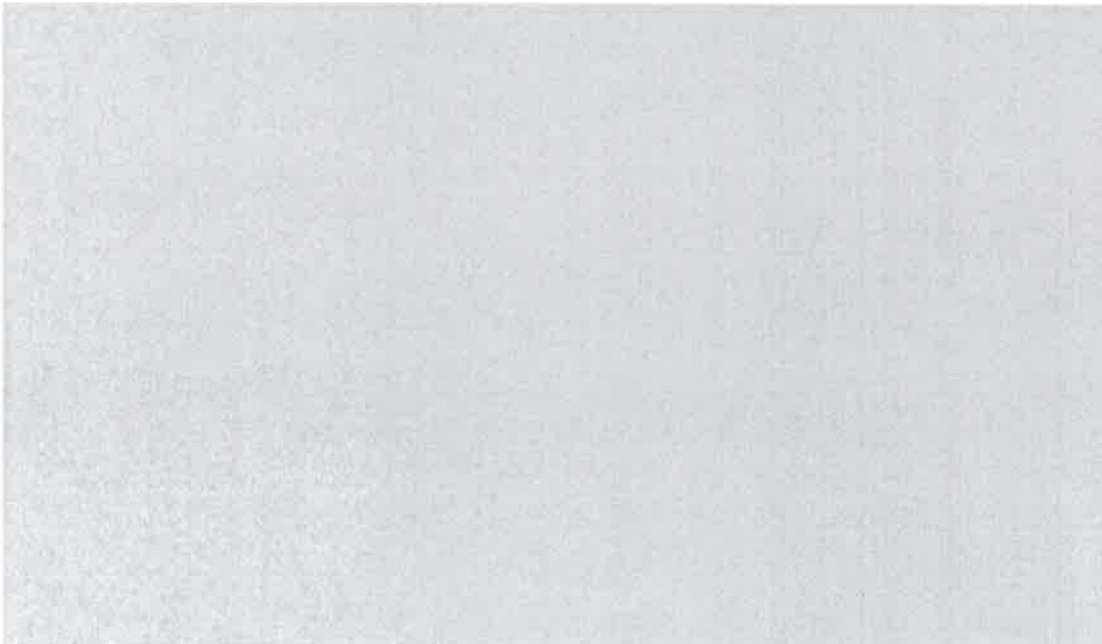


**MOUNTAIN VALLEY SCHOOL DISTRICT RE-1  
SAGUACHE, COLORADO**

**FINANCIAL STATEMENTS**

**June 30, 2018**



**Wall,  
Smith,  
Bateman** Inc.  
Certified Public Accountants

**MOUNTAIN VALLEY SCHOOL DISTRICT RE-1  
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# INDEPENDENT AUDITORS' REPORT



Wall,  
Smith,  
Bateman Inc.

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mountain Valley School District RE-1 (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

## Management's Responsibility for the Financial Statements

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

## Auditors' Responsibility

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

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Certified Public Accountants

700 Main Street, Suite 200 PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 | [www.wsbcpa.com](http://www.wsbcpa.com)

## **Emphasis of Matter**

### *Change in Accounting Principle*

As discussed in Note 1 – Summary of Significant Accounting Policies, in fiscal year 2018 the District adopted new accounting guidance, *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison, pension and other postemployment benefits information on pages 3-9 and 44-49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

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

*Wall, Smith, Bateman Inc.*

Wall, Smith, Bateman Inc.  
Alamosa, Colorado

January 10, 2019

**Mountain Valley School District RE-1  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2018**

As management of Mountain Valley School District, we offer readers of the Mountain Valley School District's financial statements this narrative overview and analysis of the financial activities of the Mountain Valley School District for the year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the District's financial statements, which follow this section.

**Financial Highlights 2018**

- Total net position as of June 30, 2017 was (\$3,042,062). Total Net Position as of June 30, 2018 was (\$2,711,086), an increase of \$330,976.
- General revenues, primarily property taxes and state equalization payments, account for approximately \$2,022,632 or 43% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,697,538 of total revenues.
- The District had \$4,205,146 in expenses related to governmental activities; \$2,697,538 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$2,022,632 provided for these programs.
- Revenue in the food service fund from charges for services and operating grants and contributions was not sufficient to cover expenses in the 2018 fiscal year and was subsidized by the General Fund.

**Overview of the Financial Statements**

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

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

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

**District-wide Financial Statements**

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

The statement of net position presents information on all of Mountain Valley School District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in the net position may serve as a useful indicator of whether the financial position of Mountain Valley School District is improving or deteriorating. To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

**Mountain Valley School District RE-1**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2018 (Continued)**

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

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

**Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant, or "major" funds, not the District as a whole. Funds are accounting devices the District uses to track specific sources of funding and spending on particular programs. The Mountain Valley School District, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

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

*Fiduciary Funds:* The District is the agent, or fiduciary, for assets that belong to others such as student activity funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations. Total expenditures from the Student Activity Fund for 2017-2018 were \$52,240, an increase of \$14,569 from the fiscal year 2016-2017.

**Other Information**

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

**District-wide Financial Analysis**

Government-wide Analysis:

The assets of the District are classified as current assets and capital assets. Cash, investments, receivables, inventories, and prepaid expenses are current assets. These assets are available to provide resources for the near-

**Mountain Valley School District RE-1**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2018 (Continued)**

term operations of the District. The majority of the current assets are the result of the property tax collection process; the District receives about 75% of the annual property tax assessment in the first half of the calendar year.

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

Current and long-term liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable, accrued salaries and benefits, unearned revenues, and current debt obligations. The liquidation of current liabilities is anticipated to be either from current available resources, current assets, or new resources that become available during fiscal year 2018. Long-term liabilities such as long-term debt obligations and compensated absences payable, will be liquidated from resources that will become available after fiscal year 2018. A comparative analysis is provided.

**Table I**  
**Statement of Net Position**  
**June 30, 2017 and 2018**

	Governmental Activities 2017	Governmental Activities 2018
<b>Assets</b>		
Current Assets	\$ 1,118,575	\$ 6,048,872
Capital Assets	1,128,114	2,646,046
<b>Total Assets</b>	<b>2,246,689</b>	<b>8,694,918</b>
<b>Deferred Outflows of Resources</b>		
Pensions	2,955,397	2,410,918
OPEB	-	7,472
<b>Total Deferred Outflows of Resources</b>	<b>2,955,397</b>	<b>2,418,390</b>
<b>Liabilities</b>		
Other Liabilities	234,185	1,161,163
Long-term Liab.	7,716,253	12,163,884
<b>Total Liabilities</b>	<b>7,950,438</b>	<b>13,325,047</b>
<b>Deferred Inflows of Resources</b>		
Unavailable Revenue-Property Tax	-	61,601
Pensions	293,710	434,556
OPEB	-	3,190
<b>Total Deferred Inflows of Resources</b>	<b>293,710</b>	<b>499,347</b>
<b>Net Position</b>		
Net Investment in Capital Assets	1,128,114	2,646,046
Restricted for TABOR	62,000	70,000
Restricted for Preschool	16,571	7,885
Restricted for Debt Service	-	180,707
Unrestricted	(4,248,717)	(5,615,724)
<b>Total Net Position</b>	<b>\$ (3,042,062)</b>	<b>\$ (2,711,086)</b>

**Mountain Valley School District RE-1  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2018 (Continued)**

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

**Table II  
Condensed Statement of Changes in Net Position  
Fiscal Year 2017 and 2018**

<b>Revenues</b>	<u>Governmental Activities 2017</u>	<u>Governmental Activities 2018</u>
<b>Program Revenues:</b>		
Charges for Services	\$ 1,142	\$ 1,126
Oper. Grants & Contributions	1,080,883	1,095,322
Capital Grants & Contributions	-	1,601,090.00
<b>General Revenues:</b>		
Property Taxes	470,939	805,010
State Equalization	1,214,097	1,203,909
Investment	6,787	13,348
Other	292	365
<b>Total Revenues</b>	<u>2,774,140</u>	<u>4,720,170</u>
<b>Expenses</b>		
Instructional Program	\$1,726,963	\$1,689,116
Student Support Services	918,408	1,037,200
Instr. Staff Support Services	29,988	6,209
Gen. Admin. Support Services	318,956	380,155
Sch. Admin. Support Services	161,413	198,631
Business Support Services	82,489	83,180
O&M of Plant Services	285,653	253,614
Student Trans. Services	186,295	231,862
Central Support Services	104,065	77,540
Food Services	148,776	176,088
Interest on Long-term Debt	-	71,551
<b>Total Expenses</b>	<u>3,963,006</u>	<u>4,205,146</u>
<b>Change in Position</b>	(1,188,866)	515,024
Net Position - Beginning of Year	(1,853,196)	(3,042,062)
GASB 75 Restatement	-	(184,048)
Net Position - Beginning of Year Restated	<u>(1,853,196)</u>	<u>(3,226,110)</u>
Net Position - End of Year	<u>(3,042,062)</u>	<u>(2,711,086)</u>

In the previous year, property taxes and per pupil state formula revenue (state equalization) accounted for most of the District's revenue, contributing about 61%. Normally State and Federal grants and private partnership grants contribute about 38% of revenue. Normally interest on investments, other sources, and miscellaneous contribute the remaining 1%.

