

**MOUNTAIN VALLEY SCHOOL DISTRICT RE-1
SAGUACHE, COLORADO**

FINANCIAL STATEMENTS

June 30, 2016



RECEIVED

By Justin L. Smith at 10:53 am, Mar 17, 2017



**Wall,
Smith,
Bateman** Inc.

Certified Public Accountants

MOUNTAIN VALLEY SCHOOL DISTRICT RE-1

TABLE OF CONTENTS

June 30, 2016

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	10
Statement of Activities	11
Governmental Fund Financial Statements:	
Balance Sheet	12
Reconciliation of Total Governmental Fund Balances to the Statement of Net Position	13
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	15
Fiduciary Fund Financial Statement:	
Statement of Fiduciary Net Position	16
Notes to the Basic Financial Statements	17
Required Supplementary Information	
Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual:	
General Fund	35
Grants Fund	36
Schedule of the District's Proportionate Share of the Net Pension Liability - PERA SCHDTF Pension Plan	37
Schedule of the District's Contributions - PERA SCHDTF Pension Plan	38
Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual:	
Food Service Fund	39
Report on Compliance with CDE - Financial Policies and Procedures Manual	40
Colorado School Districts Auditor's Integrity Report	

INDEPENDENT AUDITORS' REPORT



Wall,
Smith,
Bateman Inc.

To the Board of Education
Mountain Valley School District RE-1
Saguache, Colorado

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mountain Valley School District RE-1 (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Certified Public Accountants

700 Main Street, Suite 200 PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 | www.wsbcpa.com

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, and pension information on pages 3-9 and 35-38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The individual fund financial schedule and the Colorado School District Auditor's Integrity Report are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

March 13, 2017

Mountain Valley School District RE-1
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016

As management of Mountain Valley School District, we offer readers of the Mountain Valley School District's financial statements this narrative overview and analysis of the financial activities of the Mountain Valley School District for the year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the District's financial statements, which follow this section.

Financial Highlights 2016

- Total net position as of June 30, 2015 was (\$1,841,489). Total Net Position as of June 30, 2016 was (\$1,853,196), a decrease of \$11,707.
- General revenues, primarily property taxes and state equalization payments, account for approximately \$1,696,583 or 67% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$840,653 of total revenues.
- The District had \$2,548,943 in expenses related to governmental activities; \$840,653 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$1,696,583 provided for these programs.
- Revenue in the food service fund from charges for services and operating grants and contributions was not sufficient to cover expenses in the 2016 fiscal year and was subsidized by the General Fund.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), 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 fund 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 supplementary information that further explains and supports the financial statements, and include a comparison to the District's budget for the year.

District-wide Financial Statements

The District-wide financial statements are designed to provide readers a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of Mountain Valley School District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in the net position

**Mountain Valley School District RE-1
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016**

may serve as a useful indicator of whether the financial position of Mountain Valley School District is improving or deteriorating. 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 buildings and other facilities.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the District-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. Included in governmental activities are most of the District's basic services such as regular and special education, transportation, administration, and the food service program.

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 track specific sources of funding and spending on particular programs. The Mountain Valley School District, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) balances remaining at year-end which are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine financial resources that may be available in the near term to finance the District's programs. Because this information does not encompass the long-term focus of the District-wide statements, additional schedules explain the relationship (or differences) between them.

Mountain Valley School District maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in the fund balances for the (1) General fund, (2) PreSchool fund (3) Food Service fund (4) Governmental Designated Purpose Grants fund and (5) Pupil Agency fund

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents supplementary information. Supplementary information includes other budget-to-actual information as dictated by State law.

District-wide Financial Analysis

Government-wide Analysis:

The assets of the District are classified as current assets and capital assets. Cash, investments, receivables, inventories, and prepaid expenses are current assets. These assets are available to provide resources for the near-term operations of the District. The majority of the current assets are the result of the property tax collection process; the District receives about 75% of the annual property tax assessment in the first half of the calendar year.

**Mountain Valley School District RE-1
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016**

Capital Assets are used in the operation of the District. These assets are land, buildings and improvements, machinery and equipment, and vehicles. Capital assets are discussed in greater detail in the section title, Capital Assets and Long-Term Debt, elsewhere in this analysis.

Current and long-term liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable, accrued salaries and benefits, unearned revenues, and current debt obligations. The liquidation of current liabilities is anticipated to be either from current available resources, current assets, or new resources that become available during fiscal year 2017. Long-term liabilities such as long-term debt obligations and compensated absences payable, will be liquidated from resources that will become available after fiscal year 2016. A comparative analysis is provided.

Activity Fund:

Total expenditures from the Student Activity Fund for 2015-2016 were \$30,724, a decrease of \$492 from the fiscal year 2014-2015.

**Table I
Statement of Net Position
June 30, 2015 and 2016**

	Governmental Activities 2015	Governmental Activities 2016
Assets		
Current Assets	\$ 999,338	\$ 1,119,573
Capital Assets	1,260,080	1,184,253
Total Assets	2,259,418	2,303,826
Deferred Outflows of Resources		
Pensions	164,580	506,883
Total Deferred Outflows of Resources	164,580	506,883
Liabilities		
Other Liabilities	252,702	258,236
Long-term Liab.	3,925,347	4,082,826
Total Liabilities	4,178,049	4,341,062
Deferred Inflows of Resources		
Pensions	87,438	322,843
Total Deferred Inflows of Resources	87,438	322,843
Net Position		
Net Investment in Capital Assets	1,260,080	1,184,253
Restricted for TABOR	79,969	62,000
Restricted for Preschool	0	30,544
Unrestricted	(3,181,538)	(3,129,993)
Total Net Position	\$ (1,841,489)	(1,853,196)

**Mountain Valley School District RE-1
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016**

Table II provides a summary of the changes in net position. The following table is a specific discussion related to overall revenues and expenses.

