

Gunnison Watershed School District RE-1J

Financial Report

June 30, 2023



**GUNNISON
WATERSHED
SCHOOL DISTRICT**

Driven to Be the Difference

**Gunnison Watershed School District RE-1J
Financial Report
June 30, 2023**

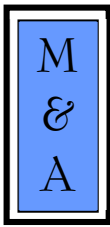
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INDEPENDENT AUDITOR'S REPORT

**To the Board of Education
Gunnison Watershed School District RE-J1
Frisco, Colorado**

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Gunnison Watershed 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 aggregate discretely presented component units, 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").

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.

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.

Member: American Institute of Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT
To the Board of Education
Gunnison Watershed School District RE-J1

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.

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.

**INDEPENDENT AUDITOR'S REPORT
To the Board of Education
Gunnison Watershed School District RE-J1**

Required Supplementary Information (continued)

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 individual budgetary schedules, the Colorado Department of Education Auditor's Electronic Data Integrity Check Figures 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 individual budgetary schedules, the Colorado Department of Education Auditor's Electronic Data Integrity Check Figures 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, individual budgetary schedules, the Colorado Department of Education Auditor's Electronic Data Integrity Check Figures 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 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
November 30, 2023**

Gunnison Watershed School District RE-1J

Management's Discussion and Analysis



Gunnison Watershed School District RE-1J

Management Discussion and Analysis

As management of Gunnison Watershed School District RE-1J, we offer readers of the District's annual financial report this narrative overview 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 the District's financial statements, which follow this section.

Financial Highlights

- The assets of the District exceeded its liabilities as of June 30, 2023, by \$17,923,913 (net position). This is primarily due to the District's Capital Assets of \$57,089,734.
- The District's net position increased by \$7,268,473 from 2022, primarily due to the affect from changes in the District's Net Pension Liability and Net OPEB Liability.
- The District's General Fund had a fund balance of \$9,898,746, or 38% of total General Fund Expenditures.
- The District issued \$95,000,000 of bonds to complete new projects at the District's schools.

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements – The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The government-wide financial statements include the statement of net position and the statement of activities.

The *statement of net position* presents information on all the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the financial health of the District.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. Changes in net position are reported as soon as the underlying event effecting the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal 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 principally supported by taxes and intergovernmental revenues (governmental activities).

- **Governmental activities:** Most of the District's basic services are included here, such as instructional services, support services, food services and student activities. Such services included activities relating to building maintenance, technology and administration.

The district-wide financial statements also include Marble Charter School, which is a discretely presented component unit of the District.

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

Fund Financial Statements

A fund is a grouping of self-balancing, related accounts that are used to maintain control over resources that have been segregated for specific purposes. Our District uses fund accounting to ensure and demonstrate compliance with financial and government fund and proprietary funds.

Government Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on current sources and uses of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government'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. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between the governmental fund and governmental activities.

The District's most significant, or "major" governmental funds include the General Fund, Bond Redemption Fund, Capital Reserve Capital Projects Fund, Food Services Fund, Pupil Activity Fund, and the 2014 Mill Levy Override Fund.

The District adopts an annual appropriated budget for all of its funds. A budgetary comparison statement has been provided for all funds to demonstrate compliance with state budget statutes.

The basic major governmental fund statements start on page C3.

Proprietary Funds

Proprietary funds are used to report the same functions presented as business-type activities in the district-wide financial statements. The District uses an enterprise fund to account for its employee health and dental benefits. Internal service funds are an accounting device used to accumulate and allocate costs internally to the District's various functions. Because the service predominately benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the district-wide financial statements, only in more detail. The proprietary fund financial statements provide financial reports for the District's health services fund which is considered to be a major fund of the District.

The basic Proprietary Fund financial statements can be found on pages C7 thru C9, of this report.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplemental information that further explains and supports the financial statements with a comparison of the District's budget for the year.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

An annual review of net position may serve as a useful indicator of a government's financial position. The District's assets exceeded liabilities by \$17,923,913. In the previous year of 2022, the liabilities exceeded assets by \$10,655,440.

The assets of the District are classified as current assets, non-current assets, and capital assets. Current assets are available to provide resources for the near-term operations of the District. The majority of the current assets are the result of the property tax receivables and cash and investments.

Capital assets are made up of land, buildings, equipment/vehicles, and construction in progress. Current and long-term liabilities are classified based upon anticipated liquidation, either in the near-term or in the future.

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Statement of Net Position

The following table provides a summary of the District's net position as of the fiscal years ended June 30, 2023 and 2022.

Gunnison Watershed School District RE-1J Net Position

	2023	2022
Assets:		
Current and other assets	\$ 144,537,685	\$ 30,739,577
Capital assets, net	57,089,734	57,090,412
Total Assets	201,627,419	87,829,989
Deferred Outflows of Resources:		
Deferred refunding costs	3,308,735	4,189,543
Pension related deferred outflow	8,524,435	7,892,069
Post-employment health benefits related deferred outflow	288,449	211,259
Total deferred outflows of resources	12,121,619	12,292,871
Liabilities:		
Other liabilities	3,714,350	2,858,369
Long-term liabilities	186,411,777	73,362,154
Total Liabilities	190,126,127	76,220,523
Deferred Inflows of Resources:		
Deferred revenue	191,772	39,056
Pension related deferred inflow	5,069,216	12,747,445
Post-employment health benefits related deferred inflow	438,010	460,396
Total deferred inflows of resources	5,698,998	13,246,897
Net Position:		
Net investment in capital assets	(89,274,881)	15,928,941
Restricted	119,049,070	7,111,225
Unrestricted	(11,850,276)	(12,384,726)
Total Net Position	\$ 17,923,913	\$ 10,655,440

Of the District's total assets, 28% are capital assets (e.g. land, buildings, and equipment). The District uses these assets to provide instruction and related services to its students. The District's current assets and liabilities increased due to the issuance of \$95,000,000 of bonds and a premium of \$12,875,617.

Net position for governmental activities increased by \$7,268,473. The following table summarizes the District's change in net position:

Gunnison Watershed School District RE-1J Changes in Net Position

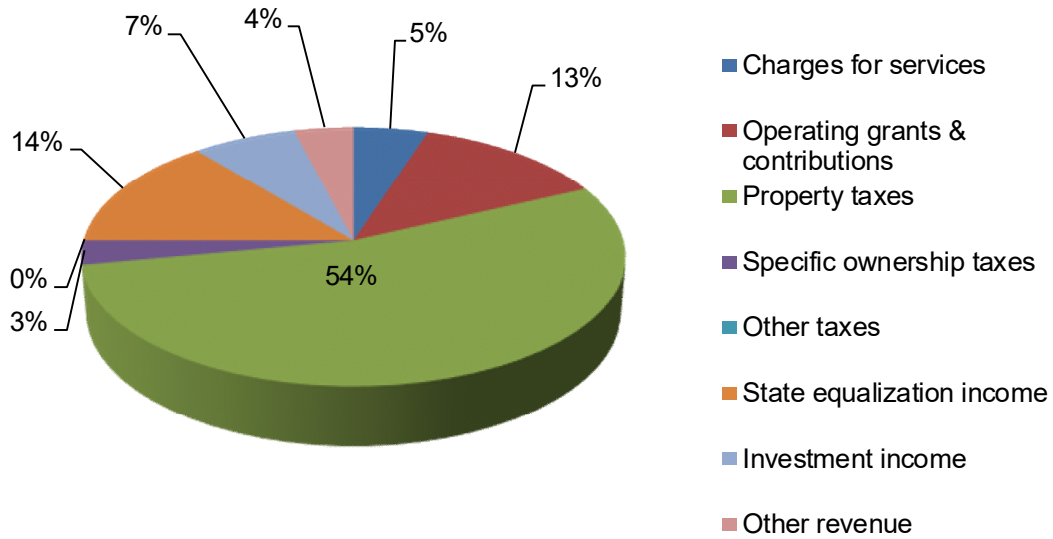
	<u>2023</u>	<u>2022</u>
Revenues:		
Program revenues:		
Charges for services	\$ 2,443,414	\$ 1,642,424
Operating grants & contributions	5,826,001	3,679,683
General revenues:		
Property taxes	24,601,700	20,324,977
Specific ownership taxes	1,401,579	1,341,793
State equalization income	6,438,154	5,223,466
Investment income	3,081,400	100,506
Other revenue	<u>1,733,120</u>	<u>1,503,268</u>
Total Revenues	<u>45,525,368</u>	<u>33,816,117</u>
Expenses:		
Direct instruction	19,108,160	8,709,446
Indirect instruction	4,081,533	1,935,891
General administration	3,530,797	1,199,169
Support services	1,835,186	978,997
Custodial and maintenance	2,920,189	2,141,740
Transportation	1,120,577	549,938
Community Service	5,565	1,211
Student activities	1,423,518	1,269,246
Food services	1,039,998	667,387
Interest on long-term debt	<u>3,191,372</u>	<u>1,603,201</u>
Total Expenses	<u>38,256,895</u>	<u>19,056,226</u>
Change in Net Position	7,268,473	14,759,891
Net Position - Beginning of Year	<u>10,655,440</u>	<u>(4,104,451)</u>
Net Position - End of Year	<u>\$ 17,923,913</u>	<u>\$ 10,655,440</u>

Property taxes, specific ownership tax, and per pupil state formula revenue (School Finance Act-State Equalization) account for most of the District's revenue. The remaining revenue comes from grants and contributions with the remainder from fees charged for services and miscellaneous sources. The District's revenue increased partially due to the increase in property taxes approved to pay for the 2023 General Obligation debt issuance, special pension funding, equalization and interest income. Expenses increased partially due to an increase in the pension liability of approximately \$9M, capital outlay for Marble Charter school assets of \$1.3M, and other inflationary changes.

The District's expenses predominantly relate to instruction and support services, which include support for students and instructional staff, administration, operations and maintenance, and transportation. Given that the District is a service organization providing education services to students, the majority of the expenses are paid in the form of compensation (salaries and benefits) to the District's employees. The changes in expenses relate primarily to amortization of increases in the District's Net Pension Liability.

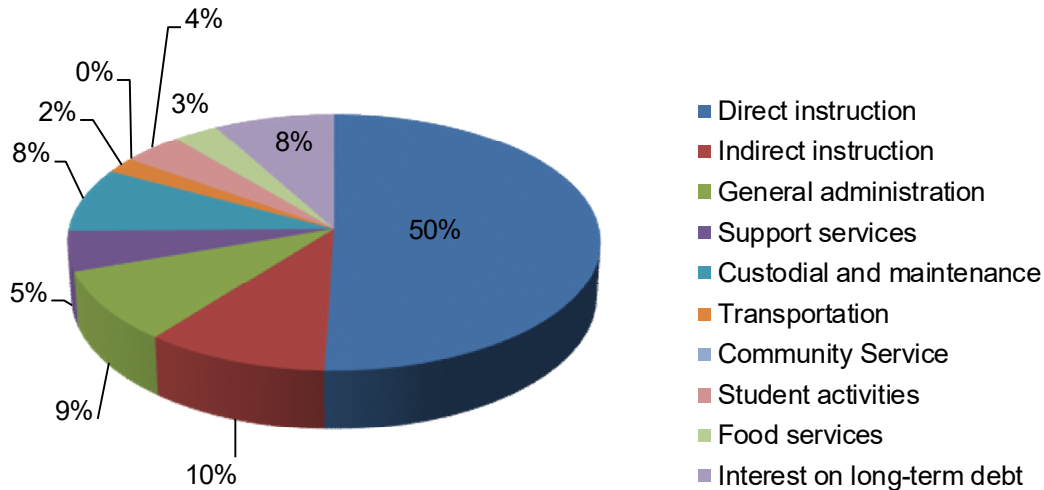
The following chart displays the revenues by source for the total District:

Revenues by Source for Governmental Activities



The following chart displays the expenditures by source for the total District:

Expenses by Source for Governmental Activities



The District's expenditures are predominately related to instruction, with the general administrative and support services, transportation, operations and maintenance, and interest on bond payments accounting for the remaining expenditures.

