

**MONTEZUMA COUNTY (DOLORES)
SCHOOL DISTRICT RE-4A**

Accountants' Reports
and
Basic Financial Statements

June 30, 2016

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

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June 30, 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
Montezuma County (Dolores) School District RE-4A
Dolores, Colorado 81323

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Montezuma County (Dolores) School District RE-4A, Colorado as of and for the year ended June 30, 2016, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate fund information of the Montezuma County (Dolores) School District RE-4A, Colorado, as of June 30, 2016, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other matters

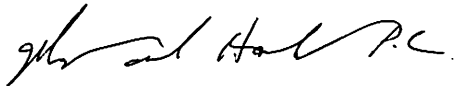
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, Schedule of District Contributions, and Schedule of the District's Proportionate Share of the Net Pension Liability on pages 3 through 12 and pages 39 through 47 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 (Dolores) School District RE-4A, 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, the budgetary comparison schedules, and the Colorado Department of Education Auditors' Integrity Report are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Majors and Haley, P.C.
August 17, 2016

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

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

FINANCIAL HIGHLIGHTS

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

- In total, net position increased \$120,661 from \$(2,144,414) to \$(2,023,753).
- General revenues accounted for \$7,908,378 in revenue or 89 percent of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$847,102 or 11 percent of total revenues of \$8,029,039.
- Governmental activities total assets increased by \$688,599 and deferred outflows of resources increased by \$1,223,510. Total liabilities increased by \$1,620,900 mainly due to the increase in the District's share of the PERA net pension liability. Total deferred inflows of resources increased by \$170,548.
- The District incurred \$7,061,276 in expenses related to government activities. \$847,102 of these expenses was offset by program specific charges for services, grants and contributions. General revenues (primarily state equalization and property taxes) of \$7,181,937 were adequate to cover the balance of the costs of these programs.
- Among the major funds, the General Fund had \$7,358,658 in revenues and \$6,549,684 in expenditures including transfers. It's fund balance increased by \$808,974 from \$2,685,491 to \$3,494,465.

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

District-wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private companies. The statement of net position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources if applicable. 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, liabilities and deferred inflows of resources if applicable) is one way to measure the District's financial position.

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

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

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

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

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

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

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds, not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required to be established by state law. However, the District establishes many 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 Pupil Activity Fund. The District is responsible for ensuring that the assets reported in the fund are used only

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

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

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Total assets increased by \$688,599. Net capital assets decreased by \$7,292. Total liabilities increased by \$1,620,900.

The District's combined net position was larger on June 30, 2016 than it was at June 30, 2015, increasing by \$120,661 to \$(2,023,753).

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

Table 1
Condensed Statement of Net Position
(In millions)

	Governmental Activities	
	<u>2016</u>	<u>2015</u>
Assets		
Current assets	\$ 5.122	\$ 4.427
Capital assets	9.645	9.652
Total assets	<u>14.767</u>	<u>14.079</u>
Deferred outflows	<u>1.831</u>	<u>0.607</u>
Liabilities		
Current liabilities	1.129	0.949
Noncurrent liabilities	17.257	15.816
Total liabilities	<u>18.386</u>	<u>16.765</u>
Deferred inflows of resources	<u>0.236</u>	<u>0.065</u>
Net Position		
Net invest capital assets	5.238	4.943
Non-spendable	0.014	
Restricted	0.888	0.884
Unrestricted	(8.164)	(7.971)
Total net position	<u>\$ (2.024)</u>	<u>\$ (2.144)</u>

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

For the Year Ended June 30, 2016

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

Table 2
Changes in Net Position
(In millions)

	Governmental Activities	
	2016	2015
Revenues		
Program revenues		
Charges for services	\$ 0.242	\$ 0.253
Operating grants & contributions	0.605	0.519
Capital grants & contributions	-	1.709
General revenues		
Property taxes	2.021	1.965
State equalization	4.283	4.162
Other	0.878	0.320
Total revenues	8.029	8.928
Expenses		
Instruction	4.362	4.044
Pupil and instructional services	0.366	0.356
Administration and business	1.069	0.990
Maintenance and operations	0.749	0.880
Transportation	0.351	0.330
Food Service	0.275	0.281
Other	0.736	0.754
Total expenses	7.908	7.635
Increase (decrease) in net position	\$ 0.121	\$ 1.293

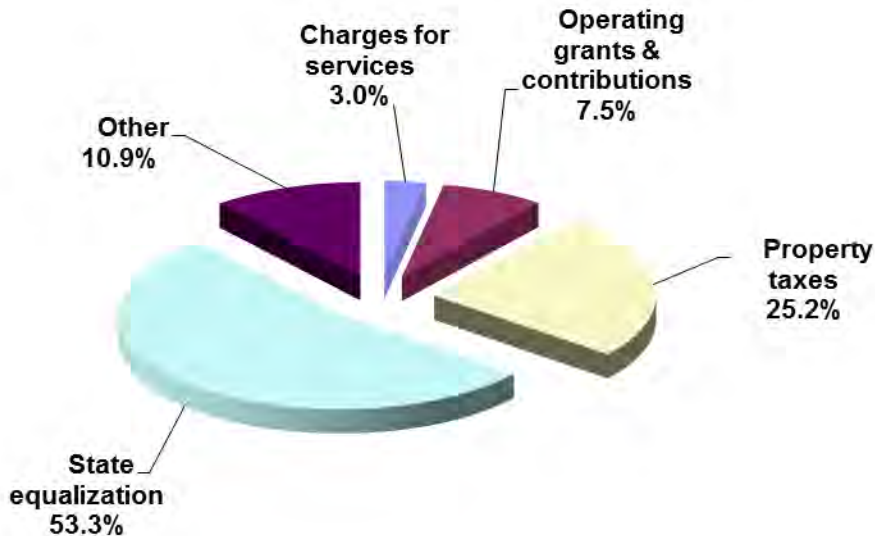
MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

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

State equalization and property taxes accounted for most of the District's total revenue, with each contributing 53.3 percent and 25.2 percent respectively (See Table 3). Another 7.5 percent came from state and federal grants and the remainder from charges for services and miscellaneous sources.

