

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

Accountants' Reports  
and  
Basic Financial Statements

June 30, 2019

# MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

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June 30, 2019

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Montezuma County (Mancos) School District RE-6, Colorado as of and for the year ended June 30, 2019, 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 of material misstatement.

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Montezuma County (Mancos) School District RE-6, Colorado, as of June 30, 2019, and the respective changes in financial position and the respective budgetary comparisons for the General Fund and the Lunch Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## Other matters


### *Required Supplementary Information*

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

### *Other Information*

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

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



Majors and Haley, P.C.  
September 18, 2019

# MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended June 30, 2019

### ***FINANCIAL HIGHLIGHTS***

Key financial highlights for the District in fiscal year 2019 are as follows:

- In total, net position increased by \$12,007,443 from \$(6,766,909) to \$5,240,534.
- General revenues accounted for \$5,189,264 in revenue or 31 percent of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$11,298,318 or 69 percent of total revenues of \$16,487,582.
- Governmental activities total assets increased by \$10,898,373 chiefly as a result of the school-wide renovation related to the BEST Grant and deferred outflows of resources decreased by \$2,317,916. Total liabilities decreased by \$8,800,433. Mainly due to a decrease in the District's share of PERA pension liabilities.
- The District incurred \$4,480,139 in expenses related to government activities. \$11,298,318 of these expenses were offset by program specific charges for services, grants and contributions. General revenues (primarily state equalization and property taxes) of \$5,189,264 were adequate to cover all of the costs of these programs.
- Among the major funds, the General Fund had \$5,206,087 in revenues and \$5,067,266 in expenditures, including transfers. It's fund balance increased by \$138,821.

# MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended June 30, 2019

### ***OVERVIEW OF THE FINANCIAL STATEMENTS***

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

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

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

#### ***District-wide Statements***

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

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

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

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

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended June 30, 2019

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

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

#### ***Fund Financial Statements***

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

The District uses two types of funds:

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)  
For the Year Ended June 30, 2019**

***FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE***

Total assets increased by \$10,898,373. Net capital assets increased by \$13,240,602. Total liabilities decreased by \$8,800,433.

The District's combined net position was larger on June 30, 2019 than it was at June 30, 2018, increasing by \$12,007,443 to \$5,189,264.

Table 1 provides a summary of the District's net position for 2019 compared to 2018:

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

	2019	2018
Assets		
Current assets	\$ 4.717	\$ 7.508
Capital assets	18.458	5.218
Total assets	<u>23.175</u>	<u>12.726</u>
Deferred outflows	<u>2.652</u>	<u>6.255</u>
Liabilities		
Current liabilities	0.720	0.631
Noncurrent liabilities	13.595	22.485
Total liabilities	<u>14.315</u>	<u>23.116</u>
Deferred inflows	<u>6.271</u>	<u>0.897</u>
Net Position		
Invested in capital	13.598	0.140
Restricted	2.330	4.849
Unrestricted	(10.687)	(11.756)
Total net position	<u>\$ 5.241</u>	<u>\$ (6.767)</u>

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

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

For the Year Ended June 30, 2019

Table 2 shows the changes in net position for fiscal year 2019 as compared to fiscal year 2018.

**Table 2**  
**Changes in Net Position**  
**(In millions)**

	<u>2019</u>	<u>2018</u>
Revenues		
Program revenues		
Charges for services	\$ 0.084	\$ 0.085
Operating grants & contributions	0.679	0.614
Capital grants & contributions	10.535	1.171
Property taxes	1.575	1.048
State equalization	3.343	3.162
Other	0.271	0.359
Total revenues	<u>16.487</u>	<u>6.439</u>
Expenses		
Instruction	2.230	4.441
Pupil and instructional services	0.250	0.400
Administration and business	0.589	1.340
Maintenance and operations	0.494	0.775
Transportation	0.185	0.325
Other	0.732	0.908
Total expenses	<u>4.480</u>	<u>8.189</u>
Increase (decrease) in net assets	<u>\$ 12.007</u>	<u>\$ (1.750)</u>

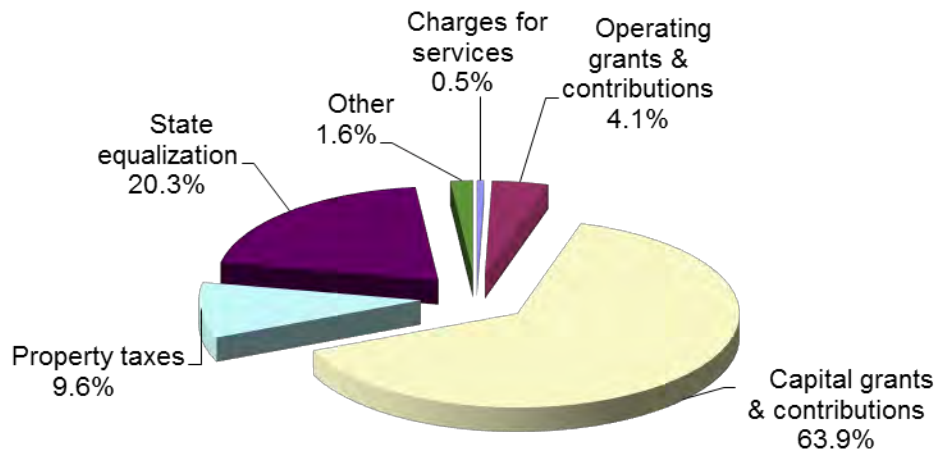
# MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended June 30, 2019

State equalization, property taxes and capital grants and contributions accounted for most of the District's total revenue, with each contributing 20.3 percent, 9.6 percent and 63.9 percent respectively (See Table 3). Another 4.1 percent came from state and federal operating grants and the remainder from charges for services and miscellaneous sources.

The District's expenses are predominately related to instruction, (50 percent) (See Table 4). The District's administrative and business activities accounted for 13 percent of total costs.

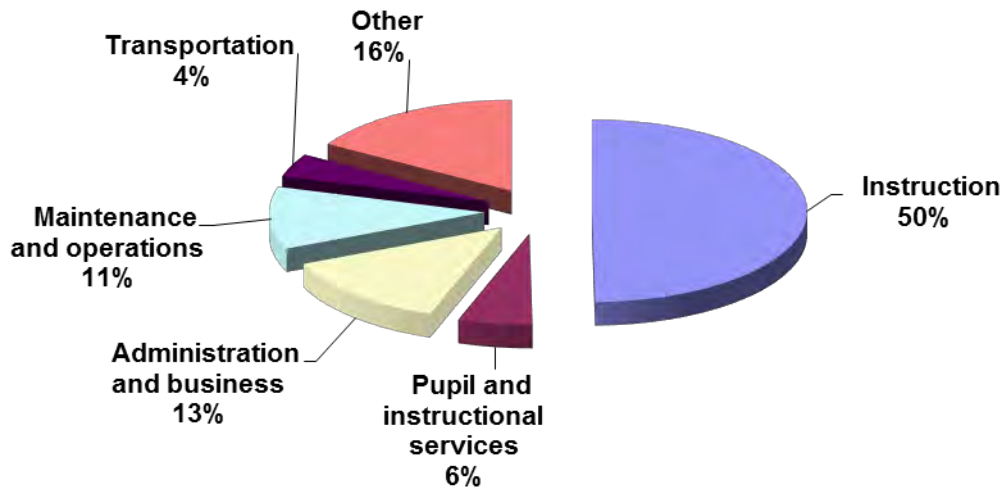
**Table 3**  
**Sources of Revenue for Fiscal Year 2019**



# MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended June 30, 2019

**Table 4**  
**Expenses for Fiscal Year 2019**



### **Governmental Activities**

The primary source of operating revenue for school districts comes from the School Finance Act of 1994 (SFA). Under the SFA the District received \$9,053 per funded student. In fiscal year 2019 the funded pupil count was 457.5. Funding for the SFA comes from property taxes, specific ownership taxes and state equalization. The District receives approximately 80 percent of this funding from state equalization while the remaining amounts come from property and specific ownership taxes.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)  
For the Year Ended June 30, 2019

**Table 5**  
**Government Activities**  
**(In millions)**

	Total Cost of Services		Net Cost of Services	
	2019	2018	2019	2018
Instruction	\$ 2.230	\$ 4.441	\$ 1.814	\$ 4.168
Pupil and instructional services	0.250	0.400	0.242	0.393
Administration and business	0.589	1.340	0.589	1.340
Maintenance and operations	0.494	0.775	0.366	0.714
Transportation	0.185	0.325	0.157	0.262
Other	0.732	0.908	(9.986)	(0.559)
<b>Total</b>	<b>\$ 4.480</b>	<b>\$ 8.189</b>	<b>\$ (6.818)</b>	<b>\$ 6.318</b>

- The cost of all governmental activities during the year was \$4.480 million.
- Some of the cost was financed by the users of the District's programs (\$0.084 million)
- Federal and state government subsidized certain programs with grants and contributions (\$11.214 million).
- The balance of the District's costs (\$5.189 million) were financed by State and District taxpayers. This portion of governmental activities was financed with \$3.343 million in state equalization from the School Finance Act of 1994 (SFA) and \$1.698 million in property and specific ownership taxes.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)  
For the Year Ended June 30, 2019**

***FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS***

Information about the District's major funds starts on page 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds have total revenues of \$16,551,501 million and expenditures of \$18,893,047.

***General Fund Budgetary Highlights***

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

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

- Increases in appropriations were due primarily to additional information that was not available at the time of the original budget.
- Actual expenditures were \$1,984,929 below budget.

***CAPITAL ASSET ADMINISTRATION***

By the end of fiscal year 2019, the District has invested \$23.917 million in land, buildings, and equipment (including vehicles).

Table 6 shows capital assets for 2019 compared to 2018:

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

	<u>2019</u>	<u>2018</u>
Land	\$ 0.652	\$ 0.408
Construction in progress	14.595	\$ 1.465
Buildings	7.495	7.495
Equipment	1.175	1.089
Total	<u>\$ 23.917</u>	<u>\$ 10.457</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)  
For the Year Ended June 30, 2019**

Additional information on the District's capital assets can be found in Note 4 on page 36 of this report.

***FACTORS BEARING ON THE DISTRICT'S FUTURE***

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

***CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT***

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

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

June 30, 2019

	Governmental Activities	Total
<b>Assets</b>		
Cash	\$ 830,351	\$ 830,351
Cash with county treasurer	13,691	13,691
Cash with escrow agent	2,042,205	2,042,205
Investments	1,827,504	1,827,504
Grants accounts receivable	1,123	1,123
Inventory	1,658	1,658
Capital assets	23,916,990	23,916,990
Accumulated depreciation	(5,458,805)	(5,458,805)
Total capital assets, net of depreciation	18,458,185	18,458,185
<b>Total Assets</b>	23,174,717	23,174,717
<b>Deferred Outflows of Resources</b>		
Pension items	2,622,106	2,622,106
OPEB items	30,107	30,107
<b>Total Deferred Outflows of Resources</b>	2,652,213	2,652,213
<b>Liabilities</b>		
Accrued salaries and benefits payable	409,318	409,318
Long-term liabilities		
Due within one year	310,626	310,626
Due in more than one year	4,549,710	4,549,710
Net pension obligation	8,615,755	8,615,755
Net OPEB obligation	430,304	430,304
<b>Total Liabilities</b>	14,315,713	14,315,713
<b>Deferred Inflows of Resources</b>		
Pension items	6,270,028	6,270,028
OPEB items	655	655
<b>Total Deferred Inflows of Resources</b>	6,270,683	6,270,683
<b>Net Position</b>		
Net investment in capital assets	13,597,849	13,597,849
Restricted		
TABOR	165,000	165,000
School construction	2,042,205	2,042,205
Debt service	108,461	108,461
Foods service	14,048	14,048
Unrestricted	(10,687,029)	(10,687,029)
<b>Total Net Position</b>	\$ 5,240,534	\$ 5,240,534

The accompanying notes are an integral part of this statement.

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

For the Year Ended June 30, 2019

	Expenses	Program Revenues			Net (Expenses) Revenue And Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
<b>Governmental Activities</b>						
Instructional Program Services	\$ 2,230,033	\$ 39,230	\$ 377,190		\$ (1,813,613)	\$ (1,813,613)
Support Program Services						
Students	175,015		3,368		(171,647)	(171,647)
Instructional staff	74,623		4,500		(70,123)	(70,123)
General administration	184,526				(184,526)	(184,526)
School administration	305,007				(305,007)	(305,007)
Business	99,841				(99,841)	(99,841)
Operation and maintenance of plant	494,305		128,752		(365,553)	(365,553)
Student transportation	184,686		27,553		(157,133)	(157,133)
Central	136,815				(136,815)	(136,815)
Other	18,643				(18,643)	(18,643)
Food service	222,106	44,993	137,896	\$ 24,513	(14,704)	(14,704)
Facilities				10,510,323	10,510,323	10,510,323
Interest on long-term debt	173,273				(173,273)	(173,273)
Depreciation excluding amounts directly allocated to programs	181,266				(181,266)	(181,266)
<b>Total Governmental Activities</b>	<b>4,480,139</b>	<b>84,223</b>	<b>679,259</b>	<b>10,534,836</b>	<b>6,818,179</b>	<b>6,818,179</b>
<b>Total School District</b>	<b>\$ 4,480,139</b>	<b>\$ 84,223</b>	<b>\$ 679,259</b>	<b>\$ 10,534,836</b>	<b>6,818,179</b>	<b>6,818,179</b>
<b>General Revenues</b>						
Property tax for general purposes					1,041,828	1,041,828
Property tax for debt repayment					533,509	533,509
Specific Ownership tax for general purposes					122,998	122,998
Intergovernmental						
State Equalization					3,342,974	3,342,974
Mineral Leasing					30,184	30,184
State Direct Distribution Payment					6,052	6,052
Earnings on investments					32,805	32,805
Miscellaneous					78,914	78,914
<b>Total General Revenues</b>					<b>5,189,264</b>	<b>5,189,264</b>
<b>Changes in Net Position</b>					<b>12,007,443</b>	<b>12,007,443</b>
Net Position Beginning of the Year					(6,766,909)	(6,766,909)
<b>Net Position End of the Year</b>					<b>\$ 5,240,534</b>	<b>\$ 5,240,534</b>

The accompanying notes are an integral part of this statement.