Financial Analysis of the District's Funds: As mentioned earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

At the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$138,190,849 which is an increase of \$112,481,606 from the prior year ending fund balances.

General Fund Budgetary Highlights: The District's budget is prepared according to Colorado law and is based on accounting for certain transactions on a basis of cash receipts and disbursements. The most significant budgeted fund is the General Fund. The original budget is prepared based on a conservative estimate of student growth. This guarantees the District does not overstaff or overextend its financial capabilities. The General Fund's actual results were under budgeted appropriations by \$71,141.

Capital Assets and Debt Administration: The District's investment in capital assets for governmental activities as of June 30, 2023, amounts to \$57,089,734 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and vehicles.

Long Term Debt: As of June 30, 2023, the District had outstanding debt of \$149,673,350.

Economic Factors and Next Year's Budget: The Public School Finance Act of 1994 is the largest source of revenue for the District's operating funds. The School Finance Act calculates per-pupil funding by school District based upon a formula that takes into consideration the cost of living, number of students, District size, personnel vs. non-personnel, and number of at-risk students. The purpose of this act was to establish a financial base of support for public education, to move towards a uniform mill levy tax statewide for all Districts, and to limit future growth of and reliance upon property tax to support public education. Funding sources for the School Finance Act is derived by the following formula:

Total Program Funding = local property taxes + general specific ownership taxes + state equalization.

School District finance is also significantly affected by Amendment 23, which was approved by the voters in November 2000. This state constitutional amendment requires that statewide base per pupil funding and state categorical program funding increase by inflation plus one percent for ten years beginning with the fiscal year ended June 30, 2002. After that ten-year window has expired, the state must increase funding at the rate of inflation. This funding calculation attempts to align Colorado Districts to inflation adjusted funding levels of 1988. The formula will also increase the District's reliance upon the state and decrease the District's reliance upon funding over time.

Next Year's Budget and Fund Balance: The District's General Fund balance at the end of fiscal year 2023 is \$9,898,746. The subsequent year's general fund budget for fiscal year 2024 anticipates a decrease of \$540,064. The budget also anticipates a significant decline relating to the expenditures of 2023 bond proceeds on capital projects.

Request for Information:

This financial report is designed to provide a general overview of the District's finances for all those with an interest. Questions concerning any of the information in this report or requests for additional financial information should be addressed to the Business Office, Gunnison Watershed School District RE-1J, 800 North Boulevard, Gunnison, Colorado 81230.

Gunnison Watershed School District RE-1J

Basic Financial Statements



Gunnison Watershed School District RE-1J
Statement of Net Position
June 30, 2023

	<u>Primary Government Total Governmental Activities</u>	<u>Component Unit Marble Charter School</u>
ASSETS		
Cash and investments	142,463,036	1,413,441
Accounts receivable, net		
Taxes	1,231,119	-
Other	608,739	-
Prepaid expenses:	226,323	-
Inventory	8,468	-
Total current assets	<u>144,537,685</u>	<u>1,413,441</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred refunding costs	3,308,735	-
Pension related deferred outflow	8,524,435	276,301
Post-employment health benefits related deferred outflow	288,449	9,120
Total deferred outflows of resource	<u>12,121,619</u>	<u>285,421</u>
Capital assets:		
Land	2,866,151	-
Construction in progress	1,372,259	-
Buildings and improvement:	79,030,614	1,938,307
Equipment	2,453,887	-
Vehicles	3,158,294	-
Less: Accumulated depreciation	<u>(31,791,471)</u>	<u>(760,592)</u>
Net capital assets	<u>57,089,734</u>	<u>1,177,715</u>
Total assets	<u>213,749,038</u>	<u>2,876,577</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued expense	711,156	20,924
Accrued salaries	2,543,346	69,623
Accrued interest	459,848	-
Total current liabilities:	<u>3,714,350</u>	<u>90,547</u>
Noncurrent liabilities		
Accrued compensated absences:	264,954	-
Bonded debt and capital leases		
Due within one year	4,360,706	-
Due in more than one year	145,312,644	-
Other liabilities - due in more than one year:		
Net pension liability	35,271,676	998,582
Post-employment health benefits (OPEB)	1,201,797	34,003
Total noncurrent liabilities:	<u>186,411,777</u>	<u>1,032,585</u>
Total liabilities:	<u>190,126,127</u>	<u>1,123,132</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred revenue	191,772	-
Pension related deferred inflow	5,069,216	154,852
Post-employment health benefits related deferred inflow	438,010	13,627
Total deferred inflows of resource:	<u>5,698,998</u>	<u>168,479</u>
NET POSITION		
Net investment in capital asset:	(89,274,881)	1,177,715
Restricted for:		
TABOR	979,581	23,000
Debt service	118,069,489	-
Unrestricted	<u>(11,850,276)</u>	<u>384,251</u>
Total net position:	<u>17,923,913</u>	<u>1,584,966</u>

The accompanying notes are an integral part to these financial statements.

GUNNISON WATERSHED SCHOOL DISTRICT RE-1J
Statement of Activities
For the Year Ended June 30, 2023

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Total Governmental Activities	Component Unit Marble Charter School
GOVERNMENTAL ACTIVITIES:						
Direct instruction	19,108,160	165,568	4,961,981	-	(13,980,611)	
Indirect instruction	4,081,533	-	346,783	-	(3,734,750)	
General administration	3,530,797	-	29,461	-	(3,501,336)	
Support services	1,835,186	-	-	-	(1,835,186)	
Custodial and maintenance	2,920,189	-	-	-	(2,920,189)	
Transportation	1,120,577	-	120,593	-	(999,984)	
Community service	5,565	81,593	-	-	76,028	
Student activities	1,423,518	1,830,732	-	-	407,214	
Food Services	1,039,998	365,521	367,183	-	(307,294)	
Interest on long-term debt	3,191,372	-	-	-	(3,191,372)	
Total governmental activities	<u>38,256,895</u>	<u>2,443,414</u>	<u>5,826,001</u>	<u>-</u>	<u>(29,987,480)</u>	
Total Primary Government	<u>38,256,895</u>	<u>2,443,414</u>	<u>5,826,001</u>	<u>-</u>	<u>(29,987,480)</u>	
COMPONENT UNIT:						
Marble Charter School	<u>1,023,691</u>	<u>1,366,481</u>	<u>59,034</u>	<u>0</u>		<u>401,824</u>
GENERAL REVENUES:						
Taxes:						
Property taxes - Levied for general operations					15,293,713	-
Property taxes - Levied for debt service					9,307,987	-
Specific ownership taxes					1,401,579	-
Per pupil revenue					-	564,719
State equalization income					6,438,154	-
Grants and contributions not restricted to specific programs					1,733,120	148,140
Investment income					3,081,400	18,848
Total general revenues and transfers					<u>37,255,953</u>	<u>731,707</u>
Change in net position					7,268,473	1,133,531
Net position, beginning					<u>10,655,440</u>	<u>451,435</u>
Net position, ending					<u>17,923,913</u>	<u>1,584,966</u>

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

GUNNISON WATERSHED SCHOOL DISTRICT RE-1J
Balance Sheet
Governmental Funds
June 30, 2023

	<u>General Fund</u>	<u>Bond Redemption Fund</u>	<u>Building Fund</u>	<u>Capital Reserve Capital Projects Fund</u>	<u>Food Services Fund</u>	<u>Pupil Activity Fund</u>	<u>2014 Mill Levy Override Fund</u>	<u>Total Governmental Funds</u>
ASSETS								
Cash and investments	11,575,355	9,724,137	108,098,297	4,127,510	411,943	1,492,248	4,173,390	139,602,880
Accounts receivable, net:								
Taxes	574,656	400,765	-	-	-	-	108,078	1,083,499
Other	521,455	-	-	-	76,837	7,600	-	605,892
Due from other funds	1,337	-	-	-	-	-	-	1,337
Prepaid expenses	30,678	-	-	-	-	-	195,645	226,323
Inventories	-	-	-	-	8,468	-	-	8,468
Total assets	<u>12,703,481</u>	<u>10,124,902</u>	<u>108,098,297</u>	<u>4,127,510</u>	<u>497,248</u>	<u>1,499,848</u>	<u>4,477,113</u>	<u>141,528,399</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable and accrued expenses	292,292	-	153,710	-	55,891	29,335	76,578	607,806
Accrued salaries	2,344,209	-	-	-	43,829	7,776	140,821	2,536,635
Due to other funds	-	-	-	-	-	1,110	227	1,337
Total liabilities	<u>2,636,501</u>	<u>-</u>	<u>153,710</u>	<u>-</u>	<u>99,720</u>	<u>38,221</u>	<u>217,626</u>	<u>3,145,778</u>
Deferred Inflow of Resources:								
Deferred revenues	168,234	-	-	-	23,538	-	-	191,772
Total deferred inflow of resources	<u>168,234</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,538</u>	<u>-</u>	<u>-</u>	<u>191,772</u>
Fund balances:								
Non-spendable:								
Prepaid expenses	30,678	-	-	-	-	-	195,645	226,323
Inventories	-	-	-	-	8,468	-	-	8,468
Restricted:								
TABOR	979,581	-	-	-	-	-	-	979,581
Debt service	-	10,124,902	107,944,587	-	-	-	-	118,069,489
Committed								
Future year expenditures	3,918,324	-	-	-	-	-	-	3,918,324
Food service	-	-	-	-	365,522	-	-	365,522
Educational purposes	-	-	-	-	-	-	4,063,842	4,063,842
Student activities	-	-	-	-	-	1,461,627	-	1,461,627
Assigned	-	-	-	4,127,510	-	-	-	4,127,510
Unassigned	4,970,163	-	-	-	-	-	-	4,970,163
Total fund balances	<u>9,898,746</u>	<u>10,124,902</u>	<u>107,944,587</u>	<u>4,127,510</u>	<u>373,990</u>	<u>1,461,627</u>	<u>4,259,487</u>	<u>138,190,849</u>
of resources, and fund balances	<u>12,703,481</u>	<u>10,124,902</u>	<u>108,098,297</u>	<u>4,127,510</u>	<u>497,248</u>	<u>1,499,848</u>	<u>4,477,113</u>	<u>141,528,399</u>

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

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

Governmental Funds Total Fund Balance		138,190,849
<i>Add:</i>		
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 deferred in the funds.		147,623
Capital assets used in governmental activities are not considered current financial resources and therefore, are not reported in the governmental funds:		
Capital assets	88,881,205	
Accumulated depreciation	<u>(31,791,471)</u>	57,089,734
An internal service fund is used by the District's management to charge the cost of employee health and dental insurance to the individual funds:		
Assets	2,863,002	
Liabilities	<u>(110,063)</u>	2,752,939
<i>Less:</i>		
Deferred charges such as deferred refunding costs, 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:		
Deferred refunding costs	3,308,735	
Premiums and discounts on bonded debt	<u>(13,263,105)</u>	(9,954,370)
Long-term liabilities, including bonds payable, net pension liability, arbitrage payable, accrued compensated absences, leases 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:		
Net pension liability	(35,271,676)	
Post-employment health benefits liability	(1,201,797)	
Bonds payable	(136,380,000)	
Accrued compensated absences	(264,954)	
Leases payable	(30,245)	
Accrued interest	<u>(459,848)</u>	(173,608,520)
Changes in pension related actuarial assumptions, proportion of collective pension amounts, differences between actual and expected experience and investment earnings, and differences between actual and annualized contributions to the pension plan 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 post-employment health benefits related deferred outflows	288,449	
Unamortized post-employment health benefits related deferred inflows	(438,010)	
Unamortized pension related deferred outflows	8,524,435	
Unamortized pension related deferred inflows	<u>(5,069,216)</u>	3,305,658
Governmental Activities Net Position		<u><u>17,923,913</u></u>

The accompanying notes are an integral part of these statements.