The District's expenses are predominately related to instruction, (55 percent) (See Table 4). The District's administrative and business activities accounted for 14 percent of total costs.

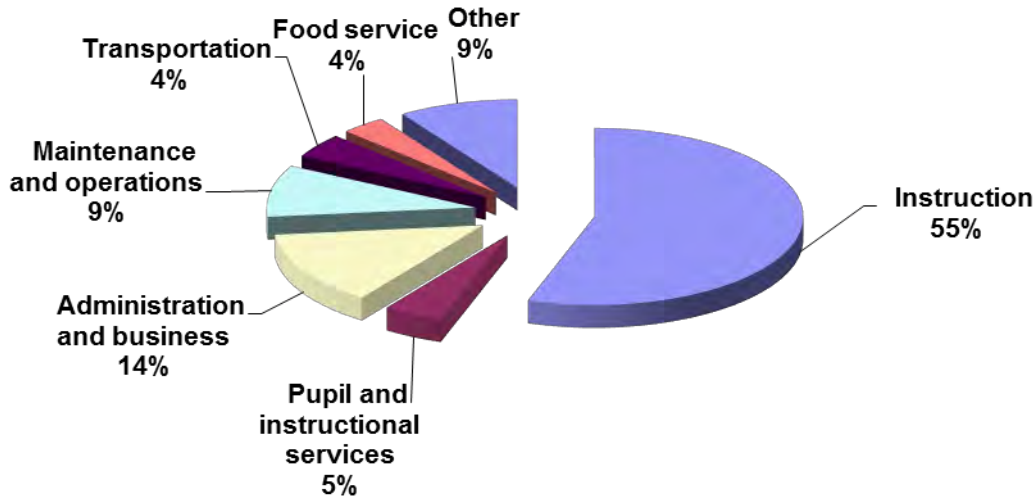
Table 3
Sources of Revenue for Fiscal Year 2016



MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

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

**Table 4
Expenses for Fiscal Year 2016**



Governmental Activities

The primary source of operating revenue for school districts comes from the School Finance Act of 1994 (SFA). Under the SFA the District received \$7,747 per funded student. In fiscal year 2016 the funded pupil count was 720. Funding for the SFA comes from property taxes, specific ownership taxes and state equalization. The District receives approximately 77 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 (DOLORES) SCHOOL DISTRICT RE-4A

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

Table 5
Government Activities
(In millions)

	Total Cost of Services		Net Cost of Services	
	2016	2015	2016	2015
Instruction	\$ 4.362	\$ 4.044	\$ 3.973	\$ 3.676
Pupil and instructional services	0.366	0.356	0.331	0.319
Administration and business	1.069	0.990	1.069	0.990
Maintenance and operations	0.749	0.880	0.737	0.860
Transportation	0.351	0.330	0.295	0.274
Food service	0.275	0.281	0.031	0.016
Other	0.736	0.754	0.625	(0.980)
Total	\$ 7.908	\$ 7.635	\$ 7.061	\$ 5.155

- The cost of all governmental activities during the year was \$7.908 million.
- Some of the cost was financed by the users of the District's programs (\$0.242 million)
- Federal and state government subsidized certain programs with grants and contributions (\$0.605 million).
- However, most of the District's costs (\$7.182 million) were financed by State and District taxpayers. This portion of governmental activities was financed with \$4.283 million in state equalization and \$2.186 million in property and specific ownership taxes.

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

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

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Information about the District's major funds starts on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds have total revenues of \$8.034 million and expenditures of \$7.491 million.

General Fund Budgetary Highlights

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

Over the course of the year, the District revised the annual operating budget by increasing appropriations by \$670,842 mainly to reflect revenues that were greater than anticipated at the time of the original budget.

- Actual expenditures were \$3.449 million below budget.

CAPITAL ASSET ADMINISTRATION

By the end of 2016, the District has invested \$14.147 million in land, buildings, and equipment (including vehicles).

Table 6 shows capital assets for 2016 compared to 2015:

Table 6
Capital Assets at June 30 (in millions)

	Governmental Activities	
	2016	2015
Land	\$ 0.070	\$ 0.070
Buildings	12.775	12.625
Equipment	1.302	1.136
Total	<u>\$ 14.147</u>	<u>\$ 13.831</u>

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

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

Additional information on the District's capital assets can be found in Note 3 on page 28 of this report.

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, parents, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Montezuma County (Dolores) School District RE-4A, P.O. Box 727 Dolores, Colorado 81323.

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A
Statement of Net Position

June 30, 2016

	Governmental Activities	Total
Assets		
Cash	\$ 418,056	\$ 418,056
Cash with County Treasurer	10,533	10,533
Investments	4,548,264	4,548,264
Grants receivable	6,110	6,110
Taxes receivable	125,878	125,878
Inventory	13,882	13,882
Capital assets	14,147,279	14,147,279
Accumulated depreciation	(4,502,593)	(4,502,593)
Total capital assets, net of depreciation	9,644,686	9,644,686
Total Assets	14,767,409	14,767,409
Deferred Outflows of Resources		
Pension items	1,830,732	1,830,732
Liabilities		
Accrued salaries and benefits payable	680,659	680,659
Grants unearned revenue	134,539	134,539
Long-term liabilities		
Due within one year	313,845	313,845
Due in more than one year	4,092,444	4,092,444
Net pension obligation	13,164,504	13,164,504
Total Liabilities	18,385,991	18,385,991
Deferred Inflows of Resources		
Unearned property tax revenues	49,315	49,315
Pension items	186,588	186,588
Total Deferred Inflows of Resources	235,903	235,903
Net Position		
Net investment in capital assets	5,238,397	5,238,397
Nonspendable		
Inventories	13,882	13,882
Restricted		
TABOR	250,000	250,000
Debt service	637,827	637,827
Unrestricted	(8,163,859)	(8,163,859)
Total Net Position	\$ (2,023,753)	\$ (2,023,753)

The accompanying notes are an integral part of this statement.

