

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

Accountants' Reports
and
Basic Financial Statements

June 30, 2017



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MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

TABLE OF CONTENTS

June 30, 2017

Independent Auditors' Report on Basic Financial Statements	1-2
Management's Discussion and Analysis	3-12
Basic Financial Statements	
Government -Wide Financial Statements	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements	
Balance Sheet-Governmental Funds	15
Reconciliation of the Governmental Funds Balance Sheet with the Statement of Net Position	16
Statement of Revenues, Expenditures and Changes in Fund Balance-Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance- Governmental Funds to the Statement of Activities	18
Schedule of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual- General Fund	19-23
Schedule of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual- Lunch Fund	24
Statement of Fiduciary Net Position	25
Notes to the Financial Statements	26-45
Required Supplemental Information	46
Schedule of District Pension Contributions	47
Schedule of the District's Proportionate Share of the Net Pension Liability	48
Other Supplementary Information	49
Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual-Capital Reserve Capital Projects Fund	50
Schedule of Revenues, Expenditures and Changes in Due to Agency Recipient-Budget and Actual Fiduciary Fund-Agency Fund	51
Colorado Department of Education Auditors' Integrity Report	52

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Montezuma County (Mancos) School District RE-6, Colorado as of and for the year ended June 30, 2017, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Montezuma County (Mancos) School District RE-6, Colorado, as of June 30, 2017, and the respective changes in financial position and the respective budgetary comparisons for the General Fund and the Lunch Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

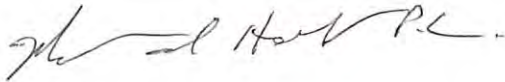
Other matters

Required Supplementary Information

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

Other Information

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



Majors and Haley, P.C.
September 11, 2017

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended June 30, 2017

FINANCIAL HIGHLIGHTS

Key financial highlights for the District in fiscal year 2017 are as follows:

- In total, net position decreased by \$2,500,580 from \$(2,128,908) to \$(4,629,488). This decrease was solely the result of the District's share of PERA's pension expense which totaled \$2,657,648.
- General revenues accounted for \$4,398,597 in revenue or 89 percent of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$569,816 or 11 percent of total revenues of \$4,968,413.
- Governmental activities total assets increased by \$102,826 and deferred outflows of resources increased by \$5,084,797. Total liabilities increased by \$7,631,464 mainly due to the increase in the District's share of the PERA net pension liability.
- The District incurred \$7,468,993 in expenses related to government activities. \$568,816 of these expenses were offset by program specific charges for services, grants and contributions. General revenues (primarily state equalization and property taxes) of \$4,398,597 were adequate to cover all but \$2,500,580 of the costs of these programs.
- Among the major funds, the General Fund had \$4,713,306 in revenues and \$4,685,479 in expenditures, including transfers. It's fund balance increased by \$27,827.

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended June 30, 2017

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

District-wide Statements

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

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

- Over time, increases or decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school facilities.

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended June 30, 2017

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

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

Fund Financial Statements

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

The District uses two types of funds:

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

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
For the Year Ended June 30, 2017**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Total assets increased by \$102,826. Net capital assets increased by \$51,034. Total liabilities increased by \$7,631,464 due to the increase in the proportionate share of the PERA net pension obligation.

The District's combined net position was smaller on June 30, 2017 than it was at June 30, 2016, decreasing by \$2,500,580 to \$(4,629,488).

Table 1 provides a summary of the District's net position for 2017 compared to 2016:

***Table 1
Condensed Statement of Net Position
(In millions)***

	<u>2017</u>	<u>2016</u>
Assets		
Current assets	\$ 2.105	\$ 2.053
Capital assets	3.902	3.851
Total assets	<u>6.007</u>	<u>5.904</u>
Deferred outflows	<u>6.255</u>	<u>1.170</u>
Liabilities		
Current liabilities	0.442	0.460
Noncurrent liabilities	16.272	8.622
Total liabilities	<u>16.714</u>	<u>9.082</u>
Deferred inflows	<u>0.178</u>	<u>0.121</u>
Net Position		
Invested in capital	3.739	3.656
Restricted	0.136	0.136
Unrestricted	(8.505)	(5.921)
Total net position	<u>\$ (4.630)</u>	<u>\$ (2.129)</u>

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
For the Year Ended June 30, 2017**

Table 2 shows the changes in net position for fiscal year 2017 as compared to fiscal year 2016.

Table 2
Changes in Net Position
(In millions)

	<u>2017</u>	<u>2016</u>
Revenues		
Program revenues		
Charges for services	\$ 0.087	\$ 0.095
Operating grants & contributions	0.483	0.608
Property taxes	1.097	1.024
State equalization	3.052	2.930
Other	0.249	0.288
Total revenues	<u>4.968</u>	<u>4.945</u>
Expenses		
Instruction	4.081	2.700
Pupil and instructional services	0.401	0.278
Administration and business	1.225	0.809
Maintenance and operations	0.698	0.556
Transportation	0.329	0.243
Other	0.735	0.831
Total expenses	<u>7.469</u>	<u>5.417</u>
Increase (decrease) in net assets	<u>\$ (2.501)</u>	<u>\$ (0.472)</u>

