

**MONTEZUMA COUNTY (MANCOS)
SCHOOL DISTRICT RE-6**

Accountants' Reports
and
Basic Financial Statements

June 30, 2016



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MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
Montezuma County (Mancos) School District RE-6
Mancos, Colorado 81328

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Montezuma County (Mancos) School District RE-6, Colorado as of and for the year ended June 30, 2016, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Montezuma County (Mancos) School District RE-6, Colorado, as of June 30, 2016, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other matters

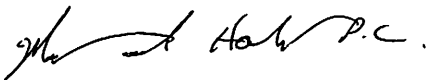
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, Schedule of District Contributions, and Schedule of the District's Proportionate Share of the Net Pension Liability on pages 3 through 12 and pages 38 through 46 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Montezuma County (Mancos) School District RE-6, Colorado's basic financial statements. The, budgetary comparison schedules and Colorado Department of Education Auditors' Integrity Report are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedules and the Colorado Department of Education Auditors' Integrity Report are the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, budgetary comparison schedules, and the Colorado Department of Education Auditors' Integrity Report are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Majors and Haley, P.C.
August 11, 2016

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
For the Year Ended June 30, 2016**

FINANCIAL HIGHLIGHTS

Key financial highlights for the District in fiscal year 2016 are as follows:

- In total, net position decreased by \$472,089 from \$(1,656,819) to \$(2,128,908).
- General revenues accounted for \$4.24 million in revenue or 86 percent of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$.70 million or 14 percent of total revenues of \$4.94 million.
- Governmental activities total assets increased by \$37,263 and deferred outflows of resources increased by \$599,077. Total liabilities increased by \$988,034 mainly due to the increase in the District's share of the PERA net pension liability.
- The District incurred \$5.42 million in expenses related to government activities. \$.70 million of these expenses were offset by program specific charges for services, grants and contributions. General revenues (primarily state equalization and property taxes) of \$4.24 million were adequate to cover all but .47 million of the costs of these programs.
- Among the major funds, the General Fund had \$4.69 million in revenues and \$4.64 million in expenditures, including transfers. It's fund balance increased by \$44,633.

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended June 30, 2016

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District.

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- The governmental funds statements tell how basic services such as instruction were financed in the short-term as well as what remains for future spending.

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.

District-wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private companies. The statement of net position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net position and how it has changed. Net position (the difference between the District's assets, deferred outflows of resources and liabilities, deferred inflows of resources) is one way to measure the District's financial position.

- Over time, increases or decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating.

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended June 30, 2016

- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school facilities.

In the district-wide financial statements, the District's activities are included in one category:

- **Governmental activities-** All of the District's basic services are included here, such as instruction, transportation, maintenance and operations, and administration. These activities are financed mainly through property taxes and state equalization funds.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds, not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required to be established by state law. However, the District establishes other funds to help it manage and control its finances to achieve certain results.

The District uses two types of funds:

- **Governmental funds-** Most of the District's basic services are included in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general operations and the services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or difference) between them.
- **Fiduciary funds-** The District is the agent, or fiduciary, for assets that belong to others, such as the Student Activity Fund. The District is responsible for ensuring that the assets reported in are used only for their intended purposes and by those whom the assets belong. The District

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

For the Year Ended June 30, 2016

excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Total assets increased by \$37,263. Net capital assets decreased by \$65,477. Total liabilities increased by \$988,034 mainly due to the increase in the proportionate share of the PERA net pension obligation.

The District's combined net position was smaller on June 30, 2016 than it was at June 30, 2015, decreasing by \$472,089 to \$(2,128,908).

Table 1 provides a summary of the District's net position for 2016 compared to 2015:

Table 1
Condensed Statement of Net Position
(In millions)

	<u>2016</u>	<u>2015</u>
Assets		
Current assets	\$ 2.053	\$ 1.950
Capital assets	3.851	3.917
Total assets	<u>5.904</u>	<u>5.867</u>
Deferred outflows	<u>1.170</u>	<u>0.571</u>
Liabilities		
Current liabilities	0.460	0.402
Noncurrent liabilities	8.622	7.693
Total liabilities	<u>9.082</u>	<u>8.095</u>
Deferred inflows	<u>0.121</u>	
Net Position		
Nonspendable	0.004	
Invested in capital	3.656	3.692
Restricted	0.136	0.136
Unrestricted	(5.925)	(5.485)
Total net position	<u>\$ (2.129)</u>	<u>\$ (1.657)</u>

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
For the Year Ended June 30, 2016

Table 2 shows the changes in net position for fiscal year 2016 as compared to fiscal year 2015.

Table 2
Changes in Net Position
(In millions)

	<u>2016</u>	<u>2015</u>
Revenues		
Program revenues		
Charges for services	\$ 0.095	\$ 0.087
Operating grants & contributions	0.608	0.405
Capital grants & contributions		
General revenues		
Property taxes	1.024	1.073
State equalization	2.930	2.636
Other	0.288	0.253
Total revenues	<u>4.945</u>	<u>4.454</u>
Expenses		
Instruction	2.700	2.427
Pupil and instructional services	0.278	0.257
Administration and business	0.809	0.764
Maintenance and operations	0.556	0.530
Transportation	0.243	0.235
Other	0.831	0.616
Total expenses	<u>5.417</u>	<u>4.829</u>
Increase (decrease) in net position	<u>\$ (0.472)</u>	<u>\$ (0.375)</u>

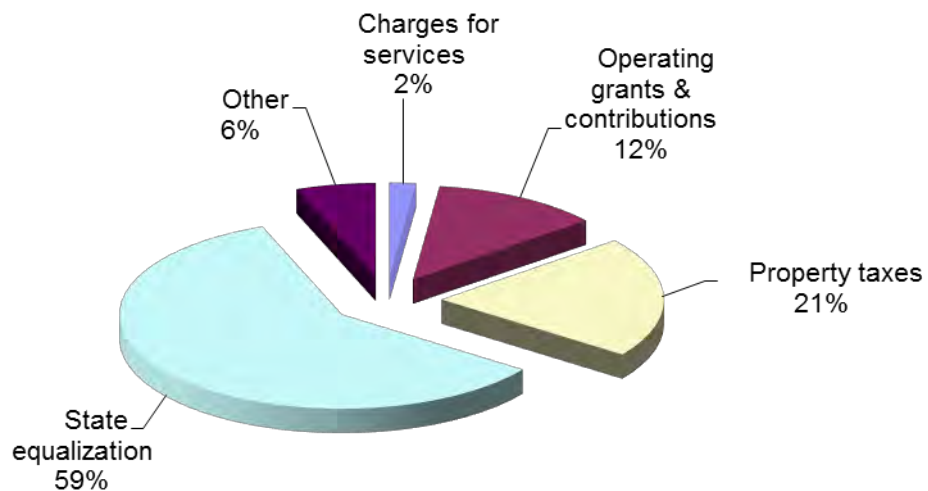
MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended June 30, 2016

State equalization and property taxes accounted for most of the District's total revenue, with each contributing 59 percent and 21 percent respectively (See Table 3). Another 12 percent came from state and federal grants and the remainder from charges for services and miscellaneous sources.