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A
Statement of Activities

For the Year Ended June 30, 2016

	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
Governmental Activities						
Instructional Program Services						
Salaries	\$ 2,613,089	\$ 139,086	\$ 245,401		\$ (2,228,602)	\$ (2,228,602)
Employee benefits	1,400,040				(1,400,040)	(1,400,040)
Purchased services						
Professional and technical	23,384				(23,384)	(23,384)
Property	36,686				(36,686)	(36,686)
Other	101,195		3,329		(97,866)	(97,866)
Supplies	165,969	315	582		(165,072)	(165,072)
Property	17,219				(17,219)	(17,219)
Other	4,277				(4,277)	(4,277)
Total Instructional Program	4,361,859	139,401	249,312	-	(3,973,146)	(3,973,146)
Support Program Services						
Students	244,762		17,709		(227,053)	(227,053)
Instructional staff	121,206		17,451		(103,755)	(103,755)
General administration	436,205				(436,205)	(436,205)
School administration	467,739				(467,739)	(467,739)
Business	164,676				(164,676)	(164,676)
Operation and maintenance of plant	749,557	12,509			(737,048)	(737,048)
Student transportation	351,518		56,712		(294,806)	(294,806)
Central	245,557		110,592		(134,965)	(134,965)
Other	70,578				(70,578)	(70,578)
Non instructional	1,200				(1,200)	(1,200)
Food service	274,878	90,048	153,368		(31,462)	(31,462)
Community	(82)				82	82
Other	450				(450)	(450)
Interest on long-term debt	152,012				(152,012)	(152,012)
Depreciation excluding amounts directly allocated to programs	266,263				(266,263)	(266,263)
Total Support Programs	3,546,519	102,557	355,832	-	(3,088,130)	(3,088,130)
Total Governmental Activities	7,908,378	241,958	605,144	-	(7,061,276)	(7,061,276)
Total School District	\$ 7,908,378	\$ 241,958	\$ 605,144	\$ -	\$ (7,061,276)	\$ (7,061,276)
General Revenues						
Property tax for general purposes					1,600,810	1,600,810
Specific Ownership tax for general purposes					165,160	165,160
Property tax for debt repayment					420,095	420,095
Delinquent taxes and interest					7,017	7,017
Intergovernmental						
State Equalization					4,283,415	4,283,415
Mineral Leasing					52,059	52,059
Forest Service					52,252	52,252
Earnings on investments					11,289	11,289
Gain on asset sale					3,961	3,961
Miscellaneous					585,879	585,879
Total General Revenues					7,181,937	7,181,937
Changes in Net Position					120,661	120,661
Net Position Beginning of the Year					(2,144,414)	(2,144,414)
Net Position End of the Year					\$ (2,023,753)	\$ (2,023,753)

The accompanying notes are an integral part of this statement.

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

Balance Sheet
Governmental Funds

June 30, 2016

	General Fund	Lunch Fund	Debt Service Fund	Capital Reserve Capital Projects Fund	Total Governmental Funds
Assets					
Cash	\$ 339,548	\$ 48,392		\$ 30,116	\$ 418,056
Cash with County Treasurer	8,350		\$ 2,183		10,533
Investments	3,880,622		619,198	48,444	4,548,264
Grants receivable	6,110				6,110
Taxes receivable	99,836		26,042		125,878
Inventory		13,882			13,882
Total Assets	\$ 4,334,466	\$ 62,274	\$ 647,423	\$ 78,560	\$ 5,122,723
Liabilities					
Accrued salaries and benefits payable	\$ 665,743	\$ 14,916			\$ 680,659
Grants unearned revenue	134,539				134,539
Total Liabilities	800,282	14,916	-	-	815,198
Deferred Inflows of Resources					
Unearned property tax revenue	39,719		\$ 9,596		49,315
Fund Balances					
Nonspendable					
Inventories		13,882			13,882
Restricted					
TABOR	250,000				250,000
Debt service			637,827		637,827
Unrestricted					
Assigned for fiscal year 17 expenditures	3,244,465	33,476		\$ 78,560	3,356,501
Total Fund Balances	3,494,465	47,358	637,827	78,560	4,258,210
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 4,334,466	\$ 62,274	\$ 647,423	\$ 78,560	\$ 5,122,723

The accompanying notes are an integral part of this statement.

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

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

June 30, 2016

Total Fund Balance Governmental Funds \$ 4,258,210

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	\$ 14,147,279	
Accumulated depreciation	<u>(4,502,593)</u>	9,644,686

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	(313,845)	
Due in more than one year	<u>(4,092,444)</u>	(4,406,289)

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		(13,164,504)
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds balance sheet

Deferred outflows of resources related to pensions	1,830,732	
Deferred inflows of resources related to pensions	<u>(186,588)</u>	1,644,144

Total Net Position Governmental Activities \$ (2,023,753)

The accompanying notes are an integral part of this statement.

