**(Continued)**

**III. Detailed Notes on All Funds (continued)**

**F. Defined Benefit Pension – Plan, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)**

*Discount rate (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 position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the SCHDTF's FNP was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% 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 index rate, and therefore, the discount rate is 7.25%. There was no change in the discount rate from the prior measurement date.

*Sensitivity of the 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%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	<b>1% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
Proportionate share of the net pension liability	\$ 111,276,467	\$ 85,031,101	\$ 63,113,539

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

**Montrose County School District RE-1J**  
**Notes to the Financial Statements**  
**June 30, 2023**  
**(Continued)**

**III. Detailed Notes on All Funds (continued)**

**G. Health Care Trust Fund Liabilities and Related Expenses, Deferred Outflows of Resources, and Deferred Inflows of Resources**

*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, and sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended by the Colorado General Assembly. PERA issues a publicly available ACFR that can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

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

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

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

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

**Montrose County School District RE-1J**  
**Notes to the Financial Statements**  
**June 30, 2023**  
**(Continued)**

**III. Detailed Notes on All Funds (continued)**

**G. Health Care Trust Fund Liabilities and Related Expenses, Deferred Outflows of Resources, and Deferred Inflows of Resources (continued)**

*Benefits provided (continued):*

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

*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% 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 \$380,953 for the year ended June 30, 2023.

*Liabilities:* At June 30, 2023, the District reported a liability of \$2,898,390 for its proportionate share of net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2021. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2022. The District proportion of the net OPEB liability was based on District contributions to the HCTF for the calendar year 2022 relative to the total contributions of participating employers to the HCTF.

**Montrose County School District RE-1J**  
**Notes to the Financial Statements**  
**June 30, 2023**  
**(Continued)**

**III. Detailed Notes on All Funds (continued)**

**G. Health Care Trust Fund Liabilities and Related Expenses, Deferred Outflows of Resources, and Deferred Inflows of Resources (continued)**

*Liabilities (continued)*

At December 31, 2022, the District proportion was 0.3550%, which was a decrease of 0.0020% from its proportion of 0.3570% measured as of December 31, 2021.

*Expense and Deferred Outflows of Resources and Deferred Inflows of Resources:* For the year ended June 30, 2023, the District recognized OPEB expense of \$269,635. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expenses and actual experience	\$ 376	\$ 700,928
Change of assumptions or other inputs	46,585	319,893
Net difference between projected and actual earnings on plan investments	177,028	-
Changes in proportionate share of contributions	887,928	33,226
Contributions subsequent to measurement date	193,388	-
	<b>\$ 1,305,305</b>	<b>\$ 1,054,047</b>

\$193,388 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year ended June 30:</b>	<b>Amortization</b>
2024	\$ (85,815)
2025	(56,312)
2026	76,604
2027	183,116
2028	(41,749)
Thereafter	(17,974)
<b>Total</b>	<b>\$ 57,870</b>

**Montrose County School District RE-1J**  
**Notes to the Financial Statements**  
**June 30, 2023**  
**(Continued)**

**III. Detailed Notes on All Funds (continued)**

**G. Health Care Trust Fund Liabilities and Related Expenses, Deferred Outflows of Resources, and Deferred Inflows of Resources (continued)**

*Actuarial assumptions.* The total OPEB liability in the December 31, 2021 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation	3.40% - 11.30%
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	6.50% in 2022, gradually decreasing to 4.50% in 2030
Medicare Part A premiums	3.75% in 2022, 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

The total OPEB liability for the HCTF as of the December 31, 2022, measurement date, was adjusted to reflect the disaffiliation, allowable under C.R.S. § 24-51-313, of Tri-County Health Department (TriCounty Health), effective December 31, 2022. As of the close of the 2022 fiscal year, no disaffiliation payment associated with Tri-County Health was received, and therefore no disaffiliation dollars were reflected in the fiduciary net positions as of the December 31, 2022, measurement date.

Beginning January 1, 2022, the per capita health care costs are developed by plan option; based on 2022 premium rates for the UnitedHealthcare Medicare Advantage Prescription Drug (MAPD) PPO plan #1, the UnitedHealthcare MAPD PPO plan #2, and the Kaiser Permanente MAPD HMO plan. Actuarial morbidity factors are then applied to estimate individual retiree and spouse costs by age, gender, and health care cost trend. This approach applies for all members and is adjusted accordingly for those not eligible for premium-free Medicare Part A for the PERA benefit structure.

**Montrose County School District RE-1J**  
**Notes to the Financial Statements**  
**June 30, 2023**  
**(Continued)**

**III. Detailed Notes on All Funds (continued)**

**G. Health Care Trust Fund Liabilities and Related Expenses, Deferred Outflows of Resources, and Deferred Inflows of Resources (continued)**

*Actuarial assumptions (continued):*

<b>Age-Related Morbidity Assumptions</b>		
<b>Participant Age</b>	<b>Annual Increase (Male)</b>	<b>Annual Increase (Female)</b>
65-69	3.0%	1.5%
70	2.9%	1.6%
71	1.6%	1.4%
72	1.4%	1.5%
73	1.5%	1.6%
74	1.5%	1.5%
75	1.5%	1.4%
76	1.5%	1.5%
77	1.5%	1.5%
78	1.5%	1.6%
79	1.5%	1.5%
80	1.4%	1.5%
81 and older	0.0%	0.0%

<b>Sample Age</b>	<b>MAPD PPO #1 with Medicare Part A Retiree/Spouse</b>		<b>MAPD PPO #2 with Medicare Part A Retiree/Spouse</b>		<b>MAPD HMO (Kaiser) with Medicare Part A Retiree/Spouse</b>	
	<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>
65	\$ 1,704	\$ 1,450	\$ 583	\$ 496	\$ 1,923	\$ 1,634
70	1,976	1,561	676	534	2,229	1,761
75	2,128	1,681	728	575	2,401	1,896

<b>Sample Age</b>	<b>MAPD PPO #1 without Medicare Part A Retiree/Spouse</b>		<b>MAPD PPO #2 without Medicare Part A Retiree/Spouse</b>		<b>MAPD HMO (Kaiser) without Medicare Part A Retiree/Spouse</b>	
	<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>
65	\$ 6,514	\$ 5,542	\$ 4,227	\$ 3,596	\$ 6,752	\$ 5,739
70	7,553	5,966	4,901	3,872	7,826	6,185
75	8,134	6,425	5,278	4,169	8,433	6,657

The 2022 Medicare Part A premium is \$499 (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.

**Montrose County School District RE-1J**  
**Notes to the Financial Statements**  
**June 30, 2023**  
**(Continued)**

**III. Detailed Notes on All Funds (continued)**

**G. Health Care Trust Fund Liabilities and Related Expenses, Deferred Outflows of Resources, and Deferred Inflows of Resources (continued)**

*Actuarial Assumptions (continued)*

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, 2021, 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 used to measure the total OPEB liability are summarized in the table below:

<u>Year</u>	<u>PERACare Medicare Plans</u>	<u>Medicare Part A Premiums</u>
2022	6.50%	3.75%
2023	6.25%	4.00%
2024	6.00%	4.00%
2025	5.75%	4.00%
2026	5.50%	4.25%
2027	5.25%	4.25%
2028	5.00%	4.25%
2029	4.75%	4.50%
2030+	4.50%	4.50%

Mortality assumptions used in the December 31, 2021, valuation for the determination of the total pension liability for each of the Division Trust Funds as shown below, reflect generational mortality and were applied, as applicable, in the determination of the total OPEB liability for the HCTF, but developed using a headcount-weighted basis. Affiliated employers of the State, School, Local Government and Judicial Divisions participate in the HCTF.

Pre-retirement mortality assumptions for the 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.

**Montrose County School District RE-1J**  
**Notes to the Financial Statements**  
**June 30, 2023**  
**(Continued)**

**III. Detailed Notes on All Funds (continued)**

**G. Health Care Trust Fund Liabilities and Related Expenses, Deferred Outflows of Resources, and Deferred Inflows of Resources (continued)**

*Actuarial assumptions (continued)*

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% of the rates for ages 80 and older, with generational projection using scale MP-2019.
- **Females:** 87% of the rates prior to age 80 and 107% 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 were based upon the PubT-2010 Health Retiree Table, adjusted as follows:

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

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

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

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

**Montrose County School District RE-1J**  
**Notes to the Financial Statements**  
**June 30, 2023**  
**(Continued)**

**III. Detailed Notes on All Funds (continued)**

**G. Health Care Trust Fund Liabilities and Related Expenses, Deferred Outflows of Resources, and Deferred Inflows of Resources (continued)**

*Actuarial assumptions (continued)*

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

- Per capita health care costs in effect as of the December 31, 2021, valuation date for those PERACare enrollees under the PERA benefit structure who are expected to be age 65 and older and are not eligible for premium-free Medicare Part A benefits have been updated to reflect costs for the 2022 plan year.
- The December 31, 2021, valuation utilizes premium information as of January 1, 2022, as the initial per capita health care cost. As of that date, PERACare health benefits administration is performed by UnitedHealthcare. In that transition, the costs for the Medicare Advantage Option #2 decreased to a level that is lower than the maximum possible service-related subsidy as described in the plan provisions.
- The health care cost trend rates applicable to health care premiums were revised to reflect the then current expectation of future increases in those premiums. Medicare Part A premiums continued with the prior valuation trend pattern.