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

Balance Sheet  
Governmental Funds

June 30, 2019

	General Fund	Lunch Fund	Debt Service Fund	Capital Projects Fund	Building Fund	Total Governmental Funds
<b>Assets</b>						
Cash	\$ 746,110	\$ 23,930	\$ 19	\$ 60,292		\$ 830,351
Cash with county treasurer	8,878		4,813			13,691
Cash with escrow agent					\$ 2,042,205	2,042,205
Investments	1,723,875		103,629			1,827,504
Inventory		1,658				1,658
Due from other funds				5,590		5,590
Grants accounts receivable	1,123					1,123
<b>Total Assets</b>	<b>\$ 2,479,986</b>	<b>\$ 25,588</b>	<b>\$ 108,461</b>	<b>\$ 65,882</b>	<b>\$ 2,042,205</b>	<b>\$ 4,722,122</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accrued salaries and benefits payable	\$ 399,436	\$ 9,882				\$ 409,318
Due to other funds	5,590					5,590
<b>Total Liabilities</b>	<b>405,026</b>	<b>9,882</b>	<b>-</b>	<b>-</b>		<b>414,908</b>
<b>Fund Balances</b>						
Nonspendable-inventory		1,658				1,658
Restricted						
TABOR	165,000					165,000
School construction					\$ 2,042,205	2,042,205
Debt service			\$ 108,461			108,461
Food service		14,048				14,048
Unrestricted						
Assigned for FY 20 expenditures	1,909,960			\$ 65,882		1,975,842
<b>Total Fund Balances</b>	<b>2,074,960</b>	<b>15,706</b>	<b>108,461</b>	<b>65,882</b>	<b>2,042,205</b>	<b>4,307,214</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,479,986</b>	<b>\$ 25,588</b>	<b>\$ 108,461</b>	<b>\$ 65,882</b>	<b>\$ 2,042,205</b>	<b>\$ 4,722,122</b>

The accompanying notes are an integral part of this statement.

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

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

June 30, 2019

**Total Fund Balance Governmental Funds** \$ 4,307,214

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

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

Capital assets	\$ 23,916,990	
Accumulated depreciation	<u>(5,458,805)</u>	
		18,458,185

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

Due within one year	(310,626)	
Due in more than one year	<u>(4,549,710)</u>	
		(4,860,336)

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

Net pension obligation	(8,615,755)	
Net OPEB obligation	<u>(430,304)</u>	
		(9,046,059)

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds balance sheet

Deferred outflows of resources related to pensions	2,622,106	
Deferred outflows of resourced related to OPEB	30,107	
Deferred inflows of resources related to pensions	(6,270,028)	
Deferred inflows of resources related to OPEB	<u>(655)</u>	
		(3,618,470)

**Total Net Position Governmental Activities** \$ 5,240,534

The accompanying notes are an integral part of this statement.

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

For the Year Ended June 30, 2019

	General Fund	Lunch Fund	Debt Service Fund	Capital Projects Fund	Building Fund	Total Governmental Funds
<b>Revenues</b>						
Taxes	\$ 1,168,040		\$ 533,706			\$ 1,701,746
State sources	3,671,190	\$ 4,509		\$ 128,751	\$ 10,488,082	14,292,532
Federal sources	231,304	133,387				364,691
Earnings on investments	30,197	108	2,460	40		32,805
Other	105,356	53,105	16	1,250		159,727
<b>Total Revenues</b>	<b>5,206,087</b>	<b>191,109</b>	<b>536,182</b>	<b>130,041</b>	<b>10,488,082</b>	<b>16,551,501</b>
<b>Expenditures</b>						
Instructional Program	2,741,446			108,802		2,850,248
Support Programs						
Pupils	226,344					226,344
Instructional staff	77,976					77,976
General administration	224,747					224,747
School administration	399,048					399,048
Business	131,063					131,063
Operation and maintenance of plant	556,966			35,137		592,103
Student transportation	185,794					185,794
Central	154,917					154,917
Other	18,643					18,643
Food service	24,513	243,379				267,892
Facilities acquisition	244,289				13,129,798	13,374,087
Debt Service						
Principal	37,979		178,933			216,912
Interest	6,541		166,732			173,273
<b>Total Expenditures</b>	<b>5,030,266</b>	<b>243,379</b>	<b>345,665</b>	<b>143,939</b>	<b>13,129,798</b>	<b>18,893,047</b>
Excess revenues over (under) expenditures	175,821	(52,270)	190,517	(13,898)	(2,641,716)	(2,341,546)
<b>Other Financing Sources (Uses)</b>						
Transfers in (out)	(37,000)	37,000				-
<b>Total Other Financing Sources (Uses)</b>	<b>(37,000)</b>	<b>37,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	138,821	(15,270)	190,517	(13,898)	(2,641,716)	(2,341,546)
Fund Balances beginning of the year	1,936,139	30,976	(82,056)	79,780	4,683,921	6,648,760
<b>Fund Balances end of the year</b>	<b>\$ 2,074,960</b>	<b>\$ 15,706</b>	<b>\$ 108,461</b>	<b>\$ 65,882</b>	<b>\$ 2,042,205</b>	<b>\$ 4,307,214</b>

The accompanying notes are an integral part of this statement.

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

For the Year Ended June 30, 2019

**Net Change in Fund Balances Governmental Funds** \$ (2,341,546)

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

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

Capital outlay	\$ 13,459,369	
Depreciation expense	<u>(218,867)</u>	
		13,240,502

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

Principal paid on capital lease	37,979	
Principal paid on general obligation bonds	<u>178,933</u>	
		216,912

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

District pension contributions	525,130	
District OPEB contributions	27,999	
Cost of pension benefits earned	369,488	
Cost of OPEB benefits earned	<u>(37,094)</u>	
		885,523

Governmental funds report the District's share of State contributions to PERA as revenue and expenditures. However, in the Statement of Activities, the District's proportionate share of the State PERA pension expense included in District pension expense is reported as revenue.

District proportionate share of State Contribution Revenue	(69,970)	
District proportionate share of State contribution expenditure	69,970	
District proportionate share of State direct distribution payment revenue	<u>6,052</u>	
		6,052

**Change in Net Position of Governmental Activities** \$ 12,007,443

The accompanying notes are an integral part of this statement.

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

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

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
<b>Revenues from local sources</b>				
Current property taxes	\$ 1,042,110	\$ 1,047,464	\$ 1,041,828	\$ (5,636)
Specific ownership taxes	80,506	93,694	122,998	29,304
Delinquent taxes and interest on taxes		2,567	3,214	647
Earnings on investments	9,920	23,320	30,197	6,877
Tuition	25,000	30,000	30,140	140
Pupil Activity Fees	5,500	6,000	9,090	3,090
Other	49,867	51,685	66,126	14,441
<b>Total revenues from local sources</b>	<b>1,212,903</b>	<b>1,254,730</b>	<b>1,303,593</b>	<b>48,863</b>
<b>Revenues from state sources</b>				
State Equalization	3,402,216	3,319,031	3,342,974	23,943
Transportation	29,130	26,917	27,553	636
English Language Proficiency Act	10,533	8,147	8,147	-
State ELPA	14,580	10,241	10,241	-
Read Grant	36,629	30,052	30,052	-
Small Rural Schools	167,634	171,356	42,605	(128,751)
Additional at Risk			3,368	3,368
Library Grant	3,500	3,500	3,500	-
CSED Grant			1,000	1,000
Services within BOCES	20,469	11,399	11,399	-
State Direct PERA Contribution			69,970	69,970
Other state grants	110,000	110,000	120,381	10,381
<b>Total revenues from state sources</b>	<b>3,794,691</b>	<b>3,690,643</b>	<b>3,671,190</b>	<b>(19,453)</b>
<b>Revenues from federal sources</b>				
Title I	106,282	117,031	117,031	-
Title II Part A	17,216	19,032	19,032	-
Title IV	10,000	10,000	10,000	-
Forest Service	15,000	15,000		(15,000)
Mineral Leasing	24,898	30,184	30,184	-
School Lunch Equipment		24,513	24,513	-
REAP	31,424	30,544	30,544	-
<b>Total revenues from federal sources</b>	<b>204,820</b>	<b>246,304</b>	<b>231,304</b>	<b>(15,000)</b>
<b>Total revenues</b>	<b>5,212,414</b>	<b>5,191,677</b>	<b>5,206,087</b>	<b>14,410</b>

The accompanying notes are an integral part of this statement.