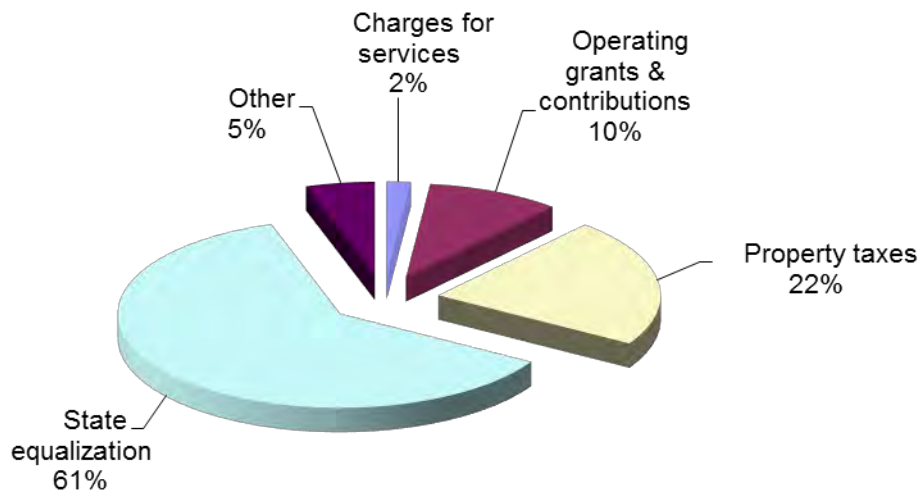
MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended June 30, 2017

State equalization and property taxes accounted for most of the District's total revenue, with each contributing 61 percent and 22 percent respectively (See Table 3). Another 10 percent came from state and federal grants and the remainder from charges for services and miscellaneous sources.

The District's expenses are predominately related to instruction, (55 percent) (See Table 4). The District's administrative and business activities accounted for 16 percent of total costs.

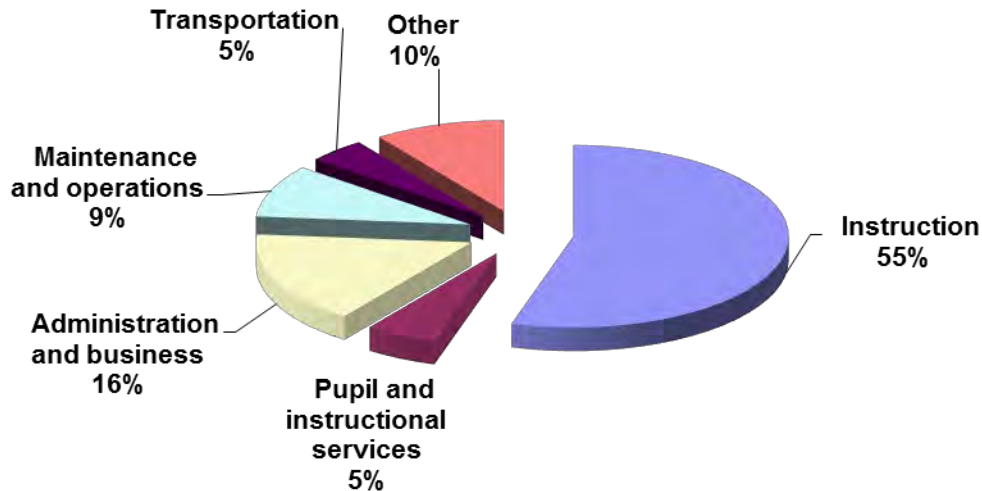
Table 3
Sources of Revenue for Fiscal Year 2017



MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended June 30, 2017

Table 4
Expenses for Fiscal Year 2017



Governmental Activities

The primary source of operating revenue for school districts comes from the School Finance Act of 1994 (SFA). Under the SFA the District received \$8,286 per funded student. In fiscal year 2017 the funded pupil count was 465. Funding for the SFA comes from property taxes, specific ownership taxes and state equalization. The District receives approximately 79 percent of this funding from state equalization while the remaining amounts come from property and specific ownership taxes.

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

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
For the Year Ended June 30, 2017

Table 5
Government Activities
(In millions)

	Total Cost of Services		Net Cost of Services	
	2017	2016	2017	2016
Instruction	\$ 4.081	\$ 2.700	\$ 3.821	\$ 2.403
Pupil and instructional services	0.401	0.278	0.368	0.269
Administration and business	1.225	0.809	1.225	0.809
Maintenance and operations	0.698	0.556	0.698	0.556
Transportation	0.329	0.243	0.299	0.179
Other	0.735	0.831	0.488	0.497
Total	\$ 7.469	\$ 5.417	\$ 6.899	\$ 4.713

- The cost of all governmental activities during the year was \$7.469 million.
- Some of the cost was financed by the users of the District's programs (\$.087 million)
- Federal and state government subsidized certain programs with grants and contributions (\$.483 million).
- However, most of the District's costs (\$4.398 million) were financed by State and District taxpayers. This portion of governmental activities was financed with \$3.052 million in state equalization from the School Finance Act of 1994 (SFA) and \$1.196 million in property and specific ownership taxes.

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
For the Year Ended June 30, 2017

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Information about the District's major funds starts on page 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds have total revenues of \$4,968,413 million and expenditures of \$4,894,728.

General Fund Budgetary Highlights

The District's budget is prepared according to Colorado law and is based on accounting for certain transactions on a basis of cash receipts and disbursements. The most significant budgeted fund is the General Fund.

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

- Increases in appropriations were due primarily to additional information that was not available at the time of the original budget.
- Actual expenditures were \$1,759,203 below budget.

CAPITAL ASSET ADMINISTRATION

By the end of fiscal year 2017, the District has invested \$8.942 million in land, buildings, and equipment (including vehicles).

Table 6 shows capital assets for 2017 compared to 2016:

Table 6
Capital Assets at June 30

	<u>2017</u>	<u>2016</u>
Land	\$ 0.408	\$ 0.190
Buildings	7.475	7.475
Equipment	1.059	1.012
Total	<u>\$ 8.942</u>	<u>\$ 8.677</u>

Additional information on the District's capital assets can be found in Note 4 on page 34 of this report.