**Mountain Valley School District RE-1  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2018 (Continued)**

In fiscal year 2018, the revenue percentage of property taxes and state equalization is 43%, grants 56%, and all other 1%.

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

**Governmental Activities**

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

The primary source of operating revenue for school districts comes from the School Finance Act of 1994. Under this act, the District received \$14,202.19 per funded student. In fiscal year 2018, the funded pupil count was 123.1. Funding for the school finance act comes from property taxes, specific ownership taxes, and state equalization. The District received approximately 26% of this funding from state equalization while the remaining amounts come from property taxes and specific ownership tax.

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

**Table III  
Cost of Services-Governmental Activities  
Fiscal Year 2017 and 2018**

	Total Cost 2017	Net Cost 2017	Total Cost 2018	Net Cost 2018
Instructional Program	1,726,963	(1,421,553)	1,689,116	(1,268,210)
Student Support Services	918,408	(312,275)	1,037,200	(413,121)
Instructional Staff Support Services	29,988	(29,988)	6,209	(6,209)
General Admin. Support Services	318,956	(318,956)	380,155	(380,155)
School Admin. Support Services	161,413	(161,413)	198,631	(198,631)
Business Support Services	82,489	(82,489)	83,180	(83,180)
Operations & Maintenance of Plant Services	285,653	(285,653)	253,614	(253,614)
Student Transportation Services	186,295	(157,692)	231,862	(197,022)
Central Supporting Services	104,065	(43,704)	77,540	(52,409)
Food Service	148,776	(67,258)	176,088	(98,069)
Interest on Long-term Debt	-	-	-	1,514,563
<b>Total</b>	<b>3,963,006</b>	<b>(2,880,981)</b>	<b>4,205,146</b>	<b>(1,507,608)</b>

**Mountain Valley School District RE-1  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2018 (Continued)**

**Financial Analysis of the District's Funds**

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

**General Fund Budgetary Highlights**

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

**Capital Assets and Debt Administration**

By the end of the fiscal year 2018, the District had invested \$2,646,046 in a broad range of capital assets, including buildings and improvements, machinery and equipment, and vehicles. (See Table IV)

**Table IV  
Capital Assets at June 30, 2017 and 2018**

	Governmental Activities 2017	Governmental Activities 2018
Construction in Progress not being depreciated	\$ -	\$ 1,514,563
Buildings and Improvements	1,917,963	1,858,604
Equipment	124,598	102,488
Vehicles	431,795	435,992
Accumulated Depreciation	(1,346,242)	(1,265,601)
<b>Totals</b>	<b>1,128,114</b>	<b>1,131,483</b>
Governmental Activities Capital Assets	<b>1,128,114</b>	<b>2,646,046</b>

**Long-Term Liabilities**

At June 30, 2018, the District had \$3,760,500 in long-term liabilities. Table V details the long-term liabilities for the District.

**Table V  
Long-Term Liabilities  
Current and Total at June 30, 2017 and 2018**

	Governmental Activities 2017	Governmental Activities 2018
Bonds Payable - Series 2017	\$ -	\$ 3,724,699
Compensated Absences	35,801	35,801
	<b>\$ -</b>	<b>\$ 3,760,500</b>

**Mountain Valley School District RE-1**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2018 (Continued)**

**Factors Bearing on the District's Future**

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

- The United States and the State of Colorado have experienced slowing economic conditions in the past several years. One impact of this economic slowing is the reduction in the State of Colorado's general fund revenues. Because educational expenditures represent a significant portion of the State of Colorado's budget, the district revenues were adversely impacted. The outlook and forecast for school funding in the future continues to be bleak. In fiscal year 2015, the state finally began to backfill some of the funding cuts that were a result of the past recession. The District continues to work hard to manage funds wisely and prudently.
- The Mountain Valley School District continues its efforts in educational reform with cooperation from administration, certified staff, classified staff, parents, community members, and the local board of education. The District has established partnerships with valley educational institutions and state organizations to assist in the curriculum reform effort.
- Mountain Valley School District has been successful in the past with obtaining grants Serve Colorado, and Expelled and At Risk Student Services Grant from CDE. With these organizations, we continue to develop and evaluate student-focused strategies for increasing student attendance and achievement, as is evidenced by the quality teaching strategies found in our classrooms. These efforts have resulted in improvements in our educational programs that are evidenced by the educational awards the District continues to receive.
- The District applied for and was awarded Building Excellent Schools Today Act (BEST) grant in the amount of \$27,072,253 with a District match of \$3,724,698. The District plans to use the funds to construct a new PK-12 school building and renovating the existing middle school.
- On November 7, 2018, voters of the District approved the issuance of \$3,724,698 in Series 2018 General Obligation Bonds. The District entered into an agreement to issue said bonds with a closing date of December 7, 2018. The District plans to use the bond proceeds to construct a new PK-12 school building and renovating the existing middle school.

**Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Superintendent of Schools, Mountain Valley School District, 403 Pitkin, Saguache, CO 81149.

**MOUNTAIN VALLEY SCHOOL DISTRICT RE-1**

**BASIC FINANCIAL STATEMENTS**

**MOUNTAIN VALLEY SCHOOL DISTRICT RE-1**  
**STATEMENT OF NET POSITION**  
**June 30, 2018**

	<b>Primary Government Governmental Activities</b>
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and Investments	4,933,351
Accounts Receivable	17,816
Taxes Receivable	113,196
Intergovernmental Receivable	982,185
Inventory	2,324
<b>Capital Assets</b>	
Construction in Progress	1,514,563
Buildings	1,858,604
Vehicles	435,992
Equipment	102,488
Less: Accumulated Depreciation	(1,265,601)
<b>TOTAL ASSETS</b>	<b>8,694,918</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension	2,410,918
OPEB	7,472
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>2,418,390</b>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts Payable	750,271
Accrued Salaries and Benefits	225,701
Grants Unearned Revenue	15,113
Due to Other Governments	33,443
Compensated Absences	1,467
General Obligation Bonds	135,168
<b>Long-term Liabilities</b>	
Compensated Absences	34,334
General Obligation Bonds	3,589,530
Net Pension Liability	8,349,356
Net OPEB Liability	190,664
<b>TOTAL LIABILITIES</b>	<b>13,325,047</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable Revenue- Property Tax	61,601
Pension	434,556
OPEB	3,190
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>499,347</b>
<b>NET POSITION</b>	
Net Investment in Capital Assets	2,646,046
Restricted for TABOR	70,000
Restricted for Preschool	7,885
Restricted for Debt Service	180,707
Unrestricted	(5,615,724)
<b>TOTAL NET POSITION</b>	<b>\$ (2,711,086)</b>