(Continued)

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

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

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
<b>Instruction</b>				
Salaries	\$ 1,913,619	\$ 1,815,553	\$ 1,798,079	\$ 17,474
Employee benefits	660,237	647,677	671,816	(24,139)
Purchased services				
Professional and technical	21,600	25,500	30,817	(5,317)
Property	3,050	3,050	1,676	1,374
Other	166,376	148,735	104,766	43,969
Supplies	142,042	151,978	126,227	25,751
Property	115,735	116,435	5,379	111,056
Other	2,628	2,616	2,686	(70)
<b>Total instruction</b>	<b>3,025,287</b>	<b>2,911,544</b>	<b>2,741,446</b>	<b>170,098</b>
<b>Pupils</b>				
Salaries	166,071	165,089	158,474	6,615
Employee benefits	62,931	62,171	61,650	521
Purchased services				
Professional and technical	1,250	1,250	1,445	(195)
Other	1,250	2,250	2,302	(52)
Supplies	13,565	12,041	2,473	9,568
Other	250	250		250
<b>Total pupils</b>	<b>245,317</b>	<b>243,051</b>	<b>226,344</b>	<b>16,707</b>
<b>Instructional staff</b>				
Salaries	8,493	8,483	9,684	(1,201)
Employee benefits	5,177	5,146	4,211	935
Purchased services				
Professional and technical	18,000	16,500	18,530	(2,030)
Other	20,200	20,842	41,051	(20,209)
Supplies	4,500	4,500	4,500	-
<b>Total instructional staff</b>	<b>56,370</b>	<b>55,471</b>	<b>77,976</b>	<b>(22,505)</b>

The accompanying notes are an integral part of this statement.

(Continued)

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

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

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
<b>General administration</b>				
Salaries	\$ 116,533	\$ 119,064	\$ 115,332	\$ 3,732
Employee benefits	32,184	32,346	34,546	(2,200)
Purchased services				
Professional and technical	41,525	37,275	34,796	2,479
Property	600	125	93	32
Other	30,100	30,100	20,815	9,285
Supplies	10,000	10,000	10,621	(621)
Other	8,694	9,444	8,544	900
<b>Total general administration</b>	<b>239,636</b>	<b>238,354</b>	<b>224,747</b>	<b>13,607</b>
<b>School administration</b>				
Salaries	283,424	276,588	280,017	(3,429)
Employee benefits	101,923	94,559	99,724	(5,165)
Purchased services				
Other	8,900	10,500	10,179	321
Supplies	10,445	10,445	7,877	2,568
Other	2,226	2,226	1,251	975
<b>Total school administration</b>	<b>406,918</b>	<b>394,318</b>	<b>399,048</b>	<b>(4,730)</b>
<b>Business services</b>				
Salaries	94,474	94,474	94,474	-
Employee benefits	27,406	27,094	28,384	(1,290)
Purchased services				
Other	10,000	10,000	7,729	2,271
Other			476	(476)
<b>Total business services</b>	<b>131,880</b>	<b>131,568</b>	<b>131,063</b>	<b>505</b>
<b>Operations and maintenance</b>				
Salaries	216,573	216,573	211,318	5,255
Employee benefits	80,694	79,980	83,461	(3,481)
Purchased services				
Professional and technical	5,000	5,000	5,286	(286)
Property	51,300	52,300	42,419	9,881
Other	86,786	87,286	83,572	3,714
Supplies	139,501	139,501	129,923	9,578
Property	5,000	5,000	939	4,061
Other		50	48	2
<b>Total operations and maintenance</b>	<b>584,854</b>	<b>585,690</b>	<b>556,966</b>	<b>28,724</b>

The accompanying notes are an integral part of this statement.

(Continued)

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

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

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b>Student transportation</b>				
Salaries	\$ 88,880	\$ 86,824	\$ 95,440	\$ (8,616)
Employee benefits	28,378	27,410	31,017	(3,607)
Purchased services				
Professional and technical	1,750	1,750	1,329	421
Property	11,350	6,250	7,078	(828)
Other	9,375	9,825	6,782	3,043
Supplies	47,610	51,610	44,148	7,462
Property	1,200	1,200		1,200
Other	500	500		500
<b>Total student transportation</b>	<u>189,043</u>	<u>185,369</u>	<u>185,794</u>	<u>(425)</u>
<b>Central support</b>				
Salaries	53,547	54,246	54,246	-
Employee benefits	18,371	18,345	19,234	(889)
Purchased services				
Professional and technical	13,280	13,280	6,706	6,574
Property	900	900		900
Other	59,700	62,700	50,604	12,096
Supplies	28,517	28,517	8,762	19,755
Property	24,100	24,100	15,365	8,735
<b>Total central support</b>	<u>198,415</u>	<u>202,088</u>	<u>154,917</u>	<u>47,171</u>
<b>Other support services</b>				
Purchased services				
Other	19,194	19,194	18,643	551
<b>Total other support services</b>	<u>19,194</u>	<u>19,194</u>	<u>18,643</u>	<u>551</u>

The accompanying notes are an integral part of this statement.

(Continued)

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

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

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
<b>Food Service</b>				
Property			\$ 24,513	\$ (24,513)
<b>Total Food Service</b>	-	-	24,513	(24,513)
<b>Facilities</b>				
Property		\$ 279,723	244,289	35,434
<b>Total Facilities</b>		279,723	244,289	35,434
<b>Debt Service</b>				
Principal	\$ 36,452	37,924	37,979	(55)
Interest	8,618	6,596	6,541	55
<b>Total debt service</b>	45,070	44,520	44,520	-
Appropriated reserves	1,692,260	1,759,739	-	1,759,739
<b>Total expenditures</b>	6,834,244	7,050,629	5,030,266	1,984,929
<b>Other financing sources (uses)</b>				
Transfer to Capital Projects Fund	(116,349)	(123,161)		123,161
Transfer from Debt Service Fund	82,070	82,105		(82,105)
Transfer to Lunch Fund	(36,151)	(36,131)	(37,000)	(869)
<b>Total other financing sources (uses)</b>	(70,430)	(77,187)	(37,000)	40,187
<b>Excess of revenues over (under) expenditures</b>	(1,692,260)	(1,936,139)	138,821	2,074,960
Fund balance, beginning	1,692,260	1,936,139	1,936,139	-
<b>Fund balance, ending</b>	\$ -	\$ -	\$ 2,074,960	\$ 2,074,960

The accompanying notes are an integral part of this statement.