The District's expenses are predominately related to instruction, (50 percent) (See Table 4). The District's administrative and business activities accounted for 15 percent of total costs.

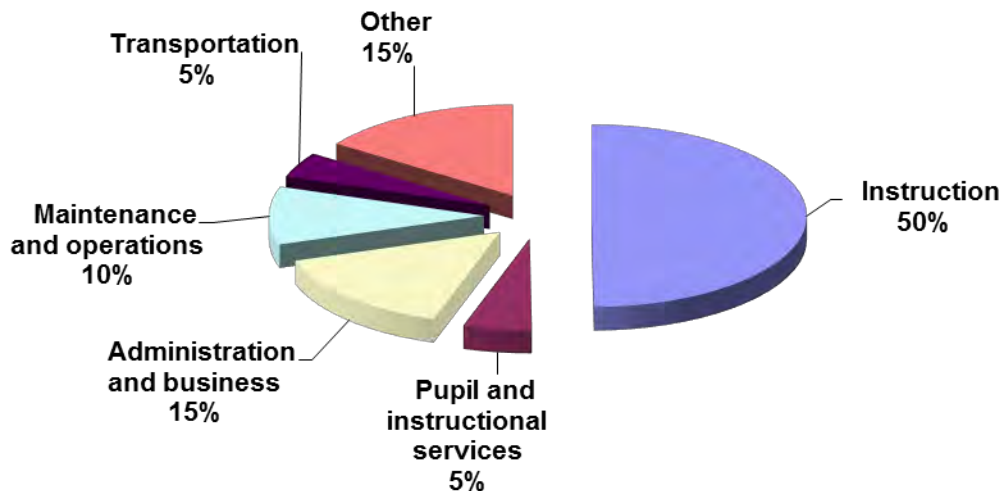
Table 3
Sources of Revenue for Fiscal Year 2016



MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended June 30, 2016

Table 4
Expenses for Fiscal Year 2016



Governmental Activities

The primary source of operating revenue for school districts comes from the School Finance Act of 1994 (SFA). Under the SFA the District received \$8,185 per funded student. In fiscal year 2016 the funded pupil count was 454.7. Funding for the SFA comes from property taxes, specific ownership taxes and state equalization. The District receives approximately 79 percent of this funding from state equalization while the remaining amounts come from property and specific ownership taxes.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those service costs. Table 5 shows, for governmental activities, the total cost of services and net cost of services. That is, it identifies the cost of these services supported by unrestricted state equalization and property taxes.

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
For the Year Ended June 30, 2016

Table 5
Government Activities
(In millions)

	Total Cost of Services		Net Cost of Services	
	2016	2015	2016	2015
Instruction	\$ 2.700	\$ 2.427	\$ 2.403	\$ 2.152
Pupil and instructional services	0.278	0.257	0.269	0.251
Administration and business	0.809	0.764	0.809	0.764
Maintenance and operations	0.556	0.530	0.556	0.530
Transportation	0.243	0.235	0.179	0.207
Other	0.831	0.616	0.497	0.433
Total	\$ 5.417	\$ 4.829	\$ 4.713	\$ 4.337

- The cost of all governmental activities during the year was \$5.417 million.
- Some of the cost was financed by the users of the District's programs (\$.095 million)
- Federal and state government subsidized certain programs with grants and contributions (\$.608 million).
- However, most of the District's costs (\$4.241 million) were financed by State and District taxpayers. This portion of governmental activities was financed with \$2.930 million in state equalization from the School Finance Act of 1994 (SFA) and \$1.116 million in property and specific ownership taxes.

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

For the Year Ended June 30, 2016

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Information about the District's major funds starts on page 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds have total revenues of \$4.944 million and expenditures of \$4.896 million.

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.

Over the course of the year, the District revised the annual operating budget by making an increase in appropriations.

- Increases in appropriations were due primarily to additional information that was not available at the time of the original budget.
- Actual expenditures were \$1.534 million below budget.

CAPITAL ASSET ADMINISTRATION

By the end of fiscal year 2016, the District has invested \$8.677 million in land, buildings, and equipment (including vehicles).

Table 6 shows capital assets for 2016 compared to 2015:

***Table 6
Capital Assets at June 30***

	<u>2016</u>	<u>2015</u>
Land	\$ 0.190	\$ 0.190
Buildings	7.475	7.453
Equipment	1.012	0.884
Total	<u>\$ 8.677</u>	<u>\$ 8.527</u>

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
For the Year Ended June 30, 2016

Additional information on the District's capital assets can be found in Note 4 on page 28 of this report.

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District is not aware of any existing circumstances that could significantly affect its financial health in the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, parents, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Montezuma County (Mancos) School District RE-6, 395 West Grand Avenue, Mancos, Colorado 81328.

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6
Statement of Net Position

June 30, 2016

	Governmental Activities	Total
Assets		
Cash	\$ 1,269,342	\$ 1,269,342
Cash with County Treasurer	7,134	7,134
Investments	748,822	748,822
Grants accounts receivable	5,029	5,029
Other accounts receivable	18,717	18,717
Inventory	4,270	4,270
Capital assets	8,677,354	8,677,354
Accumulated depreciation	(4,826,156)	(4,826,156)
Total capital assets, net of depreciation	3,851,198	3,851,198
Total Assets	5,904,512	5,904,512
Deferred outflows of resources		
Pension items	1,170,022	1,170,022
Liabilities		
Accrued salaries and benefits payable	384,231	384,231
Grants unearned revenue	42,800	42,800
Long-term liabilities		
Due within one year	33,086	33,086
Due in more than one year	162,416	162,416
Net pension obligation	8,459,955	8,459,955
Total Liabilities	9,082,488	9,082,488
Deferred inflows of resources		
Pension items	120,954	120,954
Net Position		
Net investment in capital assets	3,655,696	3,655,696
Restricted		
TABOR	136,000	136,000
Unrestricted	(5,920,604)	(5,920,604)
Total Net Position	\$ (2,128,908)	\$ (2,128,908)

The accompanying notes are an integral part of this statement.