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

**MOUNTAIN VALLEY SCHOOL DISTRICT RE-1**  
**STATEMENT OF ACTIVITIES**  
**Fiscal Year Ended June 30, 2018**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	
<b>Primary Government:</b>					
<b>Governmental Activities:</b>					
Instructional Program	\$ 1,689,116	\$ -	\$ 420,906	\$ -	\$ (1,268,210)
Student Supporting Services	1,037,200	-	537,552	86,527	(413,121)
Instructional Staff Supporting Services	6,209	-	-	-	(6,209)
General Administration Supporting Services	380,155	-	-	-	(380,155)
School Administration Supporting Services	198,631	-	-	-	(198,631)
Business Supporting Services	83,180	-	-	-	(83,180)
Operations and Maintenance of Plant Services	253,614	-	-	-	(253,614)
Student Transportation Services	231,862	-	34,840	-	(197,022)
Central Supporting Services	77,540	-	25,131	-	(52,409)
Food Services	176,088	1,126	76,893	-	(98,069)
Facilities Acquisition and Construction Services	-	-	-	1,514,563	1,514,563
Interest on Long-term Debt	71,551	-	-	-	(71,551)
<b>Total Governmental Activities</b>	<b>\$ 4,205,146</b>	<b>\$ 1,126</b>	<b>\$ 1,095,322</b>	<b>\$ 1,601,090</b>	<b>(1,507,608)</b>
<b>General Revenues:</b>					
Taxes:					
General Property Taxes - Net					707,245
Other Taxes					97,765
State Equalization					1,203,909
Investment Earnings					13,348
Other Revenues					365
<b>Total General Revenues:</b>					<b>2,022,632</b>
<b>Change in Net Position</b>					
					515,024
<b>Net Position, Beginning of Year</b>					<b>(3,042,062)</b>
<b>GASB 75 Restatement</b>					<b>(184,048)</b>
<b>Net Position - Beginning of Year Restated</b>					<b>(3,226,110)</b>
<b>Net Position - End of Year</b>					<b>\$ (2,711,086)</b>

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

**MOUNTAIN VALLEY SCHOOL DISTRICT RE-1**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**June 30, 2018**

	GENERAL FUND	GRANTS FUND	BUILDING FUND	TOTAL NONMAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>					
Cash and Investments	\$ 1,043,166	\$ 3,138	\$ 3,724,699	\$ 162,348	\$ 4,933,351
Accounts Receivable	3,816	-	-	-	3,816
Property Tax Receivable	70,120	-	-	43,076	113,196
Intergovernmental Receivable	135,883	67,468	743,966	34,868	982,185
Due From Other Funds	14,000	-	-	-	14,000
Inventory	-	-	-	2,324	2,324
<b>TOTAL ASSETS</b>	<b>\$ 1,266,985</b>	<b>\$ 70,606</b>	<b>\$ 4,468,665</b>	<b>\$ 242,616</b>	<b>\$ 6,048,872</b>
<b>LIABILITIES AND FUND BALANCE</b>					
<b>LIABILITIES</b>					
Accounts Payable	\$ 4,297	\$ 2,008	\$ 743,966	\$ -	\$ 750,271
Accrued Salaries & Benefits	147,943	60,593	-	17,165	225,701
Grant Unearned Revenue	7,752	7,361	-	-	15,113
Due to Other Governments	33,443	-	-	-	33,443
<b>TOTAL LIABILITIES</b>	<b>193,435</b>	<b>69,962</b>	<b>743,966</b>	<b>17,165</b>	<b>1,024,528</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Revenue- Property Tax	38,859	-	-	22,742	61,601
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>38,859</b>	<b>-</b>	<b>-</b>	<b>22,742</b>	<b>61,601</b>
<b>FUND BALANCE</b>					
Nonspendable Fund Balance: Inventory	-	-	-	2,324	2,324
Restricted Fund Balance:					
TABOR	70,000	-	-	-	70,000
Colorado Preschool Program	7,885	-	-	-	7,885
Capital Projects	-	-	3,724,699	-	3,724,699
Debt Service	-	-	-	180,707	180,707
Committed Fund Balance:					
Grants	-	644	-	-	644
Facility	50,000	-	-	-	50,000
Technology	13,900	-	-	-	13,900
Transportation	26,220	-	-	-	26,220
BEST Health Plan	4,747	-	-	-	4,747
Subsequent Years	500,000	-	-	-	500,000
Food Service	-	-	-	19,678	19,678
Unassigned Fund Balance	361,939	-	-	-	361,939
<b>TOTAL FUND BALANCE</b>	<b>1,034,691</b>	<b>644</b>	<b>3,724,699</b>	<b>202,709</b>	<b>4,962,743</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 1,266,985</b>	<b>\$ 70,606</b>	<b>\$ 4,468,665</b>	<b>\$ 242,616</b>	<b>\$ 6,048,872</b>

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

**MOUNTAIN VALLEY SCHOOL DISTRICT RE-1**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES**  
**TO THE STATEMENT OF NET POSITION**  
**June 30, 2018**

<b>Total governmental fund balances</b>	<b>\$</b>	<b>4,962,743</b>
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>		
Capital assets, being depreciated	3,911,647	
Accumulated Depreciation	<u>(1,265,601)</u>	
		2,646,046
<p>Deferred results and contributions to pension and OPEB plans made after the measurement date are recorded as expenditures in the governmental funds, but must be deferred in the statement of net position.</p>		
		2,418,390
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.</p>		
General Obligation Bonds		(3,724,698)
<p>Net pension and OPEB liabilities are not due and payable in the current period and are not reported in the funds.</p>		
		(8,540,020)
Compensated Absences		(35,801)
<p>Certain amounts related to the net pension and OPEB liabilities are deferred and amortized over time. These are not reported in the funds.</p>		
		<u>(437,746)</u>
<b>Net position of governmental activities</b>	<b>\$</b>	<b><u><u>(2,711,086)</u></u></b>

**MOUNTAIN VALLEY SCHOOL DISTRICT RE-1**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**For the Year Ended June 30, 2018**

	GENERAL FUND	GRANTS FUND	BUILDING FUND	TOTAL NONMAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES</b>					
Local Sources	\$ 589,553	\$ 127,513	\$ -	\$ 253,384	\$ 970,450
Intermediate Sources	365	-	-	-	365
State Sources	1,288,326	299,579	1,514,563	658	3,103,126
Federal Sources	235,917	334,077	-	76,235	646,229
<b>TOTAL REVENUES</b>	<b>2,114,161</b>	<b>761,169</b>	<b>1,514,563</b>	<b>330,277</b>	<b>4,720,170</b>
<b>EXPENDITURES</b>					
Instruction	899,339	118,647	-	-	1,017,986
Pupil Support	58,203	614,653	-	-	672,856
Staff Support	6,209	-	-	-	6,209
General Administration	260,767	-	-	-	260,767
School Administration	116,610	-	-	-	116,610
Business Services	83,180	-	-	-	83,180
Operations and Maintenance	192,513	2,269	-	-	194,782
Transportation	196,740	-	-	-	196,740
Central Support	42,631	25,132	-	-	67,763
Facilities Acquisition and Construction Services	3,815	-	1,514,563	-	1,518,378
Food Services	-	-	-	120,835	120,835
Debt Services	-	-	-	71,551	71,551
<b>TOTAL EXPENDITURES</b>	<b>1,860,007</b>	<b>760,701</b>	<b>1,514,563</b>	<b>192,386</b>	<b>4,327,657</b>
Excess (Deficiency) of Revenues Over Expenditures	254,154	468	-	137,891	392,513
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer In (Out) - net Bond Proceeds	(30,000)	-	3,724,699	30,000	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(30,000)</b>	<b>-</b>	<b>3,724,699</b>	<b>30,000</b>	<b>3,724,699</b>
Net Change in Fund Balance	224,154	468	3,724,699	167,891	4,117,212
<b>Fund Balance at Beginning of Year</b>	<b>810,537</b>	<b>176</b>	<b>-</b>	<b>34,818</b>	<b>845,531</b>
<b>Fund Balance at End of Year</b>	<b>\$ 1,034,691</b>	<b>\$ 644</b>	<b>\$ 3,724,699</b>	<b>\$ 202,709</b>	<b>\$ 4,962,743</b>

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

**MOUNTAIN VALLEY SCHOOL DISTRICT RE-1**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2018**

**Net change in fund balances - total governmental funds** \$ 4,117,212

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

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

Fixed asset additions	1,583,760	
Depreciation expense	<u>(65,828)</u>	
		1,517,932

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Bond Proceeds	(3,724,699)
---------------	-------------

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

	<u>(1,395,421)</u>
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<b>Change in net position of governmental activities</b>	<b>\$ <u>515,024</u></b>
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**MOUNTAIN VALLEY SCHOOL DISTRICT RE-1**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**June 30, 2018**

	<u>PUPIL ACTIVITY</u> <u>AGENCY FUND</u>
<b>ASSETS</b>	
Cash and Investments	\$ 60,088
<b>TOTAL ASSETS</b>	<u>\$ 60,088</u>
<b>LIABILITIES</b>	
Due to General Fund	\$ 14,000
Pupil Activities Deposits	46,088
<b>TOTAL LIABILITIES</b>	<u>\$ 60,088</u>

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

**MOUNTAIN VALLEY SCHOOL DISTRICT RE-1**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**REPORTING ENTITY**

***Primary Government***

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

***Component Units***

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

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

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

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

**MOUNTAIN VALLEY SCHOOL DISTRICT RE-1**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

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

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

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

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

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

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

The District reports the following major governmental funds:

- The **General Fund** is the general operating fund of the District. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The **Grants Fund** is used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.
- The **Building Fund** is used to account for all resources available for acquiring capital sites, buildings, and equipment. Specifically, bond and grant proceeds for the BEST K-12 construction project.