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

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

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b>Revenues</b>				
Local sources				
Lunch sales	\$ 56,500	\$ 51,000	\$ 44,993	\$ (6,007)
Earnings on investments	10	10	108	98
Other	5,000	7,354	8,112	758
<b>Total local sources</b>	<b>61,510</b>	<b>58,364</b>	<b>53,213</b>	<b>(5,151)</b>
State sources				
State Matching Grant	2,000	2,500	1,951	(549)
Smart Food Grant	800	700	691	(9)
School Lunch Protection	1,200	1,500	1,867	367
<b>Total state sources</b>	<b>4,000</b>	<b>4,700</b>	<b>4,509</b>	<b>(191)</b>
Federal sources				
National School Lunch Program	102,000	95,000	90,955	(4,045)
National School Breakfast Program	40,000	31,095	23,633	(7,462)
Adult Food Program	2,500	3,200	3,201	1
Donated commodities	13,673	15,821	15,598	(223)
School equipment grant	24,513			
<b>Total federal sources</b>	<b>182,686</b>	<b>145,116</b>	<b>133,387</b>	<b>(11,729)</b>
<b>Total revenues</b>	<b>248,196</b>	<b>208,180</b>	<b>191,109</b>	<b>(17,071)</b>
<b>Expenditures</b>				
Food Service				
Salaries	81,988	83,488	82,627	861
Employee benefits	26,497	24,722	24,585	137
Purchased services				
Professional and technical	1,000	800	766	34
Other	3,000	2,500	2,036	464
Food and milk	126,426	110,480	110,152	328
Commodities used	13,673	15,821	15,598	223
Supplies	7,000	6,500	7,370	(870)
Property	24,513			
Other	250		245	(245)
Appropriated reserves	11,718	30,976		30,976
<b>Total expenditures</b>	<b>296,065</b>	<b>275,287</b>	<b>243,379</b>	<b>31,908</b>
<b>Other financing sources (uses)</b>				
Transfers in (out)	36,151	36,131	37,000	869
<b>Total other financing sources (uses)</b>	<b>36,151</b>	<b>36,131</b>	<b>37,000</b>	<b>869</b>
<b>Excess of revenues and other sources over (under) expenditures and other uses</b>	<b>(11,718.00)</b>	<b>(30,976)</b>	<b>(15,270)</b>	<b>15,706</b>
Fund balance, beginning	11,718	30,976	30,976	-
<b>Fund balance, ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 15,706</b>	<b>\$ 15,706</b>

The accompanying notes are an integral part of this statement.

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

June 30, 2019

	<u>Agency Fund</u>
<b>Assets</b>	
Cash	\$ 71,468
<b>Total Assets</b>	<u>\$ 71,468</u>
<b>Liabilities</b>	
Due to agency recipients	\$ 71,468
<b>Total Liabilities</b>	<u>\$ 71,468</u>

The accompanying notes are an integral part of this statement.

# MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

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

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

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

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

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

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

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

**Debt Service Fund**- is used to account for the accumulation of resources for, and the payment of the BEST general obligation bonds principal, interest and related costs.

# MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

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

**Building Fund-** is used to account for the accumulation of funds from the Colorado BEST Grant and the voter approved general obligation bonds along with the associated expenditure of those funds for the major renovation of the District facilities.

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

### **Basis of Presentation-**

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

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

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

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current

# MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

Fiduciary funds are reported using the economic resources measurement focus.

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

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

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

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

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

***Pensions-*** The District participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension plan 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

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

### NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

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.

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*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. A brief description of some of the major changes to plan provisions required by SB 18-200 for the SCHDTF 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 for the SCHDTF by 0.25 percent on July 1, 2019.
- Increases employee contribution rates for the SCHDTF by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).
- As specified in C.R.S. § 24-51-413, the State is required to contribute \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SCHDTF is considered a nonemployer contribution for financial reporting purposes.
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, increases 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.

**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.

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

# MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

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

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

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

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

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

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

Public hearings are conducted to obtain comments.

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

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

Budgeted amounts reported in the accompanying financial statements are as originally adopted and as amended by the Board of Education throughout the year. Following is a summary of the original budget, total revisions and revised budget for those funds with amended budgets in fiscal year 2019.

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June 30, 2019

	<u>Original Budget</u>	<u>Total Revisions</u>	<u>Revised Budget</u>
Governmental Funds:			
General Fund	\$ 6,834,244	\$ 216,385	\$ 7,050,629
Lunch Fund	296,065	(20,778)	275,287
Debt Service Fund	492,930	(81,844)	411,086
Capital Projects Fund	196,108	6,858	202,966
Building Fund	23,730,797	(447,365)	23,283,432
Fiduciary Fund	184,659	2,001	186,660

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

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

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

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

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

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

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

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

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

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

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

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

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

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

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

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the non-current portion of capital leases, compensated absences, and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent

# MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

## NOTES TO THE FINANCIAL STATEMENTS

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that they will be paid with current, expendable, available financial resources. In general, payment made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

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

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

**Restricted-** Amounts that can be used only for specific purposes because of state or federal laws, or externally imposed conditions by grantors or creditors. This includes the District's TABOR reserve for emergencies, amounts restricted for debt service, food service and amounts restricted for the major upgrade of the District's facilities.

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

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

**Unassigned-** All amounts not included in other spendable classifications.

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

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

**Inter-fund Transactions-** Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of

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

NOTES TO THE FINANCIAL STATEMENTS

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expenditures/expenses in the fund that is reimbursed. All other inter-fund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

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

Demand accounts	\$ 289,642
Certificates of deposit	612,177
Colostrust	1,821,722
Treasury Bill	5,782
Total cash and investments	<u><u>\$ 2,729,323</u></u>

The Colorado Public Deposit Protection Act (PDPA) governs the District cash deposits. The statutes specify eligible depositories for public cash deposits, which must be Colorado institutions and must maintain federal insurance on deposits held. Each eligible depository with deposits in excess of the insured levels must pledge a collateral pool of defined eligible assets, to be maintained by another institution or held in trust for all of its local government depositors as a group, with a market value at least 102% of the uninsured deposits. The State Regulatory Commissions for banks and savings and loan associations are required by statute to monitor the naming of eligible depositories and the reporting of uninsured deposits and assets maintained in the collateral pools.

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

At June 30, 2019, the District had investments in one local governmental investment pool, the Colorado Government Liquid Asset Trust (COLOTRUST). COLOTRUST is an investment vehicle established for local government entities in Colorado to pool surplus funds for investment purposes. COLOTRUST is routinely monitored by the Colorado Division of Securities with regard to its operations and investments, which are also subject to provisions of C.R.S. Title 24, Article 75, and Section 6. The fair value of the investments in COLOTRUST is the same as the value of the pool shares. None of these types of investments are categorized because they are not evidenced by securities that exist in physical or book entry form. COLOTRUST is rated AAAM from Standard and Poor's. The District also invested in one US Treasury Bill. The difference between its carrying amount and market value is immaterial and therefore, not recorded on the financial statements.