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
For the Year Ended June 30, 2017**

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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

June 30, 2017

	Governmental Activities	Total
Assets		
Cash	\$ 979,599	\$ 979,599
Cash with County Treasurer	9,093	9,093
Investments	1,085,183	1,085,183
Grants accounts receivable	27,795	27,795
Inventory	3,436	3,436
Capital assets	8,942,425	8,942,425
Accumulated depreciation	(5,040,193)	(5,040,193)
Total capital assets, net of depreciation	3,902,232	3,902,232
Total Assets	6,007,338	6,007,338
Deferred outflows of resources		
Pension items	6,254,819	6,254,819
Liabilities		
Accrued salaries and benefits payable	396,918	396,918
Grants unearned revenue	8,220	8,220
Long-term liabilities		
Due within one year	37,219	37,219
Due in more than one year	125,934	125,934
Net pension obligation	16,145,661	16,145,661
Total Liabilities	16,713,952	16,713,952
Deferred inflows of resources		
Pension items	177,693	177,693
Net Position		
Net investment in capital assets	3,739,079	3,739,079
Restricted		
TABOR	136,000	136,000
Unrestricted	(8,504,567)	(8,504,567)
Total Net Position	\$ (4,629,488)	\$ (4,629,488)

The accompanying notes are an integral part of this statement.

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

For the Year Ended June 30, 2017

	Program Revenues			Net (Expenses) Revenue And Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Governmental Activities						
Instructional Program Services	\$ 4,080,979	\$ 35,733	\$ 224,385		(3,820,861)	(3,820,861)
Support Program Services						
Students	317,113		29,469		(287,644)	(287,644)
Instructional staff	84,125		3,500		(80,625)	(80,625)
General administration	370,896				(370,896)	(370,896)
School administration	726,935				(726,935)	(726,935)
Business	126,795				(126,795)	(126,795)
Operation and maintenance of plant	698,406				(698,406)	(698,406)
Student transportation	329,130		30,187		(298,943)	(298,943)
Central	174,362				(174,362)	(174,362)
Other	18,190				(18,190)	(18,190)
Food service	355,076	50,822	195,720		(108,534)	(108,534)
Enterprise	836				(836)	(836)
Interest on long-term debt	10,581				(10,581)	(10,581)
Depreciation excluding amounts directly allocated to programs	175,569				(175,569)	(175,569)
Total Governmental Activities	<u>7,468,993</u>	<u>86,555</u>	<u>483,261</u>	-	<u>(6,899,177)</u>	<u>(6,899,177)</u>
Total School District	<u>\$ 7,468,993</u>	<u>\$ 86,555</u>	<u>\$ 483,261</u>	<u>\$ -</u>	<u>(6,899,177)</u>	<u>(6,899,177)</u>
General Revenues						
Property tax for general purposes					1,097,034	1,097,034
Specific Ownership tax for general purposes					99,389	99,389
Intergovernmental						
State Equalization					3,052,110	3,052,110
Forest Service					2,173	2,173
Mineral Leasing					26,552	26,552
Earnings on investments					7,506	7,506
Miscellaneous					113,833	113,833
Total General Revenues					<u>4,398,597</u>	<u>4,398,597</u>
Changes in Net Position					(2,500,580)	(2,500,580)
Net Position Beginning of the Year					(2,128,908)	(2,128,908)
Net Position End of the Year					<u>\$ (4,629,488)</u>	<u>\$ (4,629,488)</u>

The accompanying notes are an integral part of this statement.

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

Balance Sheet
Governmental Funds

June 30, 2017

	General Fund	Lunch Fund	Capital Reserve Capital Projects Fund	Total Governmental Funds
Assets				
Cash	\$ 883,529	\$ 18,095	\$ 77,975	\$ 979,599
Cash with County Treasurer	9,093			9,093
Investments	1,085,183			1,085,183
Inventory		3,436		3,436
Grants accounts receivable	12,432	15,363		27,795
Total Assets	<u>\$ 1,990,237</u>	<u>\$ 36,894</u>	<u>\$ 77,975</u>	<u>\$ 2,105,106</u>
Liabilities and Fund Balances				
Liabilities				
Accrued salaries and benefits payable	\$ 388,163	\$ 8,755		\$ 396,918
Grants unearned revenue	8,220			8,220
Total Liabilities	<u>396,383</u>	<u>8,755</u>	<u>-</u>	<u>405,138</u>
Fund Balances				
Nonspendable-inventory		3,436		3,436
Restricted				
TABOR	136,000			136,000
Unrestricted				
Assigned for FY 18 expenditures	1,457,854	24,703	\$ 77,975	1,560,532
Total Fund Balances	<u>1,593,854</u>	<u>28,139</u>	<u>77,975</u>	<u>1,699,968</u>
Total Liabilities and Fund Balances	<u>\$ 1,990,237</u>	<u>\$ 36,894</u>	<u>\$ 77,975</u>	<u>\$ 2,105,106</u>

The accompanying notes are an integral part of this statement.

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

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

June 30, 2017

Total Fund Balance Governmental Funds \$ 1,699,968

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

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

Capital assets	\$ 8,942,425	
Accumulated depreciation	<u>(5,040,193)</u>	3,902,232

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

Due within one year	(37,219)	
Due in more than one year	<u>(125,934)</u>	(163,153)

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

Net pension obligation		(16,145,661)
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds balance sheet

Deferred outflows of resources related to pensions	6,254,819	
Deferred inflows of resources related to pensions	<u>(177,693)</u>	6,077,126

Total Net Position Governmental Activities \$ (4,629,488)

The accompanying notes are an integral part of this statement.