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

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

**MOUNTAIN VALLEY SCHOOL DISTRICT RE-1**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

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

***Cash***

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

***Investments***

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

***Property Taxes***

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

Uncollected property taxes that became an enforceable lien January 1, 2017 have been recorded in the financial statements as an asset and a corresponding deferred inflow of resources.

***Receivables/Payables From Other District Funds***

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

***Inventories***

Purchased inventories are stated at cost and consist of supplies and food to be used within one year. Donated inventory is priced at the U.S. Department of Agriculture established values.

***USDA Commodities***

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

***Capital Assets***

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

**MOUNTAIN VALLEY SCHOOL DISTRICT RE-1**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

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

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

***Compensated Absences***

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

***Unearned Grant Revenues***

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

***Deferred Outflows/Inflows of Resources***

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

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

Certain amounts related to pensions must be deferred.

***Pensions***

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

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. Governmental accounting standards require the net pension liability and related amounts of the SCHDTF for financial reporting purposes be measured using the plan provisions in effect as of the SCHDTF's measurement date of December 31, 2017. As such, the following disclosures do not include the changes to plan provisions required by SB 18-200 with the exception of the section titled *Changes between the measurement date of the net pension liability and June 30, 2018*.

**MOUNTAIN VALLEY SCHOOL DISTRICT RE-1**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

***OPEB***

The District participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

***Net Position***

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

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

***Fund Balance***

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

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

**MOUNTAIN VALLEY SCHOOL DISTRICT RE-1**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

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

***Encumbrances***

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

***Use of Estimates***

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

***New Accounting Pronouncements***

During 2018, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions* (GASB No. 75), which revises and establishes new financial reporting requirements for most governments that provide their employees with postemployment benefits other than pensions. These benefits are referred to as other postemployment benefits (OPEB).

GASB No. 75 requires cost-sharing employers participating in the PERA program, such as the District to record their proportionate share, as defined in GASB No. 75, of PERA's unfunded OPEB, specifically the Health Care Trust Fund (HCTF). The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. The District has no legal obligation to fund this HCTF shortfall nor does it have any ability to affect funding, benefit or annual required contribution decisions made by PERA or the General Assembly. The requirement of GASB No. 75 to record a portion of PERA's unfunded liability negatively impacted the District's beginning net position by \$184,048. The OPEB liability recorded as of June 30, 2018 was \$190,664. Information regarding PERA's current funding status can be found in its Comprehensive Annual Financial Report.

**MOUNTAIN VALLEY SCHOOL DISTRICT RE-1**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

***Budgets and Budgetary Accounting***

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

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

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

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

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

***Stewardship***

Expenditures exceeded budgeted appropriations in the Food Service Fund and Agency Fund by \$812 and \$12,240, respectively, during FY2018. This may be a violation of Colorado Revised State Statutes 22-44-115(1).

There were no appropriations budgeted for the Building Fund. This may be a violation of Colorado State Statutes.

**NOTE 3 CASH, DEPOSITS, AND INVESTMENTS**

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

Cash and Equivalents	\$	354,659
Cash with Fiscal Agent		3,724,699
Investments		914,081
Less: amounts related to Agency Fund		(60,088)
<b>Total cash, deposits, and investments on the Statement of Net Position</b>	<b>\$</b>	<b><u>4,933,351</u></b>

***Cash and Deposits***

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

**MOUNTAIN VALLEY SCHOOL DISTRICT RE-1**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

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

***Custodial Credit Risk – Deposits***

Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District does have a deposit policy for custodial credit risk. As of year-end, \$20,130 of the District’s bank balance of \$414,656 was exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institution through PDPA.

***Investments***

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

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

***Fair Value***

Fair value investments classified as Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Fair value investments classified as Level 2 of the fair value hierarchy are valued using the active market rates for the underlying securities. Fair value investments classified as Level 3 of the fair value hierarchy are valued using non-observable inputs.

As of June 30, 2018, the District had the following investments:

Investments	Maturity	Fair Value	Rating
COLOTRUST	Less than 1 year	\$ 914,081	AAAm

State law limits investments for school districts to U.S. treasury issues, other federally backed notes and credits, and other agency offerings. Other investment instruments, including bank obligations, general obligation bonds, and commercial paper, are limited to at least one of the highest rating categories of at least one nationally recognized rating agency. State law further limits investments in money market funds to those institutions with over \$1 billion in assets or the highest credit rating from one or more of the nationally recognized rating agencies. COLOTRUST has over \$1 billion in assets, is rated AAAm by Standard and Poors, and maintains a constant net asset value of \$1 per share. The State Securities Commissioner administers and enforces all State statutes governing COLOTRST.

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Financial statements for COLOTRUST are available on [www.colotrust.com](http://www.colotrust.com). This investment is valued using level 2 inputs.

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

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

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

**NOTE 4 INVENTORIES**

Food Service Fund inventory as of June 30, 2018, of \$2,324, consisted of purchased inventory and donated commodities. Purchased inventories are stated at cost. Donated inventories received at no cost under a program supported by the United States Government, are recorded at their estimated fair market value at the date of receipt plus an allowance for any processing charges paid to the third party vendor.

**NOTE 5 PROPERTY TAXES RECEIVABLE**

Property taxes receivable at June 30, 2018, consisted of the following:

General Fund	\$ 70,120
Bond Redemption Fund	43,076
	<u>\$ 113,196</u>

**NOTE 6 INTERGOVERNMENTAL RECEIVABLES**

Intergovernmental receivables include amounts due from grantors for specific program grants and amounts held with the County Treasurer. Program grants are recorded as receivables and revenues at the time reimbursable project costs are incurred. As of June 30, 2018, the District had \$238,219 due from Federal, State, and Local governments, reflected as intergovernmental receivables in the accompanying basic financial statements.

**NOTE 7 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

***Interfund Receivables/Payables***

The District reported interfund balances between funds. The balance resulted from amounts owed to the General Fund as reimbursement for payment of credit card charges at the end of the year. Interfund balances are generally expected to be repaid within one year of the financial statement date.

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Interfund receivable and payable balances at June 30, 2018, were as follows:

Transfers In	Transfer Out	Total
Food Service Fund	General Fund	\$ 30,000

***Interfund Transfers***

Interfund transfers for the year ended June 30, 2018, were as follows:

Receivable Fund	Payable Fund	Total
General Fund	Trust and Agency	\$ 14,000

This transfer was made to subsidize the Trust and Agency Fund.