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

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

Investment Type	Carrying Value	Fair Value	Investment Maturities (in years)			
			Less than 1	1-5	6-10	More than 10
Investment Pools						
COLOTRUST	\$ 1,821,722	\$ 1,821,722				
Treasury Bill	5,782	8,007			\$ 8,007	
<b>Total</b>	<b>\$ 1,827,504</b>	<b>\$ 1,829,729</b>				

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

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

	Receivables	Deferred Revenues
<u>General Fund</u>		
Title II	\$ 123	
CSED Grant	1,000	
<b>Total General Fund</b>	<b>\$ 1,123</b>	<b>\$ -</b>

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**4. Capital Assets** – Capital asset activity for the fiscal year ended June 30, 2019 follows:

	Capital Assets July 1, 2018	Additions	Deletions Inventory Adjustments/ Transfers	Capital Assets June 30, 2019
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 408,179	\$ 244,289		\$ 652,468
Construction in progress	1,465,472	13,129,798		14,595,270
Total capital assets not being depreciated	<u>1,873,651</u>	<u>13,374,087</u>	<u>-</u>	<u>15,247,738</u>
Capital assets, being depreciated:				
Buildings	7,495,355			7,495,355
Equipment	1,088,615	85,282		1,173,897
Total capital assets being depreciated	<u>8,583,970</u>	<u>85,282</u>	<u>-</u>	<u>8,669,252</u>
Less accumulated depreciation for:				
Buildings	(4,378,151)	(160,400)		(4,538,551)
Equipment	(861,787)	(58,467)		(920,254)
Total accumulated depreciation	<u>(5,239,938)</u>	<u>(218,867)</u>	<u>-</u>	<u>(5,458,805)</u>
Total capital assets, being depreciated, net	3,344,032	(133,585)		3,210,447
Governmental Activities Capital Assets, net	<u>\$ 5,217,683</u>	<u>\$ 13,240,502</u>	<u>\$ -</u>	<u>\$ 18,458,185</u>

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

Transportation	\$ 32,221
Food Service	5,380
Unallocated	181,266
Total depreciation governmental activities	<u>\$ 218,867</u>

**5. Defined Benefit Pension Plan –**

**Plan description-** Eligible employees of the District are provided with pensions through the School Division Trust Fund (SCHDTF)—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended

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

### NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

*Benefits provided as of December 31, 2018.* 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.

As of December 31, 2018, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments in certain years, referred to as annual increases in the C.R.S. Pursuant to SB 18-200, there are no annual increases (AI) for 2018 and 2019 for all benefit recipients. Thereafter, Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 will receive an annual increase, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 1.5 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 the lesser of an annual increase of 1.5 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. The automatic adjustment provision may raise or lower the aforementioned AI for a given year by up to one-quarter of 1 percent based on the parameters specified C.R.S. § 24-51-413 .

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

# MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

## NOTES TO THE FINANCIAL STATEMENTS

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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, 2019.* Eligible employees, the District and the State 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* and C.R.S. § 24-51-413. Eligible employees are required to contribute 8 percent of their PERA-includable salary during the period of July 1, 2018 through June 30, 2019. The employer contribution requirements are summarized in the table below:

	January 1, 2018 Through December 31, 2018	January 1, 2019 Through December 31, 2019
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%	5.50%
<b>Total Employer Contribution Rate to the SCHDTF<sup>1</sup></b>	<b>19.13%</b>	<b>19.13%</b>

<sup>1</sup>Contribution rates for the SCHDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

As specified in C.R.S. § 24-51-413, the State is required to contribute \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and the Denver Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SCHDTF is considered a nonemployer contribution for financial reporting purposes.

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 \$525,130 for the year ended June 30, 2019.

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

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June 30, 2019

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

The net pension liability for the SCHDTF was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll-forward the total pension liability to December 31, 2018. The District's proportion of the net pension liability was based on District contributions to the SCHDTF for the calendar year 2018 relative to the total contributions of the participating employers and the State as a nonemployer contributing entity.

At June 30, 2019, the District reported a liability of \$8,615,755 for its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity. The amount recognized by the District as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 8,615,755
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the District	1,178,085
Total	<u>\$ 9,793,840</u>

At December 31, 2018, the District's proportion was .048657188 percent, which was a decrease of .008 percent from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$(894,619) and revenue of \$6,052 for support from the State as a nonemployer contributing entity. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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June 30, 2019

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 292,256	
Changes in assumptions	1,608,168	\$ 5,358,073
Net difference between projected and actual earnings on pension plan investments	469,612	
Changes in proportion and differences between contributions recognized and proportionate share of contributions	4,266	911,955
Contributions subsequent to the measurement date	247,804	
Total	<u>\$ 2,622,106</u>	<u>\$ 6,270,028</u>

\$247,804 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	
2020	\$ (716,242)
2021	(2,072,039)
2022	(1,368,037)
2023	260,592

*Actuarial assumptions.* The total pension liability in the December 31, 2017 actuarial valuation was determined using the following 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

# MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

## NOTES TO THE FINANCIAL STATEMENTS

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Discount rate	4.78 percent
Post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

The revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2017 to December 31, 2018:

Discount rate	7.25 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic)	0% through 2019 and 1.5% compounded annually, thereafter
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

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

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

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

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

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

The 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.

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

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>10 Year Expected Geometric Real Rate of Return</b>
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%
Income Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
High Yield	1.38%	4.30%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Core Real Estate	8.50%	4.90%
Cash	1.00%	0.20%
Total	100.00%	

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

*Discount rate.* The discount rate used to measure the total pension liability was 4.78 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 consisted of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent years, total covered payroll was assumed to increase annually at a rate of 3.50%.

Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

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Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200. Employer contributions also include the current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits.. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

As specified in law, the State will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.

Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve of the survivor benefits reserve, as appropriate. 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 middle of the year.

Based on the above assumptions and methods, the projection test indicates the SCHDTF's fiduciary net position was projected to be available to make all projected payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount determination does not use the municipal bond rate, and therefore, the discount rate is 7.25 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 of 3.43 percent were used in the discount rate determination resulting in a discount rate of 4.78 percent, 2.47 percent lower 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 7.25 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

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	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$10,953,458	\$8,615,755	\$6,654,027

*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).

**6. Defined Contribution Pension Plan**

Voluntary Investment Program

*Plan Description* - Employees of the District that are also members of the SCHDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report for the Plan. That report can be obtained at [www.copera.org/investments/pera-financial-reports](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. The District has not agreed to match employee contributions. Employees are immediately vested in their own contributions, employer contributions and investment earnings. For the year ended June 30, 2019, program members contributed \$23,458 to the Voluntary Investment Program.

**7. Other Post-Employment Benefits**

*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 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. For members who retire having service credit with employers in

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### NOTES TO THE FINANCIAL STATEMENTS

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the Denver Public Schools (DPS) Division and one or more of the other four Divisions (State, School, Local Government and Judicial), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure and all retirees under the DPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. Upon the death of a DPS benefit structure retiree, no further subsidy is paid.

Enrollment in the PERACare 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 or the DPS 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 \$27,999 for the year ended June 30, 2019.

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

At June 30, 2019 the District reported a liability of \$430,304 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2018. The District's proportion of the net OPEB liability was based on the District's contributions to the HCTF for the calendar year 2018 relative to the total contributions of participating employers to the HCTF.

At December 31, 2018, the District proportion was .0316 percent, which was an increase of .001 percent from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the District recognized OPEB expense of \$9,095. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 1,562		
Changes in assumptions	3,019		
Net difference between projected and actual earnings on pension plan investments	2,475	\$	655
Changes in proportion and differences between contributions recognized and proportionate share of contributions	9,838		
Contributions subsequent to the measurement date	13,213		
Total	<u>\$ 30,107</u>	<u>\$</u>	<u>655</u>

\$13,213 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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**Year ended June 30:**

2020	\$ 2,816
2021	2,816
2022	2,817
2023	4,535
2024	3,322
2025	(67)

*Actuarial assumptions.* The total OPEB liability in the December 31, 2017 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, on including price inflation	7.25 percent
Discount rate	7.25 percent

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	3.25 percent for 2018, gradually rising to 5.00 percent in 2025

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.

The actuarial assumptions used in the December 31, 2017, 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. 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 discussed below.