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

	General Fund	Bond Redemption Fund	Building Fund	Capital Reserve Capital Projects Fund	Food Services Fund	Pupil Activity Fund	2014 Mill Levy Override fund	Total Governmental Funds
REVENUES								
Taxes:								
Property taxes	12,741,689	9,264,636	-	-	-	-	2,501,292	24,507,617
Specific ownership taxes	1,401,579	-	-	-	-	-	-	1,401,579
Federal income	2,686,509	-	-	-	354,010	-	-	3,040,519
State income	9,212,276	-	-	397,382	13,195	-	-	9,622,853
Investment income	583,322	19,958	2,204,147	88,493	-	-	129,990	3,025,910
Other	372,394	-	-	-	-	-	-	372,394
Charges for services	-	-	-	-	-	1,830,732	-	1,830,732
Food sales	-	-	-	-	365,500	-	-	365,500
Total revenues	<u>26,997,769</u>	<u>9,284,594</u>	<u>2,204,147</u>	<u>485,875</u>	<u>732,705</u>	<u>1,830,732</u>	<u>2,631,282</u>	<u>44,167,104</u>
EXPENDITURES								
Direct instruction	14,775,842	-	-	-	-	-	783,277	15,559,119
Indirect instruction	3,099,977	-	-	-	-	-	864,421	3,964,398
General administration	2,659,398	-	-	-	-	-	30,264	2,689,662
Support services	1,379,847	-	-	-	-	-	86,108	1,465,955
Custodial and maintenance	2,688,707	-	-	-	-	-	92,609	2,781,316
Transportation	981,244	-	-	-	-	-	-	981,244
Community service	5,565	-	-	-	-	-	-	5,565
Student activities	-	-	-	-	-	1,423,518	-	1,423,518
Capital outlay	302,315	-	1,330,365	1,203,625	52,188	27,384	511,506	3,427,383
Food service operations	653	-	-	-	976,053	-	-	976,706
Debt service:								
Principal	-	2,950,000	-	-	-	-	23,269	2,973,269
Interest and fiscal charges	-	2,503,864	804,812	-	-	-	4,304	3,312,980
Total expenditures	<u>25,893,548</u>	<u>5,453,864</u>	<u>2,135,177</u>	<u>1,203,625</u>	<u>1,028,241</u>	<u>1,450,902</u>	<u>2,395,758</u>	<u>39,561,115</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,104,221</u>	<u>3,830,730</u>	<u>68,970</u>	<u>(717,750)</u>	<u>(295,536)</u>	<u>379,830</u>	<u>235,524</u>	<u>4,605,989</u>
OTHER FINANCING SOURCES (USES)								
Bond proceeds	-	-	95,000,000	-	-	-	-	95,000,000
Premium on bonds	-	-	12,875,617	-	-	-	-	12,875,617
Transfers in (out)	(1,098,691)	-	-	798,691	300,000	-	-	-
Total other financing sources (uses)	<u>(1,098,691)</u>	<u>-</u>	<u>107,875,617</u>	<u>798,691</u>	<u>300,000</u>	<u>-</u>	<u>-</u>	<u>107,875,617</u>
NET CHANGE IN FUND BALANCES	5,530	3,830,730	107,944,587	80,941	4,464	379,830	235,524	112,481,606
FUND BALANCES, BEGINNING	<u>9,893,216</u>	<u>6,294,172</u>	<u>-</u>	<u>4,046,569</u>	<u>369,526</u>	<u>1,081,797</u>	<u>4,023,963</u>	<u>25,709,243</u>
FUND BALANCES, ENDING	<u>9,898,746</u>	<u>10,124,902</u>	<u>107,944,587</u>	<u>4,127,510</u>	<u>373,990</u>	<u>1,461,627</u>	<u>4,259,487</u>	<u>138,190,849</u>

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

GUNNISON WATERSHED SCHOOL DISTRICT RE-1J
Reconciliation of Revenues, Expenditures and Change in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2023

Governmental Funds Change in Fund Balances	112,481,606
<i>Add:</i>	
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 outlays reported as expenditures in the governmental funds.	1,870,550
Debt principal payments result in a reduction of accumulated resources on the fund financial statements. The government-wide statements show these payments as reductions against long-term liabilities.	2,973,269
An internal service fund is used by the District's management to charge the cost of employee health and dental insurance to the individual funds. The net revenue of these funds is reported with the governmental activities in the Statement of Activities.	596,930
Amortization of deferred costs such as premium and discounts on bonds payable and deferred charges from refunding and changes in accrued interest have no impact on current available resources but do change government-wide net position.	(684,003)
<i>Less:</i>	
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.	94,082
Accrued compensated absences 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.	(8,485)
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 expense reported as an expenditure in the governmental activities' functions.	(1,871,228)
Debt proceeds represent an increase in current available resources in the fund financial statements. These proceeds represent an increase in liabilities on the government wide financial statements. This represents the total debt proceeds issued during the year.	(107,875,617)
The difference between employer contributions to the pension plan and the change in pension liability and amortization of pension related deferrals do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(487,105)
Changes in the District's net post-employment health benefits obligation 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 District's net post-employment health benefits obligation during the year, including differences between District contributions to the plan and amortization of post-employment health benefits related deferrals.	178,474
Governmental Activities Change in Net Position	<u><u>7,268,473</u></u>

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

GUNNISON WATERSHED SCHOOL DISTRICT RE-1J
Statement of Net Position
Proprietary Funds
June 30, 2023

	Governmental Activities
	Internal Service Fund
ASSETS	
Current assets:	
Cash and investments	2,860,155
Accounts receivable, net:	
Other	2,847
Total current assets	2,863,002
 LIABILITIES	
Current liabilities:	
Other current liabilities	110,063
Total current liabilities	110,063
 NET POSITION	
Unrestricted	2,752,939
Total net position	2,752,939

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

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

	Governmental Activities
	Internal Service Fund
OPERATING REVENUES	
Insurance premiums	2,503,271
Stop loss reimbursement	19,204
Other income	55,491
Total operating revenues	2,577,966
OPERATING EXPENSES	
Claims losses	1,377,462
Stop loss premiums and fees	554,132
Salaries	35,559
Benefits	13,883
Total operating expenses	1,981,036
CHANGE IN NET POSITION	596,930
TOTAL NET POSITION, BEGINNING	2,156,009
TOTAL NET POSITION, ENDING	2,752,939

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

GUNNISON WATERSHED SCHOOL DISTRICT RE-1J
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2023

	Governmental Activities
	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from charges for services	2,504,654
Other cash receipts	74,694
Payments to vendors	(1,902,431)
Payments to employees	(49,442)
Net cash provided (used) by operating activities	627,475
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	627,475
Cash and Cash Equivalents, Beginning	2,232,680
Cash and Cash Equivalents, Ending	2,860,155
 Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	596,930
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in assets and liabilities related to operations:	
(Increase) decrease in accounts receivable	1,383
Increase (decrease) in accounts payable	29,163
Total adjustments	30,546
Net cash provided (used) by operating activities	627,476

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

Gunnison Watershed School District RE-1J

Notes to the Financial Statements



Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2023

I. Summary of Significant Accounting Policies

Gunnison Watershed School District RE-1J (the "District") includes portions of both Gunnison and Saguache Counties. The District provides academic and vocational curriculum, student transportation, food services, athletic and cultural extracurricular activities, maintenance and general administrative services. The District operates the following schools:

Elementary Schools Gunnison Elementary Crested Butte Elementary	Middle Schools Gunnison Middle School	High School Gunnison High School
Preschool & Kindergarten Lake School	Community School Crested Butte Secondary School	Charter School Marble Charter 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. Reporting Entity

The District operates under an elected District Board of Education comprised of five members. 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 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 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. Based upon the above criteria, the District has identified one discretely presented component unit.

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.

Discretely Presented Component Units – Marble Charter School

The State of Colorado Legislature in 1993 enacted the "Charter School Act – Colorado Revised Statutes (CRS) Section 22-30-101." 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." 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 must approve all Charter School applications and budgets. Therefore, the Marble Charter School is included in the District's reporting entity because of the nature and significance of their operational or financial relationships with the District.

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2023
(Continued)

I. Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

Complete financial statements can be obtained by contacting Marble Charter School, 418 West Main Street, Marble, Colorado 81623.

In 1995, the District approved a charter application through a resolution, allowing for the creation of the Marble Charter School ("Marble"). Marble is located in Marble, Colorado and provides educational services for grades kindergarten through seventh. Marble received an allocation of \$631,434 from the District for operations in the fiscal year ended June 30, 2023.

B. District-wide and Fund Financial Statements

The District's basic financial statements include both District-wide (financial activities of the overall District, except for fiduciary activities) and fund financial statements (reporting the District's major and non-major funds). The District-wide 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. Business-type activities are financed in whole or in part by fees charged to external parties.

1. District-wide Financial Statements

In the District-wide Statement of Net Position, the governmental columns are (a) presented on a consolidated basis by column, and (b) reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position.

The District-wide Statement of Activities reports both the gross and net cost of the District's functions and business-type activities (i.e., food service). The governmental functions are also supported by general government revenues (property taxes, specific ownership taxes, 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 function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function) are normally covered by general revenues. As a general rule, the effect of interfund activity has been removed from these statements.

The District-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 activities.

2. Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The fund focus is on current available resources and budget compliance.

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2023
(Continued)

I. Summary of Significant Accounting Policies (continued)

B. District-wide and Fund Financial Statements (continued)

2. Fund Financial Statements (continued)

The District reports the following major governmental funds:

General Fund – The *General Fund* is the District’s primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

Debt Service Fund – The *Debt Service Fund (Bond Redemption Fund)* accounts for transactions related to the District’s general obligation bonds and interest.

Capital Project Fund – The *Capital Reserve Capital Projects Fund* accounts for transactions related to the District’s acquisitions and construction of capital facilities and other capital assets.

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 expenditures for specified purposes other than debt 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. The District reports the following major special revenue funds:

The *Food Services Fund* accounts for the activities of the District’s school breakfast and lunch programs.

The *Pupil Activity Fund* accounts for student clubs and other organizations.

The *2014 Mill Levy Override Fund* accounts for transactions related to future curriculum purchases and capital investments.

The District reports the following internal service fund:

The *Self Insurance Fund (Health Services Fund)* accounts for the employee’s health and dental benefits provided to other departments or funds of the District on a cost reimbursement basis.

C. 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.

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2023
(Continued)

I. Summary of Significant Accounting Policies (continued)

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

1. Long-term Economic Focus and Accrual Basis

Both the governmental and proprietary funds in the district-wide 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 flows. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

2. Current Financial Focus and Modified Accrual Basis

The District's 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. The District considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, net pension liability, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

3. Financial Statement Presentation

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's proprietary fund are charges to customers for sales. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2023
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts

1. Cash and Cash Equivalents

Cash and cash equivalents are defined as deposits that can be withdrawn at any time without notice or penalty and investments with original maturities of three months or less.