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.

Effective for the December 31, 2022, measurement date, the timing of the retirement decrement was adjusted to middle-of-year within the valuation programming used to determine the TOL, reflecting a recommendation from the 2022 actuarial audit report, dated October 14, 2022, summarizing the results of the actuarial audit performed on the December 31, 2021, actuarial valuation.

The actuarial assumptions used in the December 31, 2021, 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 at least every five years for PERA. The most recent analyses were outlined in the Experience Study report dated October 28, 2020.

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

**Montrose County School District RE-1J**  
**Notes to the Financial Statements**  
**June 30, 2023**  
**(Continued)**

**III. Detailed Notes on All Funds (continued)**

**F. Health Care Trust Fund Liabilities and Related Expenses, Deferred Outflows of Resources, and Deferred Inflows of Resources (continued)**

*Actuarial Assumptions (continued):*

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:

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

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

*Sensitivity of the 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:

	<u>1% Decrease in Trend Rates</u>	<u>Current Trend Rates</u>	<u>1% Increase in Trend Rates</u>
Initial PERACare Medicare trend rate	5.25%	6.25%	7.25%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	3.00%	4.00%	5.00%
Ultimate Medicare Part A Trend Rate	3.50%	4.50%	5.50%
Net OPEB Liability	\$ 2,816,353	\$ 2,898,390	\$ 2,987,656

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2022, measurement date.

**Montrose County School District RE-1J**  
**Notes to the Financial Statements**  
**June 30, 2023**  
**(Continued)**

**III. Detailed Notes on All Funds (continued)**

**G. Health Care Trust Fund Liabilities and Related Expenses, Deferred Outflows of Resources, and Deferred Inflows of Resources (continued)**

*Discount rate (continued):*

- 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%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

*Sensitivity of the 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%, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.25%) or one-percentage-point higher (8.25%) than the current rate:

	<b>1% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
Collective Net OPEB Liability	\$ 946,541,000	816,479,000	705,234,000
Proportionate share of the net OPEB liability	\$ 3,360,093	2,898,390	2,503,486

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

**Montrose County School District RE-1J**  
**Notes to the Financial Statements**  
**June 30, 2023**  
**(Continued)**

**IV. Other Information**

**A. Defined Contribution Pension Plan**

*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 Annual Report which includes additional information on the Voluntary Investment Program. That report can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

*Funding Policy.* The Voluntary Investment Program is funded by voluntary member 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. Employees are immediately vested in their own contributions, employer contributions and investment earnings. There were no 401(k) Plan member contributions from the District for the year ended June 30, 2023.

**B. Risk Management**

The District is exposed to various risks of loss related to workers compensation, general liability, unemployment, torts, theft of, damage to, and destruction of assets, and error and omissions. The District carries commercial coverage for these risks and claims and does not expect claims to exceed their coverage. For the last three years, settled claims have not exceeded commercial insurance coverage, nor has there been any reduction in insurance coverage.

The Insurance Reserve Fund has been established to accumulate funds to pay the District's annual casualty and property premiums, as well as all deductibles resulting from claims. A transfer from the General Fund provides the primary source of revenues for this fund.

**C. Health Insurance**

The District has established two health insurance plans to provide medical benefits to eligible employees. Both plans are self-funded, and the potential claims liability is determined annually based on previous year actual expenditures. The District is responsible for the payment of these premiums as well as the claims submitted for payment to the self-funded plans. A third party stop-loss provider has been contracted to provide coverage of any claims against the self-funded plan in excess of \$250,000 individually, or \$9,297,714 in the aggregate.

The Employee Medical Benefit Internal Service Fund has been established to account for the health insurance plans provided by the District to its employees. The premiums charged are allocated to the District funds that employ those covered by the health insurance plans. Settlements have not exceeded coverages for each of the past three fiscal years.

**Montrose County School District RE-1J**  
**Notes to the Financial Statements**  
**June 30, 2023**  
**(Continued)**

**IV. Other Information (continued)**

**C. Health Insurance (continued)**

Incurred but not reported claims are recorded as a liability of the Employee Medical Benefit Internal Service Fund. At June 30, 2023 these claims were estimated by the administrator at \$485,541.

	<b>Year ended 6/30/23</b>	<b>Year ended 6/30/22</b>
Unpaid claims, beginning	\$ 673,878	\$ 883,158
Incurred claims, including IBNRs	5,545,175	5,538,024
Claims paid	(5,733,513)	(5,747,304)
Unpaid claims, ending	\$ 485,540	\$ 673,878

**D. Pupil Counts**

Pupil Counts. Each year the District submits data regarding pupil counts to the Colorado Department of Education (“CDE”). The purpose of this data collection is to obtain required student level data as provided for by state statute (s), including information regarding students’ funding eligibility as outlined in the Public School Finance Act of 1994(22-54-101, C.R.S.).

The Student October Count is based on a one (1) day membership count in which districts are asked to report all students who are actively enrolled and attending classes through their district on that date. In an effort to ensure accurate reporting of those data fields associated with student funding, CDE conducts periodic compliance audits of each district’s student October count data. This data not only determine per pupil funding, but also at risk and English Language Proficiency Act funding. CDE audits districts every one to four years, the frequency of which is determined by a number of factors including, but not limited to, the size and location of the district, as well as issues or concerns that might have arisen from prior audits.

The District believes its pupil count information is accurate and any adjustment would not be material.

**E. Commitments**

At June 30, 2023 the District had approximately \$685,577 of commitments for construction and acquisition of property and equipment, all of which are expected to be incurred in 2024.

**F. Claims and Contingencies**

**1. Legal Claims**

During the normal course of business, the District incurs claims and other assertions against it from various agencies and individuals. Management of the District and their legal representatives feel none of these claims or assertions are significant enough that they would materially affect the fairness of the presentation of the financial statements at June 30, 2023.

**Montrose County School District RE-1J**  
**Notes to the Financial Statements**  
**June 30, 2023**  
**(Continued)**

**IV. Other Information (continued)**

**F. Claims and Contingencies (continued)**

**2. Federal Programs**

Funds received from Federal grants are subject to audit and disallowance of ineligible cost. Management of the District feels any potential questioned or disallowed costs or liability arising from the Federal program audits would not materially affect the fairness of the presentation of the financial statements at June 30, 2023.

**3. State Programs**

The District receives payment for State equalization, State transportation and various other State revenues to fund programs. These grants and programs are subject to audit and may result in the District either refunding amounts due for overpayment or receiving additional revenue for underpayment by the State. These adjustments can be material. The amount of these adjustments cannot be estimated or determined as of the date of these financial statements.

Montrose County School District RE-1J

Required Supplementary Information



**MONTROSE COUNTY SCHOOL DISTRICT RE-1J**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual**  
**General Fund (Including Insurance Reserve Sub-Fund)**  
**For the Year Ended June 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Final Budget Variance Positive (Negative)</u>
<b>Revenues:</b>				
Local sources:				
Property taxes levied for general purposes	\$ 15,547,000	\$ 15,547,000	\$ 15,346,630	\$ (200,370)
Specific ownership taxes	2,030,000	2,030,000	2,568,881	538,881
Delinquent taxes and penalties and interest	30,000	30,000	36,354	6,354
Investment income (loss)	15,000	15,000	694,956	679,956
Other	202,000	202,000	246,619	44,619
Intermediate sources	-	-	221,810	221,810
State sources:				
Equalization	38,093,000	38,093,000	37,956,770	(136,230)
Other	4,648,000	4,648,000	5,166,354	518,354
Federal sources	545,000	545,000	496,528	(48,472)
<b>Total Revenues</b>	<u>61,110,000</u>	<u>61,110,000</u>	<u>62,734,902</u>	<u>1,624,902</u>
<b>Expenditures:</b>				
Direct instruction	35,370,585	35,055,235	34,042,858	1,012,377
Supporting services:				
Students	3,582,992	3,522,992	3,348,639	174,353
Instructional staff	2,700,253	2,695,213	2,417,983	277,230
General administration	1,018,725	1,083,725	873,617	210,108
School administration	3,846,549	3,851,039	3,792,774	58,265
Business	978,434	978,434	898,439	79,995
Central	1,396,609	1,711,309	1,732,451	(21,142)
Other	500	500	106	394
Operations and maintenance	6,529,477	6,756,277	6,757,834	(1,557)
Transportation	2,113,500	2,113,500	1,987,066	126,434
Food service	4,000	4,000	-	4,000
Contingency	4,966,150	6,366,783	-	6,366,783
Capital outlay	387,376	391,776	930,864	(539,088)
<b>Total Expenditures</b>	<u>62,895,150</u>	<u>64,530,783</u>	<u>56,782,631</u>	<u>7,748,152</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(1,785,150)</u>	<u>(3,420,783)</u>	<u>5,952,271</u>	<u>9,373,054</u>
<b>Other Financing Sources (Uses):</b>				
Charter school allocation	(1,478,000)	(1,478,000)	(1,535,011)	(57,011)
Transfers in	815,000	815,000	815,000	-
Transfers (out)	(2,504,000)	(3,454,000)	(3,454,000)	-
<b>Total Other Financing Sources (Uses)</b>	<u>(3,167,000)</u>	<u>(4,117,000)</u>	<u>(4,174,011)</u>	<u>(57,011)</u>
<b>Net Change in Fund Balances</b>	<u>(4,952,150)</u>	<u>(7,537,783)</u>	<u>1,778,260</u>	<u>9,316,043</u>
<b>Fund Balances - Beginning of Year</b>	<u>14,363,432</u>	<u>15,679,086</u>	<u>15,679,086</u>	<u>-</u>
<b>Fund Balances - End of Year</b>	<u>\$ 9,411,282</u>	<u>\$ 8,141,303</u>	<u>\$ 17,457,346</u>	<u>\$ 9,316,043</u>

Refer to the accompanying notes to the RSI.