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6
Statement of Activities

For the Year Ended June 30, 2016

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenue And Changes in Net Position</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Total</u>
Governmental Activities						
Instructional Program Services						
Salaries	\$ 1,545,165	\$ 42,110	\$ 247,422		\$ (1,255,633)	\$ (1,255,633)
Employee benefits	855,233				(855,233)	(855,233)
Purchased services						
Professional and technical	25,270				(25,270)	(25,270)
Property	1,700				(1,700)	(1,700)
Other	144,524	7,571			(136,953)	(136,953)
Supplies	122,118		378		(121,740)	(121,740)
Property	3,995				(3,995)	(3,995)
Other	2,147				(2,147)	(2,147)
Total Instructional Program	2,700,152	49,681	247,800	-	(2,402,671)	(2,402,671)
Support Program Services						
Students	191,138				(191,138)	(191,138)
Instructional staff	86,454		8,358		(78,096)	(78,096)
General administration	273,614				(273,614)	(273,614)
School administration	446,465				(446,465)	(446,465)
Business	88,690				(88,690)	(88,690)
Operation and maintenance of plant	555,771				(555,771)	(555,771)
Student transportation	242,627	956	62,196		(179,475)	(179,475)
Central	301,479		84,058		(217,421)	(217,421)
Other	39,858				(39,858)	(39,858)
Food service	291,865	44,772	205,521		(41,572)	(41,572)
Enterprise	7,500				(7,500)	(7,500)
Interest on long-term debt	12,886				(12,886)	(12,886)
Depreciation excluding amounts directly allocated to programs	177,948				(177,948)	(177,948)
Total Support Programs	2,716,295	45,728	360,133	-	(2,310,434)	(2,310,434)
Total Governmental Activities	5,416,447	95,409	607,933	-	(4,713,105)	(4,713,105)
Total School District	\$ 5,416,447	\$ 95,409	\$ 607,933	\$ -	(4,713,105)	(4,713,105)
General Revenues						
Property tax for general purposes					1,023,594	1,023,594
Specific Ownership tax for general purposes					92,603	92,603
Intergovernmental						
State Equalization					2,929,502	2,929,502
Forest Service					31,838	31,838
Mineral Leasing					30,258	30,258
Earnings on investments					3,322	3,322
Miscellaneous					129,899	129,899
Total General Revenues					4,241,016	4,241,016
Changes in Net Position						
					(472,089)	(472,089)
Net Position Beginning of the Year					(1,656,819)	(1,656,819)
Net Position End of the Year					\$ (2,128,908)	\$ (2,128,908)

The accompanying notes are an integral part of this statement.

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

Balance Sheet
Governmental Funds

June 30, 2016

	<u>General Fund</u>	<u>Lunch Fund</u>	<u>Capital Reserve Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Assets				
Cash	\$ 1,181,524	\$ 32,557	\$ 55,261	\$ 1,269,342
Cash with County Treasurer	7,134			7,134
Investments	748,822			748,822
Inventory		4,270		4,270
Grants accounts receivable	5,029			5,029
Other accounts receivable	18,717			18,717
Total Assets	<u>\$ 1,961,226</u>	<u>\$ 36,827</u>	<u>\$ 55,261</u>	<u>\$ 2,053,314</u>
Liabilities and Fund Balances				
Liabilities				
Accrued salaries and benefits payable	\$ 375,723	\$ 8,508		\$ 384,231
Grants unearned revenue	19,476	23,324		42,800
Total Liabilities	<u>395,199</u>	<u>31,832</u>	<u>-</u>	<u>427,031</u>
Fund Balances				
Nonspendable-inventory		4,270		4,270
Restricted				
TABOR	136,000			136,000
Unrestricted				
Assigned for FY 17 expenditures	1,430,027	725	\$ 55,261	1,486,013
Total Fund Balances	<u>1,566,027</u>	<u>4,995</u>	<u>55,261</u>	<u>1,626,283</u>
Total Liabilities and Fund Balances	<u>\$ 1,961,226</u>	<u>\$ 36,827</u>	<u>\$ 55,261</u>	<u>\$ 2,053,314</u>

The accompanying notes are an integral part of this statement.

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

Reconciliation of the Governmental Funds Balance Sheet
with the Statement of Net Position

June 30, 2016

Total Fund Balance Governmental Funds \$ 1,626,283

Amounts reported for governmental activities in the Statement of Net Position are different because

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Capital assets	\$ 8,677,354	
Accumulated depreciation	<u>(4,826,156)</u>	3,851,198

Long term liabilities are not due and payable in the current period and therefore, they are not reported in the governmental funds balance sheet

Due within one year	(33,086)	
Due in more than one year	<u>(162,416)</u>	(195,502)

Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet

Net pension obligation		(8,459,955)
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds balance sheet

Deferred outflows of resources related to pensions	1,170,022	
Deferred inflows of resources related to pensions	<u>(120,954)</u>	1,049,068

Total Net Position Governmental Activities \$ (2,128,908)

The accompanying notes are an integral part of this statement.

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds

For the Year Ended June 30, 2016

	General Fund	Lunch Fund	Capital Reserve Capital Projects Fund	Total Governmental Funds
Revenues				
Taxes	\$ 1,120,476			\$ 1,120,476
State sources	3,192,651	\$ 3,313		3,195,964
Federal sources	201,359	155,102		356,461
Earnings on investments	3,265	27	\$ 30	3,322
Other	169,869	98,166	100	268,135
Total Revenues	4,687,620	256,608	130	4,944,358
Expenditures				
Instructional Program				
Salaries	1,545,165			1,545,165
Employee benefits	565,050			565,050
Purchased services				
Professional and technical	25,270			25,270
Property	1,700			1,700
Other	144,524			144,524
Supplies	122,118			122,118
Property	3,995			3,995
Other	2,147			2,147
Total Instructional Program	2,409,969	-	-	2,409,969
Support Programs				
Pupils	166,956			166,956
Instructional staff	81,618			81,618
General administration	249,432			249,432
School administration	393,265			393,265
Business	79,017			79,017
Operation and maintenance of plant	504,717		39,037	543,754
Student transportation	223,853		27,800	251,653
Central	324,101		8,900	333,001
Other	39,858			39,858
Food service	3,294	286,462	8,666	298,422
Enterprise	7,500			7,500
Debt Service				
Principal	28,982			28,982
Interest	12,886			12,886
Total Support Programs	2,115,479	286,462	84,403	2,486,344
Total Expenditures	4,525,448	286,462	84,403	4,896,313
Excess revenues over (under) expenditures	162,172	(29,854)	(84,273)	48,045
Other Financing Sources (Uses)				
Transfers in (out)	(117,539)	14,969	102,570	-
Total Other Financing Sources (Uses)	(117,539)	14,969	102,570	-
Net Change in Fund Balances	44,633	(14,885)	18,297	48,045
Fund Balances beginning of the year	1,521,394	19,880	36,964	1,578,238
Fund Balances end of the year	\$ 1,566,027	\$ 4,995	\$ 55,261	\$ 1,626,283

The accompanying notes are an integral part of this statement.

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6
 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of
 Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2016

Net Change in Fund Balances Governmental Funds \$ 48,045

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital outlay	\$ 150,238	
Depreciation expense	<u>(215,715)</u>	(65,477)

Repayment of debt principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the Statement of Net Position.

Principal paid on capital lease	<u>28,982</u>	28,982
---------------------------------	---------------	--------

Governmental funds report district pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

District pension contributions	428,894	
Cost of benefits earned net of employee contributions	<u>(912,533)</u>	(483,639)

Change in Net Position of Governmental Activities \$ (472,089)

The accompanying notes are an integral part of this statement.

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6
Statement of Fiduciary Net Position

June 30, 2016

	<u>Agency Fund</u>
Assets	
Cash	\$ 52,691
Total Assets	<u>\$ 52,691</u>
Liabilities	
Due to agency recipients	\$ 52,691
Total Liabilities	<u>\$ 52,691</u>

The accompanying notes are an integral part of this statement.

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

- 1. Summary of Significant Accounting Policies** – The accounting policies of the Montezuma County School District RE-6 (“District”) conform to U.S. generally accepted accounting principles, as applicable to school districts. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements of Interpretations).