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds

For the Year Ended June 30, 2016

	General Fund	Lunch Fund	Debt Service Fund	Capital Reserve Capital Projects Fund	Total Governmental Funds
Revenues					
Taxes	\$ 1,771,468		\$421,614		\$ 2,193,082
State sources	4,542,806	\$ 4,283			4,547,089
Federal sources	296,695	149,085			445,780
Earnings on investments	10,376	15	658	\$ 239	11,288
Other	737,313	90,526		8,900	836,739
Total Revenues	<u>7,358,658</u>	<u>243,909</u>	<u>422,272</u>	<u>9,139</u>	<u>8,033,978</u>
Expenditures					
Instructional Program					
Salaries	2,613,089				2,613,089
Employee benefits	912,162				912,162
Purchased services					
Professional and technical	23,384				23,384
Property	36,686				36,686
Other	101,195				101,195
Supplies	165,969				165,969
Property	16,289				16,289
Other	4,277				4,277
Total Instructional Program	<u>3,873,051</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,873,051</u>
Support Programs					
Pupils	216,063				216,063
Instructional staff	114,031				114,031
General administration	407,506				407,506
School administration	410,341				410,341
Business	143,152				143,152
Operation and maintenance of plant	688,840			174,883	863,723
Student transportation	262,108			165,504	427,612
Central	245,355			3,466	248,821
Other	70,578				70,578
Non instructional	1,200				1,200
Food service	20,372	239,725			260,097
Community	(82)				(82)
Other uses			450		450
Debt Service					
Principal	32,433		270,000		302,433
Interest	4,549		147,463		152,012
Total Support Programs	<u>2,616,446</u>	<u>239,725</u>	<u>417,913</u>	<u>343,853</u>	<u>3,617,937</u>
Total Expenditures	<u>6,489,497</u>	<u>239,725</u>	<u>417,913</u>	<u>343,853</u>	<u>7,490,988</u>
Excess revenues over (under) expenditures	<u>869,161</u>	<u>4,184</u>	<u>4,359</u>	<u>(334,714)</u>	<u>542,990</u>
Other Financing Sources (Uses)					
Transfers in (out)	(60,187)			60,187	-
Total Other Financing Sources (Uses)	<u>(60,187)</u>	<u>-</u>	<u>-</u>	<u>60,187</u>	<u>-</u>
Net Change in Fund Balances	808,974	4,184	4,359	(274,527)	542,990
Fund Balances beginning of the year	2,685,491	43,174	633,468	353,087	3,715,220
Fund Balances end of the year	<u>\$ 3,494,465</u>	<u>\$ 47,358</u>	<u>\$637,827</u>	<u>\$ 78,560</u>	<u>\$ 4,258,210</u>

The accompanying notes are an integral part of this statement.

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A
 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of
 Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2016

Net Change in Fund Balances Governmental Funds \$ 542,990

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	\$ 326,633	
Depreciation expense	(328,987)	
		(2,354)

Governmental funds report assets sale proceeds as revenue. However, in the Statement of Activities gain or loss on the disposal is computed.

Proceeds from the sale of assets	(8,900)	
Gain on asset sales	3,961	
		(4,939)

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

General obligation bond payments	270,000	
Capital lease payments	32,433	
		302,433

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	665,237	
Cost of benefits earned net of employee contributions	(1,382,706)	
		(717,469)

Change in Net Position of Governmental Activities \$ 120,661

The accompanying notes are an integral part of this statement.

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A
Statement of Fiduciary Net Position

June 30, 2016

	<u>Agency Fund</u>
Assets	
Cash	\$ 84,067
Total Assets	<u>\$ 84,067</u>
Liabilities	
Due to agency recipients	\$ 84,067
Total Liabilities	<u>\$ 84,067</u>

The accompanying notes are an integral part of this statement.

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

- 1. Summary of Significant Accounting Policies** – The accounting policies of the Montezuma County School District RE-4A (“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-4A Board of Education (“Board”) is the basic level of government which has financial accountability and control over all activities related to the public school education in the Town of Dolores, 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 Statement s 14 and 39, 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.

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

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, long term debt principal, interest and related costs.

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

Fiduciary Fund- reporting focuses on net assets and changes in net assets. 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 District's own programs. The District does not have any trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results or operations. The District has one agency fund, the Pupil Activity Agency 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 segment of the business-type activities of the District and 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 and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

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

Fiduciary funds are reported using the economic resources measurement focus.

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 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

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized.

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

Expenses/Expenditures- On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses and changes in fund net assets 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 (GAAP basis) as that used for accounting purposes, except for the Lunch Fund, which is prepared essentially on the modified accrual basis of accounting. This basis of accounting is at variance with GAAP.

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.

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

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

	<u>Original Budget</u>	<u>Total Revisions</u>	<u>Revised Budget</u>
General Fund	\$ 9,287,522	\$ 670,842	\$ 9,958,364
Lunch Fund	\$ 327,791	\$ (26,726)	\$ 301,065
Capital Projects Fund	\$ 375,312	\$ 6,785	\$ 382,097
Debt Service Fund	\$ 1,050,201	\$ 2,928	\$ 1,053,129
Pupil Activity Fund	\$ 329,004	\$ (101)	\$ 328,903

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.

Cash and Cash Equivalents – for the purpose of the Statement of Cash Flows of the Enterprise Fund is considered to be all of the highly liquid investments with a maturity of six months or less.

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.

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 (DOLORES) SCHOOL DISTRICT RE-4A

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

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

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

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year-end. Delinquent taxes are considered fully collectible and therefore no allowance for uncollectible taxes is provided. Property taxes levied on January 1 and not collected by June 30 are reflected as a receivable; deferred revenue is the portion of property taxes included in the receivable but not yet available as explained above.

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

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

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

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

Nonspendable- Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

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.

Committed- Amounts that can be used only for specific purposes determined by a formal action 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 and for debt service.

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 their use

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

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

Demand accounts	\$ 220,975
Certificates of deposit	329,593
Colotrust	4,499,819
Total cash and investments	<u>\$ 5,050,387</u>

Deposits- The Colorado Public Deposit Protection Act (PDPA) governs the District's 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 of at least 102% of the uninsured deposits. The State Regulatory Commission for banks and savings and loan associations are required by statute to monitor the naming of eligible depositories and the reporting of uninsured deposits and assets maintained in the collateral pools.

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

At June 30, 2016 the District had investments in one local government investment pool, the Colorado Liquid Asset Trust (COLOTRUST). This investment pool is an investment vehicle established for local government entities in Colorado to pool surplus funds for investment purposes. The pool 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 the pool is the same as the value of the pool shares. This type of investment is not categorized because it is not evidenced by securities that exist in physical or book form. COLOTRUST is rated AAA by Standard and Poors.