**MONTROSE COUNTY SCHOOL DISTRICT RE-1J**

**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (GAAP Basis)  
Designated-Purpose Grant Fund  
For the Year Ended June 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Final Budget Variance Positive (Negative)</u>
<b>Revenues:</b>				
Local sources	\$ 443,458	\$ 705,113	\$ 492,863	\$ (212,250)
State sources	965,185	1,248,803	1,064,666	(184,137)
Federal sources	11,949,732	14,432,480	10,595,707	(3,836,773)
<b>Total Revenues</b>	<u>13,358,375</u>	<u>16,386,396</u>	<u>12,153,236</u>	<u>(4,233,160)</u>
<b>Expenditures:</b>				
Direct instruction	5,920,344	6,250,779	4,875,600	1,375,179
Supporting services:				
Students	1,136,141	1,600,545	1,672,477	(71,932)
Instructional staff	1,857,291	2,587,960	2,144,278	443,682
General administration	330,484	757,356	438,789	318,567
School administration	235,727	552,592	457,526	95,066
Business	101,299	110,107	82,741	27,366
Central	155,635	250,708	144,557	106,151
Operations and maintenance	83,064	83,064	110,704	(27,640)
Transportation	15,000	20,379	14,977	5,402
Community services	465,002	699,690	373,077	326,613
Food service	-	-	4,069	(4,069)
Capital outlay	3,058,388	3,422,313	1,783,538	1,638,775
<b>Total Expenditures</b>	<u>13,358,375</u>	<u>16,335,493</u>	<u>12,102,333</u>	<u>4,233,160</u>
<b>Net Change in Fund Balances - GAAP Basis</b>	<u>-</u>	<u>50,903</u>	<u>50,903</u>	<u>-</u>
<b>Fund Balances - Beginning of Year (Deficit)</b>	<u>-</u>	<u>(50,903)</u>	<u>(50,903)</u>	<u>-</u>
<b>Fund Balances - End of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**MONTROSE COUNTY SCHOOL DISTRICT RE-1J**  
**Schedule of the District's Proportionate Share of the Net Pension Liability**  
**Colorado Public Employees' Retirement Association School Division Trust Fund**  
**Last 10 Fiscal Years \***

<b>For the measurement date of December 31,</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
District's proportion of the net pension liability	0.46696%	0.53512%	0.62642%	0.54912%	0.54481%
District's proportionate share of the net pension liability	\$ 85,031,101	\$ 62,274,122	\$ 94,702,580	\$ 82,036,914	\$ 96,470,418
State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the District	\$ 19,187,490	\$ 6,404,714	\$ -	\$ 9,234,110	\$ 11,604,267
Total proportionate share of the net pension liability associated with the District	<u>\$ 104,218,591</u>	<u>\$ 68,678,836</u>	<u>\$ 94,702,580</u>	<u>\$ 91,271,024</u>	<u>\$ 108,074,685</u>
District's covered payroll	\$ 36,487,830	\$ 34,635,143	\$ 32,751,721	\$ 33,374,525	\$ 29,539,135
District's proportionate share of the net pension liability as a percentage of its covered payroll	233%	180%	289%	246%	327%
Plan fiduciary net position as a percentage of the total pension liability	61.79%	74.86%	66.99%	64.52%	57.01%
<b>For the measurement date of December 31,</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	
District's proportion of the net pension liability	0.61629%	0.62836%	0.66306%	0.67857%	
District's proportionate share of the net pension liability	\$ 199,286,005	\$ 187,086,389	\$ 101,409,279	\$ 91,969,306	
State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the District	\$ -	\$ -	\$ -	\$ -	
Total proportionate share of the net pension liability associated with the District	<u>\$ 199,286,005</u>	<u>\$ 187,086,389</u>	<u>\$ 101,409,279</u>	<u>\$ 91,969,306</u>	
District's covered payroll	\$ 28,486,266	\$ 27,643,098	\$ 28,895,561	\$ 28,427,842	
District's proportionate share of the net pension liability as a percentage of its covered payroll	700%	677%	351%	324%	
Plan fiduciary net position as a percentage of the total pension liability	43.96%	43.10%	59.20%	62.84%	

\* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. Information is only available beginning in fiscal year 2014.

**MONTROSE COUNTY SCHOOL DISTRICT RE-1J**  
**Schedule of District Pension Contributions**  
**Colorado Public Employees' Retirement Association School Division Trust Fund**  
**Last 10 Fiscal Years \***

<b>Fiscal year-ended June 30,</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Contractually required contribution	\$ 7,612,140	\$ 6,911,792	\$ 6,587,082	\$ 6,119,682	\$ 6,119,777
Contributions in relation to the contractually required contribution	<u>\$ (7,612,140)</u>	<u>\$ (6,911,792)</u>	<u>\$ (6,587,082)</u>	<u>\$ (6,119,682)</u>	<u>\$ (6,119,777)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 37,348,354	\$ 33,444,064	\$ 31,773,927	\$ 34,205,831	\$ 30,684,706
Contributions as a percentage of covered payroll	20.38%	20.67%	20.73%	17.89%	19.94%
<b>Fiscal year-ended June 30,</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	
Contractually required contribution	\$ 5,785,174	\$ 5,298,573	\$ 5,144,580	\$ 5,245,937	
Contributions in relation to the contractually required contribution	<u>\$ (5,785,174)</u>	<u>\$ (5,298,573)</u>	<u>\$ (5,144,580)</u>	<u>\$ (5,245,937)</u>	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
District's covered payroll	\$ 29,062,972	\$ 28,177,402	\$ 29,012,232	\$ 29,295,350	
Contributions as a percentage of covered payroll	19.91%	18.80%	17.73%	17.91%	

\* Information is only available beginning in fiscal year 2014.

**MONTROSE COUNTY SCHOOL DISTRICT RE-1J**  
**Schedule of the District's Proportionate Share of the Net Other Post-Employment Benefits Liability**  
**Colorado Public Employees' Retirement Association Health Care Trust Fund**  
**Last 10 Fiscal Years \***

<b>For the measurement date of December 31,</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
District's proportion of the net OPEB liability	0.35499%	0.34941%	0.36227%	0.35887%	0.35413%
District's proportionate share of the net OPEB liability	\$ 2,898,390	\$ 3,012,933	\$ 3,442,267	\$ 4,003,733	\$ 4,818,052
District's covered payroll	\$ 36,487,830	\$ 34,544,064	\$ 32,751,721	\$ 33,374,525	\$ 29,539,135
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	7.94%	8.72%	10.51%	12.00%	16.31%
Plan fiduciary net position as a percentage of the total OPEB liability	38.57%	39.40%	32.78%	24.49%	17.03%
<b>For the measurement date of December 31,</b>	<b>2017</b>	<b>2016</b>			
District's proportion of the net OPEB liability	0.35017%	0.35717%			
District's proportionate share of the net OPEB liability	\$ 4,550,839	\$ 4,603,451			
District's covered payroll	\$ 28,486,266	\$ 27,643,098			
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	15.98%	16.65%			
Plan fiduciary net position as a percentage of the total OPEB liability	17.53%	16.72%			

\* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within fiscal year. Information is only available beginning in fiscal year 2017.

**MONTROSE COUNTY SCHOOL DISTRICT RE-1J**  
**Schedule of District Other Post-Employment Benefits Contributions**  
**Colorado Public Employees' Retirement Association Health Care Trust Fund**  
**Last 10 Fiscal Years \***

<b>Fiscal year-ended June 30,</b>	<u><b>2023</b></u>	<u><b>2022</b></u>	<u><b>2021</b></u>	<u><b>2020</b></u>	<u><b>2019</b></u>
Contractually required contribution	\$ 380,953	\$ 344,844	\$ 324,082	\$ 348,899	\$ 312,978
Contributions in relation to the contractually required contribution	<u>\$ (380,953)</u>	<u>\$ (344,844)</u>	<u>\$ (324,082)</u>	<u>\$ (348,899)</u>	<u>\$ (312,978)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 37,348,354	\$ 33,807,248	\$ 31,773,927	\$ 34,205,831	\$ 30,684,706
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%	1.02%	1.02%
<b>Fiscal year-ended June 30,</b>	<u><b>2018</b></u>	<u><b>2017</b></u>			
Contractually required contribution	\$ 296,442	\$ 287,567			
Contributions in relation to the contractually required contribution	<u>\$ (296,442)</u>	<u>\$ (287,567)</u>			
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>			
District's covered payroll	\$ 29,062,972	\$ 28,177,402			
Contributions as a percentage of covered payroll	1.02%	1.02%			

\* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. Information is only available beginning in fiscal year 2017.