The following significant accounting policies were applied in the preparation of the accompanying financial statements.

Reporting Entity - The Montezuma County School District RE-6 Board of Education (“Board”) is the basic level of government which has financial accountability and control over all activities related to the public school education in the town of Mancos, Colorado. The Board receives funding from local, state and federal government sources and must comply with the concomitant requirements of these funding source entities. However, the Board is not included in any other governmental “reporting entity” as defined by the GASB pronouncement, since Board members are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. In addition, there are no component units as defined in Governmental Accounting Standards Board Statements 14,39 and 61, which are included in the District’s reporting entity.

Fund Accounting – The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and in the means by which spending activities are controlled. The various funds are grouped, into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate “fund types”.

Governmental Funds- are used to account for all or most of a government’s general activities, including the collection and disbursement of earmarked funds (special revenue funds). The following are the District’s major governmental funds:

General Fund- is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include local property taxes, specific ownership taxes, and State of Colorado equalization funding, as determined by the School Finance Act of 1994, as amended. Expenditures include all costs associated with the daily operation of the schools, except for programs funded by certain capital outlay expenditures, food service expenditures, extracurricular athletic and other pupil activities, and insurance transactions.

Lunch Fund – is used to account for the financial transactions related to the food service operations of the District.

Non- Major Funds- the Capital Projects Fund accounts for the accumulation of resources and expenditure of resources for capital improvements within the District.

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

Fiduciary Funds- reporting focuses on net position and changes in net position. The fiduciary fund category is split into trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore, not available to support the Districts own programs. The District does not have any trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involved measurement of results or operations. The District has one agency fund, the Student Activity Fund.

Basis of Presentation-

District-wide Financial Statements- The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The district-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with a brief explanation to better identify the relationship between the district-wide financial statements and the statements for governmental funds.

The district-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements- Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

Fiduciary funds are reported using the economic resources measurement focus.

Basis of Accounting – determines when transactions are recorded in the financial records and reported on the financial statements. District-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues- Exchange and Non-exchange Transactions- Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value are recorded on the accrual basis when the exchange takes place. On a modified accrual basis revenues are recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. State equalization monies are recognized as revenues during the period in which they are appropriated. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes collected within 60 days after year-end, interest, tuition, grants and student fees.

Unearned Revenues- arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to meeting eligibility requirements. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized.

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.

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

Expenses/Expenditures- On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses and changes in fund balances as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Budgets and Budgetary Accounting – The District is required by Colorado Statutes to adopt annual budgets for all funds. Each budget is prepared on the same basis (U.S. GAAP basis) as that used for accounting purposes.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

Prior to June 1, the Superintendent’s staff submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1.

The operating budget includes proposed expenditures and the means of financing them.

Public hearings are conducted to obtain comments.

Prior to June 30, the budget is legally adopted through passage of a resolution by the Board of Education. However, the Board can review and change the adopted budget through December 31.

Formal budgetary integration is employed as a management control device during the year.

Budgeted amounts reported in the accompanying financial statements are as originally adopted and as amended by the Board of Education throughout the year. Following is a summary of the original budget, total revisions and revised budget for those funds with amended budgets in fiscal year 2016.

	<u>Original Budget</u>	<u>Total Revisions</u>	<u>Revised Budget</u>
Governmental Funds:			
General Fund	\$ 5,922,734	\$ 136,649	\$ 6,059,383
Lunch Fund	224,287	98,056	322,343
Capital Projects Fund	139,550	4	139,554
Agency Fund	183,075	933	184,008

Appropriations are adopted by resolution for each fund in total and lapse at the end of each year. Over-expenditures are not deemed to exist unless the fund as a total has expenditures in excess of appropriations.

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

Encumbrance Accounting – under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed by the District as an extension of formal budgetary integration. Encumbrances outstanding at year-end are cancelled and represent neither a liability nor a reservation of equity.

Short-term Inter-fund Receivables/Payables - During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as internal balances on the District-wide statement of net assets and, classified as due from other funds or due to other funds on the balance sheet.

Inventories - Inventories in the Lunch Fund consists of both expendable supplies held for consumption and the cost of goods held for resale, the cost of which is recorded as an expense as they are used. Inventories are valued at cost using the first-in, first-out concept.

Capital Assets – General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the district-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the district-wide statements of net assets and in the respective fund financial statements.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. The District maintains a capitalization threshold of five thousand dollars. The District does not possess any infrastructure.

All reported capital assets are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental	Business-Type
	Activities	Activities
	<u>Estimated Lives</u>	<u>Estimated Lives</u>
Buildings and Improvements	20-50 Years	N/A
Furniture and Equipment	5-15 Years	5-15 Years
Vehicles	8 Years	15 Years

Property Tax Revenue Recognition - of the District is recognized when the Montezuma County Treasurer collects it, on behalf of the District. The property tax is levied in December of the year prior to the year the taxes are collected on all taxable property located in the District. Property taxes become an enforceable lien on January 1 of each year, are due on or before June 15 and are delinquent on June 16.

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

Accumulated Unpaid Vacations and Sick Pay- Vacations for twelve month non-professional employees is two weeks per year after the completion of one year on the job and three weeks per year after the completion of five years on the job. Vacations normally must be taken during the summer months unless special arrangements are made with the immediate supervisor. Vacation time may be accrued and carried over for two years at which time any unused vacation time lapses.

Certified employees will receive ten sick days on the first day of employment to accrue annually to a maximum of sixty days. Support staff employees will begin accruing sick leave on the first day of employment at the rate of one day per month of service, to a maximum of sixty days. A sick leave bank is available to all participating employees.

Personal leave shall be granted at the rate of two days per year, non-accumulative. Personal leave must be approved by the superintendent after being recommended by the immediate supervisor of the employee.

Vacation time, sick leave and personal leave do not vest or accumulate with the employees, that is, the employees have no right to be paid for any of these if not taken in the time indicated, or if they terminate. Under generally accepted accounting principles, there is, therefore, no expense or liability included in the financial statements.

Accrued Liabilities and General Long-Term Obligations- All payables, accrued liabilities and long-term obligations are reported in the district-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the non-current portion of capital leases, compensated absences, and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payment made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Governmental Fund Balances- In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable- Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact. This includes the amount of inventory held in the Lunch Fund.

Restricted- Amounts that can be used only for specific purposes because of state or federal laws, or externally imposed conditions by grantors or creditors. This includes the District's TABOR reserve for emergencies.

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

Committed- Amounts that can be used only for specific purposes determined by a formal action by the Board of Education the District's highest level of decision making authority. Commitments may be modified or rescinded only through resolutions approved by the Board of Education.

Assigned- Amounts that are designated by the Board of Education for a particular purpose but are not spendable until appropriated. This includes assignments for subsequent year's expenditures.

Unassigned- All amounts not included in other spendable classifications.

Use of Restricted Resources- When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the District's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the District's policy is to first apply the expenditure toward restricted fund balance and then to other less-restrictive classifications- committed and then assigned fund balances before using unassigned fund balances.