2. Investments

Investments are stated at net asset value. The District's investment policy permits investments in the following type of obligations which corresponds with state statutes:

- U.S. Treasury Obligations (maximum maturity of 60 months)
- Federal Instrumentality Securities (maximum maturity of 60 months)
- FDIC-insured Certificates of Deposit (maximum maturity of 18 months)
- Corporate Bonds (maximum maturity of 36 months)
- Prime Commercial Paper (maximum maturity of 9 months)
- Eligible Bankers Acceptances
- Repurchase Agreements
- General Obligations and Revenue Obligations
- Local Government Investment Pools
- Money Market Mutual Funds

3. Receivables

Receivables are reported net of an allowance for uncollectible accounts.

4. Property Taxes

Property taxes are assessed in one year as a lien on the property, but not collected by the governmental units until the subsequent year. In accordance with GAAP, the assessed but uncollected property taxes have been recorded as a receivable. Property tax receivables that are considered to be available (i.e. sixty days after year-end) are reported on the governmental fund financial statements. Property tax receivables that are not considered available (i.e. long term) are reported on the government wide Statement of Net Position.

5. Inventory

Inventories recorded in the *Food Services Fund* consist of purchased and donated commodities. Purchased inventories are valued at cost, while 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 using the first-in, first-out method.

6. Interfund Receivables and Payables

Balances at year-end between funds are reported as "due from / due to other funds" in the fund financial statements. Any residual balances not eliminated between the governmental and business-type activities are reported as "internal balances" in the district-wide financial statements.

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2023
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

7. Capital Assets

Capital assets, which include land, land improvements, construction in progress, buildings and improvements, equipment, and vehicles, are reported in the proprietary fund financial statements and the applicable governmental columns 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 two years. 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 at the date of donation.

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. The District does not capitalize interest on the construction of capital assets.

Buildings and improvements, equipment, and vehicles are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	50
Furniture and fixtures	20
Equipment	7
Kitchen equipment	20
Vehicles	10

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2023
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

8. 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.

9. Defined Benefit Other Post Employment Benefit (OPEB) Plan

The District participates in the Health Care Trust Fund ("HCTF"), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position 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.

10. Deferred Outflows and Inflows of Resources

Deferred outflows of resources represent a consumption of net position 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 that qualify for reporting under this category on the Statement of Net Position. One item is deferred charge on refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded debt or refunding debt. Other items are the collective deferred outflows of resources related to the District's net pension obligation and other post-employment benefit obligations ("OPEB"). Pension and OPEB contributions made after the measurement date, and the net difference between projected and actual earnings will be recognized as a reduction of the net pension or OPEB liability in future periods.

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2023
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

10. Deferred Outflows and Inflows of Resources (continued)

Deferred inflows of resources represent an acquisition of net position that apply 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. Deferred revenue reported in the governmental balance sheet is deferred and recognized as an inflow of resources in the period that the amounts become available. Collective deferred inflows related to the District's net pension obligation and other post-employment benefits obligations are reported on the Statement of Net Position and are amortized over the average service lives of participants. See Note III (G) below for discussion on pension related deferred outflows and inflows.

11. Compensated Absences

Annual leave begins accruing on the first day of employment and accrues at the rate of eleven (11) days per year for non-classified staff and one (1) day per month for classified staff. Any unused vacation leave is paid out upon termination.

Non-Classified District employees with seventy-five (75) days of accumulated annual leave may request reimbursement of up to six (6) days of unused annual leave each year at \$50 per day. Retiring Non-Classified District employees with twenty (20) or more years of employment with the District can apply to be paid for up to one-hundred (100) days of accumulated annual leave at \$50 per day.

Vacation Leave – Classified year-round District employees may accrue unused vacation leave at their current daily rate. In addition, District employees are paid for accumulated vacation at their current daily rate upon termination.

Vested or accumulated leave that is expected to be liquidated with expendable available financial resources are reported as expenditures and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated leave that are not expected to be liquidated with expendable available financial resources are reported in the governmental activities column in the District-wide financial statements. Vested or accumulated leave of the proprietary fund type is recorded as an expense and a liability of that fund as the benefits accrue to employees. No liability is recorded for non-vesting accumulating rights.

12. Long-term Obligations

In the district-wide financial statements and proprietary fund types in the fund financial statements, long-term debt is reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type 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.

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2023
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

12. Long-term Obligations (continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures in the fund financial statements.

13. Fund Equity

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.

14. Interfund Transactions

Quasi-external transactions 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 expenditures or expenses in the reimbursing fund and as reductions of expenditures or expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

E. 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.

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2023
(Continued)

I. Summary of Significant Accounting Policies (continued)

E. Significant Accounting Policies (continued)

3. Fund Balance Policy

The District has adopted minimum fund policy for the General Fund. The policy requires a minimum fund balance of at least 15% of the estimated General Fund expenditures.

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 Gunnison County, Colorado in order to meet this requirement.

B. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year-end.

The District follows these procedures in establishing the budgetary data reflected in the basic financial statements:

- a. On or about December 1, the Superintendent submits to the Board of Education a five-year financial projection. This is the basis for budgeting guidelines established by the Board of Education.
- b. By May 31st, the Superintendent submits to the Board a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and means of financing them.
- c. Public hearings are conducted at a regular Board of Education meeting to obtain taxpayer comment.
- d. Prior to June 30, the budget is legally adopted by the Board of Education.
- e. Formal budgetary integration is employed as a management control device during the year for all funds.
- f. The District issues a separate budget document after the budget is approved by the Board of Education.

Colorado Budget Law requires that 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. Where applicable, the Board of Education includes available fund balance in the amount appropriated in the annual Appropriations Resolution.

Authorization to transfer budgeted amounts between programs and/or departments within any fund and the reallocation of budget line items within any program and/or department rests with the Superintendent of Schools and may be delegated to an appropriate level of management. Revisions and/or supplemental appropriations that alter the total expenditures of any fund must be approved by the Board of Education.

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2023
(Continued)

II. Stewardship, Compliance, and Accountability (continued)

B. Budgetary Information (continued)

Budgetary amounts reported in the accompanying basic financial statements are as originally adopted and amended by the Superintendent and/or the Board of Education throughout the year except they exclude appropriated available fund balance. Individual amendments were not material in relation to the original appropriations.

During the year supplemental appropriation ordinances were approved for the following funds:

Fund	Original Appropriation	Final Appropriation	Change
Projects Fund	813,864	1,612,556	798,692

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.

TABOR 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 \$979,581 of its June 30, 2023 fund balances for this purpose.

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2023
(Continued)

II. Stewardship, Compliance, and Accountability (continued)

C. TABOR Amendment (continued)

In 1997, the District’s electorate approved the following ballot question: *“Without increasing any tax rates or imposing any new tax shall Gunnison Watershed School District RE-J1 be authorized to collect, keep and expend all District revenues received in fiscal year 1998 and each year thereafter without regard to any spending, revenue raising or other limitation in Article X, Section 20 of the Colorado Constitution or other laws of the state?”*.

The District believes it is in compliance with the requirements of the TABOR Amendment. However, the Amendment is complex and subject to interpretation. Many of its provisions will require judicial interpretation.

III. Detailed Notes on All Funds

A. Deposits and Investments

The District’s deposits are entirely covered by federal depository insurance (“FDIC”) or by collateral held under Colorado’s Public Deposit Protection Act (“PDPA”). The FDIC insures the first \$250,000 of the District’s deposits at each financial institution. Deposit balances for accounts over \$250,000 are collateralized as required by PDPA. The carrying amount of the District’s demand deposits was \$0 at year end.

Fair Value of Investments

The District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. As such, a fair value hierarchy categorizes the inputs used to measure the fair value of the investments into three levels, 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 has the following recurring value measurements:

Investments Measured at Net Asset Value	Total
COLOTRUST	\$ 138,438,189

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2023
(Continued)

III. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

The District is governed by the deposit and investment limitations of state law. The deposits and investment balances at June 30, 2023, are as follows:

<u>Type:</u>	<u>Standard & Poor's Rating</u>	<u>Balance</u>	<u>Maturities</u>	
			<u>Less Than One Year</u>	<u>One to Five Years</u>
<i>Deposits:</i>				
Checking accounts	Not rated	\$ 3,988,595	\$ 3,988,595	\$ -
Cash with fiscal agent	Not rated	36,252	36,252	-
<i>Investments:</i>				
Investment pool	AAAm	138,438,189	138,438,189	-
		<u>\$ 142,463,036</u>	<u>\$ 142,463,036</u>	<u>\$ -</u>

At June 30, 2023, the District was invested in the Colorado Government Liquid Asset Trust ("COLOTRUST"), an investment vehicle established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating COLOTRUST. The pool operates in conformity with the Securities and Exchange Commission's Rule 2a-7 with each share equal in value to \$1.00.

Investments of COLOTRUST are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

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.

Credit Risk. State law specifies 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.

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2023
(Continued)

III. Detailed Notes on All Funds (continued)

B. Receivables

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

	General Fund	Bond Redemption Fund	Capital Reserve Capital Projects Fund	Food Services Fund	Pupil Activity Funds	2014 Mill Lev. Override Fund
Receivables:						
Taxes	\$ 574,656	\$ 400,765	\$ -	\$ -	\$ -	\$ 108,078
Accounts	-	-	-	-	7,600	-
Other	521,455	-	-	76,837	-	-
Gross receivables	1,096,111	400,765	-	76,837	7,600	108,078
Less: allowance for uncollectible	-	-	-	-	-	-
Net Receivables	\$ 1,096,111	\$ 400,765	\$ -	\$ 76,837	\$ 7,600	\$ 108,078

Governmental funds report property tax receivable for property taxes levied in fiscal year 2023 but not available until 2024.

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Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2023
(Continued)

III. Detailed Notes on All Funds (continued)

C. Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 2,866,151	\$ -	\$ -	\$ 2,866,151
Construction in progress	89,517	1,282,741	-	1,372,258
Total capital assets, not being depreciated	<u>2,955,668</u>	<u>1,282,741</u>	<u>-</u>	<u>4,238,409</u>
Capital assets, being depreciated:				
Buildings and improvements	78,996,729	33,885	-	79,030,614
Equipment	2,298,556	185,704	(30,373)	2,453,887
Vehicles	2,790,076	368,218	-	3,158,294
Total capital assets being depreciated	<u>84,085,361</u>	<u>587,807</u>	<u>(30,373)</u>	<u>84,642,795</u>
Total capital assets - Cost	<u>87,041,029</u>	<u>1,870,548</u>	<u>(30,373)</u>	<u>88,881,204</u>
Less accumulated depreciation:				
Buildings and improvements	(26,627,079)	(1,546,497)	-	(28,173,576)
Equipment	(1,285,945)	(144,117)	30,373	(1,399,689)
Vehicles	(2,037,591)	(180,614)	-	(2,218,205)
Total accumulated depreciation	<u>(29,950,615)</u>	<u>(1,871,228)</u>	<u>30,373</u>	<u>(31,791,470)</u>
Governmental activities capital assets, net	<u>\$ 57,090,414</u>	<u>\$ (680)</u>	<u>\$ -</u>	<u>\$ 57,089,734</u>

The District had \$5,411,353 of fully depreciated capital assets still in service at June 30, 2023.

The District had the following capital outlay and depreciation expense for the following functions:

	<u>Capital Outlay</u>	<u>Depreciation Expense</u>
Governmental activities:		
Direct instruction	\$ 1,282,740	\$ 1,509,589
General administration	72,532	9,038
Support services	33,885	53,547
Custodial and maintenance	61,201	60,920
Transportation	376,668	208,484
Food services	43,522	29,650
Total - governmental activities	<u>\$ 1,870,548</u>	<u>\$ 1,871,228</u>

Differences between capital outlay expenditures and capital asset additions relate to expenditures that are less than the District's \$5,000 capitalization threshold.