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

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

	<u>Receivable</u>	<u>Deferred</u>
General Fund		
Federal Grants		
Rural and Low Income Schools	\$ 6,007	
Title I	103	
State Grants		
Small Rural Schools		\$ 107,357
State ELPA		1,332
Local Grants		
Buell Grant		25,850
	<u>\$ 6,110</u>	<u>\$ 134,539</u>

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

	<u>Capital Assets July 1, 2015</u>	<u>Additions</u>	<u>Deletions Inventory Adjustments/ Transfers</u>	<u>Capital Assets June 30, 2016</u>
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 70,000			\$ 70,000
Capital assets, being depreciated:				
Buildings	12,624,806	\$ 150,690		12,775,496
Equipment	1,135,717	175,943	\$ (9,877)	1,301,783
Total capital assets being depreciated	<u>13,760,523</u>	<u>326,633</u>	<u>(9,877)</u>	<u>14,077,279</u>
Less accumulated depreciation for:				
Buildings	(3,232,762)	(265,631)		(3,498,393)
Equipment	(945,783)	(63,356)	4,939	(1,004,200)
Total accumulated depreciation	<u>(4,178,545)</u>	<u>(328,987)</u>	<u>4,939</u>	<u>(4,502,593)</u>
Total capital assets, being depreciated, net	9,581,978	(2,354)	(4,938)	9,574,686
Governmental Activities Capital Assets, net	<u>\$ 9,651,978</u>	<u>\$ (2,354)</u>	<u>\$ (4,938)</u>	<u>\$ 9,644,686</u>

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

NOTES TO THE FINANCIAL STATEMENTS June 30, 2016

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

Instruction	\$ 930
Transportation	60,711
Operations and Maintenance	651
Food Service	432
Unallocated	266,263
Total depreciation governmental activities	<u>\$ 328,987</u>

5. Defined Benefit Pension Plan –

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

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

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

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

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

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

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

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

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

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

	For the Year Ended December 31, 2014	For the Year Ended December 31, 2015
Employer Contribution Rate ¹	10.15%	10.15%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) ¹	(1.02)%	(1.02)%
Amount Apportioned to the SCHDTF ¹	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹	3.80%	4.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	3.50%	4.00%
Total Employer Contribution Rate to the SCHDTF ¹	16.43%	17.33%

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

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

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 \$665,237 for the year ended June 30, 2016.

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

At June 30, 2016, the District reported a liability of \$13,164,504 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The District's proportion of the net pension liability was based on the District's contributions to the SCHDTF for the calendar year 2015 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2015, the District's proportion was .08607461 percent, which was an increase of .189 percent from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$1,382,706. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience		\$ 548
Changes in assumptions		186,040
Net difference between projected and actual earnings on pension plan investments	\$ 1,293,191	
Changes in proportion and differences between contributions recognized and proportionate share of contributions	193,561	
Contributions subsequent to the measurement date	343,980	
Total	<u>\$ 1,830,732</u>	<u>\$ 186,588</u>

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

\$343,980 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2017	\$ 365,901
2018	364,401
2019	337,755
2020	232,107

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

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

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

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

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

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

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

Asset Class	Target Allocation	10 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	26.76%	5.00%
U.S. Equity – Small Cap	4.40%	5.19%
Non U.S. Equity – Developed	22.06%	5.29%
Non U.S. Equity – Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov't/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	100.00%	

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

Discount rate. The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the fixed statutory rates specified in law, including current and future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Based on those assumptions, the SCHDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$17,065,045	\$13,164,504	\$9,919,982

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

6. Defined Contribution Pension Plan

Voluntary Investment Program

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

Funding Policy – The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. The District has not agreed to match employee contributions. Employees are immediately vested in their own contributions, employer contributions and investment earnings. For the year ended June 30, 2016, program members contributed \$35,694 to the Voluntary Investment Program.

7. Other Post-Employment Benefits

Health Care Trust Fund

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

Funding Policy – The District is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2016, 2015 and 2014 the District contributions to the HCTF were \$38,261, \$37,302 and \$35,009, respectively, equal to their required contributions for each year.

8. Accrued Salaries – Certified instructors of the District are contracted for nine months annually between Labor Day and June 1. These instructors, while only working nine months, are paid for their services in twelve equal monthly installments. On June 30 of each year they have completed their entire contract, but have only received 10/12 of the related compensation with the difference to be paid over the summer break. The difference, totaling \$680,659 is reflected as an accrued expense at June 30.

9. General Long Term Debt-

Capital Lease- In fiscal year 2009 the District entered into a lease agreement for energy saving heating and cooling equipment. The lease is payable in 40 quarterly payments of \$9,250, including interest at 4.25% beginning on February 25, 2009. 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</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 33,845	\$ 3,137	\$ 36,982
2018	35,306	1,676	36,982
2019	17,138	270	17,408
Total	<u>\$ 86,289</u>	<u>\$ 5,083</u>	<u>\$ 91,372</u>

2008 General Obligation Bonds Payable- In November of 1994, the voters of the District approved the issuance of \$3,500,000 of general obligation building bonds. The bonds, dated December 15, were issued on December 21, 1994. The proceeds of the bonds were used in a school construction project. These bonds were fully retired in the year ended June 30, 2005.

In August of 1997 the District issued \$3,100,000 of bonds and \$299,768 of B-coupon interest. The proceeds from this issue were used to defease \$3,100,000 of the 1994 bonds. The advance refunding was undertaken to reduce total payments by \$272,388. The economic gain was \$160,809.

Interest on both series of bonds is due June 1 and December 1 of each year. The interest on the 1994 series is from 5.8% to 6.1% and interest on the 1998 series is 4.5% to 5.1%. Principal payments are due starting with the December 1, 2001 payment. Property taxes collected by the Debt Service Fund will be used to retire this bond issue.