**NOTE 8 CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2018, was as follows:

	Balance 06/30/2017	Additions	Deletions	Balance 06/30/2018
<i>Governmental Activities:</i>				
Capital assets not being depreciated				
Construction in Progress	\$ -	\$ 1,514,563	\$ -	\$ 1,514,563
Total capital assets not being depreciated	-	1,514,563	-	1,514,563
Capital assets being depreciated				
Buildings and site improvements	1,917,963	-	59,359	1,858,604
Vehicles	431,795	69,197	65,000	435,992
Other equipment	124,598	-	22,110	102,488
Total capital assets being depreciated	2,474,356	69,197	146,469	2,397,084
Less accumulated depreciation for:				
Buildings and site improvements	891,001	36,066	59,359	867,708
Vehicles	362,275	25,926	65,000	323,201
Other Equipment	92,966	3,836	22,110	74,692
Total accumulated depreciation	1,346,242	65,828	146,469	1,265,601
Total Capital Assets being depreciated, net	1,128,114	3,369	-	1,131,483
Governmental Activities Capital Assets, net	\$ 1,128,114	\$ 1,517,932	\$ -	\$ 2,646,046

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

Instruction	\$	21,547
Supporting Services		18,355
Transportation		25,926
Total Depreciation Allocation	\$	65,828

**NOTE 9 ACCRUED SALARIES AND BENEFITS**

The teachers, administrators, and the administrative staff are employed under nine, and ten month contracts. All District employees are paid on a twelve-month basis and, therefore, a difference exists between the actual amount of salaries earned under the contract and the amount paid. The difference between salaries earned and paid, including the District's share of benefits, has been accrued in the financial statements in the amount of \$225,701.

**NOTE 10 OPERATING LEASES**

The District has entered into several operating lease arrangements for several copy machines. These leases are considered for accounting purposes as operating leases. Lease expense for the year totaled \$9,096.

**NOTE 11 LONG-TERM OBLIGATIONS**

The District's long-term obligation balances for the year ended June 30, 2018, were as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Bonds Payable - Series 2017	\$ -	\$ 3,724,699	\$ -	\$ 3,724,699	\$ 135,168
Compensated Absences	35,801	-	-	35,801	1,467
Total	\$ 35,801	\$ 3,724,699	\$ -	\$ 3,760,500	\$ 136,635

***General Obligation Bond Payable***

On December 7, 2017, the District issued general obligation bonds series 2017 in the amount of \$3,724,699 with an interest rate of 3.39% to be paid in full December 1, 2037. The bonds were issued for the District's match for the Building Excellent Schools Today Act (BEST) grant for the construction of the new school building and facilities.

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The annual debt service for the General Obligation Bond payable is as follows:

	Principal	Interest	Totals
FY 2019	\$ 135,168	\$ 123,594	\$ 258,762
FY 2020	137,645	118,963	256,608
FY 2021	142,311	114,204	256,515
FY 2022	147,136	109,284	256,420
FY 2023	152,124	104,198	256,322
FY 2024-2028	841,559	438,450	1,280,009
FY 2029-2033	994,209	282,782	1,276,991
FY 2034-2037	1,174,546	98,881	1,273,427
	<u>\$ 3,724,698</u>	<u>\$ 1,390,356</u>	<u>\$ 5,115,054</u>

**NOTE 12 DEFINED BENEFIT PENSION PLAN**

***General Information about the Pension Plan***

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

*Benefits provided as of December 31, 2017.* 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.

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As of December 31, 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 (AIR) for the SCHDTF.

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

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

*Contributions provisions as of June 30, 2018.* 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,	
	2018	2017
Employer Contribution Rate <sup>1</sup>	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) <sup>1</sup>	-1.02%	-1.02%
Amount Apportioned to the SCHDTF <sup>1</sup>	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	5.50%	5.00%
Total Employer Contribution Rate to the SCHDTF <sup>1</sup>	19.13%	18.63%

<sup>1</sup>Rates 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 \$246,051, for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$8,349,356 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017. The District's

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proportion of the net pension liability was based on District contributions to the SCHDTF for the calendar year 2017 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2017, District's proportion was 0.0258 percent, which was an increase of 0.00002 from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$1,393,088. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 153,509	\$ -
Changes of assumptions or other inputs	2,131,901	13,529
Net difference between projected and actual earnings on pension plan investments	-	327,887
Changes in proportion and differences between contributions recognized and proportionate share of contributions	3,543	93,140
Contributions subsequent to the measurement date	121,964	-
<b>Total</b>	<b>\$ 2,410,917</b>	<b>\$ 434,556</b>

\$121,964 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:

Year Ended June 30,	
2019	\$ 1,236,253
2020	734,042
2021	7,454
2022	(123,352)
2023	-
Thereafter	-

*Actuarial assumptions.* The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions, and other inputs:

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:	

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PERA Benefit Structure hired prior to 1/1/07	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

A discount rate of 4.78 percent was used in the roll-forward calculation of the total pension liability to the measurement date of December 31, 2017.

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 Retiree Mortality Table.

The actuarial assumptions used in the December 31, 2016, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting.

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.

Several factors were considered in evaluating the long-term rate of return assumption 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 expense 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.

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

Asset Class	Target Allocation	30 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%
High Yield	1.38%	4.30%
Non U.S. Fixed Income - Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
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:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- 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 and effective as of the measurement date, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

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

Based on the above 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 of 7.25 percent 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 3.43 percent, resulting in a discount rate of 4.78 percent.

As of the prior measurement date, the long-term expected rate of return on plan investments of 7.25 percent and the municipal bond index rate of 3.86 percent were used in the discount rate determination resulting in a discount rate of 5.26 percent, 0.48 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 4.78 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 (3.78 percent) or 1-percentage-point higher (5.78 percent) than the current rate:

	1% Decrease (3.78%)	Current Discount Rate (4.78%)	1% Increase (5.78%)
Proportionate share of the net pension liability	\$ 10,546,656	\$ 8,349,356	\$ 6,558,807

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

**Changes between the measurement date of the net pension liability and June 30, 2018.**

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through SB 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to the plans administered by PERA with the goal of eliminating the unfunded actuarial accrued liability of the Division Trust Funds and thereby reach a 100 percent funded ratio for each division within the next 30 years.

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A brief description of some of the major changes to plan provisions required by SB 18-200 are listed below. A full copy of the bill can be found online at [www.leg.colorado.gov](http://www.leg.colorado.gov).

- Increases employer contribution rates by 0.25 percent on July 1, 2019.
- Increases employee contribution rates by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).
- Directs the state to allocate \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution will be allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the other divisions eligible for the direct distribution.
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, modifying the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.
- Member contributions, employer contributions, the direct distribution from the state, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.

At June 30, 2018, the District reported a liability of \$8,349,356 for its proportionate share of the net pension liability which was measured using the plan provisions in effect as of the pension plan's year-end based on a discount rate of 4.78%. For comparative purposes, the following schedule presents an estimate of what the District proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the SCHDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the SCHDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

Estimated Discount Rate Calculated Using Plan Provisions Required by SB 18-200 (pro forma)	Proportionate Share of the Estimated Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 (pro forma)
7.25%	\$3,722,166

Recognizing that the changes in contribution and benefit provisions also affect the determination of the discount rate used to calculate proportionate share of the net pension liability, approximately \$3,897,531 of the estimated reduction is attributable to the use of a 7.25 percent discount rate.

**NOTE 13 OTHER POSTEMPLOYMENT BENEFITS**

***General Information about the OPEB Plan***

*Plan description.* Eligible employees of the District are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, 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

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of the premium subsidies. 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](http://www.copera.org/investments/pera-financial-reports).

*Benefits provided.* The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit.

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare.

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

*PERA Benefit Structure*

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

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

*Contributions.* Pursuant to Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02 percent of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the District were \$12,607 for the year ended June 30, 2018.

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2018, the District reported a liability of \$190,664 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2017. The District's

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proportion of the net OPEB liability was based on District contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF.

At December 31, 2017, the District proportion was .01467 percent, which was an increase of .000009 from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018 the District recognized OPEB expense of \$2,333. At June 30, 2018, District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 902	\$ -
Net difference between projected and actual earnings on OPEB plan investments	-	3,190
Changes of assumptions or other inputs	-	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	67	-
Contributions subsequent to the measurement date	6,503	-
Total	<u>\$ 7,472</u>	<u>\$ 3,190</u>

\$6,503 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	
2019	(607)
2020	(607)
2021	(607)
2022	(607)
2023	190
Thereafter	17

*Actuarial assumptions.* The total OPEB liability in the December 31, 2016 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

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 percent in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent

**MOUNTAIN VALLEY SCHOOL DISTRICT RE-1**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

Health care cost trend rates

PERA benefit structure:

Service-based premium subsidy	0.00 percent
PERACare Medicare plans	5.00 percent
Medicare Part A premiums	3.00 percent for 2017, gradually rising to 4.25 percent in 2023

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each actuarial valuation and on the pattern of sharing of costs between employers of each fund to that point.