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2023
(Continued)

III. Detailed Notes on All Funds (continued)

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2023, was as follows:

	Receivable Fund	Payable Fund
General	\$ 1,337	\$ -
Pupil Activity	-	(1,110)
2014 Mill Levy Override	-	(227)
	\$ 1,337	\$ (1,337)

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfers for fiscal year 2023 were as follows:

Transfer In (Out)	Amount	Transfer Purpose
General Fund	\$ (1,098,691)	To fund operations in other funds.
Food Services Fund	300,000	Funding for operations.
Capital Reserve Capital Projects Fund	798,691	Funding for capital expenditures.
Total	\$ -	

E. Long-term Debt – Governmental Activities

1. General Obligation Refunding Bonds, Series 2014

On October 9, 2014, the District issued \$49,355,000 of General Obligation Refunding Bonds, Series 2014 for the purpose of improving, remodeling and repairing District facilities and provide for other capital improvement projects. Principal and interest payments are due semi-annually on June 1st and December 1st, through 2033. Interest accrues at 1% to 5% per annum.

Bonds maturing on or before December 1, 2024, are not subject to redemption prior to maturity. Bonds maturing on and after December 31, 2025, are subject to optional redemption prior to maturity at the option of the District at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date.

The reacquisition price exceeds net carrying amount of the old debt by \$7,667,420. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt.

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2023
(Continued)

III. Detailed Notes on All Funds (continued)

E. Long-term Debt – Governmental Activities (continued)

2. General Obligation Refunding Bonds, Series 2021

On March 11, 2021, the District issued General Obligation Refunding Bonds, Series 2021. The bonds were issued in the amount of \$37,275,000 and the proceeds were used to partially refund the General Obligation Refunding Bonds, Series 2014. The bonds were issued in denominations of \$5,000 and bear interest rates ranging from 0.165% to 2.18%. The bonds maturing on and before December 1, 2031 are not subject to early redemption prior to their respective maturity dates. The bonds maturing on and after December 1, 2032 are subject to redemption prior to maturity, at the option of the District, in whole or in part, in integral multiples of \$5,000. The debt matures in 2033.

The reacquisition price exceeds net carrying amount of the old debt by \$3,715,302. This amount is being netted against the new debt and amortized over the life of the refunded debt.

3. General Obligation Bonds, Series 2023

On January 18, 2023, the District issued General Obligation Bonds, Series 2023. The bonds were issued in the amount of \$95,000,000 with a premium of \$12,875,617 in order to provide security, mechanical and other upgrades at the District's schools. The bonds were issued in denominations of \$5,000 and bear interest at 5%. The bonds maturing after December 1, 2023 are subject to redemption. The debt matures in 2042.

4. Defeasance of Debt

In October 2014, proceeds of the General Obligation Bonds, Series 2014, were used to purchase U.S. government securities to retire General Obligation Bonds, Series 2008 and 2009. Sufficient U.S. government, state and local government 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 defeased and the liability has been removed from the District's financial statements. The amount of the debt considered defeased cannot be readily determined as of June 30, 2023.

In March 2021, proceeds of the General Obligation Bonds, Series 2021, were used to purchase U.S. government securities to partially retire the General Obligation Bonds, Series 2014. Proceeds were placed in an escrow account; the moneys in the escrow account will be used to acquire direct, nonmalleable general obligation of the U.S. government, which will be sufficient to pay for all future debt service payments on the refunded debt. As a result, the refunded bonds are considered defeased and the liability has been removed from the District's financial statements. The Series 2014 Bonds maturing on December 1, 2021 through and including December 1, 2024, in the aggregate principal amount of \$10,535,000 are not part of this refunding. The amount of the debt considered defeased cannot be readily determined as of June 30, 2023.

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2023
(Continued)

III. Detailed Notes on All Funds (continued)

E. Long-term Debt – Governmental Activities (continued)

5. Schedule of Future General Obligation Bond Payments

The District's aggregate annual debt service requirements for general obligation bond at June 30, 2023, are as follows:

Fiscal Year Ending	Debt	
	Total Principal	Total Interest
2024	4,335,000	5,518,174
2025	3,740,000	5,333,590
2026	3,910,000	5,218,790
2027	3,970,000	5,162,728
2028	4,025,000	5,104,175
2029 - 2033	21,220,000	1,813,905
2034 - 2038	24,455,000	20,786,014
2039 - 2043	31,075,000	13,948,125
2044 - 2048	39,650,000	5,149,750
Total	\$ 136,380,000	\$68,035,250
Add: Unamortized bond premium	13,263,105	
Total bonded debt	\$ 149,643,105	

6. Capital Lease Payable

The Company leases certain machinery and equipment under agreements that are classified as capital leases. The cost of equipment under capital leases is included in the Statement of Net Position as capital assets and was \$86,671 at June 30, 2023. Accumulated amortization of the leased equipment at June 30, 2023 was approximately \$62,203. Amortization of assets under capital leases is included in depreciation expense.

The future minimum lease payments required under the capital leases and the present value of the net minimum lease payments as of June 30, 2023, are as follows:

Fiscal Year Ending:	Amount
2024	\$ 27,573
2025	4,596
Total minimum lease payments	32,169
Less: interest	(1,924)
Capital lease obligation	\$ 30,245

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2023
(Continued)

III. Detailed Notes on All Funds (continued)

E. Long-term Debt – Governmental Activities (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>Balance July 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2023</u>	<u>Due Within One Year</u>
Governmental Activities:					
General Obligation Bonds:					
Refunding, Series 2014 Unamortized bond	\$ 8,040,000	\$ -	\$ (2,575,000)	\$ 5,465,000	\$ 2,670,000
premiums/discounts	967,500	12,875,617	(580,012)	13,263,105	-
Refunding, Series 2021	36,290,000	-	(375,000)	35,915,000	375,000
Series 2023	-	95,000,000	-	95,000,000	1,290,000
Capital leases	53,514	-	(23,269)	30,245	25,706
Net Pension Liability	26,473,856	8,797,820	-	35,271,676	-
Net OPEB Liability	1,280,814	-	(79,017)	1,201,797	-
Accrued compensated absences	256,470	8,484	-	264,954	66,239
Total Governmental Activities	<u>\$ 73,362,154</u>	<u>\$ 116,681,921</u>	<u>\$ (3,632,298)</u>	<u>\$ 186,411,777</u>	<u>\$ 4,426,945</u>

For governmental activities, compensated absences and pension liabilities are liquidated by the General Fund.

F. Fund Balance Classifications

The District classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts inherently non-spendable since they represent inventories, prepaid items, long-term portions of loans receivable, etc.

Spendable Fund Balance:

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions 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 School Board of the District. The District's original budget legislation begins with combining historical data, assessment of needs for the upcoming year and the District's platform to review, and/or make changes to each department's budget. The budget is formally presented to the School Board of the District via an advertised public process for their review, revisions and final approval by year-end. All subsequent budget requests made during the year, after School Board approval, must be presented via a public process and again approved by the School Board of the District. The District has committed \$3,918,324 for future year's expenditures, \$365,522 for food service, \$4,063,842 for educational purposes, and \$1,461,627 for student activities as of June 30, 2023.

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2023
(Continued)

III. Detailed Notes on All Funds (continued)

F. Fund Balance Classifications (continued)

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 School Board of the District or its management designees.

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 or contracts that prohibit this, such as grant agreements that require dollar for dollar spending. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts when expenditures are made. The District does not have an adopted minimum fund balance policy; however, the District's budget includes calculations of targeted reserve positions, which is reported annually to the School Board of the District.

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

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

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

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

The lifetime retirement benefit for all eligible retiring employees under the Denver Public Schools (DPS) benefit structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2023
(Continued)

III. Detailed Notes on All Funds (continued)

G. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

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

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

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

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.

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.

Contribution 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 percent 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:

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2023
(Continued)

III. Detailed Notes on All Funds (continued)

G. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

	July 1, 2022 Through June 30, 2023
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 SCHDTF	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%
Total employer contribution rate to the SCHDTF	20.38%

**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 \$3,007,763 for the year ended June 30, 2023.

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

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2023
(Continued)

III. Detailed Notes on All Funds (continued)

G. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

The net pension liability for the SCHDTF was measured as of December 31, 2022, and the total pension liability ("TPL") 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 TPL 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 \$35,271,676 for its proportionate share of the net pension liability that reflected a reduction for support from the State as a non-employer contributing entity. The amount recognized by the District as its proportionate share of the net pension liability, the related support from the State as a non-employer contributing entity, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$35,271,676
The State's proportionate share of the net pension liability as a non-employer contributing entity associated with the District	<u>7,959,146</u>
Total	<u>\$43,230,822</u>

At December 31, 2022, the District's proportion was 0.1937%, which was a decrease of 0.0338% from its proportion measured as of December 31, 2021.

For the year ended June 30, 2023, the District recognized pension expense of \$1,695,797 and revenue of \$1,208,691 for support from the State as a non-employer 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 333,794	\$ -
Net difference between projected and actual earnings on pension plan investments	4,738,285	-
Changes in actuarial assumptions	624,800	-
Changes in proportionate share of contributions	1,189,500	5,069,216
Contributions subsequent to the measurement date	<u>1,638,056</u>	<u>-</u>
	<u>\$ 8,524,435</u>	<u>\$ 5,069,216</u>

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2023
(Continued)

III. Detailed Notes on All Funds (continued)

G. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

\$1,638,056 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2024	\$	(1,050,195)
2025		(1,107,465)
2026		1,218,764
2027		<u>2,756,059</u>
	<u>\$</u>	<u>1,817,163</u>

Actuarial assumptions. The TPL 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	1.00%
PERA benefit structure hired after 12/31/06 ¹	Financed by the AIR

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

The 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.

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2023
(Continued)

III. Detailed Notes on All Funds (continued)

G. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Post-retirement non-disabled mortality assumptions were based upon 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.

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 every four to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020.

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

The PERA Board first adopted the 7.25% 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:

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2023
(Continued)

III. Detailed Notes on All Funds (continued)

G. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

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

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%.

Discount rate. The discount rate used to measure the TPL 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 Senate Bill (“SB”) 18-200, 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, 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.

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2023
(Continued)

III. Detailed Notes on All Funds (continued)

G. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

- 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.
- The AIR balance was excluded from the initial FNP, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the FNP and the subsequent AIR benefit payments were estimated and included in the projections.
- 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 TPL. 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 one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Collective net pension liability	\$ 23,829,927,000	\$ 18,209,465,000	\$ 13,515,805,000
Proportionate share of net pension liability	\$ 46,158,493	\$ 35,271,676	\$ 26,180,071

Pension plan fiduciary net position. Detailed information about the SCHDTF's FNP is available in PERA's ACFR which can be obtained at www.copera.org/investments/pera-financial-reports.

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2023
(Continued)

III. Detailed Notes on All Funds (continued)

H. 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 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.

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 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.

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2023
(Continued)

III. Detailed Notes on All Funds (continued)

H. Health Care Trust Fund Liabilities and Related Expenses, Deferred Outflows of Resources, and Deferred Inflows of Resources (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 service-based subsidy, in each case, is for retirees 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 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 \$160,245 for the year ended June 30, 2023.

At June 30, 2023, the District reported a liability of \$1,201,797 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2022, and the total OPEB liability ("TOL") 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 TOL to December 31, 2022. The District's proportion of the net OPEB liability was based on the District's contributions to the HCTF for the calendar year 2022 relative to the total contributions of participating employers to the HCTF.

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2023
(Continued)

III. Detailed Notes on All Funds (continued)

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

At December 31, 2022, the District proportion was 0.1472%, which was an increase of 0.0033% from its proportion measured as of December 31, 2021.