**Table II
Condensed Statement of Changes in Net Position
Fiscal Year 2015 and 2016**

	Governmental Activities 2015	Business Type Activities 2015	Business Type Activities 2016	Governmental Activities 2016
Revenues				
Program Revenues:				
Charges for Services	\$ 17,261	\$ -	\$ -	\$ 3,727
Oper. Grants & Contributions	544,408	-	-	836,926
Capital Grants & Contributions	82	-	-	0
General Revenues:				
Property Taxes	484,676	-	-	494,906
State Equalization	1,195,522	-	-	1,177,594
Investment	789	-	-	2,573
Other	21,036	-	-	21,510
Little Learners		9,866		
Total Revenues	2,263,774	9,866	-	2,537,236
Expenses				
Instructional Program	1,322,118	-	-	1,095,669
Student Support Services	1,113,710	-	-	450,350
Instr. Staff Support Services	-	-	-	79,083
Gen. Admin. Support Services	-	-	-	185,879
Sch. Admin. Support Services	-	-	-	117,809
Business Support Services	-	-	-	128,669
O&M of Plant Services	-	-	-	207,807
Student Trans. Services	-	-	-	131,070
Central Support Services	-	-	-	37,766
Food Services	-	-	-	114,841
Little Learners	-	29,837	-	-
Total Expenses	2,435,828	29,837	-	2,548,943
Transfers	(19,695)	19,695	-	0
Change in Position	(191,749)	(276)	-	(11,707)
Net Position - Beginning	(1,649,740)	276	-	(1,841,489)
Net Position - Ending	\$ (1,841,489)	\$ -	\$ -	\$ (1,853,196)

In the previous year, property taxes and per pupil state formula revenue (state equalization) accounted for most of the District's revenue, contributing about 75%. Normally State and Federal grants and private partnership grants contribute about 24% of revenue. Normally interest on investments, other sources, and miscellaneous contribute the remaining 1%.

**Mountain Valley School District RE-1
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016**

In fiscal year 2016, the revenue percentage of property taxes and state equalization is 67%, grants 32%, and all other 1%.

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

Governmental Activities

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal, federal, and state requirements. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financial requirements. In particular, unrestricted fund balance may serve as a useful measure of the net resources available for spending at the end of the fiscal year.

The primary source of operating revenue for school districts comes from the School Finance Act of 1994. Under this act, the District received \$13,389.55 per funded student. In fiscal year 2016, the funded pupil count was 118.5. Funding for the school finance act comes from property taxes, specific ownership taxes, and state equalization. The District received approximately 69% of this funding from state equalization while the remaining amounts come from property taxes and specific ownership tax.

The statement of activities provides the cost of program services and the related charges for services and grants offsetting those costs. Table III reflects each program's net cost (total cost less fees generated by the programs and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these programs.

**Table III
Cost of Services
Fiscal Year 2015 and 2016**

	Total Cost 2015	Business Type Cost 2015	Total Cost 2016	Net Cost 2015	Business Type Net Cost 2015	Net Cost 2016
Instructional Program	1,322,118	-	1,095,669	(1,021,574)	-	(677,707)
Student Support Services	1,113,710	-	450,350	(852,503)	-	(132,460)
Instructional Staff Support Services	-	-	79,083	-	-	(79,083)
General Admin. Support Services	-	-	185,879	-	-	(185,879)
School Admin. Support Services	-	-	117,809	-	-	(117,809)
Business Support Services	-	-	128,669	-	-	(128,669)
Operations & Maintenance of Plant Services	-	-	207,807	-	-	(207,807)
Student Transportation Services	-	-	131,070	-	-	(100,960)
Central Supporting Services	-	-	37,766	-	-	(37,766)
Little Learners	-	29,837	-	-	(19,971)	-
Food Service	-	-	114,841	-	-	(40,150)
Total	2,435,828	29,837	2,548,943	(1,874,077)	(19,971)	(1,708,290)

**Mountain Valley School District RE-1
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016**

Financial Analysis of the District's Funds

Information about the District's funds starts on page 12. These funds are accounted for using the modified accrual basis of accounting.

General Fund Budgetary Highlights

The District's budget is prepared according to Colorado Law and is based on accounting for certain transactions on the modified accrual basis.

Capital Assets and Debt Administration

By the end of the fiscal year 2016, the District had invested \$1,184,253 in a broad range of capital assets, including buildings and improvements, machinery and equipment, and vehicles. (See Table IV)

**Table IV
Capital Assets at June 30, 2015 and 2016**

	Governmental Activities 2015	Governmental Activities 2016
Buildings and Improvements	\$ 1,917,963	\$ 1,917,963
Equipment	124,598	124,598
Vehicles	433,795	413,795
Accumulated Depreciation	-1,216,276	-1,272,103
Totals	\$ 1,260,080	\$ 1,184,253

Long-Term Liabilities

At June 30, 2016, the District had \$27,651 in long-term liabilities. Table V details the long-term liabilities for the District.

**Table V
Long-Term Liabilities
Current and Total at June 30, 2015 and 2016**

	Governmental Activities 2015	Governmental Activities 2016
Compensated Absences	\$ 36,852	\$ 27,651
	<u>\$ 36,852</u>	<u>\$ 27,651</u>

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could significantly affect its financial health in the future.

- The United States and the State of Colorado have experienced slowing economic conditions in the past several years. One impact of this economic slowing is the reduction in the State of Colorado's general fund revenues. Because educational expenditures represent a significant portion of the State of Colorado's

**Mountain Valley School District RE-1
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016**

budget, the district revenues were adversely impacted. The outlook and forecast for school funding in the future continues to be bleak. In fiscal year 2015, the state finally began to backfill some of the funding cuts that were a result of the past recession. The District continues to work hard to manage funds wisely and prudently.

- The Mountain Valley School District continues its efforts in educational reform with cooperation from administration, certified staff, classified staff, parents, community members, and the local board of education. The District has established partnerships with valley educational institutions and state organizations to assist in the curriculum reform effort.
- Mountain Valley School District has been successful in the past with obtaining grants from the Colorado Legacy Foundation, and Expelled and At Risk Student Services Grant from CDE. With these organizations, we continue to develop and evaluate student-focused strategies for increasing student attendance and achievement, as is evidenced by the quality teaching strategies found in our classrooms. These efforts have resulted in improvements in our educational programs that are evidenced by the educational awards the District continues to receive.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors 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 Superintendent of Schools, Mountain Valley School District, 403 Pitkin, Saguache, CO 81149.

This page left blank intentionally.

MOUNTAIN VALLEY SCHOOL DISTRICT RE-1

BASIC FINANCIAL STATEMENTS

This page left blank intentionally.