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

For the Year Ended June 30, 2017

	General Fund	Lunch Fund	Capital Reserve Capital Projects Fund	Total Governmental Funds
Revenues				
Taxes	\$ 1,200,015			\$ 1,200,015
State sources	3,198,079	\$ 4,097		3,202,176
Federal sources	170,297	168,299		338,596
Earnings on investments	7,458	11	\$ 38	7,507
Other	137,457	82,662		220,119
Total Revenues	4,713,306	255,069	38	4,968,413
Expenditures				
Instructional Program				
Salaries	1,568,376			1,568,376
Employee benefits	578,470			578,470
Purchased services				
Professional and technical	26,989			26,989
Property	1,346			1,346
Other	145,664			145,664
Supplies	143,638			143,638
Property	19,535			19,535
Other	2,370			2,370
Total Instructional Program	2,486,388	-	-	2,486,388
Support Programs				
Pupils	184,231			184,231
Instructional staff	57,549			57,549
General administration	238,014			238,014
School administration	434,594			434,594
Business	73,642			73,642
Operation and maintenance of plant	494,157		24,014	518,171
Student transportation	187,285		41,530	228,815
Central	121,209			121,209
Other	18,190			18,190
Food service	3,500	268,918		272,418
Enterprise	836			836
Facilities acquisition	217,741			217,741
Debt Service				
Principal	32,349			32,349
Interest	10,581			10,581
Total Support Programs	2,073,878	268,918	65,544	2,408,340
Total Expenditures	4,560,266	268,918	65,544	4,894,728
Excess revenues over (under) expenditures	153,040	(13,849)	(65,506)	73,685
Other Financing Sources (Uses)				
Transfers in (out)	(125,213)	36,993	88,220	-
Total Other Financing Sources (Uses)	(125,213)	36,993	88,220	-
Net Change in Fund Balances	27,827	23,144	22,714	73,685
Fund Balances beginning of the year	1,566,027	4,995	55,261	1,626,283
Fund Balances end of the year	\$ 1,593,854	\$ 28,139	\$ 77,975	\$ 1,699,968

The accompanying notes are an integral part of this statement.

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

For the Year Ended June 30, 2017

Net Change in Fund Balances Governmental Funds \$ 73,685

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

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

Capital outlay	\$ 265,071	
Depreciation expense	<u>(214,037)</u>	
		51,034

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

Principal paid on capital lease	<u>32,349</u>	
		32,349

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

District pension contributions	447,771	
Cost of benefits earned net of employee contributions	<u>(3,105,419)</u>	
		(2,657,648)

Change in Net Position of Governmental Activities \$ (2,500,580)

The accompanying notes are an integral part of this statement.

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

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

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues from local sources				
Current property taxes	\$ 1,039,085	\$ 1,069,747	\$ 1,097,034	\$ 27,287
Specific ownership taxes	74,786	73,688	99,389	25,701
Delinquent taxes and interest on taxes	1,685	2,381	3,592	1,211
Earnings on investments	1,820	5,690	7,458	1,768
Tuition	37,355	30,415	28,785	(1,630)
Pupil Activity Fees	5,500	5,500	6,948	1,448
Other	86,948	94,430	101,724	7,294
Total revenues from local sources	1,247,179	1,281,851	1,344,930	63,079
Revenues from state sources				
State Equalization	3,023,077	3,052,117	3,052,110	(7)
Transportation	25,740	29,908	30,187	279
English Language Proficiency Act	6,436	5,901	5,901	-
State ELPA	9,579	8,481	8,481	-
EARSS Grant	32,009	30,339	22,119	(8,220)
Read Grant	33,517	21,177	37,020	15,843
Additional at Risk			7,350	7,350
Library Grant	3,500	3,500	3,500	-
Services within BOCES	9,819	21,972	31,411	9,439
Total revenues from state sources	3,143,677	3,173,395	3,198,079	24,684
Revenues from federal sources				
Title I	93,736	93,731	93,731	-
Title II Part A	21,644	22,495	22,495	-
RTTT	378	378	224	(154)
Forest Service	30,080	30,080	2,173	(27,907)
Mineral Leasing	30,258	26,552	26,552	-
REAP	20,846	25,122	25,122	-
Total revenues from federal sources	196,942	198,358	170,297	(28,061)
Total revenues	4,587,798	4,653,604	4,713,306	59,702

(Continued)

The accompanying notes are an integral part of this statement.

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

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

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Instruction				
Salaries	\$ 1,567,049	\$ 1,558,791	\$ 1,568,376	\$ (9,585)
Employee benefits	597,716	609,079	578,470	30,609
Purchased services				
Professional and technical	6,000	20,185	26,989	(6,804)
Property	1,850	1,850	1,346	504
Other	183,037	174,956	145,664	29,292
Supplies	179,088	178,584	143,638	34,946
Property	9,200	7,285	19,535	(12,250)
Other	2,200	2,345	2,370	(25)
Total instruction	2,546,140	2,553,075	2,486,388	66,687
Pupils				
Salaries	127,616	127,616	128,305	(689)
Employee benefits	45,997	46,563	43,757	2,806
Purchased services				
Professional and technical	1,000	1,000	1,240	(240)
Other	1,656	1,904	1,557	347
Supplies	8,268	10,576	9,372	1,204
Other	200	200		200
Total pupils	184,737	187,859	184,231	3,628
Instructional staff				
Salaries	19,629	16,810	13,568	3,242
Employee benefits	7,319	6,833	5,452	1,381
Purchased services				
Professional and technical	19,000	25,303	16,493	8,810
Other	25,715	25,277	18,004	7,273
Supplies	9,528	10,026	4,032	5,994
Total instructional staff	81,191	84,249	57,549	26,700

(Continued)

The accompanying notes are an integral part of this statement.