For the year ended June 30, 2023, the District recognized OPEB revenue of \$178,474 . At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expenses and actual experience	217	300,098
Changes in actuarial assumptions	20,141	134,797
Changes in proportionate share of contributions	112,704	652
Net difference between projected and actual earnings on plan investments	73,403	2,464
Contributions subsequent to measurement date	81,983	-
	288,448	438,011

\$81,983 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:

Year Ended June 30,	Amortization
2024	(85,162)
2025	(82,533)
2026	(29,531)
2027	7,960
2028	(23,442)
Thereafter	(5,641)
	(218,349)

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2023
(Continued)

III. Detailed Notes on All Funds (continued)

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

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

	State Division	School Division	Local Government Division	Judicial Division
Actuarial cost method			Entry age	
Price inflation			2.30%	
Real wage growth			0.70%	
Wage inflation			3.00%	
Salary increases, including wage inflation				
Members other than State Troopers	3.30%-10.90%	3.40%-11.00%	3.20%- 11.30%	2.80%-5.30%
State Troopers	3.20%-12.40%	N/A	3.20%- 12.40%	N/A
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation			7.25%	
Discount rate			7.25%	
Health care cost trend rates				
PERA benefit structure:				
Service-based premium subsidy			0.00%	
PERACare Medicare plans			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	

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2023
(Continued)

III. Detailed Notes on All Funds (continued)

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

The TOL 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 FNP 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.

Age-Related Morbidity Assumptions

Participant Age	Annual Increase (Male)	Annual Increase (Female)
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%

Sample Age	MAPD PPO #1 with Medicare Part A		MAPD PPO #2 with Medicare Part A		MAPD HMO (Kaiser) with Medicare Part A	
	Retiree/Spouse		Retiree/Spouse		Retiree/Spouse	
	Male	Female	Male	Female	Male	Female
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

Sample Age	MAPD PPO #1 with Medicare Part A		MAPD PPO #2 with Medicare Part A		MAPD HMO (Kaiser) with Medicare Part A	
	Retiree/Spouse		Retiree/Spouse		Retiree/Spouse	
	Male	Female	Male	Female	Male	Female
65	\$6,504	\$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

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2023
(Continued)

III. Detailed Notes on All Funds (continued)

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

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.

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 TOL are summarized in the table below:

Year	PERACare Medicare Plans	Medicare Part A Premiums
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 TOL 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.

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2023
(Continued)

III. Detailed Notes on All Funds (continued)

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

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

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

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

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

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

- **Males:** 94% of the rates prior to age 80 and 90% 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 Division were based upon 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 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.

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2023
(Continued)

III. Detailed Notes on All Funds (continued)

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

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.

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 every four to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020.

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2023
(Continued)

III. Detailed Notes on All Funds (continued)

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

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

As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

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

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 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:

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2023
(Continued)

III. Detailed Notes on All Funds (continued)

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

	<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%
Collective Net OPEB Liability	\$ 837,542,000	\$ 816,479,000	\$ 890,991,000
Proportionate Share of Net OPEB Liability	\$ 1,232,800	\$ 1,201,797	\$ 1,311,473

Discount rate. The discount rate used to measure the TOL 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.
- 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:

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2023
(Continued)

III. Detailed Notes on All Funds (continued)

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Collective Net OPEB Liability	\$ 946,541,000	\$ 816,479,000	\$ 705,234,000
Proportionate Share of Net OPEB Liability	\$ 1,393,239	\$ 1,201,797	\$ 1,038,053

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

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

Funding Policy. The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. The District does not currently match employee contributions to the Voluntary Investment Program; the District has one employee which was grandfathered in under the previous policy, which was for the District to contribute \$176 per month into an employee's retirement account. Employees are immediately vested in their own contributions, employer contributions and investment earnings. For the year ended June 30, 2023, program members contributed \$106,183 and the District recognized pension expense and a liability of \$2,112 and \$2,112, respectively, for the Voluntary Investment Program.

B. 403(b) Defined Contribution Pension Plan

Plan Description. The District offers participation in an independent 403(b) retirement savings plan. All employees are eligible except student teachers. Contribution limits are set by the IRS. The District contracts with American Fidelity Insurance Company ("AFPlanServ") as Plan Administrator. The District makes minimal contributions to the plan for a limited segment of grandfathered employees.

C. 457(b) Deferred Compensation Plan

Plan Description. The District has a deferred compensation plan created in accordance with IRC Section 457 for employees working 30 hours or more per week. This plan is administered by Waddell & Reed. Participation in the plan is optional. Contribution limits are set by the IRS. The District makes minimal contributions to the plan for limited segment of grandfathered employees.

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2023
(Continued)

IV. Other Information (continued)

D. Risk Management

Risk of Loss: 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.

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 (ELPA) 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.

Self-Insurance Fund: The District also offers health insurance to certain employees through the District's self-funded health plan with excess coverage underwritten by a commercial carrier. The District accumulates resources to pay health insurance costs but carries a stop loss policy for individuals for \$75,000 and an aggregate stop loss maximum exposure of \$2,848,358. Liabilities for retained risk claims are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported ("IBNR").

The following is a summary of the changes in the balances of claims liabilities during 2023 and 2022:

	2023	2022
Unpaid claims, beginning	\$ 80,900	\$ 238,333
New claims incurred	2,010,177	1,625,897
Claim payments	(1,981,036)	(1,783,330)
Unpaid claims, ending	\$ 110,041	\$ 80,900

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2023
(Continued)

IV. Other Information (continued)

E. 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.

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.

F. Colorado Department of Education Financing – Interest Free Loan Program

The Colorado Department of Education allows school districts to borrow funds up to the next year's estimated property tax collections for the specific district to cover operating expenditures. The program was established to assist districts who receive the majority of their program funding through local property taxes. Most property tax revenues are not received by school districts until the last four months of the fiscal year resulting in a cash flow deficit. The loans are repaid to the State as property taxes are collected.

In the fiscal year 2023, the District did not obtain any financing from the State of Colorado in order to meet the District's obligations.

G. Intergovernmental Agreement with the Town of Crested Butte

On September 17, 2019 the District entered into an intergovernmental agreement with the Town of Crested Butte. The parties agreed upon terms and conditions for the ongoing maintenance and coordinated joint use of School Facilities, Town Facilities, and the School Parking Lot, as defined in the agreement. The term of the agreement is ten years, with a joint review of the terms of the agreement by both parties every five years.

Gunnison Watershed School District RE-1J

Required Supplementary Information



Gunnison Watershed School District RE-1J
General Fund
Schedule of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual (GAAP Basis)
For the Year Ended June 30, 2023
(With Comparative Actual Amounts for 2022)

	<u>2023</u>			Variance with Final Budget- Positive (Negative)	<u>2022</u>
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
REVENUES					
Taxes:					
Property taxes levied for general purposes	12,852,371	12,634,561	12,741,689	107,128	12,974,366
Specific ownership taxes	1,205,911	1,558,911	1,401,579	(157,332)	1,341,793
Federal income	2,420,023	2,766,169	2,686,509	(79,660)	2,470,873
State income	7,897,857	8,193,031	8,335,784	142,753	7,026,264
Investment income	50,000	360,000	583,322	223,322	68,796
Other	460,001	406,001	372,394	(33,607)	375,820
Total revenues	<u>24,886,163</u>	<u>25,918,673</u>	<u>26,121,277</u>	<u>202,604</u>	<u>24,257,912</u>
EXPENDITURES					
Direct instruction	14,900,415	14,165,647	14,194,174	(28,527)	13,295,136
Indirect instruction	2,918,475	2,958,816	2,986,358	(27,542)	2,447,809
General administration	2,674,362	2,592,302	2,558,263	34,039	2,285,769
Support services	1,074,784	1,374,934	1,349,709	25,225	860,504
Custodial and maintenance	2,252,176	2,713,762	2,670,289	43,473	2,245,835
Transportation	929,085	958,101	949,730	8,371	647,189
Community service	1,000	1,000	5,565	(4,565)	1,211
Capital outlay	132,066	323,635	302,315	21,320	391,254
Food service	-	-	653	(653)	-
Total expenditures	<u>24,882,363</u>	<u>25,088,197</u>	<u>25,017,056</u>	<u>71,141</u>	<u>22,174,707</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>3,800</u>	<u>830,476</u>	<u>1,104,221</u>	<u>273,745</u>	<u>2,083,205</u>
OTHER FINANCING SOURCES (USES)					
Transfers in (out)	(1,289,310)	(1,098,691)	(1,098,691)	-	(1,739,214)
Total other financing sources (uses)	<u>(1,289,310)</u>	<u>(1,098,691)</u>	<u>(1,098,691)</u>	<u>-</u>	<u>(1,739,214)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing (Uses)	<u>(1,285,510)</u>	<u>(268,215)</u>	<u>5,530</u>	<u>273,745</u>	<u>343,991</u>
Reconciliation to GAAP Basis:					
Pension direct distribution - Special funding			876,492		324,013
Pension expense - Special funding			(876,492)		(324,013)
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing (Uses) - GAAP Basis			<u>5,530</u>		<u>343,991</u>
NET CHANGE IN FUND BALANCES	<u>(1,285,510)</u>	<u>(268,215)</u>	<u>5,530</u>	<u>273,745</u>	<u>343,991</u>
FUNDS BALANCES, BEGINNING			<u>9,893,216</u>		<u>9,549,225</u>
FUND BALANCES, ENDING			<u>9,898,746</u>		<u>9,893,216</u>

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

GUNNISON WATERSHED SCHOOL DISTRICT RE-1J
Food Services Fund
Schedule of Revenues, Expenditures and Changes in Net Position
Budget and Actual (GAAP Basis)
For the Year Ended June 30, 2023
(With Comparative Actual Amounts for 2022)

	2023			Variance with Final Budget- Positive (Negative)	2022
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
REVENUES					
Food sales	186,600	324,750	365,500	40,750	1,414
Federal aid:					
Federal government meal reimbursement	192,000	192,000	279,347	87,347	814,094
USDA Commodity contribution	35,000	41,806	14,638	(27,168)	29,868
Other	7,500	55,352	60,025	4,673	46,956
State reimbursement	8,300	8,300	13,195	4,895	8,396
Total revenues	<u>429,400</u>	<u>622,208</u>	<u>732,705</u>	<u>110,497</u>	<u>900,728</u>
EXPENDITURES					
Salaries and employee benefits	684,214	584,117	568,157	15,960	545,136
Purchased services	10,000	10,000	4,319	5,681	7,821
Supplies	53,500	75,000	64,218	10,782	47,531
Food costs:					
Purchased food	435,250	430,856	324,721	106,135	332,648
Donated commodities	-	-	14,638	(14,638)	29,868
Capital outlay	10,000	47,000	52,188	(5,188)	7,466
Total expenditures	<u>1,192,964</u>	<u>1,146,973</u>	<u>1,028,241</u>	<u>118,732</u>	<u>970,470</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(763,564)</u>	<u>(524,765)</u>	<u>(295,536)</u>	<u>229,229</u>	<u>(69,742)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in (out)	<u>600,000</u>	<u>300,000</u>	<u>300,000</u>	<u>-</u>	<u>180,000</u>
Total other financing sources	<u>600,000</u>	<u>300,000</u>	<u>300,000</u>	<u>-</u>	<u>180,000</u>
NET CHANGE IN FUND BALANCES	<u>(163,564)</u>	<u>(224,765)</u>	<u>4,464</u>	<u>229,229</u>	<u>110,258</u>
TOTAL NET POSITION, BEGINNING			<u>369,526</u>		<u>259,268</u>
TOTAL NET POSITION, ENDING			<u>373,990</u>		<u>369,526</u>