MOUNTAIN VALLEY SCHOOL DISTRICT RE-1

STATEMENT OF NET POSITION

June 30, 2016

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS	
Current Assets	
Cash and Investments	\$ 874,119
Cash with Fiscal Agent	8,103
Grants Receivable	169,378
Taxes Receivable	64,697
Other Assets	952
Inventory	2,324
Capital Assets	
Buildings	1,917,963
Vehicles	413,795
Equipment	124,598
Less: Accumulated Depreciation	(1,272,103)
TOTAL ASSETS	<u>2,303,826</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension	506,883
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>506,883</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	3,410
Accrued Salaries and Benefits	204,873
Due to Other Governments	24,707
Grants Unearned Revenue	25,246
Long-term Liabilities	
Compensated Absences	27,651
Pension Liability	4,055,175
TOTAL LIABILITIES	<u>4,341,062</u>
DEFERRED INFLOWS OF RESOURCES	
Pension	322,843
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>322,843</u>
NET POSITION	
Net Investment in Capital Assets	1,184,253
Restricted for TABOR	62,000
Restricted for Preschool	30,544
Unrestricted	(3,129,993)
TOTAL NET POSITION	<u>\$ (1,853,196)</u>

The accompanying notes are an integral part of this financial statement.

MOUNTAIN VALLEY SCHOOL DISTRICT RE-1
STATEMENT OF ACTIVITIES
Fiscal Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Revenue and Changes in Net Position
					Primary Government
Primary Government:					
Governmental Activities:					
Instructional Program	\$ 1,095,669	\$ -	\$ 417,962	\$ -	\$ (677,707)
Student Supporting Services	450,350	1,574	316,316	-	(132,460)
Instructional Staff Supporting Services	79,083	-	-	-	(79,083)
General Administration Supporting Services	185,879	-	-	-	(185,879)
School Administration Supporting Services	117,809	-	-	-	(117,809)
Business Supporting Services	128,669	-	-	-	(128,669)
Operations and Maintenance of Plant Services	207,807	-	-	-	(207,807)
Student Transportation Services	131,070	-	30,110	-	(100,960)
Central Supporting Services	37,766	-	-	-	(37,766)
Food Services	114,841	2,153	72,538	-	(40,150)
Total Governmental Activities	\$ 2,548,943	\$ 3,727	\$ 836,926	\$ -	(1,708,290)

General Revenues:

Taxes:

General Property Taxes - Net	428,945
Other Taxes	65,961
State Equalization	1,177,594
Investment Earnings	2,573
Other Revenues	21,510

Total General Revenues:

1,696,583

Change in Net Position

(11,707)

Net Position - Beginning of Year

(1,841,489)

Net Position - End of Year

\$ (1,853,196)

The accompanying notes are an integral part of this financial statement.

MOUNTAIN VALLEY SCHOOL DISTRICT RE-1
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2016

	GENERAL FUND	GRANTS FUND	NONMAJOR FUND FOOD SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and Investments	\$ 835,389	\$ 32,418	\$ 6,312	\$ 874,119
Cash with Fiscal Agent	8,103	-	-	8,103
Grants Receivable	123,612	30,103	15,663	169,378
Property Tax Receivable	64,697	-	-	64,697
Other Assets	-	952	-	952
Inventory	-	-	2,324	2,324
TOTAL ASSETS	\$ 1,031,801	\$ 63,473	\$ 24,299	\$ 1,119,573
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts Payable	\$ 3,410	\$ -	\$ -	\$ 3,410
Accrued Salaries & Benefits	159,119	37,140	8,614	204,873
Due to Other Governments	-	24,707	-	24,707
Grant Unearned Revenue	25,246	-	-	25,246
TOTAL LIABILITIES	187,775	61,847	8,614	258,236
FUND BALANCE				
Nonspendable Fund Balance:				
Inventory	-	-	2,324	2,324
Restricted Fund Balance:				
Restricted for TABOR Emergencies	62,000	-	-	62,000
Restricted for Colorado Preschool Program	30,544	-	-	30,544
Committed Fund Balance				
Grants	-	1,626	-	1,626
Assigned Fund Balance				
Food Service	-	-	13,361	13,361
Unassigned Fund Balance	751,482	-	-	751,482
TOTAL FUND BALANCE	844,026	1,626	15,685	861,337
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,031,801	\$ 63,473	\$ 24,299	\$ 1,119,573

The accompanying notes are an integral part of this financial statement.

MOUNTAIN VALLEY SCHOOL DISTRICT RE-1
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO THE STATEMENT OF NET POSITION
June 30, 2016

Total governmental fund balances	\$	861,337
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 in the funds.		
Capital assets, being depreciated	2,456,356	
Accumulated Depreciation	<u>(1,272,103)</u>	1,184,253
Deferred results and contributions to pension plans made after the measurement date are recorded as expenditures in the governmental funds, but must be deferred in the statement of net position.		
		(322,843)
Net pension liabilities are not due and payable in the current period and are not reported in the funds.		
		(4,055,175)
Compensated Absences		
		(27,651)
Certain amounts related to the net pension liability are deferred and amortized over time. These are not reported in the funds.		
		<u>506,883</u>
Net position of governmental activities	\$	<u><u>(1,853,196)</u></u>

The accompanying notes are an integral part of this financial statement.

MOUNTAIN VALLEY SCHOOL DISTRICT RE-1
GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2016

	GENERAL FUND	GRANTS FUND	NONMAJOR FUND FOOD SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Local Sources	\$ 552,813	\$ 62,439	\$ 2,153	\$ 617,405
Intermediate Sources	114	-	-	1,255,229
State Sources	1,255,229	171,467	606	1,427,302
Federal Sources	233,103	187,380	71,932	492,415
TOTAL REVENUES	2,041,259	421,286	74,691	2,537,236
EXPENDITURES				
Instruction	1,044,791	13,054	-	1,057,845
Pupil Support	57,070	355,181	-	412,251
Staff Support	26,816	49,730	-	76,546
General Administration	177,905	-	-	177,905
School Administration	111,768	-	-	111,768
Business Services	122,245	-	-	122,245
Operations and Maintenance	199,366	1,695	-	201,061
Transportation	115,603	-	-	115,603
Risk Management	37,766	-	-	37,766
Food Services	-	-	109,545	109,545
TOTAL EXPENDITURES	1,893,330	419,660	109,545	2,422,535
Excess (Deficiency) of Revenues Over Expenditures	147,929	1,626	(34,854)	114,701
OTHER FINANCING SOURCES (USES)				
Transfer In (Out) - net	(50,000)	-	50,000	-
TOTAL OTHER FINANCING SOURCES (USES)	(50,000)	-	50,000	-
Net Change in Fund Balance	97,929	1,626	15,146	114,701
Fund Balance at Beginning of Year	746,097	-	539	746,636
Fund Balance at End of Year	\$ 844,026	\$ 1,626	\$ 15,685	\$ 861,337

The accompanying notes are an integral part of this financial statement.