Health care cost trend rates reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design, and technology improvements. For the PERA benefit structure, health care cost trend rates are needed to project the future costs associated with providing benefits to those PERACare enrollees not eligible for premium-free Medicare Part A.

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2016, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The PERA benefit structure health care cost trend rates that were used to measure the total OPEB liability are summarized in the table below:

Year	PERACare Medicare Plans	Medicare Part A Premiums
2017	5.00%	3.00%
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.00%
2023	5.00%	4.25%
2024+	5.00%	4.25%

Mortality assumptions for the determination of the total pension liability for each of the Division Trust Funds as shown below are applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

Healthy mortality assumptions for active members were based on 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.

**MOUNTAIN VALLEY SCHOOL DISTRICT RE-1**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

Healthy, post-retirement mortality assumptions for the School and Judicial Divisions were based on 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 based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The following economic and demographic assumptions were specifically developed for, and used in, the measurement of the obligations for the HCTF:

- The assumed rates of PERACare participation were revised to reflect more closely actual experience.
- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2017 plan year.
- The percentages of PERACare enrollees who will attain age 65 and older ages and are assumed to not qualify for premium-free Medicare Part A coverage were revised to more closely reflect actual experience.
- The percentage of disabled PERACare enrollees who are assumed to not qualify for premium-free Medicare Part A coverage were revised to reflect more closely actual experience.
- Assumed election rates for the PERACare coverage options that would be available to future PERACare enrollees who will qualify for the "No Part A Subsidy" when they retire were revised to more closely reflect actual experience.
- Assumed election rates for the PERACare coverage options that will be available to those current PERACare enrollees, who qualify for the "No Part A Subsidy" but have not reached age 65, were revised to more closely reflect actual experience.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.
- The rates of PERACare coverage election for spouses of eligible inactive members and future retirees were revised to more closely reflect actual experience.
- The assumed age differences between future retirees and their participating spouses were revised to reflect more closely actual experience.

The actuarial assumptions used in the December 31, 2016, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board

**MOUNTAIN VALLEY SCHOOL DISTRICT RE-1**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA's actuary, as needed.

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.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
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%
High Yield	1.38%	4.30%
Non U.S Fixed Income - Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	<u>100.00%</u>	

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

**MOUNTAIN VALLEY SCHOOL DISTRICT RE-1**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

*Sensitivity of the District's proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates.* The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	<u>1% Decrease in Trend Rates</u>	<u>Current Trend Rates</u>	<u>1% Increase in Trend Rates</u>
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A trend rate	3.25%	4.25%	5.25%
Net OPEB Liability	\$185,418	\$190,664	\$196,982

*Discount rate.* The discount rate used to measure the total OPEB liability was 7.25 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:

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2017, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date. For future plan members, employer contributions were reduced by the estimated amount of total service costs for future plan members.
- 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.
- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits 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 HCTF's fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent.

**MOUNTAIN VALLEY SCHOOL DISTRICT RE-1**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

*Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate.* The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ 214,366	\$ 190,664	\$ 170,433

*OPEB plan fiduciary net position.* Detailed information about the HCTF'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](http://www.copera.org/investments/pera-financial-reports).

**NOTE 14 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](http://www.copera.org/investments/pera-financial-reports).

*Funding Policy* - The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions and investment earnings. For the year ended June 30, 2018, program members contributed \$11,900 for the Voluntary Investment Program.

**NOTE 15 JOINT VENTURES AND RELATED PARTIES**

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

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

**MOUNTAIN VALLEY SCHOOL DISTRICT RE-1**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

***San Luis Valley Board of Cooperative Educational Services (BOCES)***

The BOCES is an organization that provides member districts educational services at a shared lower cost per district. The Board of BOCES is selected from the elected members of the District Boards. The District has one member on the Board. This Board has final authority for all budgeting and financing of the joint venture. The District's share of the joint venture is approximately 7% at June 30, 2018. Complete separate financial statements may be obtained from BOCES.

***Colorado School Districts' Self-Insurance Pool***

The District belongs to the Colorado School Districts' Self-Insurance Pool. The Pool was established by the Colorado Association of School Boards (CASB) to provide insurance coverage to participants in the areas of General Liability, Errors and Omissions, Automobile Liability, Auto Physical Damage, Auto Personal Injury Protection, Real and Personal Property, Crime, and other coverage. The Board of Directors is composed of eight persons, several of who are appointed by the Board of Directors of CASB and the Executive Director of CASB. The pool is managed by an independent manager chosen by the Board of Directors. Each member's initial contribution and subsequent contributions are determined by the Pool based on factors including, but not limited to, the aggregate Pool claims, the cost of administrative and other operating expenses, the number of participants, the adequacy of both Operating and Reserve Funds and other factors touching on the status of the Pool or an individual participant, and as approved by the Colorado Insurance Commissioner.

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

The District's share in the Pool is not determinable from current information, but is estimated to be less than 1%. The District's share, if calculated, would not be material to the Pool's financial information at June 30, 2018. Complete separate financial statements may be obtained from the Colorado School Districts' Self-Insurance Pool.

**NOTE 16 COMMITMENTS AND CONTINGENCIES**

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

**NOTE 17 TABOR EMERGENCY RESERVE**

Colorado voters passed an amendment to the State constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the amendment.

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

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

**MOUNTAIN VALLEY SCHOOL DISTRICT RE-1**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

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

**NOTE 18 ACTIVITY AGENCY FUND BUDGET AND ACTUAL**

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

Therefore, the budget and actual amounts for agency funds received and disbursed for the year ended June 30, 2018 are presented below:

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Beginning Balance of Pupil Activity Receipts	\$ -	\$ -	\$ 37,322	\$ 37,322
Agency Fund Receipts	40,000	40,000	61,006	21,006
Agency Fund Disbursements	<u>(40,000)</u>	<u>(40,000)</u>	<u>(52,240)</u>	<u>(12,240)</u>
Ending Balance of Pupil Activity Deposits	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,088</u>	<u>\$ 46,088</u>

**NOTE 19 SUBSEQUENT EVENTS**

During fiscal year 2019, the District will be continuing work on the BEST construction project. A Pre-Kindergarten through 12<sup>th</sup> grade school is being built and the old building will be demolished. The District plans to move into the new building in October of 2019. The cost of the old PreK-12 building was \$1,917,963 and the net book value at June 30, 2018 was \$990,896. Estimated total cost of the new building is \$30,796,651. Construction costs incurred through June 30, 2018, were \$1,514,563.

## **MOUNTAIN VALLEY SCHOOL DISTRICT RE-1**

### **REQUIRED SUPPLEMENTARY INFORMATION**

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

**MOUNTAIN VALLEY SCHOOL DISTRICT RE-1**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Year Ended June 30, 2018**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE WITH</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		<b>FINAL BUDGET</b>
				<b>POSITIVE</b>
				<b>(NEGATIVE)</b>
<b>REVENUES</b>				
Local Sources	\$ 510,681	\$ 543,023	\$ 589,553	\$ 46,530
Intermediate Sources	190	190	365	175
State Sources	1,327,951	1,313,858	1,288,326	(25,532)
Federal Sources	104,911	116,453	235,917	119,464
<b>TOTAL REVENUES</b>	<b>1,943,733</b>	<b>1,973,524</b>	<b>2,114,161</b>	<b>140,637</b>
<b>EXPENDITURES</b>				
Instruction	959,659	952,669	899,339	53,330
Pupil Support	48,158	64,954	58,203	6,751
Staff Support	10,021	12,821	6,209	6,612
General Administration	278,004	274,734	260,767	13,967
School Administration	123,005	124,658	116,610	8,048
Business Services	68,500	96,500	83,180	13,320
Operations Maintenance	235,299	223,912	192,513	31,399
Transportation	109,249	198,474	196,740	1,734
Central Support	44,556	66,114	42,631	23,483
Facilities Acquisition and Construction Services	-	-	3,815	(3,815)
<b>TOTAL EXPENDITURES</b>	<b>1,876,451</b>	<b>2,026,198</b>	<b>1,860,007</b>	<b>166,191</b>
Excess (Deficiency) of Revenues Over Expenditures	67,282	(52,674)	254,154	306,828
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer to Other Funds	(67,282)	(44,000)	(30,000)	14,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(67,282)</b>	<b>(44,000)</b>	<b>(30,000)</b>	<b>14,000</b>
Net Change in Fund Balance	-	(96,674)	224,154	320,828
<b>Fund Balance at Beginning of Year</b>	<b>96,674</b>	<b>96,674</b>	<b>810,537</b>	<b>713,863</b>
<b>Fund Balance at End of Year</b>	<b>\$ 96,674</b>	<b>\$ -</b>	<b>\$ 1,034,691</b>	<b>\$ 1,034,691</b>

**Notes to the Required Supplementary Information**

The basis of budgeting is the same as GAAP.