**Montrose County School District RE-1J**  
**Notes to Required Supplementary Information**  
**June 30, 2023**

**I. Schedule of the District's Proportionate Share of the Net Pension Liability**

**A. Changes to assumptions or other inputs**

**1. Changes since the December 31, 2021 actuarial valuation:**

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

**2. Changes since the December 31, 2020 actuarial valuation:**

- The assumption used to value the AI cap benefit provision was changed from 1.25% to 1.00%.

**3. Changes since the December 31, 2019 actuarial valuation:**

- The price inflation assumption was lowered from 2.4% to 2.30%.
- The wage inflation assumption was lowered from 3.5% to 3.00%.
- The real rate of investment return assumption was increased to 4.95% per year, net of investment expenses from 4.85% per year, net of investment expenses.
- Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.
- The pre-retirement mortality assumption for the School and DPS Divisions was changed to the PubT-2010 Employee Table with generational projection using scale MP-2019.
- The post-retirement non-disabled mortality assumption for the School and DPS Divisions was changed to the PubT-2010 Healthy Retiree Table, adjusted as follow:
  - Males: 112% of the rates prior to age 80 and 94% of the rates for ages 80 and older, with generational projection using scale MP-2019.
  - Females: 83% of the rates prior to age 80 and 106% of the rates for ages 80 and older, with generational projection using scale MP-2019.
- The post-retirement non-disabled beneficiary mortality assumption for the Division Trust Funds was changed to the Pub-2019 Contingent Survivor Table, adjusted as follows:
  - Males: 97% of the rates for all ages, with generational projection using scale MP-2019.
  - Females: 105% of the rates for all ages, with generational projection using scale MP-2019.
- The disabled mortality assumption for the Division Trust Funds (Members other than State Troopers) was changed to the PubNS-2010 Disabled Retiree Table using 99% of the rates for all ages with generational projection using scale MP-2019.
- The mortality tables described above are generational mortality tables on a head-count weighted basis.

**4. Changes since the December 31, 2018 actuarial valuation:**

- The assumption used to value the AI cap benefit provision was changed from 1.50% to 1.25%.

**Montrose County School District RE-1J**  
**Notes to Required Supplementary Information**  
**June 30, 2023**  
**(Continued)**

**I. Schedule of District's Proportionate Share of the Net Pension Liability (continued)**

**A. Changes to assumptions or other inputs (continued)**

**5. Changes since the December 31, 2017 actuarial valuation:**

- The single equivalent interest rate ("SEIR") was increased from 4.78% to 7.25% to reflect the changes to the projection's valuation basis, which no longer resulted in a projected year of depletion of the FNP, thereby eliminating the need to apply the municipal bond index rate

**6. Changes since the December 31, 2016 actuarial valuation:**

- The single equivalent interest rate ("SEIR") was lowered from 5.26% to 4.78% to reflect the changes to the projection's valuation basis, a projected year of depletion of the FNP, and the resulting application of the municipal bond index rate.
- The municipal bond index rate used in the determination of the SEIR changed from 3.86% on the prior measurement date to 3.43% on the measurement date.

**7. Changes since the December 31, 2015 actuarial valuation:**

- The investment return assumption was lowered from 7.5% to 7.25%
- The wage inflation assumption was lowered from 3.90% to 3.50%
- The post-retirement mortality assumption for healthy lives for the School and Denver Public School ("DPS") Divisions was changed to the RP-2014 White Collar Healthy Annuitant Mortality Table with adjustments for credibility and gender adjustments of a 93% factor applied to ages below 80 and a 113% factor applied to age 80 and above, projected to 2018, or males, and a 68% factor applied to ages below 80 and a 106% factor applied to age 80 and above, projected to 2020, for females.
- For disabled retirees, the mortality assumption was changed to reflect 90% of RP-2014 Disabled Retiree Mortality Table.
- The mortality assumption for active members was changed to RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70% factor applied to male rates and a 55% factor applied to female rates.
- The rates of retirement, withdrawal, and disability were revised to reflect more closely actual experience.
- The estimated administrative expense as a percentage of covered payroll was increased from 0.35% to 0.40%.
- The SEIR for the School Division Trust Fund was lowered from 7.50% to 5.26% to reflect the changes to the projection's valuation basis, a projected year of depletion of the FNP, and the resulting application of the municipal bond index rate.

**8. Changes since the December 31, 2014 actuarial valuation**

- Valuation of the full survivor benefit without any reduction for possible remarriage.
- Reflection of the employer match on separation benefits for all eligible years.
- Reflection of one year of service eligibility for survivor annuity benefit

**Montrose County School District RE-1J**  
**Notes to Required Supplementary Information**  
**June 30, 2023**  
**(Continued)**

**I. Schedule of the District's Proportionate Share of the Net Pension Liability (continued)**

**A. Changes to assumptions or other inputs (continued)**

**8. Changes since the December 31, 2014 actuarial valuation (continued)**

- Refinement of the 18-month annual increase timing.
- Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.
- Recognition of merit salary increases in the first projection year.
- Elimination of the assumption that 35% of future disabled members elect to receive a refund.
- Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
- Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year.

**B. Changes of benefit terms**

No changes during the years presented.

**C. Changes of size or composition of population covered by benefit terms**

No changes during the years presented.

**II. Notes to the Schedule of District Pension Contributions**

**A. Changes to assumptions or other inputs**

No changes during the years presented.

**B. Changes of benefit terms**

No changes during the years presented.

**C. Changes of size or composition of population covered by benefit terms**

No changes during the years presented.

**III. Schedule of the District's Proportionate Share of the OPEB Liability**

**A. Changes to assumptions or other inputs**

No changes during the years presented.

**B. Changes of benefit term**

No changes during the years presented.

**C. Changes of size or composition of population covered by terms**

No changes during the years presented.

**Montrose County School District RE-1J**  
**Notes to Required Supplementary Information**  
**June 30, 2023**  
**(Continued)**

**IV. Notes to the Schedule of School OPEB Contributions**

**A. Changes to assumptions or other inputs**

**1. Changes since the December 31, 2021 actuarial valuation:**

- The timing of the retirement decrement was adjusted to middle-of-year.

**2. Changes since the December 31, 2020 actuarial valuation:**

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

**3. Changes since the December 31, 2019 actuarial valuation:**

- Changes since the December 31, 2019 to the HCTF actuarial valuation are the same as the changes to the SCHDTF noted in Note I.A.3 above.

**B. Changes of benefit terms**

No changes during the years presented.

**C. Changes of size or composition of population covered by benefit terms**

No changes during the years presented.

Montrose County School District RE-1J

Supplementary Information



**MONTROSE COUNTY SCHOOL DISTRICT RE-1J**  
**Combining Balance Sheet**  
**General Fund and Related Sub-Fund**  
**June 30, 2023**

	<b>General Fund</b>	<b>Insurance Reserve Fund</b>	<b>Total</b>
<b>Assets:</b>			
Cash and investments	\$ 20,647,011	\$ 943,587	\$ 21,590,598
Accounts receivable, net:			
Taxes	985,237	-	985,237
Other governments	614,699	-	614,699
Grants	8,836	-	8,836
Other receivables	10,241	-	10,241
Due from other funds	85,946	-	85,946
Prepaid items	132,134	-	132,134
Inventories	207,664	-	207,664
	<b>Total Assets</b>	<b>\$ 943,587</b>	<b>\$ 23,635,355</b>
	<b>\$ 22,691,768</b>	<b>\$ 943,587</b>	<b>\$ 23,635,355</b>
<b>Liabilities:</b>			
Accounts payable and accrued expenses	\$ 249,150	\$ 15,394	\$ 264,544
Accrued salaries and benefits	5,559,482	-	5,559,482
Due to other funds	12,669	-	12,669
	<b>Total Liabilities</b>	<b>15,394</b>	<b>5,836,695</b>
	<b>5,821,301</b>	<b>15,394</b>	<b>5,836,695</b>
<b>Deferred Inflows of Resources:</b>			
Unavailable property taxes	341,314	-	341,314
	<b>Total Fund Balances</b>	<b>928,193</b>	<b>17,457,346</b>
	<b>16,529,153</b>	<b>928,193</b>	<b>17,457,346</b>
<b>Fund Balances:</b>			
Non-spendable:			
Prepaid items	132,134	-	132,134
Inventories	207,664	-	207,664
Restricted for:			
TABOR Reserve	1,910,000	-	1,910,000
Committed for:			
Retirement bonuses	7,000	-	7,000
Multi-year contracts	608,805	-	608,805
Contingency reserve	3,000,000	-	3,000,000
Assigned for:			
School based health centers	305,438	-	305,438
Program sustainability reserve	4,451,746	-	4,451,746
Insurance	-	928,193	928,193
Unassigned	5,906,366	-	5,906,366
	<b>Total Fund Balances</b>	<b>928,193</b>	<b>17,457,346</b>
	<b>16,529,153</b>	<b>928,193</b>	<b>17,457,346</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>			
	<b>\$ 22,691,768</b>	<b>\$ 943,587</b>	<b>\$ 23,635,355</b>

The accompanying notes are an integral part of this statement.