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

In January of 2008 the District refinanced the bonds through an advance refunding. The refinancing called for the issuance of \$2,600,000 in general obligation refunding bonds. The refunding bonds are payable in semi-annual installments and bear interest ranging from 3.05% to 4.50%. The advance refunding provided a present value economic gain to the District of \$204,678. The repayment of the bonds is recorded in the Debt Service Fund.

The annual requirements to amortize the bonds outstanding at June 30, 2016 are as follows:

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
December 1, 2016	\$ 235,000	\$ 43,200	\$ 278,200
December 1, 2017	250,000	22,800	272,800
December 1, 2018	250,000	23,175	273,175
December 1, 2019	265,000	11,925	276,925
Total	<u>\$ 1,000,000</u>	<u>\$ 101,100</u>	<u>\$ 1,101,100</u>

2013 General Obligation Bonds Payable- In November of 2012, the voters of the District approved the issuance of \$3,470,000 of general obligation bonds. The bonds were issued January 9, 2013 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 construction of District facilities. The bonds are payable in annual installments and bear interest ranging from 2% to 3%. The repayment of the bonds is recorded in the Debt Service Fund.

The annual requirements to amortize the bonds outstanding at June 30, 2016 are as follows:

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
December 1, 2016	\$ 45,000	\$ 98,750	\$ 143,750
December 1, 2017	40,000	97,850	137,850
December 1, 2018	50,000	97,050	147,050
December 1, 2019	50,000	95,550	145,550
December 1, 2020	200,000	94,050	294,050
2021-2025	1,100,000	376,350	1,476,350
2026-2030	1,270,000	201,300	1,471,300
2031-2032	565,000	25,500	590,500
Total	<u>\$ 3,320,000</u>	<u>\$ 1,086,400</u>	<u>\$ 4,406,400</u>

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

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

Description	Balance Beginning	Issued	Retired	Balance Ending
General Obligation Bonds:				
2008 Series	\$ 1,225,000		\$ (225,000)	\$ 1,000,000
2013 Series	3,365,000		(45,000)	3,320,000
Capital Lease	118,722		(32,433)	86,289
	\$ 4,708,722	\$ -	\$ (302,433)	\$ 4,406,289

10. Inter-fund Operating Transfers – consist of the following:

	Transfer in	Transfer out
General Fund		\$ 60,187
Capital Projects Fund	\$ 60,187	
Total	\$ 60,187	\$ 60,187

The transfer was made for the purpose of subsidizing the Capital Projects Fund.

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

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 \$13,882 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 restricted for TABOR consists of \$250,000 in the General 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 \$637,827 in the Debt Service Fund.

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

Assigned

Assigned for future expenditures – indicates anticipated fund balance available for appropriation in the next budget year. Fund balance assigned for future expenditures consists of \$3,244,465 in the General Fund, \$33,476 in the Lunch Fund and \$78,560 in the Capital Projects Fund.

- 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 93 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. 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 1998 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 (DOLORES) SCHOOL DISTRICT RE-4A

Required Supplementary Information

June 30, 2016

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

Such information includes:

Budgetary Comparison Schedules

General Fund

Lunch Fund

Pension Schedules

Schedule of District Contributions

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

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

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

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues from local sources				
Current property taxes	\$ 1,564,792	\$ 1,585,532	\$ 1,600,810	\$ 15,278
Specific ownership taxes	110,179	110,179	165,160	54,981
Delinquent taxes and interest on taxes	600	600	5,498	4,898
Earnings on investments	9,000	9,000	10,376	1,376
Tuition	127,500	127,500	134,086	6,586
Other	139,800	627,750	603,227	(24,523)
Total revenues from local sources	1,951,871	2,460,561	2,519,157	58,596
Revenues from state sources				
State Equalization	4,180,078	4,180,078	4,283,415	103,337
Transportation	50,000	54,490	56,712	2,222
Vocational Education	30,000	30,000	32,583	2,583
Small Rural Schools	182,775	188,966	81,608	(107,358)
English Language Proficiency Act	4,166	2,858	3,134	276
State ELPA		4,254	3,329	(925)
Read Act	24,500	25,365	25,365	-
Library Grant		3,500	3,500	-
Additional At Risk Students			4,318	4,318
Services within BOCES	92,733	47,033	48,842	1,809
Total revenues from state sources	4,564,252	4,536,544	4,542,806	6,262
Revenues from federal sources				
Title I	132,120	132,121	131,159	(962)
Rural Low Income Schools		13,951	13,951	-
Title II Part A	24,372	45,031	28,983	(16,048)
RTTT Early Childhood			582	582
Services within other districts	2,000	1,000		(1,000)
Forest Service	22,000	23,606	52,252	28,646
Medicaid	8,000	8,000	17,709	9,709
Mineral Leasing	50,000	52,059	52,059	-
Total revenues from federal sources	238,492	275,768	296,695	20,927
Total revenues	6,754,615	7,272,873	7,358,658	85,785

(Continued)

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

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

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Instruction				
Salaries	\$ 2,787,310	\$ 2,802,210	\$ 2,613,089	\$ 189,121
Employee benefits	963,624	972,702	912,162	60,540
Purchased services				
Professional and technical	30,900	30,900	23,384	7,516
Property	43,000	36,800	36,686	114
Other	172,371	172,959	101,195	71,764
Supplies	184,952	188,264	165,969	22,295
Property	15,500	15,500	16,289	(789)
Other	4,450	4,450	4,277	173
Total instruction	4,202,107	4,223,785	3,873,051	350,734
Pupils				
Salaries	170,100	170,100	155,906	14,194
Employee benefits	58,524	58,567	56,609	1,958
Purchased services				
Other	3,870	2,900	1,294	1,606
Supplies	3,067	3,067	2,254	813
Total pupils	235,561	234,634	216,063	18,571
Instructional staff				
Salaries	50,000	51,000	40,717	10,283
Employee benefits	16,277	16,122	8,072	8,050
Purchased services				
Professional and technical	30,000	30,000	28,693	1,307
Other	2,400	23,851	2,205	21,646
Supplies	18,500	21,100	20,393	707
Property	2,000	2,000	13,951	(11,951)
Total instructional staff	119,177	144,073	114,031	30,042