Net Position- Net position represents the difference between assets, deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are liabilities imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Inter-fund Transactions- Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other inter-fund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

2. Cash and Investments – Cash and investments consist of the following:

Demand accounts	\$ 556,391
Certificates of deposit	765,642
Colotrust	743,040
Treasury Bill	5,782
Total cash and investments	<u><u>\$ 2,070,855</u></u>

The Colorado Public Deposit Protection Act (PDPA) governs the District cash deposits. The statutes specify eligible depositories for public cash deposits, which must be Colorado institutions and must maintain federal insurance on deposits held. Each eligible depository with deposits in excess of the insured levels must pledge a collateral pool of defined eligible

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

assets, to be maintained by another institution or held in trust for all of its local government depositors as a group, with a market value at least 102% of the uninsured deposits. The State Regulatory Commissions for banks and savings and loan associations are required by statute to monitor the naming of eligible depositories and the reporting of uninsured deposits and assets maintained in the collateral pools.

Colorado statutes define eligible investments for local governments. These include bonds and other interest-bearing obligations of or guaranteed by the United States government or its agencies, bonds which are direct obligations of the State of Colorado or any of its political subdivisions, repurchase agreements, commercial paper, guaranteed investment contracts and local government investment pools.

At June 30, 2016, the District had investments in one local governmental investment pool, the Colorado Government Liquid Asset Trust (COLOTRUST). COLOTRUST is an investment vehicle established for local government entities in Colorado to pool surplus funds for investment purposes. COLOTRUST is routinely monitored by the Colorado Division of Securities with regard to its operations and investments, which are also subject to provisions of C.R.S. Title 24, Article 75, and Section 6. The fair value of the investments in COLOTRUST is the same as the value of the pool shares. None of these types of investments are categorized because they are not evidenced by securities that exist in physical or book entry form. COLOTRUST is rated AAAm from Standard and Poor's. The District also invested in one US Treasury Bill. The difference between its carrying amount and market value is immaterial and therefore, not recorded on the financial statements.

The District records interest revenue related to investment activities in the fund that holds the investments.

At June 30, the District had the following investments subject to interest rate risk:

Investment Type	Carrying Value	Fair Value	Investment Maturities (in years)			
			Less than 1	1-5	6-10	More than 10
Investment Pools						
COLOTRUST	\$ 743,040	\$ 743,040				
Treasury Bill	5,782	8,010			\$ 8,010	
Total	\$ 748,822	\$ 751,050				

The District does not have a formal policy limiting investment maturities that would help to manage its exposure to fair value loss from increasing interest rates.

3. Federal and State Administered Grants – are considered to be earned to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received they are recorded as deferred revenues until earned. Receivables and deferred revenues are as follows:

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

	<u>Receivables</u>	<u>Deferred Revenues</u>
<u>General Fund</u>		
At Risk Grant		\$ 3,633
READ Grant		15,843
Title I	\$ 630	
Title II	334	
Title III Set Aside	13	
EARSS Grant	1,670	
REAP Grant	2,382	
 Total General Fund	 <u>\$ 5,029</u>	 <u>\$ 19,476</u>
 <u>Lunch Fund</u>		
Project for Healthy Meals		<u>\$ 23,324</u>

4. Capital Assets – Capital asset activity for the fiscal year ended June 30, 2016 follows:

	Capital Assets July 1, 2015	Additions	Deletions Inventory Adjustments/ Transfers	Capital Assets June 30, 2016
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 190,438			\$ 190,438
Total capital assets not being depreciated	<u>190,438</u>	<u>-</u>	<u>-</u>	<u>190,438</u>
Capital assets, being depreciated:				
Buildings	7,453,228	\$ 21,837		7,475,065
Equipment	883,450	128,401		1,011,851
Total capital assets being depreciated	<u>8,336,678</u>	<u>150,238</u>	<u>-</u>	<u>8,486,916</u>
Less accumulated depreciation for:				
Buildings	(3,886,699)	(166,085)		(4,052,784)
Equipment	(723,742)	(49,630)		(773,372)
Total accumulated depreciation	<u>(4,610,441)</u>	<u>(215,715)</u>	<u>-</u>	<u>(4,826,156)</u>
Total capital assets, being depreciated, net	3,726,237	(65,477)		3,660,760
Governmental Activities Capital Assets, net	<u>\$ 3,916,675</u>	<u>\$ (65,477)</u>	<u>\$ -</u>	<u>\$ 3,851,198</u>

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

Depreciation expense was charged as a direct expense to the following governmental programs:

Transportation	\$	34,838
Food Service		2,929
Unallocated		177,948
Total depreciation governmental activities	\$	<u>215,715</u>

5. Defined Benefit Pension Plan –

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 that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided. 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.

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.

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), as established by state statute. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve for the SCHDTF.

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 retirement benefit formula shown above considering a minimum 20 years of service credit.

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

Contributions. Eligible employees and the District are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq.* Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

	For the Year Ended December 31, 2015	For the Year Ended December 31, 2016
Employer Contribution Rate ¹	10.15%	10.15%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) ¹	(1.02)%	(1.02)%
Amount Apportioned to the SCHDTF ¹	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹	4.20%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	4.00%	4.50%
Total Employer Contribution Rate to the SCHDTF ¹	17.33%	18.13%

¹Rates 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 \$399,886 for the year ended June 30, 2015.

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

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

At June 30, 2016, the District reported a liability of \$8,459,955 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The District's proportion of the net pension liability was based on the District's contributions to the SCHDTF for the calendar year 2015 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2015, the District's proportion was .055315 percent, which was a decrease of .000004 percent from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$840,864. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience		\$ 488
Changes in assumptions		120,466
Net difference between projected and actual earnings on pension plan investments	\$ 831,048	
Changes in proportion and differences between contributions recognized and proportionate share of contributions	124,395	
Contributions subsequent to the measurement date	<u>214,579</u>	
Total	<u>\$ 1,170,022</u>	<u>\$ 120,954</u>

\$214,579 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

Year ended June 30:

2017	\$ 259,101
2018	237,609
2019	188,578
2020	149,201

Actuarial assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 – 10.10 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50 percent
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA’s Board on November 13, 2012, and an economic assumption study, adopted by PERA’s Board on November 15, 2013 and January 17, 2014.

The SCHDTF’s long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the most recent analysis of the long-term expected rate of return, presented to the PERA Board on November 15, 2013, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	10 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	26.76%	5.00%
U.S. Equity – Small Cap	4.40%	5.19%
Non U.S. Equity – Developed	22.06%	5.29%

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

Non U.S. Equity – Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov't/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	100.00%	

* In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.50%.

Discount rate. The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the fixed statutory rates specified in law, including current and future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Based on those assumptions, the SCHDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. 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 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$10,966,574	\$8,459,955	\$6,374,915

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

6. Defined Contribution Pension Plan

Voluntary Investment Program

Plan Description - Employees of the District that are also members of the SCHDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report for the Plan. 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 has not agreed to match employee contributions. Employees are immediately vested in their own contributions, employer contributions and investment earnings. For the year ended June 30, 2016, program members contributed \$6,128 to the Voluntary Investment Program.