**MONTROSE COUNTY SCHOOL DISTRICT RE-1J**  
**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**General Fund and Related Sub-Fund**  
**For the Year Ended June 30, 2023**

	<u>General Fund</u>	<u>Insurance Reserve Fund</u>	<u>Total</u>
<b>Revenues:</b>			
Local sources:			
Property taxes levied for general purposes	\$ 15,346,630	\$ -	\$ 15,346,630
Specific ownership taxes	2,568,881	-	2,568,881
Delinquent taxes and penalties and interest	36,354	-	36,354
Investment income (loss)	694,953	3	694,956
Other	246,354	265	246,619
Intermediate sources	221,810	-	221,810
State sources:			
Equalization	37,956,770	-	37,956,770
Other	5,166,354	-	5,166,354
Federal sources	496,528	-	496,528
<b>Total Revenues</b>	<u>62,734,634</u>	<u>268</u>	<u>62,734,902</u>
<b>Expenditures:</b>			
Direct instruction	34,042,858	-	34,042,858
Supporting services:			
Students	3,348,639	-	3,348,639
Instructional staff	2,417,983	-	2,417,983
General administration	873,617	-	873,617
School administration	3,792,774	-	3,792,774
Business	898,439	-	898,439
Central	1,593,582	138,869	1,732,451
Other	106	-	106
Operations and maintenance	5,918,562	839,272	6,757,834
Transportation	1,987,066	-	1,987,066
Capital outlay	930,864	-	930,864
<b>Total Expenditures</b>	<u>55,804,490</u>	<u>978,141</u>	<u>56,782,631</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>6,930,144</u>	<u>(977,873)</u>	<u>5,952,271</u>
<b>Other Financing Sources (Uses):</b>			
Charter school allocation	(1,535,011)	-	(1,535,011)
Transfers in	-	815,000	815,000
Transfers (out)	(3,454,000)	-	(3,454,000)
<b>Total Other Financing Sources (Uses)</b>	<u>(4,989,011)</u>	<u>815,000</u>	<u>(4,174,011)</u>
<b>Net Change in Fund Balances</b>	1,941,133	(162,873)	1,778,260
<b>Fund Balances - Beginning of Year</b>	<u>14,588,020</u>	<u>1,091,066</u>	<u>15,679,086</u>
<b>Fund Balances - End of Year</b>	<u>\$ 16,529,153</u>	<u>\$ 928,193</u>	<u>\$ 17,457,346</u>

The accompanying notes are an integral part of this statement.

**MONTROSE COUNTY SCHOOL DISTRICT RE-1J**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2023**

	Special Revenue Funds						Capital Reserve Fund	Total Non-Major Governmental Funds
	Food Service Fund	Pupil Activity Fund	Fee in lieu of Land Fund	Bond Redemption Fund	Capital Lease Fund	Building Fund		
<b>Assets:</b>								
Cash and investments	\$ 628,465	\$ 1,661,624	\$ 708,509	\$ 1,380,920	\$ 2,592,897	\$ 3,952,694	\$ 3,105,349	\$ 14,030,458
Accounts receivable, net:								
Taxes	-	-	-	409,540	-	-	-	409,540
Grants	-	-	-	-	-	162,972	-	162,972
Other receivables	468,106	5,479	-	-	-	-	-	473,585
Inventories	51,070	-	-	-	-	-	-	51,070
<b>Total Assets</b>	<b>\$ 1,147,641</b>	<b>\$ 1,667,103</b>	<b>\$ 708,509</b>	<b>\$ 1,790,460</b>	<b>\$ 2,592,897</b>	<b>\$ 4,115,666</b>	<b>\$ 3,105,349</b>	<b>\$ 15,127,625</b>
<b>Liabilities:</b>								
Accounts payable and accrued expenses	\$ 87,715	\$ 857	\$ -	\$ -	\$ -	\$ 108,393	\$ 39,236	\$ 236,201
Accrued salaries and benefits	88,503	-	-	-	-	-	-	88,503
Due to other funds	7,446	8,267	-	-	-	900	10,153	26,766
Unearned revenue	43,024	-	-	-	-	-	-	43,024
<b>Total Liabilities</b>	<b>226,688</b>	<b>9,124</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>109,293</b>	<b>49,389</b>	<b>394,494</b>
<b>Deferred Inflows of Resources:</b>								
Unavailable property taxes	-	-	-	81	-	-	-	81
<b>Fund Balances:</b>								
Non-spendable								
Inventories	51,070	-	-	-	-	-	-	51,070
Restricted for:								
Debt service	-	-	-	1,790,379	-	-	-	1,790,379
Committed								
Debt service	-	-	-	-	2,592,897	-	-	2,592,897
Nutritional service	869,883	-	-	-	-	-	-	869,883
Student activities	-	1,657,979	-	-	-	-	-	1,657,979
Capital projects	-	-	708,509	-	-	4,006,373	3,055,960	7,770,842
<b>Total Fund Balances</b>	<b>920,953</b>	<b>1,657,979</b>	<b>708,509</b>	<b>1,790,379</b>	<b>2,592,897</b>	<b>4,006,373</b>	<b>3,055,960</b>	<b>14,733,050</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 1,147,641</b>	<b>\$ 1,667,103</b>	<b>\$ 708,509</b>	<b>\$ 1,790,460</b>	<b>\$ 2,592,897</b>	<b>\$ 4,115,666</b>	<b>\$ 3,105,349</b>	<b>\$ 15,127,625</b>

The accompanying notes are an integral part of this statement.

**MONTROSE COUNTY SCHOOL DISTRICT RE-1J**  
**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
**June 30, 2023**

	<u>Special Revenue Funds</u>						<b>Total Non-Major Governmental Funds</b>	
	<b>Food Service Fund</b>	<b>Pupil Activity Fund</b>	<b>Fee-in-Lieu Fund</b>	<b>Bond Redemption Fund</b>	<b>Capital Lease Fund</b>	<b>Building Fund</b>		<b>Capital Reserve Fund</b>
<b>Revenues:</b>								
Local sources	\$ 455,245	\$ 1,780,166	\$ -	\$ 2,027,195	\$ 104,858	\$ 95,609	\$ 779	\$ 4,463,852
Intermediate sources	-	-	220,087	286	-	-	-	220,373
State sources	39,280	-	-	-	-	2,587,255	-	2,626,535
Federal sources	2,007,645	-	-	-	-	-	-	2,007,645
<b>Total Revenues</b>	<u>2,502,170</u>	<u>1,780,166</u>	<u>220,087</u>	<u>2,027,481</u>	<u>104,858</u>	<u>2,682,864</u>	<u>779</u>	<u>9,318,405</u>
<b>Expenditures:</b>								
Food service	2,570,803	-	-	-	-	-	-	2,570,803
Student activities	-	1,864,158	-	-	-	-	-	1,864,158
Debt Service:								
Principal	-	-	-	980,000	245,595	-	-	1,225,595
Interest	-	-	-	963,560	35,211	-	-	998,771
Capital outlay	155,530	2,304	-	-	-	2,910,284	898,975	3,967,093
<b>Total Expenditures</b>	<u>2,726,333</u>	<u>1,866,462</u>	<u>-</u>	<u>1,943,560</u>	<u>280,806</u>	<u>2,910,284</u>	<u>898,975</u>	<u>10,626,420</u>
<b>Excess (Deficiency) or Revenues Over Expenditures</b>	<u>(224,163)</u>	<u>(86,296)</u>	<u>220,087</u>	<u>83,921</u>	<u>(175,948)</u>	<u>(227,420)</u>	<u>(898,196)</u>	<u>(1,308,015)</u>
<b>Other Financing Sources (Uses):</b>								
Transfers in	-	-	-	-	739,000	200,000	1,800,000	2,739,000
Transfers (out)	-	-	(100,000)	-	-	-	-	(100,000)
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>(100,000)</u>	<u>-</u>	<u>739,000</u>	<u>200,000</u>	<u>1,800,000</u>	<u>2,639,000</u>
<b>Net Change in Fund Balance</b>	<u>(224,163)</u>	<u>(86,296)</u>	<u>120,087</u>	<u>83,921</u>	<u>563,052</u>	<u>(27,420)</u>	<u>901,804</u>	<u>1,330,985</u>
<b>Fund Balance - Beginning of Year</b>	<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>4,033,793</u>	<u>2,154,156</u>	<u>13,402,065</u>
<b>Fund Balance - End of Year</b>	<u><u>\$ 920,953</u></u>	<u><u>\$ 1,657,979</u></u>	<u><u>\$ 708,509</u></u>	<u><u>\$ 1,790,379</u></u>	<u><u>\$ 2,592,897</u></u>	<u><u>\$ 4,006,373</u></u>	<u><u>\$ 3,055,960</u></u>	<u><u>\$ 14,733,050</u></u>

The accompanying notes are an integral part of this statement.