(Continued)

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

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

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
General administration				
Salaries	\$ 138,500	\$ 138,900	\$ 138,513	\$ 387
Employee benefits	51,953	52,043	50,999	1,044
Purchased services				
Professional and technical	66,800	156,300	132,762	23,538
Property	19,850	19,850	19,745	105
Other	23,200	24,000	23,089	911
Supplies	28,900	30,800	31,190	(390)
Property	1,000	1,000	227	773
Other	12,000	12,000	10,981	1,019
Total general administration	342,203	434,893	407,506	27,387
School administration				
Salaries	332,500	342,000	297,984	44,016
Employee benefits	108,586	113,616	100,868	12,748
Purchased services				
Property	1,400	1,400	1,328	72
Other	4,700	4,700	4,318	382
Supplies	1,915	1,915	2,012	(97)
Property	700	700	371	329
Other	3,600	3,600	3,460	140
Total school administration	453,401	467,931	410,341	57,590
Business services				
Salaries	92,500	112,520	104,920	7,600
Employee benefits	30,244	34,236	31,735	2,501
Purchased services				
Other	8,650	8,650	6,122	2,528
Other	750	650	375	275
Total business services	132,144	156,056	143,152	12,904

(Continued)

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

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

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Operations and maintenance				
Salaries	\$ 202,000	\$ 209,195	\$ 205,377	\$ 3,818
Employee benefits	76,390	73,720	71,565	2,155
Purchased services				
Property	63,850	70,300	69,449	851
Other	146,431	147,032	116,159	30,873
Supplies	242,950	241,700	220,314	21,386
Property	10,000	10,000	5,976	4,024
Other	50	50		50
Total operations and maintenance	741,671	751,997	688,840	63,157
Student transportation				
Salaries	138,500	150,000	138,956	11,044
Employee benefits	40,585	40,900	32,974	7,926
Purchased services				
Professional and technical	17,400	15,400	15,250	150
Property	1,500	1,500	1,441	59
Other	17,820	16,350	14,352	1,998
Supplies	86,000	86,000	56,200	29,800
Property	2,500	2,500	2,500	-
Other	150	300	435	(135)
Total student transportation	304,455	312,950	262,108	50,842
Central support				
Salaries	51,900	52,000	52,087	(87)
Employee benefits	16,168	16,281	16,449	(168)
Purchased services				
Professional and technical	24,372	45,031	28,983	16,048
Property	1,400	1,400	474	926
Other	49,500	50,500	49,271	1,229
Supplies	5,000	5,000	4,072	928
Property	214,775	220,966	94,019	126,947
Total central support	363,115	391,178	245,355	145,823

(Continued)

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

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

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Other support services				
Purchased services				
Other	\$ 79,600	\$ 79,600	\$ 70,578	\$ 9,022
Total other support services	<u>79,600</u>	<u>79,600</u>	<u>70,578</u>	<u>9,022</u>
Non instructional				
Purchased services				
Property	1,200	1,200	1,200	-
Total non instructional	<u>1,200</u>	<u>1,200</u>	<u>1,200</u>	<u>-</u>
Food service operations				
Salaries	13,050	13,050	12,395	655
Employee benefits	8,060	8,075	7,977	98
Total food service operations	<u>21,110</u>	<u>21,125</u>	<u>20,372</u>	<u>753</u>
Community operations				
Purchased services				
Professional and technical	400	400	(82)	482
Total community operations	<u>400</u>	<u>400</u>	<u>(82)</u>	<u>482</u>
Debt Service				
Principal	32,433	32,433	32,433	-
Interest	4,550	4,550	4,549	1
Total debt service	<u>36,983</u>	<u>36,983</u>	<u>36,982</u>	<u>1</u>
Appropriated reserves	<u>2,234,395</u>	<u>2,681,559</u>		<u>2,681,559</u>
Total expenditures	<u>9,267,522</u>	<u>9,938,364</u>	<u>6,489,497</u>	<u>3,448,867</u>
Other financing sources (uses)				
Transfer to Capital Projects Fund	(20,000)	(20,000)	(60,187)	(40,187)
Total other financing sources (uses)	<u>(20,000)</u>	<u>(20,000)</u>	<u>(60,187)</u>	<u>(40,187)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>(2,532,907)</u>	<u>(2,685,491)</u>	<u>808,974</u>	<u>3,494,465</u>
Fund balance, beginning	2,532,907	2,685,491	2,685,491	-
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,494,465</u>	<u>\$ 3,494,465</u>

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

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

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources				
Lunch sales	\$ 115,400	\$ 116,400	\$ 90,048	\$ (26,352)
Earnings on investments	16	16	15	(1)
Other	1,000	1,000	478	(522)
Total local sources	116,416	117,416	90,541	(26,875)
State sources				
State Matching Grant	2,250	2,250	2,310	60
Smart Start Grant	525	525	447	(78)
School Lunch Protection Program	1,100	1,100	1,526	426
Total state sources	3,875	3,875	4,283	408
Federal sources				
National School Lunch Program	102,100	102,100	105,371	3,271
School Breakfast Program	23,500	23,500	25,745	2,245
Donated commodities	11,000	11,000	17,969	6,969
Total federal sources	136,600	136,600	149,085	12,485
Total revenues	256,891	257,891	243,909	(13,982)
Expenditures				
Food services				
Salaries	73,500	73,500	66,209	7,291
Employee benefits	32,517	32,538	28,830	3,708
Purchased services				
Professional and technical	3,500	3,500	2,757	743
Property	300	300		300
Other	1,020	300		300
Food and milk	139,300	139,000	110,279	28,721
Commodities uses	11,000	11,000	17,969	(6,969)
Supplies	10,700	10,700	10,518	182
Property	21,637	16,200	3,163	13,037
Other	100	100		100
Appropriated reserves	34,217	13,927		13,927
Total expenditures	327,791	301,065	239,725	61,340
Excess of revenues and other sources over (under) expenditures and other uses	(70,900)	(43,174)	4,184	47,358
Fund balance, beginning	70,900	43,174	43,174	-
Fund balance, ending	\$ -	\$ -	\$ 47,358	\$ 47,358