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

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

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
General administration				
Salaries	\$ 123,656	\$ 126,005	\$ 125,366	\$ 639
Employee benefits	38,816	40,999	39,007	1,992
Purchased services				
Professional and technical	26,500	30,100	35,865	(5,765)
Property	300	300	426	(126)
Other	29,100	30,100	21,351	8,749
Supplies	10,000	10,000	9,043	957
Other	8,998	8,273	6,956	1,317
Total general administration	237,370	245,777	238,014	7,763
School administration				
Salaries	277,662	278,091	280,059	(1,968)
Employee benefits	103,074	103,869	96,836	7,033
Purchased services				
Professional and technical		41,200	42,775	(1,575)
Other	8,400	8,450	4,990	3,460
Supplies	9,095	10,595	8,912	1,683
Other	2,215	2,248	1,022	1,226
Total school administration	400,446	444,453	434,594	9,859
Business services				
Salaries	49,155	49,155	49,155	-
Employee benefits	10,446	10,446	10,304	142
Purchased services				
Other	20,000	26,000	14,183	11,817
Total business services	79,601	85,601	73,642	11,959
Operations and maintenance				
Salaries	194,861	192,705	188,210	4,495
Employee benefits	79,238	79,563	75,854	3,709
Purchased services				
Professional and technical	6,800	5,000	2,145	2,855
Property	40,300	41,300	36,222	5,078
Other	78,114	78,147	70,018	8,129
Supplies	136,651	136,001	121,708	14,293
Property	5,000	5,000		5,000
Total operations and maintenance	540,964	537,716	494,157	43,559

(Continued)

The accompanying notes are an integral part of this statement.

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

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

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Student transportation				
Salaries	\$ 107,425	\$ 103,280	\$ 104,510	\$ (1,230)
Employee benefits	31,959	30,543	30,702	(159)
Purchased services				
Professional and technical	1,750	1,750	608	1,142
Property	11,050	11,350	3,399	7,951
Other	8,575	8,575	8,769	(194)
Supplies	46,546	47,810	39,246	8,564
Property	1,200	1,240	40	1,200
Other	500	500	11	489
Total student transportation	209,005	205,048	187,285	17,763
Central support				
Salaries	49,051	49,051	49,051	-
Employee benefits	16,708	16,838	16,407	431
Purchased services				
Professional and technical	9,300	9,300	5,040	4,260
Property	900	900		900
Other	52,210	52,210	42,144	10,066
Supplies	9,500	9,500	2,325	7,175
Property	44,367	30,481	6,242	24,239
Total central support	182,036	168,280	121,209	47,071
Other support services				
Purchased services				
Other	18,741	18,741	18,190	551
Total other support services	18,741	18,741	18,190	551

(Continued)

The accompanying notes are an integral part of this statement.

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

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

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Food Service				
Purchased services				
Professional and technical	\$ 3,500	\$ 3,500	\$ 3,500	\$ -
Total Food Service	<u>3,500</u>	<u>3,500</u>	<u>3,500</u>	<u>-</u>
Enterprise				
Salaries	6,070	693	693	-
Employee benefits	1,283	146	143	3
Supplies	500			-
Total enterprise	<u>7,853</u>	<u>839</u>	<u>836</u>	<u>3</u>
Facilities Acquisition				
Property			217,741	(217,741)
Total facilities acquisition	<u>-</u>	<u>-</u>	<u>217,741</u>	<u>(217,741)</u>
Debt Service				
Principal	31,903	31,903	32,349	(446)
Interest	12,557	12,557	10,581	1,976
Total debt service	<u>44,460</u>	<u>44,460</u>	<u>42,930</u>	<u>1,530</u>
Appropriated reserves	<u>1,540,811</u>	<u>1,522,130</u>	<u>-</u>	<u>1,522,130</u>
Total expenditures	<u>6,076,855</u>	<u>6,101,728</u>	<u>4,560,266</u>	<u>1,759,203</u>
Other financing sources (uses)				
Transfer to Capital Projects Fund	(88,220)	(88,220)	(88,220)	-
Transfer to Lunch Fund	(14,993)	(14,993)	(36,993)	(22,000)
Total other financing sources (uses)	<u>(103,213)</u>	<u>(103,213)</u>	<u>(125,213)</u>	<u>(22,000)</u>
Excess of revenues over (under) expenditures	<u>(1,592,270)</u>	<u>(1,551,337)</u>	<u>27,827</u>	<u>1,579,164</u>
Fund balance, beginning	<u>1,592,270</u>	<u>1,551,337</u>	<u>1,566,027</u>	<u>14,690</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,593,854</u>	<u>\$ 1,593,854</u>

The accompanying notes are an integral part of this statement.

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

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

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Revenues				
Local sources				
Lunch sales	\$ 52,000	\$ 56,000	\$ 50,822	\$ (5,178)
Earnings on investments	75	75	11	(64)
Project for Healthy Meals Grant			23,324	23,324
Other	5,000	5,000	8,516	3,516
Total local sources	57,075	61,075	82,673	21,598
State sources				
State Matching Grant	1,800	1,716	1,716	-
Smart Food Grant	350	1,550	824	(726)
School Lunch Protection	1,000	1,650	1,557	(93)
Total state sources	3,150	4,916	4,097	(819)
Federal sources				
National School Lunch Program	85,000	98,000	110,660	12,660
National School Breakfast Program	28,000	33,000	33,883	883
Adult Food Program	18,500	5,000	7,099	2,099
Fresh Fruits and Vegetables Program			1,879	1,879
Donated commodities	15,328	15,328	14,778	(550)
Total federal sources	146,828	151,328	168,299	16,971
Total revenues	207,053	217,319	255,069	37,750
Expenditures				
Food Service				
Salaries	71,903	72,135	70,191	1,944
Employee benefits	27,927	28,412	27,693	719
Purchased services				
Professional and technical	90	90	122	(32)
Other	2,700	2,700	2,156	544
Food and milk	97,000	108,247	124,008	(15,761)
Commodities used	15,328	15,328	14,778	550
Supplies	6,898	8,965	10,323	(1,358)
Property		19,559	19,559	-
Other	200	200	88	112
Appropriated reserves	23,795	4,995		4,995
Total expenditures	245,841	260,631	268,918	(8,287)
Other financing sources (uses)				
Transfers in (out)	14,993	14,993	36,993	22,000
Total other financing sources (uses)	14,993	14,993	36,993	22,000
Excess of revenues and other sources over (under) expenditures and other uses	(23,795)	(28,319)	23,144	51,463
Fund balance, beginning	23,795	28,319	4,995	(23,324)
Fund balance, ending	\$ -	\$ -	\$ 28,139	\$ 28,139

The accompanying notes are an integral part of this statement.