**MONTROSE COUNTY SCHOOL DISTRICT RE-1J**

**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (GAAP Basis)**

**Special Revenue Fund**

**Food Service Fund**

**For the Year Ended June 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<b>Final Budget Variance Positive (Negative)</b>
<b>Revenues:</b>				
Local sources	\$ 496,567	\$ 496,567	\$ 455,245	\$ (41,322)
State sources	15,000	15,000	39,280	24,280
Federal sources	1,968,663	1,968,663	2,007,645	38,982
<b>Total Revenues</b>	<u>2,480,230</u>	<u>2,480,230</u>	<u>2,502,170</u>	<u>21,940</u>
<b>Expenditures:</b>				
Food service	2,362,730	2,586,555	2,570,803	15,752
Capital outlay	2,500	197,500	155,530	41,970
<b>Total Expenditures</b>	<u>2,365,230</u>	<u>2,784,055</u>	<u>2,726,333</u>	<u>57,722</u>
<b>Net Change in Fund Balances - GAAP Basis</b>	<u>115,000</u>	<u>(303,825)</u>	<u>(224,163)</u>	<u>79,662</u>
<b>Fund Balances - Beginning of Year</b>	<u>1,114,517</u>	<u>1,145,116</u>	<u>1,145,116</u>	<u>-</u>
<b>Fund Balances - End of Year</b>	<u><u>\$ 1,229,517</u></u>	<u><u>\$ 841,291</u></u>	<u><u>\$ 920,953</u></u>	<u><u>\$ 79,662</u></u>

The accompanying notes are an integral part of this statement.

**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (GAAP Basis)**  
**Special Revenue Fund**  
**Pupil Activity Fund**  
**For the Year Ended June 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Final Budget Variance Positive (Negative)</u>
<b>Revenues:</b>				
Local sources:				
Student activities	\$ 1,600,000	\$ 1,600,000	\$ 1,779,788	\$ 179,788
Investment income (loss)	-	-	378	378
<b>Total Revenues</b>	<u>1,600,000</u>	<u>1,600,000</u>	<u>1,780,166</u>	<u>180,166</u>
<b>Expenditures:</b>				
Student activities	1,500,000	1,900,000	1,864,158	35,842
Capital outlay	-	-	2,304	(2,304)
<b>Total Expenditures</b>	<u>1,500,000</u>	<u>1,900,000</u>	<u>1,866,462</u>	<u>33,538</u>
<b>Net Change in Fund Balances - GAAP Basis</b>	<u>100,000</u>	<u>(300,000)</u>	<u>(86,296)</u>	<u>213,704</u>
<b>Fund Balances - Beginning of Year</b>	<u>1,616,256</u>	<u>1,744,275</u>	<u>1,744,275</u>	<u>-</u>
<b>Fund Balances - End of Year</b>	<u><u>\$ 1,716,256</u></u>	<u><u>\$ 1,444,275</u></u>	<u><u>\$ 1,657,979</u></u>	<u><u>\$ 213,704</u></u>

The accompanying notes are an integral part of this statement.

**MONTROSE COUNTY SCHOOL DISTRICT RE-1J**

**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (GAAP Basis)**

**Special Revenue Fund**

**Fee-in-Lieu Fund**

**For the Year Ended June 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<b>Final Budget Variance Positive (Negative)</b>
<b>Revenues:</b>				
Intermediate sources:				
Fee in lieu of land dedication	\$ 190,000	\$ 190,000	\$ 220,087	\$ 30,087
<b>Total Revenues</b>	<u>190,000</u>	<u>190,000</u>	<u>220,087</u>	<u>30,087</u>
<b>Expenditures:</b>				
Capital outlay	-	-	-	-
<b>Total Expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>190,000</u>	<u>190,000</u>	<u>220,087</u>	<u>30,087</u>
<b>Other Financing Sources (Uses):</b>				
Transfers (out)	(100,000)	(100,000)	(100,000)	-
<b>Total Other Financing Sources (Uses)</b>	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
<b>Net Change in Fund Balances - GAAP Basis</b>	<u>90,000</u>	<u>90,000</u>	<u>120,087</u>	<u>30,087</u>
<b>Fund Balances - Beginning of Year</b>	<u>581,033</u>	<u>588,422</u>	<u>588,422</u>	<u>-</u>
<b>Fund Balances - End of Year</b>	<u>\$ 671,033</u>	<u>\$ 678,422</u>	<u>\$ 708,509</u>	<u>\$ 30,087</u>

The accompanying notes are an integral part of this statement.

**MONTROSE COUNTY SCHOOL DISTRICT RE-1J**

**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (GAAP Basis)**

**Debt Service Fund**

**Bond Redemption Fund**

**For the Year Ended June 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<b>Final Budget Variance Positive (Negative)</b>
<b>Revenues:</b>				
Local sources				
Property taxes levied for general purposes	\$ 1,940,563	\$ 1,940,563	\$ 1,985,109	\$ 44,546
Investment income (loss)	-	-	37,915	37,915
Other	-	-	4,171	4,171
Intermediate sources	-	-	286	286
<b>Total Revenues</b>	<u>1,940,563</u>	<u>1,940,563</u>	<u>2,027,481</u>	<u>86,918</u>
<b>Expenditures:</b>				
Debt service:				
Principal	980,000	980,000	980,000	-
Interest	965,563	965,563	963,560	2,003
<b>Total Expenditures</b>	<u>1,945,563</u>	<u>1,945,563</u>	<u>1,943,560</u>	<u>2,003</u>
<b>Net Change in Fund Balances - GAAP Basis</b>	<u>(5,000)</u>	<u>(5,000)</u>	<u>83,921</u>	<u>88,921</u>
<b>Fund Balances - Beginning of Year</b>	<u>1,669,866</u>	<u>1,706,458</u>	<u>1,706,458</u>	<u>-</u>
<b>Fund Balances - End of Year</b>	<u><u>\$ 1,664,866</u></u>	<u><u>\$ 1,706,458</u></u>	<u><u>\$ 1,790,379</u></u>	<u><u>\$ -</u></u>

The accompanying notes are an integral part of this statement.

**MONTROSE COUNTY SCHOOL DISTRICT RE-1J**

**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (GAAP Basis)**

**Debt Service Fund**

**Capital Lease Fund**

**For the Year Ended June 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<b>Final Budget Variance Positive (Negative)</b>
<b>Revenues:</b>				
Local sources	\$ -	\$ -	\$ 104,858	\$ 104,858
<b>Total Revenues</b>	<u>-</u>	<u>-</u>	<u>104,858</u>	<u>104,858</u>
<b>Expenditures:</b>				
Debt service:				
Principal	745,595	745,595	245,595	500,000
Interest	35,212	35,212	35,211	1
<b>Total Expenditures</b>	<u>780,807</u>	<u>780,807</u>	<u>280,806</u>	<u>500,001</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(780,807)</u>	<u>(780,807)</u>	<u>(175,948)</u>	<u>604,859</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	739,000	739,000	739,000	-
<b>Total Other Financing Sources (Uses)</b>	<u>739,000</u>	<u>739,000</u>	<u>739,000</u>	<u>-</u>
<b>Net Change in Fund Balances - GAAP Basis</b>	<u>(41,807)</u>	<u>(41,807)</u>	<u>563,052</u>	<u>604,859</u>
<b>Fund Balances - Beginning of Year</b>	<u>2,029,845</u>	<u>2,029,845</u>	<u>2,029,845</u>	<u>-</u>
<b>Fund Balances - End of Year</b>	<u>\$ 1,988,038</u>	<u>\$ 1,988,038</u>	<u>\$ 2,592,897</u>	<u>\$ 604,859</u>

The accompanying notes are an integral part of this statement.

**MONTROSE COUNTY SCHOOL DISTRICT RE-1J**

**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (GAAP Basis)**

**Capital Projects Fund**

**Building Fund**

**For the Year Ended June 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<b>Final Budget Variance Positive (Negative)</b>
<b>Revenues:</b>				
Local sources	\$ 5,000	\$ 5,000	\$ 95,609	\$ 90,609
State sources:				
Rural funding	1,155,284	1,155,284	1,155,284	-
Grants	3,960,836	3,960,836	1,431,971	(2,528,865)
<b>Total Revenues</b>	<u>5,121,120</u>	<u>5,121,120</u>	<u>2,682,864</u>	<u>(2,438,256)</u>
<b>Expenditures:</b>				
Direct instruction	9,023	8,775	-	8,775
Supporting services:				
Business	-	3,003	-	3,003
Capital outlay	4,732,827	5,645,342	2,910,284	2,735,058
<b>Total Expenditures</b>	<u>4,741,850</u>	<u>5,657,120</u>	<u>2,910,284</u>	<u>2,746,836</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>379,270</u>	<u>(536,000)</u>	<u>(227,420)</u>	<u>308,580</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	200,000	200,000	200,000	-
<b>Total Other Financing Sources (Uses)</b>	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>-</u>
<b>Net Change in Fund Balances - GAAP Basis</b>	<u>579,270</u>	<u>(336,000)</u>	<u>(27,420)</u>	<u>308,580</u>
<b>Fund Balances - Beginning of Year</b>	<u>3,680,232</u>	<u>4,033,793</u>	<u>4,033,793</u>	<u>-</u>
<b>Fund Balances - End of Year</b>	<u>\$ 4,259,502</u>	<u>\$ 3,697,793</u>	<u>\$ 4,006,373</u>	<u>\$ 308,580</u>

The accompanying notes are an integral part of this statement.