**MOUNTAIN VALLEY SCHOOL DISTRICT RE-1
RECONCILIATION OF THE 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 - total governmental funds \$ 114,701

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the activity in the capital assets in the current period. (75,827)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Compensated Absences 9,201

Certain items reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds. This item consists of the change in pension expense. (59,782)

Change in net position of governmental activities \$ (11,707)

MOUNTAIN VALLEY SCHOOL DISTRICT RE-1
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2016

	<u>PUPIL ACTIVITY</u> <u>AGENCY FUND</u>
ASSETS	
Cash and Investments	\$ 43,116
TOTAL ASSETS	<u>\$ 43,116</u>
LIABILITIES	
Pupil Activities Deposits	\$ 43,116
TOTAL LIABILITIES	<u>\$ 43,116</u>

The accompanying notes are an integral part of this financial statement.

MOUNTAIN VALLEY SCHOOL DISTRICT RE-1
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the District reflected in the accompanying financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments are those promulgated by the Governmental Accounting Standards Board (GASB) in *Governmental Accounting and Financial Reporting Standards*.

REPORTING ENTITY

Primary Government

Mountain Valley School District RE-1 is a public school as established by Colorado State Statute. The District is declared to be a corporate body with perpetual existence and in its name may hold property, sue and be sued, and be a party to contracts for any purpose authorized by law. Members of the school board are voted on at large by the registered, qualified electors of the District. Taxes are levied upon all taxable property within the District's boundaries by the County Commissioners. The County Treasurer collects the taxes and remits them to the District. The District also receives State and Federal funds. The school board has the authority to issue bonds up to 20% of the latest assessed valuation of the taxable property in the District. The board also has authority to select the depository of school funds and acquire short-term loans.

Component Units

The District's combined financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- The organization is legally separate (can sue and be sued in their own name)
- The District holds the corporate powers of the organization
- The District appoints a voting majority of the organization's board
- The District is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the District
- There is fiscal dependency by the organization on the District
- The organization is financially accountable to the District
- The organization receives or holds funds that are for the benefit of the District; and the District has access to a majority of the funds held; and the funds that are accessible are also significant to the District.

Based on the aforementioned criteria, the Mountain Valley School District RE-1 has no component units.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. Government-wide statements report information on all of the activities of the District. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. Mainly taxes and intergovernmental revenues support governmental activities.

MOUNTAIN VALLEY SCHOOL DISTRICT RE-1
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

The Statement of Activities reflects the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include:

- Charges to customers or applicants who purchase, use, or directly benefit from services, or privileges provided by a given function or segment and
- Grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds. The emphasis of fund financial statements is on major governmental funds, each reported as a separate column.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Property taxes are levied on December 15 based on the assessed value of property as certified by the County Assessor on October 1. The property tax may be paid in total by April 30 or one-half payment by February 28 and the second half by June 15. Grants are recognized as revenue when all applicable eligibility requirements, imposed by the provider, are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The District reports the following major governmental funds:

- The **General Fund** is the general operating fund of the District. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The **Grants Fund** is used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

Fiduciary fund financial statements consist of the Pupil Activity Agency Fund established to record transactions relating to assets held by the District as an agent for student organizations. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Certain eliminations have been made as prescribed in GASB Statement No. 34 in regards to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated.

MOUNTAIN VALLEY SCHOOL DISTRICT RE-1
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE

Cash

The District's cash and cash equivalents are considered to be cash in bank, certificates of deposit, and liquid investments with initial maturity of three months or less.

Investments

All investments, if any, are recorded at fair market value.

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1 each year. The taxes are payable in two installments on February 28 and June 15 or in full on April 30. The District's property taxes are collected by the County Treasurer who remits monthly receipts to the District. Property tax revenue is recognized when received by the County Treasurer.

Uncollected property taxes that became an enforceable lien January 1, 2016 have been recorded in the financial statements as an asset and a corresponding deferred inflow of resources.

Receivables/Payables From Other District Funds

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Balances that originate from current lending/borrowing arrangements between funds are referred to as "Due To/From Other Funds".

Inventories

Inventory of proprietary funds are valued at the lower of cost (first-in, first-out) or market.

USDA Commodities

The Food Service Fund receives donated commodities to use in meal preparation from the U.S. Department of Agriculture. The value of these commodities received during the year is shown as income, and the value of commodities used is shown as expense.

Capital Assets

Capital assets, which include land, buildings, equipment, vehicles, and construction in progress are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 and a useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Property and equipment acquired for proprietary funds is capitalized in the fund. Property and equipment acquired for governmental fund operations are recorded as expenditures in the fund making the disbursement and capitalized at cost in the government wide presentation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings and Site Improvements	40-80
Vehicles	10-20
Equipment	5-15

MOUNTAIN VALLEY SCHOOL DISTRICT RE-1
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

Compensated Absences

Accumulated unpaid personal and vacation pay benefits are serviced from other revenues in the General Fund. The unpaid benefits are reflected as long-term liabilities in the government wide presentation.

Unearned Grant Revenues

Unearned revenues on grants, which are restricted by the grant document for specific purposes, are recognized as revenue only after eligible grant costs have been incurred. Grant funds received in excess of grant expenditures are recorded as unearned revenues.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (as either an expense or expenditure) until that period.

In addition to liabilities, the statement of net position and the balance sheet report a separate section of deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position/fund balance that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

Certain amounts related to pensions must be deferred.

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.

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position should be displayed in the following three components:

- *Net investment in capital assets* – consists of capital assets, net accumulated depreciation, reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt should be included in this component of net position.
- *Restricted* – consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted assets consist of assets that have limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.
- *Unrestricted* – consists of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

MOUNTAIN VALLEY SCHOOL DISTRICT RE-1
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

- *Assigned* – consists of amounts that are constrained by the government’s *intent* to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. The district currently has no assigned fund balances.