This schedule is presented on the GAAP basis.

**MOUNTAIN VALLEY SCHOOL DISTRICT RE-1**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**GRANTS FUND**  
**For the Year Ended June 30, 2018**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		
<b>REVENUES</b>				
Local Sources	\$ 9,500	\$ 229,742	\$ 127,513	\$ 127,513
State Sources	201,700	300,080	299,579	(501)
Federal Sources	313,600	333,453	334,077	624
<b>TOTAL REVENUES</b>	<b>524,800</b>	<b>863,275</b>	<b>761,169</b>	<b>(102,106)</b>
<b>EXPENDITURES</b>				
Instruction	79,507	136,622	118,647	17,975
Pupil Support	406,649	695,823	614,653	81,170
Staff Support	13,940	4,015	-	4,015
Central Support	23,000	25,111	25,132	(21)
Operations and Maintenance	1,704	1,704	2,269	(565)
<b>TOTAL EXPENDITURES</b>	<b>524,800</b>	<b>863,275</b>	<b>760,701</b>	<b>102,574</b>
Net Change in Fund Balance	-	-	468	468
Fund Balance at Beginning of Year	-	-	176	176
Fund Balance at End of Year	\$ -	\$ -	\$ 644	\$ 644

**Notes to the Required Supplementary Information**

The basis of budgeting is the same as GAAP.

This schedule is presented on the GAAP basis.

**MOUNTAIN VALLEY SCHOOL DISTRICT RE-1  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
PERA SCHDTF PENSION PLAN**

**For the Years Ended June 30,**

	2018	2017	2016	2015
District's proportion of the net pension liability	0.0258202636%	0.0257959505%	0.0265142990%	0.0286902685%
District's proportionate share of the net pension liability (asset)	\$ 8,349,356	\$ 7,680,452	\$ 4,055,175	\$ 3,888,495
District's covered payroll	\$ 1,191,058	\$ 1,156,620	\$ 1,155,487	\$ 1,201,917
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	701.00%	664.04%	350.95%	323.52%
Plan fiduciary net position as a percentage of the total pension liability	43.96%	43.1%	59.2%	62.8%

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

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

**Notes to Required Supplementary Information:**

See Note 1.2 in the accompanying Notes to the Basic Financial Statements for changes to assumptions or other inputs used.

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

	2018	2017	2016	2015
Contractually required contribution	\$ 233,445	\$ 216,400	\$ 201,057	\$ 199,648
Contributions in relation to the contractually required contribution	(233,445)	(216,400)	(201,057)	(199,648)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 1,235,947	\$ 1,177,409	\$ 1,137,814	\$ 1,182,845
Contributions as a percentage of covered payroll	18.89%	18.38%	17.67%	16.88%

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

**Notes to Required Supplementary Information:**

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

**MOUNTAIN VALLEY SCHOOL DISTRICT RE-1  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
COLORADO PERA HEALTH CARE TRUST FUND  
For the Years Ended June 30**

	2018	2017
District's proportion of the net OPEB liability	0.0146709704%	0.0146617359%
District's proportionate share of the net OPEB liability	\$ 190,664	\$ 190,094
District's covered payroll	\$ 1,191,058	\$ 1,156,620
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	16%	16%
Plan fiduciary net position as a percentage of the total OPEB liability	17.5%	20.0%

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

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

**Notes to Required Supplementary Information:**

See Note 13 in the accompanying Notes to the Basic Financial Statements for changes to assumptions or other inputs used.

**MOUNTAIN VALLEY SCHOOL DISTRICT RE-1**  
**SCHEDULE OF DISTRICT'S CONTRIBUTIONS**  
**COLORADO PERA HEALTH CARE TRUST FUND**  
**For the Years Ended June 30,**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 12,607	\$ 12,010	\$ 11,606	\$ 12,065
Contributions in relation to the contractually required contribution	<u>(12,607)</u>	<u>(12,010)</u>	<u>(11,606)</u>	<u>(12,065)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 1,235,947	\$ 1,177,409	\$ 1,137,814	\$ 1,182,845
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%	1.02%

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

**Notes to Required Supplementary Information:**

See Note 13 in the accompanying Notes to the Basic Financial Statements for changes to assumptions or other inputs used.

# **MOUNTAIN VALLEY SCHOOL DISTRICT RE-1**

## **SUPPLEMENTARY INFORMATION**

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

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

**SPECIAL REVENUE FUNDS**

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

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

**DEBT SERVICE FUND**

**Bond Redemption Fund** – Used to account for the accumulation of resources for and the payment of principal, interest, and related expenses on the long-term general obligation debt or long-term voter-approved lease-purchase debt.

**MOUNTAIN VALLEY SCHOOL DISTRICT RE-1**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**June 30, 2018**

	SPECIAL REVENUE FUND		TOTAL NONMAJOR GOVERNMENTAL
	FOOD SERVICE FUND	DEBT SERVICE FUND	
<b>ASSETS</b>			
Cash and Investments	17,821	144,527	\$ 162,348
Property Tax Receivable	-	43,076	43,076
Intergovernmental Receivable	8,500	26,368	34,868
Inventory	2,324	-	2,324
<b>TOTAL ASSETS</b>	<b>\$ 28,645</b>	<b>\$ 213,971</b>	<b>\$ 242,616</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accrued Salaries and Benefits	6,643	10,522	17,165
<b>TOTAL LIABILITIES</b>	<b>6,643</b>	<b>10,522</b>	<b>17,165</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue-Property Tax	-	22,742	22,742
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>-</b>	<b>22,742</b>	<b>22,742</b>
<b>FUND BALANCE</b>			
Nonspendable:			
Inventory	2,324	-	2,324
Restricted:			
Debt Service	-	180,707	180,707
Committed:			
Food Service	19,678	-	19,678
<b>TOTAL FUND BALANCE</b>	<b>22,002</b>	<b>180,707</b>	<b>202,709</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 28,645</b>	<b>\$ 213,971</b>	<b>\$ 242,616</b>

**MOUNTAIN VALLEY SCHOOL DISTRICT RE-1**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**For the Year Ended June 30, 2018**

	<b>SPECIAL REVENUE FUND</b>		<b>DEBT SERVICE FUND</b>		<b>TOTAL NONMAJOR GOVERNMENTAL</b>
	<b>FOOD SERVICE FUND</b>		<b>DEBT SERVICE FUND</b>		<b>TOTAL NONMAJOR GOVERNMENTAL</b>
<b>REVENUES</b>					
Local Sources	\$ 1,126	\$	252,258	\$	253,384
State Sources	658		-		658
Federal Sources	76,235		-		76,235
<b>TOTAL REVENUES</b>	<b>78,019</b>		<b>252,258</b>		<b>330,277</b>
<b>EXPENDITURES</b>					
Food Services	120,835		-		120,835
Debt Services	-		71,551		71,551
<b>TOTAL EXPENDITURES</b>	<b>120,835</b>		<b>71,551</b>		<b>192,386</b>
Excess (Deficiency) of Revenues Over Expenditures	(42,816)		180,707		137,891
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from Other Funds	30,000		-		30,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>30,000</b>		<b>-</b>		<b>30,000</b>
Net Change in Fund Balance	(12,816)		180,707		167,891
<b>Fund Balance at Beginning of Year</b>	<b>34,818</b>		<b>-</b>		<b>34,818</b>
<b>Fund Balance at End of Year</b>	<b>\$ 22,002</b>	<b>\$</b>	<b>180,707</b>	<b>\$</b>	<b>202,709</b>