**MONTROSE COUNTY SCHOOL DISTRICT RE-1J**

**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (GAAP Basis)**

**Capital Projects Fund**

**Capital Reserve Fund**

**For the Year Ended June 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<b>Final Budget Variance Positive (Negative)</b>
<b>Revenues:</b>				
Local sources				
Investment income (loss)	\$ 350	\$ 350	\$ 779	\$ 429
<b>Total Revenues</b>	<u>350</u>	<u>350</u>	<u>779</u>	<u>429</u>
<b>Expenditures:</b>				
Capital outlay	<u>1,545,785</u>	<u>2,615,395</u>	<u>898,975</u>	<u>1,716,420</u>
<b>Total Expenditures</b>	<u>1,545,785</u>	<u>2,615,395</u>	<u>898,975</u>	<u>1,716,420</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(1,545,435)</u>	<u>(2,615,045)</u>	<u>(898,196)</u>	<u>1,716,849</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	<u>850,000</u>	<u>1,800,000</u>	<u>1,800,000</u>	<u>-</u>
<b>Total Other Financing Sources (Uses)</b>	<u>850,000</u>	<u>1,800,000</u>	<u>1,800,000</u>	<u>-</u>
<b>Net Change in Fund Balances - GAAP Basis</b>	<u>(695,435)</u>	<u>(815,045)</u>	<u>901,804</u>	<u>1,716,849</u>
<b>Fund Balances - Beginning of Year</b>	<u>2,163,983</u>	<u>2,154,156</u>	<u>2,154,156</u>	<u>-</u>
<b>Fund Balances - End of Year</b>	<u>\$ 1,468,548</u>	<u>\$ 1,339,111</u>	<u>\$ 3,055,960</u>	<u>\$ 1,716,849</u>

The accompanying notes are an integral part of this statement.

**MONTROSE COUNTY SCHOOL DISTRICT RE-1J**  
**Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual (GAAP Basis)**  
**Internal Service Fund**  
**Employee Medical Benefit Fund**  
**For the Year Ended June 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<b>Final Budget Variance Positive (Negative)</b>
<b>Revenues:</b>				
Premiums	\$ 8,019,000	\$ 8,019,000	\$ 7,437,491	\$ (581,509)
Stop loss reimbursements	-	-	348,835	348,835
Prescription rebates	100,000	74,403	107,122	32,719
<b>Total Revenues</b>	<u>8,119,000</u>	<u>8,093,403</u>	<u>7,893,448</u>	<u>(199,955)</u>
<b>Expenses</b>				
Medical claims paid	6,175,710	6,582,748	5,961,054	621,694
Fees and supplies	1,274,950	1,441,656	1,433,678	7,978
<b>Total Expenses</b>	<u>7,450,660</u>	<u>8,024,404</u>	<u>7,394,732</u>	<u>629,672</u>
<b>Operating Income (Loss)</b>	<u>668,340</u>	<u>68,999</u>	<u>498,716</u>	<u>429,717</u>
<b>Non-Operating Revenues (Expenses)</b>				
Investment income (loss)	3,000	3,000	58,248	55,248
<b>Total Non-Operating Revenues (Expenses)</b>	<u>3,000</u>	<u>3,000</u>	<u>58,248</u>	<u>55,248</u>
<b>Change in Net Position</b>	671,340	71,999	556,964	484,965
<b>Net Position - Beginning of Year</b>	<u>1,778,027</u>	<u>2,074,380</u>	<u>2,074,380</u>	<u>-</u>
<b>Net Position - End of Year</b>	<u>\$ 2,449,367</u>	<u>\$ 2,146,379</u>	<u>\$ 2,631,344</u>	<u>\$ 484,965</u>

The accompanying notes are an integral part of this statement.

**MONTROSE COUNTY SCHOOL DISTRICT RE-1J**  
**Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual (GAAP Basis)**  
**Custodial Fund**  
**Scholarship Trust Fund**  
**For the Year Ended June 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<b>Final Budget Variance Positive (Negative)</b>
<b>Additions</b>				
Investment income (loss)	\$ 5,000	\$ 5,000	\$ 37,867	\$ 32,867
Rental income	12,000	12,000	10,800	(1,200)
Contributions	33,000	33,000	22,710	(10,290)
<b>Total Additions</b>	<u>50,000</u>	<u>50,000</u>	<u>71,377</u>	<u>21,377</u>
<b>Deductions</b>				
Scholarships awarded	100,000	100,000	32,432	67,568
General and administrative	3,500	3,500	910	2,590
<b>Total Deductions</b>	<u>103,500</u>	<u>103,500</u>	<u>33,342</u>	<u>70,158</u>
<b>Change in Net Position</b>	<u>(53,500)</u>	<u>(53,500)</u>	<u>38,035</u>	<u>91,535</u>
<b>Net Position - Beginning of Year</b>	<u>1,076,339</u>	<u>1,118,208</u>	<u>1,118,208</u>	<u>-</u>
<b>Net Position - End of Year</b>	<u>\$ 1,022,839</u>	<u>\$ 1,064,708</u>	<u>\$ 1,156,243</u>	<u>\$ 91,535</u>

The accompanying notes are an integral part of this statement.

**MONTROSE COUNTY SCHOOL DISTRICT RE-1J**  
**Expenditure Matrix - General Fund (Including Insurance Reserve Sub-Fund)**  
**Budgetary Basis**  
**For the Year Ended June 30, 2023**

	Salaries	Employee Benefits	Purchased Services	Supplies	Capital	Other	Total Actual Amounts	Final Budget	Final Budget Variance Positive (Negative)
Direct instruction	\$ 22,748,173	\$ 9,630,716	\$ 992,013	\$ 671,956	\$ 95,702	\$ -	\$ 34,138,560	\$ 35,189,811	\$ 1,051,251
Supporting services:									
Students	2,145,532	902,953	273,553	26,602	160	-	3,348,800	3,522,992	174,192
Instructional staff	1,391,984	576,354	289,209	150,286	2,454	10,149	2,420,436	2,695,613	275,177
General administration	580,386	171,618	244,171	101,931	12,817	(224,489)	886,434	1,099,225	212,791
School administration	2,576,046	1,029,669	23,070	162,212	6,159	1,777	3,798,933	3,860,239	61,306
Business	559,952	189,845	167,719	2,087	695	(21,164)	899,134	990,934	91,800
Central	776,005	248,266	617,807	83,378	748,687	6,994	2,481,137	1,762,309	(718,828)
Other	-	-	106	-	-	-	106	500	394
Subtotal - Supporting services	8,029,905	3,118,705	1,615,635	526,496	770,972	(226,733)	13,834,980	13,931,812	96,832
Operations and maintenance	2,622,119	1,169,135	1,405,004	1,560,561	31,717	1,016	6,789,552	6,768,892	(20,660)
Transportation	41,177	19,091	1,815,584	111,214	-	-	1,987,066	2,114,000	126,934
Food service	-	-	-	-	-	-	-	4,000	4,000
Contingency	-	-	-	-	-	-	-	6,502,568	6,502,568
Capital outlay	-	-	3,251	-	29,222	-	32,473	19,700	(12,773)
<b>Total Expenditures</b>	<b>33,441,374</b>	<b>13,937,647</b>	<b>5,831,487</b>	<b>2,870,227</b>	<b>927,613</b>	<b>(225,717)</b>	<b>56,782,631</b>	<b>64,530,783</b>	<b>7,748,152</b>
Final Budget	34,905,951	13,935,725	6,030,560	2,794,372	383,276	6,480,899	64,530,783		
Final Budget Variance - Positive (Negative)	\$ 1,464,577	\$ (1,922)	\$ 199,073	\$ (75,855)	\$ (544,337)	\$ 6,706,616	\$ 7,748,152		



**Colorado Department of Education**  
**Auditors Integrity Report**  
 District: 2180 - Montrose County RE-1J  
 Fiscal Year 2022-23  
 Colorado School District/BOCES

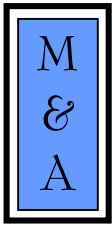
**Revenues, Expenditures, & Fund Balance by Fund**

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	+	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	=	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
<b>Governmental</b>						
10 General Fund	14,588,020		57,745,622	55,804,488		16,529,154
18 Risk Mgmt Sub-Fund of General Fund	1,091,066		815,268	978,141		928,193
19 Colorado Preschool Program Fund	0		0	0		0
<b>Sub-Total</b>	<b>15,679,086</b>		<b>58,560,890</b>	<b>56,782,630</b>		<b>17,457,347</b>
11 Charter School Fund	2,801,567		1,865,051	1,901,553		2,765,066
20.26-29 Special Revenue Fund	588,422		120,087	0		708,509
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	1,145,115		2,502,169	2,726,332		920,952
22 Govt Designated-Purpose Grants Fund	-50,903		12,153,236	12,102,333		0
23 Pupil Activity Special Revenue Fund	1,744,274		1,780,165	1,866,461		1,657,979
25 Transportation Fund	0		0	0		0
31 Bond Redemption Fund	1,706,458		2,027,480	1,943,560		1,790,379
39 Certificate of Participation (COP) Debt Service Fund	2,029,845		843,859	280,807		2,592,897
41 Building Fund	4,033,794		2,882,865	2,910,284		4,006,374
42 Special Building Fund	0		0	0		0
43 Capital Reserve Capital Projects Fund	2,154,157		1,800,779	898,975		3,055,960
46 Supplemental Cap Const, Tech, Main Fund	0		0	0		0
<b>Totals</b>	<b>31,831,814</b>		<b>84,536,582</b>	<b>81,412,934</b>		<b>34,955,462</b>
<b>Proprietary</b>						
50 Other Enterprise Funds	0		0	0		0
64 (63) Risk-Related Activity Fund	0		0	0		0
60.65-69 Other Internal Service Funds	2,074,379		58,248	-498,716		2,631,344
<b>Totals</b>	<b>2,074,379</b>		<b>58,248</b>	<b>-498,716</b>		<b>2,631,344</b>
<b>Fiduciary</b>						
70 Other Trust and Agency Funds	0		0	0		0
72 Private Purpose Trust Fund	0		0	0		0
73 Agency Fund	0		0	0		0
74 Pupil Activity Agency Fund	0		0	0		0
79 GASB 34/Permanent Fund	1,118,209		71,377	33,343		1,156,243
85 Foundations	0		0	0		0
<b>Totals</b>	<b>1,118,209</b>		<b>71,377</b>	<b>33,343</b>		<b>1,156,243</b>
			<b>FINAL</b>			

Montrose County School District RE-1J

Single Audit Reports and Schedules





# MCMAHAN AND ASSOCIATES, L.L.C.

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

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

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, 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, 2023, 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 4, 2023.