Fund Balance

Fund balances are reported by classification based on the extent to which the District is bound to honor constraints for the specific purposes on which amounts in the fund can be spent. Fund balances are classified in one of the following five categories:

- *Nonspendable Fund Balance* – amounts that cannot be spent because they are not in spendable form – such as inventory and prepaid expenditures.
- *Restricted Fund Balance* – amounts restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed Fund Balance* – amounts that can only be used for specific purposes as a result of constraints imposed through adopted resolution by the Board of Education, the highest level of decision making authority. Committed amounts cannot be used for any other purpose unless the Board removes those constraints by taking the same type of action. Committed fund balances differ from restricted balances because the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.
- *Assigned Fund Balance* – amounts a government intends to use for a specific purpose; intent is expressed by the Board of Education.
- *Unassigned Fund Balance* – amounts that are available for any purpose; these amounts are reported only in the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted net position/fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Education has provided otherwise in its commitment or assignment actions.

Encumbrances

The District does not record purchase orders in the accounting system until invoices are ready for payment. Unfulfilled purchase commitments outstanding at the end of the budget year are rebudgeted in the succeeding year. End of the year fund balance intended to be used in the succeeding year is reported as designated fund balance.

Use of Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Reclassifications

Certain amounts in fiscal year 2015 have been reclassified to conform to the fiscal year 2016 financial statement presentation.

MOUNTAIN VALLEY SCHOOL DISTRICT RE-1
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets and Budgetary Accounting

Mountain Valley School District RE-1 follows the procedures set forth in the Colorado School District Budget Law when preparing annual budgets for each fund. Budget procedures include:

- 1) Preparation of budget documents by administrative staff shall be submitted to the Board no later than May 31 for the fiscal year commencing the following July 1.
- 2) Publication of a notice stating that the budget is available for public inspection.
- 3) Discussion of the budget in a meeting open to the public.
- 4) Adoption of the budget in a public meeting by appropriate resolution.
- 5) Final Budgets are required to be filed with the Commissioner of Education by October 15.

Formal budgetary integration is employed as a management control device for all funds of the District. All fund budgets are adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP).

The total expenditures for each fund cannot exceed the budgeted amount unless a supplemental appropriation is adopted. Revisions that alter the total expenditures of any fund must be approved by the Board of Education.

All budget amounts presented in the accompanying supplementary information reflect the original budget and the final amended budget, if applicable.

Stewardship

During FY 2016 expenditures in the Grants Fund exceeded appropriations by \$48,012. This may be a violation of Colorado Revised Statutes 22-44-115(1).

A budget was not adopted for the Agency Fund. This may be a violation of Colorado Revised State Statutes 22-44-110(4).

NOTE 3 CASH, DEPOSITS, AND INVESTMENTS

A summary of Cash, Deposits, and Investments for the District are as follows:

Cash and Equivalents	\$	182,036
Investments		735,199
Less: amounts related to Agency Fund		(43,116)
Total cash, deposits, and investments on the Statement of Net Position	\$	874,119

Cash and Deposits

Colorado State Statutes govern the District's deposits of cash. The statutes specify eligible depositories for public cash deposits, which must be Colorado institutions and must maintain federal insurance (FDIC) on deposits held.

MOUNTAIN VALLEY SCHOOL DISTRICT RE-1
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

The Colorado Public Deposit Protection Act (PDPA), requires that all units of local government deposit cash in eligible public depositories, determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized in accordance with the PDPA. PDPA allows the institution to create a single collateral pool for all public funds to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does have a deposit policy for custodial credit risk. As of year-end, \$0 of the District's bank balance of \$220,731 was exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institution through PDPA.

Investments

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest. They include the following:

- Obligations of the United States and certain U.S. governments agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Banker's acceptance of certain banks
- Commercial paper holding the highest credit rating category and with a maturity within 180 days
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Corporate or bank debt issued by eligible corporations or banks

The District invested \$735,199 in the Colorado Government Liquid Asset Trust (COLOTRUST), a money market investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing COLOTRUST. The pool operates similarly to a money market fund and each share is equal in value to \$1.00. Investments consist of U.S. Treasury and U.S. Agency securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the entities. COLOTRUST is rated AAAM by Standard and Poors, and maintains a constant net asset value of \$1 per share. Financial statements for COLOTRUST are available at www.colotruster.com.

Interest Rate Risk – The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – The risk that an issuer or other counterparty to an investment will not fulfill its obligation. State statutes limit investments in U.S. Agency securities to the highest rating issued by Nationally Recognized Statistical Rating Organizations (NRSROs).

MOUNTAIN VALLEY SCHOOL DISTRICT RE-1
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

Concentration of Credit Risk – The risk of loss attributed to the magnitude of a government’s investment in a single issuer. The District has not established a policy limiting the investment in any type of security and deems it unnecessary at this time.

NOTE 4 INVENTORIES

Food Service Fund inventory as of June 30, 2016, of \$2,324, consisted of purchased inventory and donated commodities. Purchased inventories are stated at cost. Donated inventories received at no cost under a program supported by the United States Government, are recorded at their estimated fair market value at the date of receipt plus an allowance for any processing charges paid to the third party vendor.

NOTE 5 PROPERTY TAXES RECEIVABLE

At June 30, 2016, the District had an estimated property tax receivable of \$64,697.

NOTE 6 DUE FROM OTHER GOVERNMENTS

Intergovernmental receivables include amounts due from grantors for specific program grants. Program grants are recorded as receivables and revenues at the time reimbursable project costs are incurred.

As of June 30, 2016, the District had \$169,378 due from Federal, State, and Local governments, reflected as intergovernmental receivables in the accompanying basic financial statements.

NOTE 7 INTERFUND TRANSFERS

Interfund Transfers

Interfund transfers for the year ended June 30, 2016, were as follows:

Transfers In	Transfer Out	Total
Food Service Fund	General Fund	\$ 50,000

This transfer was made to subsidize the Food Service Funds.