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

June 30, 2017

	<u>Agency Fund</u>
Assets	
Cash	\$ 57,886
Total Assets	<u>\$ 57,886</u>
Liabilities	
Due to agency recipients	\$ 57,886
Total Liabilities	<u>\$ 57,886</u>

The accompanying notes are an integral part of this statement.

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

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

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

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

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

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

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

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

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

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

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

Basis of Presentation-

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

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

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

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

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

Fiduciary funds are reported using the economic resources measurement focus.

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

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

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

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

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

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

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

Expenses/Expenditures- On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

the statement of revenues, expenses and changes in fund balances as an expense with a like amount reported as donated commodities revenue.

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

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

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

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

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

Public hearings are conducted to obtain comments.

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

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

Budgeted amounts reported in the accompanying financial statements are as originally adopted and as amended by the Board of Education throughout the year. Following is a summary of the original budget, total revisions and revised budget for those funds with amended budgets in fiscal year 2017.

	Original Budget	Total Revisions	Revised Budget
Governmental Funds:			
General Fund	\$ 6,180,068	\$ 24,873	\$ 6,204,941
Lunch Fund	245,841	14,790	260,631
Capital Projects Fund	143,491	10	143,501

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

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

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

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

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

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

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

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

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

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

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

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

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

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

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

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

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

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

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

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

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

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

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

Unassigned- All amounts not included in other spendable classifications.

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

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

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

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

Demand accounts	\$ 432,481
Certificates of deposit	605,005
Colotrust	1,079,400
Treasury Bill	5,782
Total cash and investments	<u><u>\$ 2,122,668</u></u>

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

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

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

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

At June 30, 2017, the District had investments in one local governmental investment pool, the Colorado Government Liquid Asset Trust (COLOTRUST). COLOTRUST is an investment vehicle established for local government entities in Colorado to pool surplus funds for investment purposes. COLOTRUST is routinely monitored by the Colorado Division of Securities with regard to its operations and investments, which are also subject to provisions of C.R.S. Title 24, Article 75, and Section 6. The fair value of the investments in COLOTRUST is the same as the value of the pool shares. None of these types of investments are categorized because they are not evidenced by securities that exist in physical or book entry form. COLOTRUST is rated AAAm from Standard and Poor's. The District also invested in one US Treasury Bill. The difference between its carrying amount and market value is immaterial and therefore, not recorded on the financial statements.

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

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

Investment Type	Carrying Value	Fair Value	Investment Maturities (in years)			
			Less than 1	1-5	6-10	More than 10
Investment Pools						
COLOTRUST	\$ 1,079,401	\$ 1,079,401				
Treasury Bill	5,782	7,654			\$ 7,654	
Total	\$ 1,085,183	\$ 1,087,055				

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

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

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

	<u>Receivables</u>	<u>Deferred Revenues</u>
<u>General Fund</u>		
Title I	\$ 10,267	
Title II	2,165	
EARSS Grant		\$ 8,220
 Total General Fund	 <u>\$ 12,432</u>	 <u>\$ 8,220</u>
 <u>Lunch Fund</u>		
National School Lunch	\$ 11,451	
National School Breakfast	3,654	
Smart Food	98	
School Lunch Protection	160	
	<u>\$ 15,363</u>	

4. Capital Assets – Capital asset activity for the fiscal year ended June 30, 2017 follows:

	<u>Capital Assets July 1, 2016</u>	<u>Additions</u>	<u>Deletions Inventory Adjustments/ Transfers</u>	<u>Capital Assets June 30, 2017</u>
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 190,438	\$ 217,741		\$ 408,179
Total capital assets not being depreciated	<u>190,438</u>	<u>217,741</u>	<u>-</u>	<u>408,179</u>
Capital assets, being depreciated:				
Buildings	7,475,065			7,475,065
Equipment	1,011,851	47,330		1,059,181
Total capital assets being depreciated	<u>8,486,916</u>	<u>47,330</u>	<u>-</u>	<u>8,534,246</u>
Less accumulated depreciation for:				
Buildings	(4,052,784)	(164,967)		(4,217,751)
Equipment	(773,372)	(49,070)		(822,442)
Total accumulated depreciation	<u>(4,826,156)</u>	<u>(214,037)</u>	<u>-</u>	<u>(5,040,193)</u>
Total capital assets, being depreciated, net	3,660,760	(166,707)		3,494,053
Governmental Activities Capital Assets, net	<u>\$ 3,851,198</u>	<u>\$ 51,034</u>	<u>\$ -</u>	<u>\$ 3,902,232</u>

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

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

Transportation	\$	35,539
Food Service		2,929
Unallocated		175,569
Total depreciation governmental activities	\$	<u>214,037</u>

5. Defined Benefit Pension Plan –

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

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

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

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

In all cases the service retirement benefit is limited to 100 percent of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code. Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

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.

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	For the Year Ended December 31, 2016
Employer Contribution Rate ¹	10.15%	10.15%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) ¹	(1.02)%	(1.02)%
Amount Apportioned to the SCHDTF ¹	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	4.50%	5.00%
Total Employer Contribution Rate to the SCHDTF ¹	18.13%	18.63%

¹Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District were \$447,771 for the year ended June 30, 2017.