In determining the additional liability for PERACare enrollees who are age sixty-five or older and who are not eligible for premium-free Medicare Part A, the following monthly costs/premiums are assumed for 2018 for the PERA Benefit Structure:

<b>Medicare Plan</b>	<b>Cost for Members Without Medicare Part A</b>	<b>Premiums for Members Without Medicare Part A</b>
Self-Funded Medicare Supplement	\$736	\$367

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Plans		
Kaiser Permanente Medicare Advantage HMO	602	236
Rocky Mountain Health Plans Medicare HMO	611	251
UnitedHealthcare Medicare HMO	686	213

The 2018 Medicare Part A premium is \$422 per month.

In determining the additional liability for PERACare enrollees in the PERA Benefit Structure who are age sixty-five or older and who are not eligible for premium-free Medicare Part A, the following chart details the initial expected value of Medicare Part A benefits, age adjusted to age 65 for the year following the valuation date:

<b>Medicare Plan</b>	<b>Cost for Members Without Medicare Part A</b>
Self-Funded Medicare Supplement Plans	\$289
Kaiser Permanente Medicare Advantage HMO	300
Rocky Mountain Health Plans Medicare HMO	270
UnitedHealthcare Medicare HMO	400

All costs are subject to the health care cost trend rates, as discussed below.

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and 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
2018	5.00%	3.25%
2019	5.00%	3.50%

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Year	PERACare Medicare Plans	Medicare Part A Premiums
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.25%
2023	5.00%	4.50%
2024	5.00%	4.75%
2025+	5.00%	5.00%

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.

Healthy, post-retirement mortality assumptions for the State and Local Government Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 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 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

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 health care cost assumptions were updated and used in the measurement of the obligations for the HCTF:

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- 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 2018 plan year.
- 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 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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>30 Year Expected Geometric Real Rate of Return</b>
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%
<b>Total</b>	<b>100.00%</b>	

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%.

*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

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using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.25%	3.25%	4.25%
Ultimate Medicare Part A trend rate	4.00%	5.00%	6.00%
Net OPEB Liability	418,422	430,604	443,655

*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, 2018, 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.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- 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 middle of the year.

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.

*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

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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	481,473	430,304	386,560

*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).

**8. Accrued Salaries** – Certified instructors of the District are contracted for nine months annually between Labor Day and June 1. These instructors, while only working nine months, are paid for their services in twelve equal monthly installments. On June 30 of each year they have completed their entire contract, but have only received 10/12 of the related compensation with the difference to be paid over the summer break. The difference, totaling \$409,318, is reflected as an accrued expense at June 30.

**9. General Long Term Debt-**

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

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

<u>Year Ending June 30</u>	<u>Prinicipal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 46,554	\$ 3,706	\$ 50,260
2021	42,715	983	43,698
Total	<u>\$ 89,269</u>	<u>\$ 4,689</u>	<u>\$ 93,958</u>

**2017 General Obligation Bonds Payable-** In November of 2017, the voters of the District approved the issuance of \$4,950,000 of general obligation bonds. The bonds were issued for the purpose of providing matching money for the State of Colorado Building Excellent Schools Today (BEST) grant program. The proceeds, along with the grant funds will be used for the major renovation and construction of District facilities. The bonds are payable in annual installments and bear interest at 3.43 percent. The repayment of the bonds is accounted for in the Debt Service Fund.

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The annual requirements to amortize the bonds are as follows:

<u>Fiscal Year</u>	<u>Prinicipal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 182,241	\$ 160,537	\$ 342,778
2021	188,493	154,178	342,671
2022	194,958	147,601	342,559
2023	201,646	140,799	342,445
2024	208,563	133,763	342,326
2025-2029	1,155,167	554,538	1,709,705
2030-2034	1,367,363	338,702	1,706,065
2035-2038	1,272,636	89,151	1,361,787
<b>Total</b>	<b>\$ 4,771,067</b>	<b>\$ 1,719,269</b>	<b>\$ 6,490,336</b>

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

<u>Description</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Retired</u>	<u>Ending Balance</u>
Capital Lease	\$ 127,248		\$ 37,979	\$ 89,269
General Obligation Bonds	4,950,000		178,933	4,771,067
<b>Total</b>	<b>\$ 5,077,248</b>	<b>\$ -</b>	<b>\$ 216,912</b>	<b>\$ 4,860,336</b>

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

<u>Transfers</u>	<u>In</u>	<u>Out</u>
General Fund		\$ 37,000
Lunch Fund	\$ 37,000	
<b>Total</b>	<b>\$ 37,000</b>	<b>\$ 37,000</b>

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

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

**Non-spendable**

**Inventory**- indicates that the portion of fund balance represented by inventories is not available for appropriation and expenditure at the balance sheet date. Non-spendable fund balance related to inventory consists of \$1,658 in the Lunch Fund.

**Restricted**

**TABOR** – indicates that a portion of the fund balance has been segregated for expenditures for declared emergencies only. Fund balance reserved for emergencies consists of \$165,000 in the General Fund.

**School Construction**- indicates that the fund balance in the Building Fund is restricted for the construction and renovation of District facilities pursuant to the issuance of general obligation bonds related to the BEST grant program. Fund balance restricted for construction consists of \$4,683,921 in the Building Fund.

**Debt Service**- indicates the amount of fund balance that is restricted for the repayment of the District's outstanding general obligation bonds. Fund balance restricted for debt service consists of \$108,461 in the Debt Service Fund

**Food Service**- indicates the amount of fund balance that is restricted for the food service operations of the District. Fund balance restricted for food service consists of \$14,048 in the Lunch Fund.

**Assigned**

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

General Fund	\$ 1,909,960
Capital Projects Fund	65,882
Total	<u><u>\$ 1,975,842</u></u>

# MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

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

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

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

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

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

Required Supplementary Information

June 30, 2019

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

Such information includes:

Pension Schedules

Schedule of District Contributions

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

OPEB Schedules

Schedule of District Contributions

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

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

Schedules of Required Supplementary Information

Schedule of District Pension Contributions

June 30, 2019

Last 10 Years

	2014	2015	2016	2017	2018	2019
Contractually required contribution	\$ 359,412	\$ 399,885	\$ 428,894	\$ 447,771	\$ 471,647	\$ 525,130
Contributions in relation to the contractually required contribution	359,412	399,885	428,894	447,771	471,647	525,130
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 2,146,077	\$ 2,369,569	\$ 2,420,231	\$ 2,437,049	\$ 2,497,157	\$ 2,745,059
Contributions as a percentage of covered payroll	16.75%	16.88%	17.72%	18.37%	18.89%	19.13%

*Information is not available for years prior to 2014*

*Notes to Required Supplementary Information*

*See Note 5 in the accompanying Notes to the Financial Statements for factors that significantly affect trends in the amounts reported.*

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

Last 10 Years

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
District's proportion of the net pension liability (asset)	0.0532%	0.05532%	0.05531%	0.05423%	0.05330%	0.04870%
District's share of the net pension liability (asset)	\$ 6,790,133	\$ 7,497,635	\$ 8,459,955	\$ 16,145,661	\$ 17,235,415	\$ 8,615,755
District's share of State's share of the net pension liability as a nonemployer contributing entity						\$ 1,178,085
Total						<u>\$ 9,793,840</u>
District's covered payroll	\$ 2,146,077	\$ 2,318,599	\$ 2,410,588	\$ 2,433,836	\$ 2,458,678	\$ 2,674,946
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	316.40%	323.37%	350.95%	663.38%	701.00%	322.09%
Plan fiduciary net position as a percentage of the total pension liability	62.84%	64.07%	59.20%	75.84%	43.96%	57.01%

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

*Information is not available for years prior to 2014*

*Notes to Required Supplementary Information*

*See Note 5 in the accompanying Notes to the Financial Statements for factors that significantly affect trends in the amounts reported.*