MOUNTAIN VALLEY SCHOOL DISTRICT RE-1
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 8 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016, was as follows:

	Balance 6/30/2015	Additions	Deletions	Balance 6/30/2016
<i>Governmental Activities:</i>				
Capital assets being depreciated				
Buildings and site improvements	1,917,963	-	-	1,917,963
Vehicles	433,795	-	20,000	413,795
Other equipment	124,598	-	-	124,598
Total capital assets being depreciated	<u>2,476,356</u>	<u>-</u>	<u>20,000</u>	<u>2,456,356</u>
Less accumulated depreciation for:				
Buildings and site improvements	774,899	58,052	-	832,951
Vehicles	357,450	12,738	20,000	350,188
Other Equipment	83,927	5,037	-	88,964
Total accumulated depreciation	<u>1,216,276</u>	<u>75,827</u>	<u>20,000</u>	<u>1,272,103</u>
Total Capital Assets being depreciated, net	<u>\$ 1,260,080</u>	<u>\$ (75,827)</u>	<u>\$ -</u>	<u>\$ 1,184,253</u>

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

Instruction	\$ 33,850
Supporting Services	28,836
Transportation	12,738
Food Service	403
Total Depreciation Allocation	<u>\$ 75,827</u>

NOTE 9 ACCRUED SALARIES AND BENEFITS

The teachers, administrators, and the administrative staff are employed under nine, and ten month contracts. All District employees are paid on a twelve-month basis and, therefore, a difference exists between the actual amount of salaries earned under the contract and the amount paid. The difference between salaries earned and paid, including the District's share of benefits, has been accrued in the financial statements in the amount of \$204,873.

NOTE 10 OPERATING LEASES

The District has entered into several operating lease arrangements for several copy machines. These leases are considered for accounting purposes as operating leases. Lease expense for the year totaled \$10,647.

MOUNTAIN VALLEY SCHOOL DISTRICT RE-1
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 11 LONG-TERM OBLIGATIONS

The District's long-term obligation balances for the year ended June 30, 2016, were as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Compensated Absences	\$ 36,852	\$ -	\$ 9,201	\$ 27,651	\$ -

NOTE 12 DEFINED BENEFIT PENSION PLAN

General Information about the 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.

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

- Highest average salary multiplies by 2.5 percent and then multiplies by years of service credit.
- \$15 time the first 10 years of service credit plus \$20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factors.

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

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

MOUNTAIN VALLEY SCHOOL DISTRICT RE-1
NOTES TO THE BASIC 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), referred to as annual increases in the C.R.S. 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 under the PERA benefit structure 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, if deemed disabled.

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

Contributions. 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,	
	2016	2015
Employer Contribution Rate	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	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹	4.50%	4.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	4.50%	4.00%
Total Employer Contribution Rate to the SCHDTF	18.13%	17.33%

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 201,057, for the year ended 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 \$4,055,175 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 District contributions to the SCHDTF for the calendar year 2014 relative to the total contributions of participating employers to the SCHDTF.

MOUNTAIN VALLEY SCHOOL DISTRICT RE-1
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

At December 31, 2015, District's proportion was 0.0265 percent, which was a decrease of 0.002 from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016 the District recognized pension expense of \$59,782. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 53,549	\$ 183
Net difference between projected and actual earnings on pension plan investments	349,890	-
Changes in assumption	-	57,307
Changes in proportion	-	265,353
Differences between contributions recognized and proportionate share of contributions	463	-
Contributions subsequent to the measurement date	102,981	-
Total	\$ 506,883	\$ 322,843

\$102,981 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:

Year Ended June 30,	
2017	\$ (18,233)
2018	(10,064)
2019	38,651
2020	70,706
Thereafter	-

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

Actuarial cost method	Entry age
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 (AIR)

MOUNTAIN VALLEY SCHOOL DISTRICT RE-1
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

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.

Changes to assumptions or other inputs since the December 31, 2013 actuarial valuation are as follows:

- The following programming changes were made:
 - Valuation of the full survivor benefit without any reduction for possible remarriage.
 - Reflection of the employer match on separation benefits for all eligible years.
 - Reflection of one year of service eligibility for survivor annuity benefit.
 - Refinement of the 18 month annual increase timing.
 - Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.
- The following methodology changes were made:
 - Recognition of merit salary increases in the first projection year.
 - Elimination of the assumption that 35% of future disabled members elect to receive a refund.
 - Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
 - Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year.

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.

MOUNTAIN VALLEY SCHOOL DISTRICT RE-1
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10 Year Expected Geometric Real Rate of Return</u>
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%
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	<u>100.00%</u>	

* 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 applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.90%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

MOUNTAIN VALLEY SCHOOL DISTRICT RE-1
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above actuarial cost method and 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 (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Proportionate share of the net pension liability	\$ 5,256,692	\$ 4,055,175	\$ 3,055,737

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.

NOTE 13 OTHER POSTEMPLOYMENT 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.

MOUNTAIN VALLEY SCHOOL DISTRICT RE-1
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

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 \$11,606, \$12,065 and \$12,355, respectively, equal to their required contributions for each year.

NOTE 14 DEFINED CONTRIBUTION PENSION PLAN

Plan Description - Employees of the District that are also members of the SCHDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available 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. Employees are immediately vested in their own contributions, employer contributions and investment earnings. For the year ended June 30, 2016, program members contributed \$3,600 for the Voluntary Investment Program.

NOTE 15 JOINT VENTURES AND RELATED PARTIES

The District participates in the following entities. These joint ventures and related parties do not meet the criteria for inclusion within the reporting entity because the following entities:

- are financially independent and responsible for its own financing deficits and entitled to its own surpluses,
- have a separate governing board from that of the District,
- have a separate management which is responsible for day-to-day operations and is accountable to the separate governing board,
- have governing boards and management with the ability to significantly influence operations by approving budgetary requests and adjustments, signing contracts, hiring personnel, exercising control over facilities and determining the outcome for disposition of matters affecting the recipients of services provided, and
- have absolute authority over all funds and fiscal responsibility including budgetary responsibility and reporting to state agencies and controls fiscal management.

San Luis Valley Board of Cooperative Educational Services (BOCES)

The BOCES is an organization that provides member districts educational services at a shared lower cost per district. The Board of BOCES is selected from the elected members of the District Boards. The District has one member on the Board. This Board has final authority for all budgeting and financing of the joint venture. The District's share of the joint venture is approximately 7% at June 30, 2016. Complete separate financial statements may be obtained from BOCES.