**MOUNTAIN VALLEY SCHOOL DISTRICT RE-1**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP)**  
**FOOD SERVICE FUND**  
**For the Year Ended June 30, 2018**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE WITH</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		<b>FINAL BUDGET</b>
				<b>POSITIVE</b>
				<b>(NEGATIVE)</b>
<b>REVENUES</b>				
Local Sources	\$ 1,000	\$ 1,000	\$ 1,126	\$ 126
State Sources	1,000	1,000	658	(342)
Federal Sources	70,000	74,600	71,661	(2,939)
<b>TOTAL REVENUES</b>	<u>72,000</u>	<u>76,600</u>	<u>73,445</u>	<u>(3,155)</u>
<b>EXPENDITURES</b>				
Food Services				
Salaries	57,825	56,125	59,340	(3,215)
Benefits	26,734	16,824	17,526	(702)
Supplies	2,300	2,000	2,289	(289)
Other Purchases	500	500	-	500
Food	40,000	40,000	37,106	2,894
<b>TOTAL EXPENDITURES</b>	<u>127,359</u>	<u>115,449</u>	<u>116,261</u>	<u>(812)</u>
Excess (Deficiency) of Revenues Over Expenditures	(55,359)	(38,849)	(42,816)	(3,967)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer from Other Funds	55,359	30,000	30,000	-
<b>CHANGE IN FUND BALANCE - BUDGET BASIS</b>	-	(8,849)	(12,816)	(3,967)
<b>Non-Budgeted Revenues and Expenditures</b>				
USDA Commodities Received	-	4,600	4,574	26
USDA Commodities Expended	-	(4,600)	(4,574)	(26)
<b>Total Non-Budgeted Activity</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>CHANGE IN FUND BALANCE - GAAP BASIS</b>	-	(8,849)	(12,816)	(3,967)
<b>Fund Balance, Beginning of Year</b>	<u>-</u>	<u>13,449</u>	<u>34,818</u>	<u>21,369</u>
<b>Fund Balance, End of Year</b>	<u>\$ -</u>	<u>\$ 4,600</u>	<u>\$ 22,002</u>	<u>\$ 17,402</u>

**MOUNTAIN VALLEY SCHOOL DISTRICT RE-1**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**DEBT SERVICE FUND**  
**For the Year Ended June 30, 2018**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
				<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
<b>REVENUES</b>				
Local Sources	\$ 273,000	\$ 273,000	\$ 252,258	\$ (20,742)
<b>TOTAL REVENUES</b>	<u>273,000</u>	<u>273,000</u>	<u>252,258</u>	<u>(20,742)</u>
<b>EXPENDITURES</b>				
Debt Services				
Principal	146,000	146,000	-	146,000
Interest	125,000	125,000	71,551	53,449
Other	2,000	2,000	-	2,000
<b>TOTAL EXPENDITURES</b>	<u>273,000</u>	<u>273,000</u>	<u>71,551</u>	<u>201,449</u>
Net Change in Fund Balance	-	-	180,707	(222,191)
<b>Fund Balance, Beginning of Year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance, End of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 180,707</u>	<u>\$ (222,191)</u>

**MOUNTAIN VALLEY SCHOOL DISTRICT RE-1  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
BUILDING FUND**

**For the Year Ended June 30, 2018**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		
<b>REVENUES</b>				
State Sources	\$ -	\$ -	\$ 1,514,563	\$ 1,514,563
<b>TOTAL REVENUES</b>	-	-	1,514,563	1,514,563
<b>EXPENDITURES</b>				
New Construction	-	-	1,514,563	(1,514,563)
<b>TOTAL EXPENDITURES</b>	-	-	1,514,563	(1,514,563)
Excess (deficiency) of revenues over expenditures	-	-	-	-
<b>OTHER FINANCIAL SOURCES (USES)</b>				
Bond Issued	-	-	3,724,699	3,724,699
<b>TOTAL OTHER FINANCIAL SOURCES (USES)</b>	-	-	3,724,699	3,724,699
NET CHANGE IN FUND BALANCE	-	-	3,724,699	3,724,699
<b>Fund Balance at Beginning of Year</b>	-	-	-	-
<b>Fund Balance at End of Year</b>	\$ -	\$ -	\$ 3,724,699	\$ 3,724,699

**Notes to the Required Supplementary Information**

The basis of budgeting is the same as GAAP.

This schedule is presented on the GAAP basis.

**MOUNTAIN VALLEY SCHOOL DISTRICT RE-1**

**CDE COMPLIANCE SECTION**



**REPORT ON COMPLIANCE WITH  
CDE-FINANCIAL POLICIES AND PROCEDURES MANUAL**

**Wall,  
Smith,  
Bateman Inc.**

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mountain Valley School District RE-1 (the District), as of and for the year ended June 30, 2018, which collectively comprise the District's basic financial statements, as listed in the table of contents, and have issued our report thereon dated January 10, 2019.

In connection with our audit, certain items came to our attention that caused us to believe that the District failed to comply with the Colorado Department of Education Financial Policies and Procedures Manual insofar as it relates to financial transparency and budgeting matters. The District did not post all required financial information on-line, in a downloadable format, for free public access in accordance with the "Public School Finance Transparency Act". In addition, total expenditures exceed appropriations in the Food Service Fund by \$812 and in the Agency Fund by \$12,240 in fiscal year ended June 30, 2018. The District did not adopt a budget for the Building Fund. These may be violations of Colorado Revised Statute 22-44-115(1) and Colorado Revised Statute 22-44-105. However, our audit was not direct primarily toward obtaining knowledge of such compliance.

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

*Wall, Smith, Bateman Inc.*

Wall, Smith, Bateman Inc.  
Alamosa, Colorado

**Certified Public Accountants**

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**Colorado Department of Education**  
**Auditors Integrity Report**  
 District: 2790 - MOUNTAIN VALLEY RE 1  
 Fiscal Year 2017-18  
 Colorado School District/BOCES

Fund Type & Number	Beg Fund Balance & Prior Per Adj (66880*)	+	1000 - 5999 Total Revenues & Other Sources	-	0001-0999 Total Expenditures & Other Uses	=	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
<b>Governmental</b>							
10 General Fund	793,996		1,999,338		1,766,528		1,026,806
18 Risk Mgmt Sub-Fund of General Fund	0		0		0		0
19 Colorado Preschool Program Fund	16,541		84,823		93,479		7,884
<b>Sub-Total</b>	<b>810,536</b>		<b>2,084,161</b>		<b>1,860,007</b>		<b>1,034,691</b>
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	34,819		108,019		120,836		22,002
22 Govt Designated-Purpose Grans Fund	175		761,169		760,701		644
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		252,258		71,551		180,707
39 Certificate of Participation (COP) Debt Service Fund	0		0		0		0
41 Building Fund	0		5,239,262		1,514,563		3,724,699
42 Special Building Fund	0		0		0		0
43 Capital Reserve Capital Projects Fund	0		0		0		0
46 Supplemental Cap Const, Tech, Main Fund	0		0		0		0
<b>Totals</b>	<b>845,530</b>		<b>8,444,870</b>		<b>4,337,658</b>		<b>4,962,742</b>
<b>Proprietary</b>							
50 Other Enterprise Funds	0		0		0		0
64 (63) Risk-Related Activity Fund	0		0		0		0
60,65-69 Other Internal Service Funds	0		0		0		0
<b>Totals</b>	<b>0</b>		<b>0</b>		<b>0</b>		<b>0</b>
<b>Fiduciary</b>							
70 Other Trust and Agency Funds	0		0		0		0
72 Private Purpose Trust Fund	0		0		0		0
73 Agency Fund	0		0		0		0
74 Pupil Activity Agency Fund	37,322		61,005		52,240		46,088
79 GASB 34/Permanment Fund	0		0		0		0
85 Foundations	0		0		0		0
<b>Totals</b>	<b>37,322</b>		<b>61,005</b>		<b>52,240</b>		<b>46,088</b>

FINAL