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

GUNNISON WATERSHED SCHOOL DISTRICT RE-1J
Pupil Activity Fund
Schedule of Revenues, Expenditures and Changes in Fund
Balances - Budget and Actual (GAAP Basis)
For the Year Ended June 30, 2023
(With Comparative Actual Amounts for 2022)

	<u>2023</u>			<u>Variance with Final Budget- Positive (Negative)</u>	<u>2022</u>
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>			
REVENUES					
Charges for services	1,149,066	1,162,712	1,830,732	668,020	1,438,500
Total revenues	<u>1,149,066</u>	<u>1,162,712</u>	<u>1,830,732</u>	<u>668,020</u>	<u>1,438,500</u>
EXPENDITURES					
Student activities	1,891,580	1,899,416	1,423,518	475,898	1,269,246
Capital outlay	37,114	42,114	27,384	14,730	28,831
Total expenditures	<u>1,928,694</u>	<u>1,941,530</u>	<u>1,450,902</u>	<u>490,628</u>	<u>1,298,077</u>
NET CHANGE IN FUND BALANCES	<u>(779,628)</u>	<u>(778,818)</u>	379,830	<u>1,158,648</u>	140,423
FUND BALANCES, BEGINNING			<u>1,081,797</u>		<u>941,374</u>
FUND BALANCES, ENDING			<u>1,461,627</u>		<u>1,081,797</u>

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

GUNNISON WATERSHED SCHOOL DISTRICT RE-1J
2014 Mill Levy Override Fund
Schedule of Revenues, Expenditures and Changes in Fund
Balances - Budget and Actual (GAAP Basis)
For the Year Ended June 30, 2023
(With Comparative Actual Amounts for 2022)

	2023			Variance with Final Budget- Positive (Negative)	2022
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
REVENUES					
Property taxes	2,500,000	2,500,000	2,501,292	1,292	2,511,767
Investment income	10,000	70,000	129,990	59,990	12,871
Total revenues	2,510,000	2,570,000	2,631,282	61,282	2,524,638
EXPENDITURES					
Direct instruction	1,016,710	824,712	783,277	41,435	760,954
Indirect instruction	873,647	960,464	864,421	96,043	759,633
Custodial and maintenance	93,500	98,500	92,609	5,891	63,180
General administration	34,182	34,182	30,264	3,918	26,807
Support services	85,736	85,736	86,108	(372)	82,263
Capital Outlay	624,000	624,000	511,506	112,494	318,666
Debt service:					
Principal	-	-	23,269	(23,269)	19,246
Interest and fiscal charges	-	-	4,304	(4,304)	5,983
Total expenditures	2,727,775	2,627,594	2,395,758	231,836	2,036,732
NET CHANGE IN FUND BALANCES	(217,775)	(57,594)	235,524	293,118	495,906
FUND BALANCES, BEGINNING			4,023,963		3,528,057
FUND BALANCES, ENDING			4,259,487		4,023,963

The accompanying notes are integral part of these financial statements.

Gunnison Watershed School District RE-1J
Schedule of District's Proportionate Share of the Net Pension Liability
Colorado Public Employees' Retirement Association School Division Trust Fund
Last 10 Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
District's proportion of the net pension liability	0.1937%	0.2275%	0.2489%	0.2154%	0.2113%
District's proportionate share of the net pension liability	\$ 35,271,676	\$ 26,473,856	\$ 37,624,240	\$ 32,177,124	\$ 37,408,935
State's proportionate share of the net pension liability as a non-employer contributing entity associated with the District	7,959,146	2,722,760	-	3,621,871	4,499,859
Total proportionate share of the net pension liability associated with the District	<u>\$ 43,230,822</u>	<u>\$ 29,196,616</u>	<u>\$ 37,624,240</u>	<u>\$ 35,798,995</u>	<u>\$ 41,908,794</u>
District's covered payroll	\$ 15,710,290	\$ 14,630,670	\$ 13,309,454	\$ 12,656,288	\$ 11,905,784
District's proportionate share of the net pension liability as a percentage of its covered payroll	225%	181%	283%	254%	314%
Plan fiduciary net position as a percentage of the total pension liability	61.79%	74.86%	66.99%	64.52%	57.01%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.2402%	0.2432%	0.2398%	0.2379%	0.2360%
District's proportionate share of the net pension liability	77,687,802	72,404,411	36,669,691	32,249,821	30,099,835
State's proportionate share of the net pension liability as a non-employer contributing entity associated with the District	-	-	-	-	-
Total proportionate share of the net pension liability associated with the District	<u>77,687,802</u>	<u>72,404,411</u>	<u>36,669,691</u>	<u>32,249,821</u>	<u>30,099,835</u>
District's covered payroll	11,397,079	10,283,176	10,626,994	10,182,916	9,743,123
District's proportionate share of the net pension liability as a percentage of its covered payroll	682%	704%	345%	317%	309%
Plan fiduciary net position as a percentage of the total pension liability	43.96%	43.13%	59.16%	62.84%	64.07%

The accompanying notes are integral part of these financial statements.

Gunnison Watershed School District RE-1J
Schedule of District Contributions
Colorado Public Employees' Retirement Association School Division Trust Fund
Last 10 Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 3,201,757	\$ 2,838,476	\$ 2,760,503	\$ 2,550,304	\$ 2,221,837
Contributions in relation to the contractually required contribution	<u>\$ (3,201,757)</u>	<u>\$ (2,838,476)</u>	<u>\$ (2,760,503)</u>	<u>\$ (2,550,304)</u>	<u>\$ (2,221,837)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 15,710,290	\$ 14,269,341	\$ 13,885,830	\$ 13,159,471	\$ 11,618,689
Contributions as a percentage of covered payroll	20.38%	19.89%	19.88%	19.38%	19.12%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 2,064,647	\$ 1,978,781	\$ 1,810,761	\$ 1,637,788	\$ 1,477,417
Contributions in relation to the contractually required contribution	<u>\$ (2,064,647)</u>	<u>\$ (1,978,781)</u>	<u>\$ (1,810,761)</u>	<u>\$ (1,637,788)</u>	<u>\$ (1,477,417)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 11,065,582	\$ 10,914,402	\$ 10,448,271	\$ 9,968,243	\$ 9,513,310
Contributions as a percentage of covered payroll	18.66%	18.13%	17.33%	16.43%	15.53%

The accompanying notes are integral part of these financial statements.

Gunnison Watershed School District RE-1J
Schedule of District's Proportionate Share of the Net OPEB Liability
Colorado Public Employees' Retirement Association Health Care Trust Fund
Last 10 Fiscal Years *

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
District's proportion of the net OPEB liability	0.1472%	0.1485%	0.1439%	0.1408%	0.1374%
District's proportionate share of the net OPEB liability	1,201,797	1,280,814	1,367,618	1,582,107	1,869,037
District's covered payroll	15,710,290	14,630,670	13,309,454	12,656,288	11,905,784
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	8%	9%	10%	13%	16%
Plan fiduciary net position as a percentage of the total OPEB liability	38.57%	39.40%	32.78%	24.49%	17.03%
	<u>2018</u>	<u>2017</u>			
District's proportion of the net OPEB liability	0.1363%	0.1382%			
District's proportionate share of the net OPEB liability	1,771,373	1,792,160			
District's covered payroll	11,397,079	10,283,176			
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	16%	17%			
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.

The accompanying notes to RSI are an integral part of these statements.

Gunnison Watershed School District RE-1J
Schedule of District OPEB Contributions
Colorado Public Employees' Retirement Association Health Care Trust Fund
Last 10 Fiscal Years *

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	160,245	143,816	141,635	134,227	118,469
Contributions in relation to the contractually required contribution	<u>(160,245)</u>	<u>(143,816)</u>	<u>(141,635)</u>	<u>(134,227)</u>	<u>(118,469)</u>
Contribution deficiency (excess)	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
District's covered payroll	15,710,290	14,269,341	13,885,830	13,159,471	11,618,689
Contributions as a percentage of covered payroll	1.02%	1.01%	1.02%	1.02%	1.02%
	<u>2018</u>	<u>2017</u>			
Contractually required contribution	112,869	111,327			
Contributions in relation to the contractually required contribution	<u>(112,869)</u>	<u>(111,327)</u>			
Contribution deficiency (excess)	<u><u>-</u></u>	<u><u>-</u></u>			
District's covered payroll	11,065,582	10,914,402			
Contributions as a percentage of covered payroll	1.02%	1.02%			

* Information is only available beginning in fiscal year 2017.

Gunnison Watershed 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%.

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.

Gunnison Watershed 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)

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.
- 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.

Gunnison Watershed 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)

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.

IV. Notes to the Schedule of District's 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 December 31, 2019 to the Health Care Trust Fund actuarial valuation are the same as the changes to the School Division Trust Fund noted in Note I.A.3 above.

Gunnison Watershed School District RE-1J
Notes to Required Supplementary Information
June 30, 2023
(Continued)

IV. Notes to the Schedule of District's OPEB Contributions (continued)

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.

Gunnison Watershed School District RE-1J

Supplementary Information



GUNNISON WATERSHED SCHOOL DISTRICT RE-1J
Bond Redemption Fund
Schedule of Revenues, Expenditures and Changes in Fund
Balances - Budget and Actual (GAAP Basis)
For the Year Ended June 30, 2023
(With Comparative Actual Amounts for 2022)

	2023		Variance with Final Budget- Positive (Negative)	2022
	Budgeted Amounts Original & Final	Actual Amounts		Actual Amounts
REVENUES				
Property taxes	3,871,000	9,264,636	(135,364)	5,003,297
Investment income	10,000	19,958	9,958	13,917
Total revenues	<u>3,881,000</u>	<u>9,284,594</u>	<u>(125,406)</u>	<u>5,017,214</u>
EXPENDITURES				
Debt service:				
Principal	2,950,000	2,950,000	-	3,480,000
Interest and fiscal charges	921,668	2,503,864	4,804	1,011,109
Total expenditures	<u>3,871,668</u>	<u>5,453,864</u>	<u>4,804</u>	<u>4,491,109</u>
NET CHANGE IN FUND BALANCES	<u>9,332</u>	<u>3,830,730</u>	<u>(120,602)</u>	526,105
FUND BALANCES, BEGINNING		<u>6,294,172</u>		<u>5,768,067</u>
FUND BALANCES, ENDING		<u>10,124,902</u>		<u>6,294,172</u>

The accompanying notes are integral part of these financial statements.

GUNNISON WATERSHED SCHOOL DISTRICT RE-1J
Building Fund
Schedule of Revenues, Expenditures and Changes in Fund
Balances - Budget and Actual (GAAP Basis)
For the Year Ended June 30, 2023
(With Comparative Actual Amounts for 2022)

	2023		Variance with Final Budget- Positive (Negative)	2022
	Budgeted Amounts Original & Final	Actual Amounts		Actual Amounts
REVENUES				
Investment income	2,000,000	2,204,147	204,147	-
Total revenues	<u>2,000,000</u>	<u>2,204,147</u>	<u>204,147</u>	<u>-</u>
EXPENDITURES				
Debt service:				
Interest and fiscal charges	-	804,812	(804,812)	-
Capital outlay	17,625,003	1,330,365	16,294,638	-
Total expenditures	<u>17,625,003</u>	<u>2,135,177</u>	<u>15,489,826</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(15,625,003)</u>	<u>68,970</u>	<u>15,693,973</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds	95,000,000	95,000,000	-	-
Premium on bonds	12,000,000	12,875,617	875,617	-
Total other financing sources	<u>107,000,000</u>	<u>107,875,617</u>	<u>875,617</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u><u>91,374,997</u></u>	<u><u>107,944,587</u></u>	<u><u>16,569,590</u></u>	<u><u>-</u></u>
FUND BALANCES, BEGINNING		<u>-</u>		<u>-</u>
FUND BALANCES, ENDING		<u><u>107,944,587</u></u>		<u><u>-</u></u>

The accompanying notes are integral part of these financial statements.