Colorado School Districts' Self-Insurance Pool

The District belongs to the Colorado School Districts' Self-Insurance Pool. The Pool was established by the Colorado Association of School Boards (CASB) to provide insurance coverage to participants in the areas of General Liability, Errors and Omissions, Automobile Liability, Auto Physical Damage, Auto Personal Injury

MOUNTAIN VALLEY SCHOOL DISTRICT RE-1
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

Protection, Real and Personal Property, Crime, and other coverage. The Board of Directors is composed of eight persons, several of who are appointed by the Board of Directors of CASB and the Executive Director of CASB. The pool is managed by an independent manager chosen by the Board of Directors. Each member's initial contribution and subsequent contributions are determined by the Pool based on factors including, but not limited to, the aggregate Pool claims, the cost of administrative and other operating expenses, the number of participants, the adequacy of both Operating and Reserve Funds and other factors touching on the status of the Pool or an individual participant, and as approved by the Colorado Insurance Commissioner.

As the District did not exercise oversight responsibility nor have sufficient control over Pool activities, the Pool is not a component unit of the District and only the District's share of contributions to the Pool is recorded as expenditures in the General Fund.

The District's share in the Pool is not determinable from current information, but is estimated to be less than 1%. The District's share, if calculated, would not be material to the Pool's financial information at June 30, 2016. Complete separate financial statements may be obtained from the Colorado School Districts' Self-Insurance Pool.

NOTE 16 COMMITMENTS AND CONTINGENCIES

The District participates in federal grant programs subject to program compliance audits by the grantors or their representatives. The amount of expenses which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

NOTE 17 TABOR EMERGENCY RESERVE

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. The amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the amendment.

Fiscal year spending and revenue limits are determined based on the prior year's spending adjusted for inflation and local growth. Revenue in excess of the limit must be refunded unless the voters approve retention of such revenue.

In November 1996, voters approved a ballot which stated that the District is authorized to collect, receive, retain, and expend all revenues including grants and other funds received during 1997 budget year and in each subsequent year thereafter from any source, notwithstanding any state restriction on fiscal year spending, including without limitation the restrictions of Article X, Section 20 of the Colorado constitution, provided, however, that no property tax levy be increased nor shall any tax be imposed without the prior approval of the voters.

The amendment also requires that Emergency Reserves be established. These reserves must be at least three percent of fiscal year spending. This Emergency Reserve is accounted for as a restricted fund balance in the General Fund balance sheet and a restricted net position in the government-wide statement of net position. The entity is not allowed to use the Emergency Reserve to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

MOUNTAIN VALLEY SCHOOL DISTRICT RE-1
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 18 ACTIVITY AGENCY FUND BUDGET AND ACTUAL

The District is required by Colorado School District Budget Law to budget for the District's Pupil Activity Agency Fund in accordance with GAAP. However, there is not a statement of revenues, expenses and changes in net position for agency funds to report the budget information, because agency funds do not recognize revenues, expenses or net position in accordance with GAAP.

Therefore, the budget and actual amounts for agency funds received and disbursed for the year ended June 30, 2016 are presented below:

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Beginning Balance of Pupil Activity Receipts	\$ -	\$ -	\$ 40,329	\$ 40,329
Agency Fund Receipts	-	-	33,511	33,511
Agency Fund Disbursements	-	-	(30,724)	(30,724)
Ending Balance of Pupil Activity Deposits	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,116</u>	<u>\$ 43,116</u>

This page left blank intentionally.

MOUNTAIN VALLEY SCHOOL DISTRICT RE-1

REQUIRED SUPPLEMENTARY INFORMATION

In addition to the basic financial statements, a budgetary comparison schedule is required for the General Fund and, if applicable, each of the District's major special revenue funds. In addition, pension plan contributions and the District's proportionate share of the net pension liability is required to supplement the basic financial statements.

This page left blank intentionally.

MOUNTAIN VALLEY SCHOOL DISTRICT RE-1
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2016

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE
				(NEGATIVE)
REVENUES				
Local Sources	\$ 560,544	\$ 509,072	\$ 552,813	\$ 43,741
Intermediate Sources	-	53	114	61
State Sources	1,182,628	1,309,576	1,255,229	(54,347)
Federal Sources	216,763	225,429	233,103	7,674
TOTAL REVENUES	1,959,936	2,044,131	2,041,259	(2,872)
EXPENDITURES				
Instruction	1,113,244	1,159,256	1,044,791	114,465
Pupil Support	146,282	37,844	57,070	(19,226)
Staff Support	5,000	29,643	26,816	2,827
General Administration	128,032	138,327	177,905	(39,578)
School Administration	139,210	137,809	111,768	26,041
Business Services	105,413	133,021	122,245	10,776
Operations Maintenance	188,402	261,005	199,366	61,639
Transportation	119,354	122,306	115,603	6,703
Risk Management	30,000	40,000	37,766	2,234
TOTAL EXPENDITURES	1,974,936	2,059,210	1,893,330	165,880
Excess (Deficiency) of Revenues Over Expenditures	(15,000)	(15,079)	147,929	163,008
OTHER FINANCING SOURCES (USES)				
Transfer to Other Funds	(50,000)	(50,000)	(50,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(50,000)	(50,000)	(50,000)	-
Net Change in Fund Balance	(65,000)	(65,079)	97,929	163,008
Fund Balance at Beginning of Year	65,000	65,079	746,097	681,018
Fund Balance at End of Year	\$ -	\$ -	\$ 844,026	\$ 844,026

Notes to the Required Supplementary Information

The basis of budgeting is the same as GAAP.

This schedule is presented on the GAAP basis.

MOUNTAIN VALLEY SCHOOL DISTRICT RE-1
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GRANTS FUND
For the Year Ended June 30, 2016

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Local Sources	\$ -	\$ 150,000	\$ 62,439	\$ 62,439
State Sources	6,000	150,000	171,467	21,467
Federal Sources	10,000	71,648	187,380	115,732
TOTAL REVENUES	16,000	371,648	421,286	49,638
EXPENDITURES				
Instruction	16,000	14,999	13,054	1,945
Pupil Support	-	304,649	355,181	(50,532)
Staff Support	-	50,000	49,730	270
Operations and Maintenance	-	2,000	1,695	305
TOTAL EXPENDITURES	16,000	371,648	419,660	(48,012)
Net Change in Fund Balance	-	-	1,626	1,626
Fund Balance at Beginning of Year	-	-	-	-
Fund Balance at End of Year	\$ -	\$ -	\$ 1,626	\$ 1,626

Notes to the Required Supplementary Information

The basis of budgeting is the same as GAAP.