7. Other Post-Employment Benefits

Health Care Trust Fund

Plan Description – The District contributes to the Health Care Trust Fund ("HCTF"), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF 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 health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy – The District is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2016, 2015 and 2014 the District contributions to the HCTF were \$24,686, \$24,170 and \$22,947, respectively, equal to their required contributions for each year.

8. Accrued Salaries – Certified instructors of the District are contracted for nine months annually between Labor Day and June 1. These instructors, while only working nine months, are paid for their services in twelve equal monthly installments. On June 30 of each year they have completed their entire contract, but have only received 10/12 of the related compensation with the difference to be paid over the summer break. The difference, totaling \$384,231, is reflected as an accrued expense at June 30.

9. General Long Term Debt-

Capital Lease- In fiscal year 2011 the District entered into a lease agreement for energy saving heating and cooling equipment. The lease is payable in 48 quarterly payments varying from \$7,950 to \$12,870, including interest at 5.701% beginning on January 15, 2010. The lease is

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

serviced by the General Fund and the equipment serves as collateral. All payment obligations of the District are subject to annual appropriation by the Board of Education.

A summary of the minimum lease payments required to maturity follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 33,086	\$ 10,374	\$ 43,460
2018	37,219	8,401	45,620
2019	41,695	6,185	47,880
2020	46,555	3,706	50,261
2021	36,947	983	37,930
Total	\$ 195,502	\$ 29,649	\$ 225,151

Changes in Long-Term Debt- A summary of changes in long-term debt follows:

<u>Description</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Retired</u>	<u>Ending Balance</u>
Capital Lease	\$ 224,484		\$ 28,982	\$ 195,502
Total	\$ 224,484	\$ -	\$ 28,982	\$ 195,502

10. Inter-fund Operating Transfers– Transfers consist of amounts transferred to supplement revenues. All transfers are done on a routine basis. Transfers for the year ended June 30 are as follows:

<u>Transfers</u>	<u>In</u>	<u>Out</u>
General Fund		\$ 117,539
Capital Projects Fund	\$ 102,570	
Lunch Fund	14,969	
Total	\$ 117,539	\$ 117,539

The transfers were made for the purpose of subsidizing the receiving fund.

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

11. Fund Balance Restrictions and Assignments – Restricted indicates that a portion of the fund balance can only be spent for specific purposes because of state or federal laws, or externally imposed conditions by grantors or creditors. Assigned indicates amounts that are designated for a specific purpose by the Board of Education but are not spendable until appropriated. The District uses the following restrictions and assignments:

Restricted

TABOR – indicates that a portion of the fund balance has been segregated for expenditures for declared emergencies only. Fund balance reserved for emergencies consists of \$136,000 in the General Fund.

Assigned

Assigned for future expenditures – indicates anticipated fund balance available for appropriation in the next budget year. Fund balances assigned for future expenditures consist of the following:

General Fund	\$ 1,430,027
Lunch Fund	725
Capital Projects Fund	55,261
Total	<u>\$ 1,486,013</u>

12. Risk Management – The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Colorado School Districts Self-Insurance Pool (The Pool). The Pool was formed in 1981 to provide member school districts and related educational facilities with defined property and liability coverage through joint self-insurance and excess insurance. The District pays an annual premium for its general insurance coverage. The Pool is self-sustaining through member premiums and obtains excess insurance to limit per occurrence exposure to \$250,000.

The District continues to carry commercial insurance for all other risks of loss including worker's compensation and employee health and accident insurance. There have been no settled claims that have exceeded insurance coverage in any of the past three fiscal years. There have been no significant decreases in insurance coverage from the prior year.

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

- 13. Tax, Spending, and Debt Limitations** – Colorado Voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. On November 5, 1996 the people of the District voted to authorize the spending of all monies in existing funds and to collect, retain, and expend the full revenue, including state grants and taxes, generated during fiscal year 1997 and for each subsequent year regardless of any limitation contained in Article X, Section 20, of the Colorado Constitution. The Amendment is complex and subject to judicial interpretation. The District believes it is in compliance with all other requirements of the amendment. However, the District has made certain interpretations of the amendment’s language in order to determine its compliance.
- 14. Commitments and Contingent Liabilities** – There were no commitments or contingent liabilities at June 30.

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

Required Supplementary Information

June 30, 2016

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements.

Such information includes:

Budgetary Comparison Schedules

General Fund

Lunch Fund

Pension Schedules

Schedule of District Contributions

Schedule of the District's Proportionate Share of the Net Pension Liability

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

Schedule of Revenues, Expenditures and Changes in
Fund Balances- Budget and Actual
General Fund

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues from local sources				
Current property taxes	\$ 1,088,508	\$ 1,066,116	\$ 1,023,594	\$ (42,522)
Specific ownership taxes	78,726	72,899	92,603	19,704
Delinquent taxes and interest on taxes	1,685	2,495	4,279	1,784
Earnings on investments	1,595	1,595	3,265	1,670
Tuition	29,000	37,355	42,110	4,755
Pupil Activity Fees	5,500	5,500	7,571	2,071
Other	84,230	101,715	120,188	18,473
Total revenues from local sources	1,289,244	1,287,675	1,293,610	5,935
Revenues from state sources				
State Equalization	2,923,220	2,929,709	2,929,502	(207)
Transportation	27,000	25,740	26,786	1,046
English Language Proficiency Act	7,719	6,436	6,334	(102)
State ELPA	7,331	9,579	9,423	(156)
EARSS Grant	47,781	47,781	49,451	1,670
Read Grant	26,487	33,517	19,146	(14,371)
Small Rural Schools		119,000	119,468	468
Library Grant		3,500	6,500	3,000
Services within BOCES	8,883	8,883	26,041	17,158
Total revenues from state sources	3,048,421	3,184,145	3,192,651	8,506
Revenues from federal sources				
Title I	94,520	94,217	94,676	459
Title III Unaccompanied Children		345	345	-
Title II Part A	22,128	22,051	21,160	(891)
Title III Set Aside	1,886	1,886	1,858	(28)
RTTT	368	378	378	-
Forest Service	15,509	13,727	31,838	18,111
Mineral Leasing	29,000	30,258	30,258	-
REAP	15,996	20,846	20,846	-
Services within BOCES	8,367			-
Total revenues from federal sources	187,774	183,708	201,359	17,651
Total revenues	4,525,439	4,655,528	4,687,620	32,092

(Continued)

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

Schedule of Revenues, Expenditures, and Changes in
Fund Balances- Budget and Actual
General Fund
(Continued)