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

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

At June 30, 2017, the District reported a liability of \$16,145,661 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016. The District's proportion of the net pension liability was based on the District's contributions to the SCHDTF for the calendar year 2016 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2016, the District's proportion was .0542276265 percent, which was a decrease of .001 percent from its proportion measured as of December 31, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$2,567,648. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 201,846	\$ 141
Changes in assumptions	5,238,930	73,369
Net difference between projected and actual earnings on pension plan investments	539,877	
Changes in proportion and differences between contributions recognized and proportionate share of contributions	53,070	104,183
Contributions subsequent to the measurement date	221,096	
Total	<u>\$ 6,254,819</u>	<u>\$ 177,693</u>

\$221,096 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

Year ended June 30:

2018	\$ 2,366,132
2019	2,319,294
2020	1,165,219
2021	5,385

Actuarial assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 – 10.10 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50 percent
Discount rate	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

Based on the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic assumptions were adopted by PERA's Board on November 18, 2016 and effective as of December 31, 2016. These revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2015 to December 31, 2016:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50-9.70 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	5.26 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic)	2.00 percent
PERA benefit structure after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

2020 with Males set back 1 year, and Females set back 2 years. Active member mortality was based upon the same mortality rates but adjusted to 55 percent of the base rate for males and 40 percent of the base rate for females. For disabled retirees, the RP-2000 Disabled Mortality Table (set back 2 years for males and set back 2 years for females) was assumed.

The actuarial assumptions used in the December 31, 2015 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.

As a result of the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic actuarial assumptions including withdrawal rates, retirement rates for early reduced and unreduced retirement, disability rates, administrative expense load, and pre and post retirement and disability mortality rates were adopted by PERA's Board on November 18, 2016 to more closely reflect PERA's actual experience. As the revised economic and demographic assumptions are effective as of the measurement date, December 31, 2016, these revised assumptions were reflected in the total pension liability roll-forward procedures.

Healthy mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Healthy, post-retirement mortality assumptions reflect the RP-2014 White Collar Healthy Annuitant Mortality Table adjusted as follows:

Males- Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

Females- Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was changed to reflect 90 percent of the RP-2014 Disabled Mortality Table.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016. As a result of the October 28, 2016 actuarial assumptions workshop and the November 18, 2016 PERA Board meeting, the economic assumptions changed effective December 31, 2016 as follows:

Investment rate of return assumptions decreased from 7.50 percent per year, compounded annually, net of investment expenses to 7.25 percent per year, compounded annually, net of investment expenses.

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

Price inflation assumption decreased from 2.80 percent per year to 2.40 percent per year.

Real rate of investment return assumption increased from 4.70 percent per year, net of investment expenses, to 4.85 percent per year, net of investment expenses.

Wage inflation assumption decreased from 3.90 percent per year to 3.50 percent per year.

Several factors were considered in evaluating the long-term rate of return for the SCHDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) were developed by the investment consultant for each major asset class.

These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the November 18, 2016 adoption of the current 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:

Asset Class	Target Allocation	10 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42%	4.80%
Non U.S. Equity – Developed	18.55%	5.20%
Non U.S. Equity – Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
Non U.S. Fixed Income Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
High Yield	1.38%	4.30%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Core Real Estate	8.50%	4.90%
Cash	1.00%	0.20%
Total	100.00%	

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

Discount rate. The discount rate used to measure the total pension liability was 5.26 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:

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

Updated economic and demographic actuarial assumptions adopted by PERA's Board on November 18, 2016.

Total covered payroll for the initial projection year consisted 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 years, total covered payroll was assumed to increase annually at a rate of 3.50%.

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 future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions 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.

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 of 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 assumptions and methods, the projection test indicates the SCHDTF's fiduciary net position was projected to be depleted in 2041, and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return on pension plan investments was applied to periods through 2041 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System, was applied to periods on and after 2041 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.86 percent, resulting in a discount rate of 5.26%.

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

As of the prior measurement date, the projection test indicated the SCHDTF’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments of 7.50 percent was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination did not use a municipal bond index rate and the discount rate was 7.50 percent, 2.24 percent higher compared to the current 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 5.26 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 (4.26 percent) or 1-percentage-point higher (6.26 percent) than the current rate:

	1% Decrease (4.26%)	Current Discount Rate (5.26%)	1% Increase (6.26%)
Proportionate share of the net pension liability	\$20,302,650	\$16,145,661	\$12,759,944

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

6. Defined Contribution Pension Plan

Voluntary Investment Program

Plan Description - Employees of the District that are also members of the SCHDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report for the Plan. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy – The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. The District has not agreed to match employee contributions. Employees are immediately vested in their own contributions, employer contributions and investment earnings. For the year ended June 30, 2016, program members contributed \$4,610 to the Voluntary Investment Program.

7. Other Post-Employment Benefits

Health Care Trust Fund

Plan Description – The District contributes to the Health Care Trust Fund ("HCTF"), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy – The District is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2017, 2016 and 2015 the District contributions to the HCTF were \$24,858, \$24,686 and \$24,170, respectively, equal to their required contributions for each year.

8. Accrued Salaries – Certified instructors of the District are contracted for nine months annually between Labor Day and June 1. These instructors, while only working nine months, are paid for their services in twelve equal monthly installments. On June 30 of each year they have completed their entire contract, but have only received 10/12 of the related compensation with the difference to be paid over the summer break. The difference, totaling \$396,918, is reflected as an accrued expense at June 30.

9. General Long Term Debt-

Capital Lease- In fiscal year 2011 the District entered into a lease agreement for energy saving heating and cooling equipment. The lease is payable in 48 quarterly payments varying from \$7,950 to \$12,870, including interest at 5.701% beginning on January 15, 2010. The lease is serviced by the General Fund and the equipment serves as collateral. All payment obligations of the District are subject to annual appropriation by the Board of Education.