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

Schedules of Required Supplementary Information

Schedule of District Pension Contributions

Last 10 Years

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 548,751	\$ 621,495	\$ 665,237
Contributions in relation to the contractually required contribution	548,751	621,495	665,237
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 3,432,237	\$ 3,657,057	\$ 3,751,057
Contributions as a percentage of covered employee payroll	15.99%	16.99%	17.73%

Information is not available for years prior to 2014

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A
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>
District's proportion of the net pension liability (asset)	0.0840%	0.0842%	0.0861%
District' share of the net pension liability (asset)	\$ 10,717,480	\$ 11,409,260	\$ 13,164,504
District's covered employee payroll	\$ 3,432,237	\$ 3,657,057	\$ 3,751,057
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	312.26%	311.98%	350.95%
Plan fiduciary net position as a percentage of the total pension liability	62.84%	64.07%	59.16%

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

Information is not available for years prior to 2014

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

Other Supplementary Information

June 30, 2016

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

These statements and schedules include:

Budgetary Comparison Schedules
Capital Reserve Capital Projects Fund
Debt Service Fund
Fiduciary Fund

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

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

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources				
Earnings on investments	\$ 70	\$ 110	\$ 239	\$ 129
Sale of assets		8,900	8,900	-
Total revenues	<u>70</u>	<u>9,010</u>	<u>9,139</u>	<u>129</u>
Expenditures				
Operations and plant maintenance				
Purchased services				
Professional and technical	8,000	4,000		4,000
Property				
Buildings	145,000	158,000	156,760	1,240
Equipment	16,000	17,408	17,062	346
Furniture and fixtures	5,412	3,289	1,061	2,228
Student transportation				
Property				
Vehicles	132,000	136,000	165,504	(29,504)
Central support				
Property				
Equipment	20,000	20,000	3,466	16,534
Appropriated reserves	48,900	43,400		43,400
Total expenditures	<u>375,312</u>	<u>382,097</u>	<u>343,853</u>	<u>38,244</u>
Other financing sources (uses)				
Transfer in (out)	20,000	20,000	60,187	40,187
Total other financing sources (uses)	<u>20,000</u>	<u>20,000</u>	<u>60,187</u>	<u>40,187</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(355,242)</u>	<u>(353,087)</u>	<u>(274,527)</u>	<u>2,072</u>
Fund balance, beginning	355,242	353,087	353,087	-
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 78,560</u>	<u>\$ 2,072</u>

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

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

For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues				
Local sources				
Current property tax	\$ 417,913	\$ 417,861	\$ 420,095	\$ 2,234
Earnings on investments	1,300	1,800	658	(1,142)
Delinquent tax and interest			1,519	1,519
Total local sources	<u>419,213</u>	<u>419,661</u>	<u>422,272</u>	<u>2,611</u>
Total revenues	<u>419,213</u>	<u>419,661</u>	<u>422,272</u>	<u>2,611</u>
Expenditures				
Supporting services				
Other uses	450	450	450	-
Debt Service				
Principal	280,000	270,000	270,000	-
Interest	147,463	147,463	147,463	-
Appropriated reserves	622,288	635,216		635,216
Total expenditures	<u>1,050,201</u>	<u>1,053,129</u>	<u>417,913</u>	<u>635,216</u>
Excess revenue over (under) expenditures	(630,988)	(633,468)	4,359	637,827
Fund balance, beginning	630,988	633,468	633,468	-
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 637,827</u>	<u>\$ 637,827</u>

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

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

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources				
Earnings on investments	\$ 12	\$ 40	\$ 47	\$ 7
Miscellaneous	248,913	248,000	205,281	(42,719)
Total local sources	<u>248,925</u>	<u>248,040</u>	<u>205,328</u>	<u>(42,712)</u>
Total revenues	<u>248,925</u>	<u>248,040</u>	<u>205,328</u>	<u>(42,712)</u>
Expenditures				
Instruction				
School accounts	248,913	248,903	202,124	46,779
Appropriated reserves	80,091	80,000		80,000
Total expenditures	<u>329,004</u>	<u>328,903</u>	<u>202,124</u>	<u>126,779</u>
Excess of revenues over (under) expenditures	(80,079)	(80,863)	3,204	84,067
Due to Agency Recipients, beginning	80,079	80,863	80,863	-
Due to Agency Recipients, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 84,067</u>	<u>\$ 84,067</u>

INFORMATION REQUIRED BY OVERSIGHT AUTHORITIES

Majors and Haley, P.C.
Certified Public Accountants

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Chris L. Majors, CPA, MT

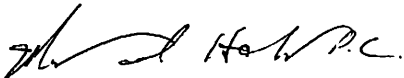
Lori Hasty Haley, CPA

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

To the Board of Education
Montezuma County (Dolores) School District RE-4A
Dolores, Colorado 81323

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Montezuma County (Dolores) School District RE-4A, as of and for the year ended June 30, 2016, and have issued our report thereon dated August 17, 2016, which expressed an unmodified opinion on those financial statements, appears as listed in the table of contents. These financial statements are the responsibility of the Montezuma County (Dolores) School District RE-4A management.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Montezuma County (Dolores) School District RE-4A's financial statements. The accompanying Colorado Department of Education Auditors' Integrity Report is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Majors and Haley, P.C.

Cortez, Colorado
August 17, 2016