### ***Internal Control Over Financial Reporting***

In planning and performing our audit on 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 of 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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. 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.

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**INDEPENDENT AUDITOR'S REPORT**  
**To the Board of Education**  
**Montrose County School District**  
**Montrose, CO**

***Compliance and Other Matters***

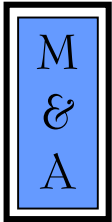
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect 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 District's internal control on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*McMahan and Associates, L.L.C.*

**McMahan and Associates, L.L.C.**  
**Avon, Colorado**  
**December 4, 2023**



# MCMAHAN AND ASSOCIATES, L.L.C.

*Certified Public Accountants and Consultants*

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

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

### ***Opinion on Each Major Federal Program***

We have audited the compliance of Montrose County School District (the "District") with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2023. 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, the District 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, 2023.

### ***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 ("U.S. GAAS"); 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 of Federal Awards* (the "Uniform Guidance"), and the Guide. 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 the 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.

*Member: American Institute of Certified Public Accountants*

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**INDEPENDENT AUDITOR'S REPORT**  
**To the Board of Education**  
**Montrose County School District RE-1J**  
**Montrose, CO**

***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 U.S. GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with U.S. GAAS, *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 or 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 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.

**INDEPENDENT AUDITOR'S REPORT**  
**To the Board of Education**  
**Montrose County School District RE-1J**  
**Montrose, CO**

***Report on Internal Control Over Compliance (continued)***

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

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

***Purpose of this Report***

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 in the requirements of Uniform Guidance and the Guide. Accordingly, this report is not suitable for any other purpose.

*McMahan and Associates, L.L.C.*

**McMahan and Associates, L.L.C.**  
**Avon, Colorado**  
**December 4, 2023**

**Montrose County School District RE-1J  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2023**

**Part I – Summary of Auditor’s Results**

*Financial Statements:*

Type of auditor’s report issued	Unmodified
Internal control over financial reporting:	
Material weakness identified	None noted
Significant deficiency identified	None noted
Noncompliance material to financial statements noted	None noted

*Federal Awards:*

Internal control over major programs:	
Material weakness identified	None noted
Significant deficiency identified	None noted
Type of auditor’s report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Title 2, U.S. Code of Federal Regulations, Part 200	No
Major programs:	
Special Education Cluster (IDEA)	ALN 84.027/84.173
Education Stabilization Fund (ESF)	ALN 84.425
Head Start Cluster	ALN 93.600
Dollar threshold used to identify Type A from Type B programs:	\$750,000
Identified as low-risk auditee	Yes

**Part II – Findings Related to Financial Statements**

Findings related to financial statements as required by <i>Government Auditing Standards</i>	No
Auditor-assigned reference number	Not applicable

**Part III – Findings Related to Federal Awards**

Internal control findings	None noted
Compliance findings	None noted
Questioned costs	None noted
Auditor-assigned reference number	Not applicable

**Montrose County School District RE-1J**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2023**

**Note:** There were no findings for the year ended June 30, 2022.

**Montrose County School District RE-1J**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2023**

Program Title	Federal Assistance Listing	Grant Project Code	Expenditures	
<b>U.S Department of Education:</b>				
<b>Passed through Colorado Department of Education:</b>				
Title I Grants to Local Educational Agencies	84.010	4010 / 5010	\$ 1,578,786	
Adult Education - Basic Grants to States	84.002	5002	103,390	
Special Education Grants to States	84.027	4027	1,121,740	<b>A</b>
Special Education Preschool Grants	84.173	4173	35,589	<b>A</b>
Career and Technical Education - Basic Grants to States	84.048	4048	55,935	
Title II, Part A - Supporting Effective Instruction State Grants	84.367	4367	214,021	
English Language Acquisition State Grants	84.365A	4365	59,090	
State Educational Agency Grants	84.184F	8174	3,600	
Student Support and Academic Enrichment Program	84.424A	4424	108,294	
COVID-19 - GEER Fund - CSI Recalculation Funding	84.425C	6425	141,387	
COVID-19 - ESSER II CRSSA 9.5% Set-Aside Supplemental	84.425D	4419	47,052	
COVID-19 - ESSER II CRSSA - Distribution 90%	84.425D	4420	1,072,829	
COVID-19 - ESSER I Rapid Request	84.425D	4448	7,456	
COVID-19 - ESSER III 90% - LEA Allocation	84.425U	4414	2,217,244	
COVID-19 - ESSER III ARP 9.5% State Set-Aside LEA Learning Loss	84.425U	9414	1,161,759	
COVID-19 - ESSER III ARP 9.5% State Set-Aside Supplemental	84.425U	4418	45,737	
COVID-19 - ESSER III ARP 9.5% State Set-Aside, Rural Coaction	84.425U	4429	280,300	
COVID-19 - ESSER III ARP 9.5% State Set-Aside, Curricular Materials	84.425U	4431	300,300	
COVID-19 - ARP Homeless Children and Youth	84.425W	8426	22,135	
Subtotal - Education Stabilization Fund			<u>5,296,199</u>	
<b>Total - U.S. Department of Education</b>			<u>8,576,644</u>	
<b>U.S. Department of Defense:</b>				
NJROTC	12.000	9001	57,552	
<b>Total - U.S. Department of Defense</b>			<u>57,552</u>	
<b>U.S. Department of Treasury:</b>				
<b>Passed through Colorado Department of Education:</b>				
COVID-19 - CSLFRF: Behavior Health Care Integration Services for Chil	21.027	6127	25,226	
COVID-19 - CSLFRF: School Based Center	21.027	7129	5,683	
COVID-19 - CSLFRF: State Recovery Funds	21.027	9019	74,688	
Subtotal - Coronavirus State and Local Fiscal Recovery Funds			<u>105,597</u>	
<b>Total - U.S. Department of Treasury</b>			<u>105,597</u>	
<b>U.S Department of Health and Human Services:</b>				
Head Start	93.600	8600	1,194,962	<b>B</b>
COVID-19 - Head Start	93.600	8600	72,129	<b>B</b>
Subtotal - Head Start			<u>1,267,091</u>	
<b>Passed through Colorado Department of Education:</b>				
Pubic Health Emergency Response	93.354	7354	226,444	
<b>Passed through Colorado Department of Public Health and Environment:</b>				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	7959	30,000	
<b>Passed through Colorado Office of Early Childhood:</b>				
COVID-19 - Child Care Assistance and Development Block Grant	93.575	7575	159,111	<b>C</b>
<b>Total - U.S. Department of Health and Human Services</b>			<u>1,682,646</u>	

(continued)

**Montrose County School District RE-1J**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2023**  
**(continued)**

Program Title	Federal Assistance Listing	Grant Project Code	Expenditures
<b>U.S Department of Agriculture:</b>			
<b>Passed through Colorado Department of Education:</b>			
National School Lunch Program	10.555	4555	1,125,084 <i>D</i>
Supply Chain Assistance	10.555	6555	129,288 <i>D</i>
Summer Food Service Program for Children	10.559	4559	166,952 <i>D</i>
<b>Passed through Colorado Department of Human Services:</b>			
Food Distribution, Commodities	10.555	4555	189,239 <i>D</i>
State Administrative Expenses	10.560	4560	
<b>Total - U.S Department of Agriculture</b>			<u>1,610,563</u>
<b>Total Expenditures</b>			<u>\$ 12,033,002</u>

**Additional Information for Clusters:**

<b>A</b> Special Education (IDEA) Cluster	\$ 1,157,329
<b>B</b> Head Start Cluster	1,267,091
<b>C</b> CCDF Cluster	159,111
<b>D</b> Child Nutrition Cluster	1,610,563

**Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2023**

**Note 1. Basis of Presentation:**

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Montrose School District RE1-J and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the general purpose financial statements.

**Note 2. Determining the Value of Non-cash Awards Expended:**

Food Commodities: Fair market value of commodities at the time recipient receives award or the assessed value provided by the federal agency.

**Note 3. Indirect Facilities and Administration Costs**

The District has elected to use the 10% de minimis cost rate allowed in Title 2 U.S. Code of Federal Regulations (CFR) Part 200.414, Indirect (F&A) costs.

**Note 4. Sub recipients:**

The District had no sub-recipients as of June 30, 2023.