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Instruction				
Salaries	\$ 1,548,757	\$ 1,543,240	\$ 1,545,165	\$ (1,925)
Employee benefits	562,041	564,329	565,050	(721)
Purchased services				
Professional and technical	11,800	12,370	25,270	(12,900)
Property	1,450	1,450	1,700	(250)
Other	142,389	145,127	144,524	603
Supplies	174,311	176,272	122,118	54,154
Property	8,850	8,280	3,995	4,285
Other	2,000	2,000	2,147	(147)
Total instruction	2,451,598	2,453,068	2,409,969	43,099
Pupils				
Salaries	119,806	115,166	117,206	(2,040)
Employee benefits	37,236	42,386	42,553	(167)
Purchased services				
Professional and technical	780	780	886	(106)
Other	5,252	1,720	1,829	(109)
Supplies	5,456	7,478	4,482	2,996
Other	200	200		200
Total pupils	168,730	167,730	166,956	774
Instructional staff				
Salaries	29,791	27,075	23,506	3,569
Employee benefits	12,406	11,830	11,301	529
Purchased services				
Professional and technical	19,248	18,900	12,009	6,891
Other	26,539	28,526	25,486	3,040
Supplies	6,386	9,890	9,316	574
Total instructional staff	94,370	96,221	81,618	14,603

(Continued)

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

Schedule of Revenues, Expenditures and Changes in
Fund Balances- Budget and Actual
General Fund
(Continued)

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
General administration				
Salaries	\$ 122,135	\$ 122,135	\$ 129,194	\$ (7,059)
Employee benefits	37,652	39,805	39,863	(58)
Purchased services				
Professional and technical	41,500	41,500	33,499	8,001
Property	300	300	422	(122)
Other	31,100	37,100	35,556	1,544
Supplies	10,421	10,421	7,743	2,678
Other	7,200	7,200	3,155	4,045
Total general administration	250,308	258,461	249,432	9,029
School administration				
Salaries	271,356	272,346	275,618	(3,272)
Employee benefits	100,385	100,724	99,666	1,058
Purchased services				
Other	9,000	9,000	7,465	1,535
Supplies	10,375	10,375	8,977	1,398
Other	2,201	2,201	1,539	662
Total school administration	393,317	394,646	393,265	1,381
Business services				
Salaries	53,611	60,162	59,949	213
Employee benefits	17,309	14,347	14,068	279
Purchased services				
Other	5,000	5,000	5,000	-
Total business services	75,920	79,509	79,017	492
Operations and maintenance				
Salaries	190,046	190,046	188,599	1,447
Employee benefits	76,537	76,020	76,285	(265)
Purchased services				
Professional and technical	14,818	14,818	3,218	11,600
Property	41,226	41,226	40,898	328
Other	70,085	70,085	69,409	676
Supplies	127,451	127,451	123,297	4,154
Property	3,000	3,000	3,011	(11)
Total operations and maintenance	523,163	522,646	504,717	17,929

(Continued)

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

Schedule of Revenues, Expenditures, and Changes in
Fund Balances- Budget and Actual
General Fund
(Continued)

For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Student transportation				
Salaries	\$ 97,373	\$ 98,013	\$ 101,650	\$ (3,637)
Employee benefits	29,774	29,815	29,005	810
Purchased services				
Professional and technical	1,250	1,250	1,943	(693)
Property	10,350	10,350	11,438	(1,088)
Other	8,215	8,215	8,516	(301)
Supplies	47,546	47,546	35,692	11,854
Property	1,200	30,200	35,609	(5,409)
Other	500	500		500
Total student transportation	<u>196,208</u>	<u>225,889</u>	<u>223,853</u>	<u>2,036</u>
Central support				
Salaries	48,159	48,159	48,719	(560)
Employee benefits	16,201	16,115	16,039	76
Purchased services				
Professional and technical	2,000	2,000	3,400	(1,400)
Property		869	238	631
Other	53,471	54,557	57,332	(2,775)
Supplies	9,500	17,785	53,935	(36,150)
Property	61,800	129,800	144,438	(14,638)
Total central support	<u>191,131</u>	<u>269,285</u>	<u>324,101</u>	<u>(54,816)</u>
Other support services				
Salaries			22,130	(22,130)
Purchased services				
Other	18,279	18,279	17,728	551
Total other support services	<u>18,279</u>	<u>18,279</u>	<u>39,858</u>	<u>(21,579)</u>

(Continued)

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

Schedule of Revenues, Expenditures, and Changes in
Fund Balances- Budget and Actual
General Fund
(Continued)

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Food Service				
Salaries			\$ 17	\$ (17)
Employee benefits			3	(3)
Purchased services				
Professional and technical	\$ 3,500	\$ 3,500	3,274	226
Total Food Service	<u>3,500</u>	<u>3,500</u>	<u>3,294</u>	<u>206</u>
Enterprise				
Salaries		5,699	6,311	(612)
Employee benefits		1,156	700	456
Supplies		500	489	11
Total enterprise	<u>-</u>	<u>7,355</u>	<u>7,500</u>	<u>(145)</u>
Debt Service				
Principal	27,960	27,960	28,982	(1,022)
Interest	13,440	13,440	12,886	554
Total debt service	<u>41,400</u>	<u>41,400</u>	<u>41,868</u>	<u>(468)</u>
Appropriated reserves	<u>1,514,810</u>	<u>1,521,394</u>	-	<u>1,521,394</u>
Total expenditures	<u>5,922,734</u>	<u>6,059,383</u>	<u>4,525,448</u>	<u>1,533,935</u>
Other financing sources (uses)				
Transfer to Capital Projects Fund	(102,570)	(102,570)	(102,570)	-
Transfer to Lunch Fund	(14,945)	(14,969)	(14,969)	-
Total other financing sources (uses)	<u>(117,515)</u>	<u>(117,539)</u>	<u>(117,539)</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>(1,514,810)</u>	<u>(1,521,394)</u>	<u>44,633</u>	<u>1,566,027</u>
Fund balance, beginning	<u>1,514,810</u>	<u>1,521,394</u>	<u>1,521,394</u>	<u>-</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,566,027</u>	<u>\$ 1,566,027</u>

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

Schedule of Revenues, Expenditures and Changes in
Fund Balances- Budget and Actual
Lunch Fund

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Revenues				
Local sources				
Lunch sales	\$ 44,350	\$ 43,000	\$ 44,772	\$ 1,772
Earnings on investments	75	75	27	(48)
Project for Healthy Meals Grant		70,430	47,106	(23,324)
Other		3,500	6,288	2,788
Total local sources	44,425	117,005	98,193	(18,812)
State sources				
State Matching Grant	1,500	1,500	1,759	259
Smart Food Grant	350	550	400	(150)
School Lunch Protection	1,100	1,600	1,154	(446)
Total state sources	2,950	3,650	3,313	(337)
Federal sources				
National School Lunch Program	98,000	95,000	90,565	(4,435)
National School Breakfast Program	30,000	28,000	22,948	(5,052)
Adult Food Program	4,000	20,000	19,854	(146)
Fresh Fruits and Vegetables Program		12,872	10,504	(2,368)
Donated commodities	10,967	10,967	11,231	264
Total federal sources	142,967	166,839	155,102	(11,737)
Total revenues	190,342	287,494	256,608	(30,886)
Expenditures				
Food Service				
Salaries	71,825	71,825	69,480	2,345
Employee benefits	21,095	27,311	26,071	1,240
Purchased services				
Other	1,400	2,700	1,648	1,052
Food and milk	88,000	125,030	121,058	3,972
Commodities used	10,967	10,967	11,230	(263)
Supplies	7,000	10,430	22,583	(12,153)
Property	5,000	54,000	34,392	19,608
Other		200		200
Appropriated reserves	19,000	19,880		19,880
Total expenditures	224,287	322,343	286,462	35,881
Other financing sources (uses)				
Transfers in (out)	14,945	14,969	14,969	-
Total other financing sources (uses)	14,945	14,969	14,969	-
Excess of revenues and other sources over (under) expenditures and other uses	(19,000)	(19,880)	(14,885)	4,995
Fund balance, beginning	19,000	19,880	19,880	-
Fund balance, ending	\$ -	\$ -	\$ 4,995	\$ 4,995