GUNNISON WATERSHED SCHOOL DISTRICT RE-1J
Capital Reserve Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund
Balances - Budget and Actual (GAAP Basis)
For the Year Ended June 30, 2023
(With Comparative Actual Amounts for 2022)

	2023			Variance with Final Budget- Positive (Negative)	2022
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
REVENUES					
State income	714,370	-	397,382	397,382	239,431
Investment income	500	40,500	88,493	47,993	4,032
Total revenues	<u>714,870</u>	<u>40,500</u>	<u>485,875</u>	<u>445,375</u>	<u>243,463</u>
EXPENDITURES					
Facilities	2,404,421	1,612,556	1,203,625	408,931	854,665
Technology	-	-	-	-	99,976
Total expenditures	<u>2,404,421</u>	<u>1,612,556</u>	<u>1,203,625</u>	<u>408,931</u>	<u>954,641</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,689,551)</u>	<u>(1,572,056)</u>	<u>(717,750)</u>	<u>854,306</u>	<u>(711,178)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in (out)	689,310	798,692	798,691	(1)	1,559,214
Total other financing sources	<u>689,310</u>	<u>798,692</u>	<u>798,691</u>	<u>(1)</u>	<u>1,559,214</u>
NET CHANGE IN FUND BALANCES	<u>(1,000,241)</u>	<u>(773,364)</u>	<u>80,941</u>	<u>854,305</u>	<u>848,036</u>
FUND BALANCES, BEGINNING			<u>4,046,569</u>		<u>3,198,533</u>
FUND BALANCES, ENDING			<u>4,127,510</u>		<u>4,046,569</u>

The accompanying notes are integral part of these financial statements.

GUNNISON WATERSHED SCHOOL DISTRICT RE-1J
Internal Service Fund
Health Services Fund
Schedule of Revenues, Expenditures and Changes in Net Position
Budget and Actual (GAAP Basis)
For the Year Ended June 30, 2023
(With Comparative Actual Amounts for 2022)

	2023			Variance with Final Budget- Positive (Negative)	2022
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
REVENUES					
Insurance premiums	2,456,000	2,481,000	2,503,271	22,271	2,676,615
Stop loss reimbursements	-	-	19,204	19,204	26,058
Other revenue	500	35,500	55,491	19,991	890
Total revenues	<u>2,456,500</u>	<u>2,516,500</u>	<u>2,577,966</u>	<u>61,466</u>	<u>2,703,563</u>
EXPENDITURES					
Claim losses	2,125,000	1,775,000	1,377,462	397,538	1,200,251
Salaries	60,000	27,000	35,559	(8,559)	25,519
Benefits	-	10,105	13,883	(3,778)	12,864
Stop loss premiums and fees	580,557	580,557	554,132	26,425	544,697
Total expenditures	<u>2,765,557</u>	<u>2,392,662</u>	<u>1,981,036</u>	<u>411,626</u>	<u>1,783,331</u>
CHANGE IN NET POSITION	<u>(309,057)</u>	<u>123,838</u>	596,930	<u>473,092</u>	920,232
TOTAL NET POSITION, BEGINNING			<u>2,156,009</u>		<u>1,235,777</u>
TOTAL NET POSITION, ENDING			<u>2,752,939</u>		<u>2,156,009</u>

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

Gunnison Watershed School District RE-1J
ANNUAL FINANCIAL INFORMATION AS REQUIRED BY SEC RULE 15(c)2-12
General Obligation Refunding Bonds
June 30, 2023

Undertaking to Provide Continuing Disclosure

Pursuant to the requirements of the Securities and Exchange Commission Rule 15c2-12 (17 CFR Part 240, § 240.15c2-12) (the "Rule"), Gunnison Watershed School District No. RE-1J in Gunnison and Saguache Counties, Colorado (the "District") entered into a continuing disclosure undertaking (the "Undertaking") with respect to the District's above-captioned bonds. Pursuant to the Undertaking, the District is required to file its annual audited financial statements as well as certain annual operating and financial data ("Annual Financial Information") on the website of the Electronic Municipal Market Access system of the Municipal Securities Rulemaking Board. Capitalized terms used herein and not otherwise defined shall have the meanings assigned to them in the Undertaking.

2023 Annual Financial Information

The following is the Annual Financial Information for the District's fiscal year ending June 30, 2023, as required by the Undertaking:

District's 2022/2023 Mill Levy

Levy/Collection Year	General Fund	Bond Redemption Fund	Mill Levy Override	Abatements	Total Mill Levy
2022/2023	15.736	12.230	4.975	0.057	32.998

District's 2022/2023 Assessed Valuation

Levy/Collection Year	Gunnison County	Saguache County	Gross Assessed Valuation	Percent Change	Gunnison Tax Increment	Net Assessed Valuation	Percent Change
2022/2023	\$773,059,210	\$44,457,903	\$817,517,113	6.33%	\$13,915,920	\$803,601,193	6.51%

District's 2022/2023 Property Tax Collections (1)

Levy/Collection Year	Gunnison County	Saguache County	Total Taxes Levied	Current Tax Collections	Percent of Levy Collected
2022/2023	\$24,765,460	\$137,576	\$26,517,232	\$24,903,036	93.91%

(1) Collections on a calendar year basis through August 31, 2023

District's 2022/2023 Enrollment

School Year	Total	Percent Change
2022/2023	2,061	0.96%



**Colorado Department of
Education**

Auditors Integrity Report

District: 1360 - Gunnison Watershed
RE1J

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
Governmental	+		-	=
10 General Fund	9,893,215	25,899,079	25,893,547	9,898,747
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	0	0	0	0
Sub- Total	9,893,215	25,899,079	25,893,547	9,898,747
11 Charter School Fund	162,657	2,123,003	962,766	1,322,894
20,26-29 Special Revenue Fund	4,023,963	2,631,282	2,395,758	4,259,488
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	369,526	1,032,704	1,028,241	373,990
22 Govt Designated-Purpose Grants Fund	0	0	0	0
23 Pupil Activity Special Revenue Fund	1,081,797	1,830,732	1,450,902	1,461,627
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	6,294,172	9,284,594	5,453,864	10,124,903
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	0	109,274,953	1,330,365	107,944,587
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	4,046,569	1,284,566	1,203,625	4,127,510
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
Totals	25,871,900	153,360,913	39,719,067	139,513,746
Proprietary				
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	2,156,009	74,695	-522,235	2,752,939
Totals	2,156,009	74,695	-522,235	2,752,939
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	0	0	0	0
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
Totals	0	0	0	0

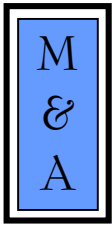
FINAL

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

Gunnison Watershed School District RE-1J

Single Audit Reports and Schedules





MCMAHAN AND ASSOCIATES, L.L.C.

Certified Public Accountants and Consultants

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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
Gunnison Watershed School District RE-1J
Gunnison, 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, each major fund, and the aggregate remaining fund information of Gunnison Watershed 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 **November 30, 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.

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*.

Member: American Institute of Certified Public Accountants

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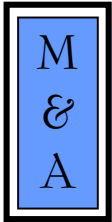
INDEPENDENT AUDITOR'S REPORT
To the Board of Education
Gunnison Watershed School District RE-1J
Gunnison, CO

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
November 30, 2023



MCMAHAN AND ASSOCIATES, L.L.C.

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

**To the Board of Education
Gunnison Watershed School District RE-1J
Gunnison, CO**

Report on Compliance for Each Major Program

We have audited the compliance of the Gunnison Watershed School District RE-1J (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 for Federal Awards* (the "Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of 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.

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.

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

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.

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

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.

INDEPENDENT AUDITOR'S REPORT
To the Board of Education
Gunnison Watershed School District RE-1J
Gunnison, CO

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
November 30, 2023

**Gunnison Watershed 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	None noted
Major programs –	
ESSER	ALN 84.425
Schools & Roads - Grants to Counties	ALN 10.665
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 Government Auditing Standards	None noted
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

Gunnison Watershed School District RE-1J
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2023

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

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

Federal Grantor/Pass-Through Grantor/Program Title	Federal ALN	Grant Project Code	Expenditures
United States Department of Education:			
Passed Through Colorado Department of Education:			
Title I, Part A, Improving Basic Programs Operated by Schools	84.010	4010	\$ 216,635
IDEA Part B			
IDEA Part B: Flow through 94.142 Special Education	84.027	4027	351,856 A
Subtotal - IDEA Part B			<u>351,856</u>
IDEA Preschool			
IDEA Preschool 99-457	84.173	4173	5,512 A
Subtotal - IDEA Preschool			<u>5,512</u>
Research in Special Education - Mentor Grant	84.324B	4436	12,959
Title III, Part A, English Language Acquisition	84.365A	4365	16,071
Title II, Part A, Teacher and Principal Training and Recruiting	84.367	4367	47,563
Title IV, Part A, Student Support and Academic Enrichment	84.424A	4424	16,472
ESSER, Elementary and Secondary School Emergency Relief			
ESSER III 90% LEA Allocation	84.425U	4414	568,525
ESSER III - Learning Loss Set Aside	84.425U	9414	280,332
ESSER Curriculum	84.425D	4431	121,843
ESSER III Supplemental Learning Loss	84.425D	9418	10,416
Education Stabilization Fund	84.425T	4437	9,307
Subtotal - ESSER, Elementary and Second School Emergency Relief Fund			<u>990,423</u>
Passed Through Board of Community College:			
Carl Perkins Vocational & Applied Technology	84.048	4048	44,525
Total United States Department of Education			<u>1,702,016</u>
United States Treasury:			
Passed through Colorado Department of Education:			
Workforce Innovation Grant: Coronavirus State and Local Fiscal Recovery Funds	21.027	7127	43,173
Total United States Treasury			<u>43,173</u>
United States Department of Agriculture:			
Passed through Colorado Department of Education:			
School Breakfast Program	10.553	4553	64,515 B
National School Lunch Program	10.555	4555	214,831 B
Supply Chain Assistance	10.555	6555	37,052 B
Subtotal - National School Lunch Program			<u>251,883</u>
SNAP: P-EBT mini Grants	10.649	4649	653
Passed Through the Colorado Department of Human Services:			
Food Distributions, Commodities	10.555	4555	14,638 B
Passed through Gunnison County:			
Schools & Roads - Grants to Counties	10.665	7665	789,336 C
Total United States Department of Agriculture			<u>1,121,025</u>
United States Department of Health and Human Services:			
Passed through Colorado Department of Education:			
Cooperative Agreement for Emergency Response: CDC Nursing Workforce	93.354	7354	14,742
Medical Assistance Program	93.778	9003	15,365
Total United States Department of Health and Human Services			<u>30,107</u>
Total Federal Expenditures			<u>\$ 2,896,320</u>
Additional Information for Clusters:			
A - Special Education Cluster (IDEA)			\$ 357,368
B - Child Nutrition Cluster			\$ 331,036
C - Forest Service Schools & Roads Cluster			\$ 789,336

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 Gunnison Watershed School District RE-1J 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 the amounts presented in, or used in the preparation of the basic financial statements.

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

Food Commodities: Fair market value of commodities at the time recipient received award.

Note 3 - Indirect Facilities and Administration Costs:

The District did not use the 10% de minimis cost rate allowed in 200.414, *Indirect (F&A) Costs*, of the Uniform Guidance.

Note 4 - Sub recipients:

Gunnison Watershed School District RE-1J did not provide any federal funds listed in the Schedule of Expenditures of Federal Awards to sub-recipients.