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

<u>Year Ending June 30</u>	<u>Prinicipal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 37,219	\$ 8,401	\$ 45,620
2019	41,695	6,185	47,880
2020	46,555	3,706	50,261
2021	37,684	983	38,667
Total	\$ 163,153	\$ 19,275	\$ 182,428

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

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

Description	Beginning Balance	Issued	Retired	Ending Balance
Capital Lease	\$ 195,502		\$ 32,349	\$ 163,153
Total	\$ 195,502	\$ -	\$ 32,349	\$ 163,153

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

Transfers	In	Out
General Fund		\$ 125,213
Capital Projects Fund	\$ 88,220	
Lunch Fund	36,993	
Total	\$ 125,213	\$ 125,213

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

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

Restricted

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

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

Assigned

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

General Fund	\$ 1,457,854
Lunch Fund	24,703
Capital Projects Fund	77,975
Total	<u>\$ 1,560,532</u>

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

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

13. Tax, Spending, and Debt Limitations – Colorado Voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. On November 5, 1996 the people of the District voted to authorize the spending of all monies in existing funds and to collect, retain, and expend the full revenue, including state grants and taxes, generated during fiscal year 1997 and for each subsequent year regardless of any limitation contained in Article X, Section 20, of the Colorado Constitution. The Amendment is complex and subject to judicial interpretation. The District believes it is in compliance with all other requirements of the amendment. However, the District has made certain interpretations of the amendment’s language in order to determine its compliance.

14. Commitments and Contingent Liabilities – There were no commitments or contingent liabilities at June 30.

15. Compliance with Laws and Regulations- The District may be in violation of State Statute. Expenditures exceeded appropriations in the Lunch Fund.

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

Required Supplementary Information

June 30, 2017

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

Such information includes:

Pension Schedules

Schedule of District Contributions

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

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

Schedules of Required Supplementary Information

Schedule of District Contributions

June 30, 2017

Last 10 Years

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 359,412	\$ 399,885	\$ 428,894	\$ 447,771
Contributions in relation to the contractually required contribution	359,412	399,885	428,894	447,771
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 2,146,077	\$ 2,369,569	\$ 2,420,231	\$ 2,437,049
Contributions as a percentage of covered employee payroll	16.75%	16.88%	17.72%	18.37%

Information is not available for years prior to 2014

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

Last 10 Years

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
District's proportion of the net pension liability (asset)	0.0532%	0.05532%	0.05531%	0.05423%
District' share of the net pension liability (asset)	\$ 6,790,133	\$ 7,497,635	\$ 8,459,955	\$ 16,145,661
District's covered employee payroll	\$ 2,146,077	\$ 2,318,599	\$ 2,410,588	\$ 2,433,836
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	316.40%	323.37%	350.95%	663.38%
Plan fiduciary net position as a percentage of the total pension liability	62.84%	64.07%	59.20%	75.84%

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

Information is not available for years prior to 2014

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

Other Supplementary Information

June 30, 2017

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

These statements and schedules include:

Budgetary Comparison Schedules

Non major governmental fund

Capital Reserve Capital Projects Fund

Fiduciary Fund

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

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

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Revenues				
Local sources				
Earnings on investments	\$ 20	\$ 20	\$ 38	\$ 18
Total revenues	<u>20</u>	<u>20</u>	<u>38</u>	<u>18</u>
Expenditures				
Operations and plant maintenance				
Purchased services				
Property	18,060	18,060	9,200	8,860
Supplies	16,040	16,040	154	15,886
Property	12,610	12,610	14,660	(2,050)
Student transportation				
Property	41,530	41,530	41,530	-
Appropriated reserves	55,251	55,261		55,261
Total expenditures	<u>143,491</u>	<u>143,501</u>	<u>65,544</u>	<u>77,957</u>
Other financing sources (uses)				
Transfers in (out)	88,220	88,220	88,220	-
Total other financing sources (uses)	<u>88,220</u>	<u>88,220</u>	<u>88,220</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(55,251)</u>	<u>(55,261)</u>	<u>22,714</u>	<u>77,975</u>
Fund balance, beginning	55,251	55,261	55,261	-
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 77,975</u>	<u>\$ 77,975</u>

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

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

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources				
Earnings on investments	\$ 75	\$ 75	\$ 28	\$ (47)
Miscellaneous	130,000	130,000	97,976	(32,024)
Total local sources	<u>130,075</u>	<u>130,075</u>	<u>98,004</u>	<u>(32,071)</u>
Total revenues	<u>130,075</u>	<u>130,075</u>	<u>98,004</u>	<u>(32,071)</u>
Expenditures				
Instruction				
School accounts	130,075	130,075	92,809	37,266
Appropriated reserves	53,933	53,933		53,933
Total expenditures	<u>184,008</u>	<u>184,008</u>	<u>92,809</u>	<u>91,199</u>
Excess of revenues and other sources over (under) expenditures and other uses	(53,933)	(53,933)	5,195	59,128
Due to agency recipients beginning of the year	53,933	53,933	52,691	(1,242)
Due to agency recipients end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,886</u>	<u>\$ 57,886</u>



**Colorado Department of
Education**

Auditors Integrity Report

District: 2070 - MANCOS RE-6
Fiscal Year 2016-17
Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental	+		-	=
10 General Fund	1,551,337	4,372,792	4,331,869	1,592,260
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	14,690	215,300	228,396	1,594
Sub- Total	1,566,027	4,588,093	4,560,265	1,593,854
11 Charter School Fund	0	0	0	0
20,26-29 Special Revenue Fund	0	0	0	0
06 Supplemental Cap Const, Tech, Main. Fund	0	0	0	0
21 Food Service Spec Revenue Fund	4,995	292,063	268,918	28,139
22 Govt Designated-Purpose Grants Fund	0	0	0	0
23 Pupil Activity Special Revenue Fund	0	0	0	0
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	0	0	0	0
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	0	0	0	0
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	55,261	88,257	65,544	77,975
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
Totals	1,626,283	4,968,412	4,894,727	1,699,968
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	52,691	98,004	92,809	57,886
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
Totals	52,691	98,004	92,809	57,886

FINAL

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