This schedule is presented on the GAAP basis.

MOUNTAIN VALLEY SCHOOL DISTRICT RE-1
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
PERA SCHDTF PENSION PLAN
For the Years Ended June 30,

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.0265142990%	0.0286902685%	0.0294817611%
District's proportionate share of the net pension liability (asset)	\$ 4,055,175	\$ 3,888,495	\$ 3,760,391
District's covered-employee payroll	\$ 1,137,814	\$ 1,182,845	\$ 1,211,268
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	356.40%	328.74%	310.45%
Plan fiduciary net position as a percentage of the total pension liability	59.2%	62.8%	64.1%

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

** This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled the District presents information for those years for which information is available.

Notes to Required Supplementary Information:

See Note 12 in the accompanying Notes to the Basic Financial Statements for changes to assumptions or other inputs used.

MOUNTAIN VALLEY SCHOOL DISTRICT RE-1
SCHEDULE OF DISTRICT CONTRIBUTIONS
PERA SCHDTF PENSION PLAN
For the Years Ended June 30,

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 201,057	\$ 199,648	\$ 193,588
Contributions in relation to the contractually required contribution	<u>(201,057)</u>	<u>(199,648)</u>	<u>(193,588)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	1,137,814	1,182,845	1,211,268
Contributions as a percentage of covered-employee payroll	17.67%	16.88%	15.98%

** This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled the District presents information for those years for which information is available.

Notes to Required Supplementary Information:

See Note 12 in the accompanying Notes to the Basic Financial Statements for changes to assumptions or other inputs used.

**MOUNTAIN VALLEY SCHOOL DISTRICT RE-1
NONMAJOR GOVERNMENTAL FUNDS**

MOUNTAIN VALLEY SCHOOL DISTRICT RE-1

SUPPLEMENTARY INFORMATION

These financial statements present more detailed information for the individual funds in a format that segregates information by fund type.

This page left blank intentionally.

**MOUNTAIN VALLEY SCHOOL DISTRICT RE-1
NONMAJOR GOVERNMENTAL FUNDS**

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for and report the proceeds of special revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Food Service Fund - This fund is used to account for the operations of the school breakfast and lunch programs.

MOUNTAIN VALLEY SCHOOL DISTRICT RE-1
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOOD SERVICE FUND
For the Year Ended June 30, 2016

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE
				(NEGATIVE)
REVENUES				
Local Sources	\$ -	\$ 339	\$ 2,153	\$ 1,814
State Sources	-	-	606	606
Federal Sources	70,000	70,000	71,932	1,932
TOTAL REVENUES	<u>70,000</u>	<u>70,339</u>	<u>74,691</u>	<u>4,352</u>
EXPENDITURES				
Food Services				
Salaries	55,800	55,800	49,585	6,215
Benefits	19,011	19,350	16,813	2,537
Supplies	3,500	3,500	-	3,500
Food	41,689	41,689	39,493	2,196
Commodities	-	-	3,654	(3,654)
TOTAL EXPENDITURES	<u>120,000</u>	<u>120,339</u>	<u>109,545</u>	<u>10,794</u>
Excess (Deficiency) of Revenues Over Expenditures	(50,000)	(50,000)	(34,854)	15,146
OTHER FINANCING SOURCES (USES)				
Transfer from Other Funds	50,000	50,000	50,000	-
Net Change in Fund Balance	-	-	15,146	15,146
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>539</u>	<u>539</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,685</u>	<u>\$ 15,685</u>

MOUNTAIN VALLEY SCHOOL DISTRICT RE-1

CDE COMPLIANCE SECTION



Wall,
Smith,
Bateman Inc.

REPORT ON COMPLIANCE WITH CDE-FINANCIAL POLICIES AND PROCEDURES MANUAL

To the Board of Education
Mountain Valley School District RE-1
Saguache, Colorado

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mountain Valley School District RE-1 (the District), 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, and have issued our report thereon dated March 13, 2017.

In connection with our audit, the following items came to our attention that caused us to believe that the District failed to comply with the Colorado Department of Education Financial Policies and Procedures Manual insofar as it relates to financial transparency and accounting matters. The District did not post all required financial information on their website, in a downloadable format, for free public access in accordance with the "Public School Finance Transparency Act". In addition, the District expenditures in the Grants Fund exceeded budgeted appropriations by \$48,012. The District did not adopt a budget for the Agency Fund. These may be violations of Colorado Revised Statute 22-44-115(1) and Colorado Revised Statute 22-44-105. Further, the District did not allocate the required amount to the Preschool Fund. This may be a violation of C.R.S. 22-28-101. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

This report is intended solely for the information and use of the Board of Education and management of the District and is not intended to be and should not be used by anyone other than these specified parties.

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

March 13, 2017

Certified Public Accountants

700 Main Street, Suite 200 PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 | www.wsbcpa.com



Colorado Department of Education
Auditors Integrity Report
 District 2790 - MOUNTAIN VALLEY RE 1
 Fiscal Year 2015-16
 Colorado School District/BOCES

Fund Type & Number	Revenues, Expenditures, & Fund Balance by Fund		Beg Fund Balance & Prior Per Adj (6880*)	+	1000 - 5999 Total Revenues & Other Sources		0001-0999 Total Expenditures & Other Uses		6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental									
10 General Fund		721,128			1,926,181	1,833,827			813,483
18 Risk Mgmt Sub-Fund of General Fund		0			0	0			0
19 Colorado Preschool Program Fund		24,968			65,079	59,503			30,544
Sub-Total		746,096			1,991,260	1,893,330			844,026
11 Charter School Fund		0			0	0			0
20.26-29 Special Revenue Fund		0			0	0			0
21 Food Service Spec Revenue Fund		540			124,691	109,546			15,685
22 Govt Designated-Purpose Grants Fund		0			421,286	419,660			1,626
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		0			0	0			0
Totals		746,636			2,537,237	2,422,535			861,337
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		40,329			33,511	30,724			43,116
79 GASB 34/Permanent Fund		0			0	0			0
85 Foundations		0			0	0			0
Totals		40,329			33,511	30,724			43,116
FINAL									

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