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

Schedules of Required Supplementary Information

Schedule of District OPEB Contributions

June 30, 2019

Last 10 Years

	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required contribution	\$ 24,858	\$ 25,471	\$ 27,999
Contributions in relation to the contractually required contribution	24,858	25,471	27,999
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 2,437,049	\$ 2,497,157	\$ 2,745,059
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%

*Information is not available for years prior to 2017*

*Notes to Required Supplementary Information*

*See Note 7 in the accompanying Notes to the Financial Statements for factors that significantly affect trends in the amounts reported.*

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

Last 10 Years

	<u>2017</u>	<u>2018</u>	<u>2019</u>
District's proportion of the net OPEB liability (asset)	0.03080%	0.03030%	0.03160%
District's share of the net OPEB liability (asset)	\$ 399,639	\$ 393,582	\$ 430,304
District's covered payroll	\$ 2,437,049	\$ 2,497,157	\$ 2,674,946
District's proportionate share of the OPEB liability as a percentage of its covered payroll	16.40%	15.76%	16.09%
Plan fiduciary net position as a percentage of the total OPEB liability	20.07%	21.25%	17.03%

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

*Information is not available for years prior to 2017*

*Notes to Required Supplementary Information*

*See Note 7 in the accompanying Notes to the Financial Statements for factors that significantly affect trends in the amounts reported.*

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

Other Supplementary Information

June 30, 2019

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

These statements and schedules include:

Budgetary Comparison Schedules

Debt Service Fund

Capital Projects Funds

Capital Projects Fund

Building Fund

Fiduciary Fund

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

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

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b>Revenues</b>				
Local sources				
Current property taxes	\$ 575,000	\$ 575,000	\$ 533,509	\$ (41,491)
Delinquent taxes and interest on taxes			197	197
Earnings on investments		247	2,460	2,213
Other			16	16
<b>Total revenues</b>	<b>575,000</b>	<b>575,247</b>	<b>536,182</b>	<b>(39,065)</b>
<b>Expenditures</b>				
Debt Service				
Principal	178,933	178,933	178,933	-
Interest	166,732	166,732	166,732	-
Appropriated reserves	147,265	65,421		65,421
<b>Total expenditures</b>	<b>492,930</b>	<b>411,086</b>	<b>345,665</b>	<b>65,421</b>
<b>Other financing sources (uses)</b>				
Transfers in (out)	(82,070)	(82,105)	-	82,105
<b>Total other financing sources (uses)</b>	<b>(82,070)</b>	<b>(82,105)</b>	<b>-</b>	<b>82,105</b>
<b>Excess revenue and other financing sources over (under) expenditures and other uses</b>	<b>-</b>	<b>82,056</b>	<b>190,517</b>	<b>108,461</b>
Fund balance, beginning	-	(82,056)	(82,056)	-
<b>Fund balance, ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 108,461</b>	<b>\$ 108,461</b>

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

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

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b>Revenues</b>				
Local sources				
Earnings on investments	\$ 20	\$ 25	\$ 40	\$ 15
Sale of assets			1,250	1,250
<b>Total local sources</b>	<b>20</b>	<b>25</b>	<b>1,290</b>	<b>1,265</b>
State sources				
Small Rural School Grant			128,751	128,751
<b>Total revenues</b>	<b>20</b>	<b>25</b>	<b>130,041</b>	<b>130,016</b>
<b>Expenditures</b>				
Instuction				
Property			108,802	(108,802)
Operations and plant maintenance				
Purchased services				
Property	1,500	6,383	4,883	1,500
Supplies	1,500	3,435	1,910	1,525
Property	113,369	138,768	28,344	110,424
Appropriated reserves	79,739	54,380		54,380
<b>Total expenditures</b>	<b>196,108</b>	<b>202,966</b>	<b>143,939</b>	<b>59,027</b>
<b>Other financing sources (uses)</b>				
Transfers in (out)	116,349	123,161		(123,161)
<b>Total other financing sources (uses)</b>	<b>116,349</b>	<b>123,161</b>	<b>-</b>	<b>(123,161)</b>
<b>Excess of revenues and other sources over (under) expenditures and other uses</b>	<b>(79,739)</b>	<b>(79,780)</b>	<b>(13,898)</b>	<b>65,882</b>
Fund balance, beginning	79,739	79,780	79,780	-
<b>Fund balance, ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 65,882</b>	<b>\$ 65,882</b>

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

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

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b>Revenues</b>				
State Sources				
BEST Grant	\$ 18,956,866	\$ 18,599,511	\$ 10,488,082	\$ (8,111,429)
<b>Total revenues</b>	18,956,866	18,599,511	10,488,082	(8,111,429)
<b>Expenditures</b>				
Facilities acquisition				
Purchased services				
Professional and technical			568,952	(568,952)
Property			132,420	(132,420)
Property	23,730,797	23,283,432	12,428,426	10,855,006
<b>Total expenditures</b>	23,730,797	23,283,432	13,129,798	10,153,634
<b>Excess of revenues and other sources over (under) expenditures and other uses</b>	(4,773,931)	(4,683,921)	(2,641,716)	2,042,205
Fund balance, beginning	4,773,931	4,683,921	4,683,921	-
<b>Fund balance, ending</b>	\$ -	\$ -	\$ 2,042,205	\$ 2,042,205

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

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

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Local sources				
Earnings on investments	\$ 75	\$ 75	\$ 36	\$ (39)
Miscellaneous	130,000	130,000	142,120	12,120
Total local sources	<u>130,075</u>	<u>130,075</u>	<u>142,156</u>	<u>12,081</u>
<b>Total revenues</b>	<u>130,075</u>	<u>130,075</u>	<u>142,156</u>	<u>12,081</u>
<b>Expenditures</b>				
Instruction				
School accounts	130,075	130,075	127,273	2,802
Appropriated reserves	54,584	56,585		56,585
<b>Total expenditures</b>	<u>184,659</u>	<u>186,660</u>	<u>127,273</u>	<u>59,387</u>
<b>Excess of revenues and other sources over (under) expenditures and other uses</b>	(54,584)	(56,585)	14,883	71,468
Due to agency recipients beginning of the year	54,584	56,585	56,585	-
<b>Due to agency recipients end of the year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71,468</u>	<u>\$ 71,468</u>



**Colorado Department of Education**  
**Auditors Integrity Report**  
 District: 2070 - Mancos Re-6  
 Fiscal Year 2018-19  
 Colorado School District/BOCES

**Revenues, Expenditures, & Fund Balance by Fund**

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
	+		-	=
<b>Governmental</b>				
10 General Fund	1,922,484	4,924,186	4,792,661	2,054,009
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	13,655	244,901	237,605	20,952
<b>Sub- Total</b>	<b>1,936,139</b>	<b>5,169,087</b>	<b>5,030,266</b>	<b>2,074,960</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	30,976	228,109	243,379	15,706
22 Govt Designated-Purpose Grants Fund	0	0	0	0
23 Pupil Activity Special Revenue Fund	0	0	0	0
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	-82,056	536,182	345,665	108,461
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	4,683,921	10,488,082	13,129,798	2,042,206
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	79,780	130,041	143,939	65,882
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
<b>Totals</b>	<b>6,648,759</b>	<b>16,551,501</b>	<b>18,893,045</b>	<b>4,307,215</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	56,584	142,157	127,273	71,468
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
<b>Totals</b>	<b>56,584</b>	<b>142,157</b>	<b>127,273</b>	<b>71,468</b>

FINAL