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

Schedules of Required Supplementary Information

Schedule of District Contributions

June 30, 2016

Last 10 Years

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 359,412	\$ 399,885	\$ 428,894
Contributions in relation to the contractually required contribution	359,412	399,885	428,894
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 2,146,077	\$ 2,369,569	\$ 2,420,231
Contributions as a percentage of covered employee payroll	16.75%	16.88%	17.72%

Information is not available for years prior to 2014

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6
Schedules of Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability

	Last 10 Years		
	(Dollars in Thousands)		
	<u>2014</u>	<u>2015</u>	<u>2016</u>
District's proportion of the net pension liability (asset)	0.0532%	0.05532%	0.05531%
District' share of the net pension liability (asset)	\$ 6,790,133	\$ 7,497,635	\$ 8,459,955
District's covered employee payroll	\$ 2,146,077	\$ 2,318,599	\$ 2,410,588
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	316.40%	323.37%	350.95%
Plan fiduciary net position as a percentage of the total pension liability	62.84%	64.07%	59.20%

The amounts presented for each fiscal year were determined as of the calendar year that occurred within the fiscal year

Information is not available for years prior to 2014

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

Other Supplementary Information

June 30, 2016

Other supplementary information includes financial statements and schedules not required by the GASB, or a part of the basic financial statements, but are presented for purposes of additional analysis.

These statements and schedules include:

Budgetary Comparison Schedules

Non major governmental fund

Capital Reserve Capital Projects Fund

Fiduciary Fund

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

Schedule of Revenues, Expenditures and Changes in
Fund Balances- Budget and Actual
Capital Reserve Capital Projects Fund

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Revenues				
Local sources				
Earnings on investments	\$ 20	\$ 20	\$ 30	\$ 10
Other			100	100
Total local sources	<u>20</u>	<u>20</u>	<u>130</u>	<u>110</u>
Total revenues	<u>20</u>	<u>20</u>	<u>130</u>	<u>110</u>
Expenditures				
Operations and plant maintenance				
Purchased services				
Property	34,879	34,879	26,384	8,495
Supplies	22,011	22,011	5,757	16,254
Property	9,000	9,000	6,896	2,104
Student transportation				
Property			27,800	(27,800)
Central support				
Property	36,700	36,700	8,900	27,800
Food service				
Property			8,666	(8,666)
Appropriated reserves	36,960	36,964		36,964
Total expenditures	<u>139,550</u>	<u>139,554</u>	<u>84,403</u>	<u>55,151</u>
Other financing sources (uses)				
Transfers in (out)	102,570	102,570	102,570	-
Total other financing sources (uses)	<u>102,570</u>	<u>102,570</u>	<u>102,570</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(36,960)</u>	<u>(36,964)</u>	<u>18,297</u>	<u>55,261</u>
Fund balance, beginning	36,960	36,964	36,964	-
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,261</u>	<u>\$ 55,261</u>

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

Schedule of Revenues, Expenditures and Changes in
Due to Agency Recipients- Budget and Actual
Fiduciary Fund
Agency Fund

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources				
Earnings on investments	\$ 75	\$ 75	\$ 23	\$ (52)
Miscellaneous	130,000	130,000	90,661	(39,339)
Total local sources	<u>130,075</u>	<u>130,075</u>	<u>90,684</u>	<u>(39,391)</u>
Total revenues	<u>130,075</u>	<u>130,075</u>	<u>90,684</u>	<u>(39,391)</u>
Expenditures				
Instruction				
School accounts	130,075	130,075	91,926	38,149
Appropriated reserves	53,000	53,933		53,933
Total expenditures	<u>183,075</u>	<u>184,008</u>	<u>91,926</u>	<u>92,082</u>
Excess of revenues and other sources over (under) expenditures and other uses	(53,000)	(53,933)	(1,242)	52,691
Due to agency recipients beginning of the year	53,000	53,933	53,933	-
Due to agency recipients end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,691</u>	<u>\$ 52,691</u>

INFORMATION REQUIRED BY OVERSIGHT AUTHORITIES

Majors and Haley, P.C.
Certified Public Accountants

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Cortez, CO 81321
(970) 565-9521
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Chris L. Majors, CPA, MT

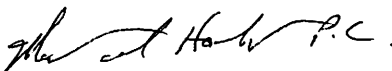
Lori Hasty Haley, CPA

INDEPENDENT AUDITORS' REPORT
ON COLORADO DEPARTMENT OF EDUCATION AUDITORS' INTEGRITY REPORT

To the Board of Education
Montezuma County (Mancos) School District RE-6
Mancos, Colorado 81328

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Montezuma County (Mancos) School District RE-6, as of and for the year ended June 30, 2016, and have issued our report thereon dated August 11, 2016, which expressed an unmodified opinion on those financial statements, appears as listed in the table of contents. These financial statements are the responsibility of the Montezuma County (Mancos) School District RE-6 management.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Montezuma County (Mancos) School District RE-6's financial statements. The accompanying Colorado Department of Education Auditors' Integrity Report is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Majors and Haley, P.C.

Cortez, Colorado
August 11, 2016



Colorado Department of Education

Auditors Integrity Report

District 2070 - MANCOS RE-6
Fiscal Year 2015-16
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 Ending Fund Balance
Governmental							
10 General Fund	1,521,370		4,361,122		4,331,156		1,551,337
18 Risk Mgmt Sub-Fund of General Fund	0		0		0		0
19 Colorado Preschool Program Fund	24		208,959		194,294		14,690
Sub-Total	1,521,394		4,570,082		4,525,449		1,566,027
11 Charter School Fund	0		0		0		0
20,26-29 Special Revenue Fund	0		0		0		0
21 Food Service Spec Revenue Fund	19,881		271,576		286,462		4,995
22 Govt Designated-Purpose Grants Fund	0		0		0		0
23 Pupil Activity Special Revenue Fund	0		0		0		0
24 Full Day Kindergarten Mill Levy Override	0		0		0		0
25 Transportation Fund	0		0		0		0
31 Bond Redemption Fund	0		0		0		0
39 Certificate of Participation (COP) Debt Service Fund	0		0		0		0
41 Building Fund	0		0		0		0
42 Special Building Fund	0		0		0		0
43 Capital Reserve Capital Projects Fund	36,964		102,700		84,403		55,261
Totals	1,578,239		4,944,358		4,896,315		1,626,283
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	0		0		0		0
Totals	0		0		0		0
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	53,933		90,684		91,926		52,691
79 GASB 34 Permanent Fund	0		0		0		0
85 Foundations	0		0		0		0
Totals	53,933		90,684		91,926		52,691
							FINAL
							52,691

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