

cPa DIXON, WALLER & CO., INC.

OTERO COUNTY SCHOOL

DISTRICT NUMBER 3J

MANZANOLA, COLORADO

FINANCIAL STATEMENTS

JUNE 30, 2016

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*By Justin L. Smith at 9:08 am, Jan 04, 2017*

DIXON, WALLER & CO., INC.

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OTERO COUNTY SCHOOL  
DISTRICT NUMBER 3J

FINANCIAL STATEMENTS

JUNE 30, 2016

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OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
ROSTER OF SCHOOL OFFICIALS  
June 30, 2016

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BOARD OF EDUCATION

Damon Carroll	President
Casey Williams	Vice-President
William Hodges Jr.	Secretary
Steve Bauserman	Treasurer
Jeremy Horn	Member

SCHOOL OFFICIALS

Thomas Wilke	Superintendent
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FINANCIAL SECTION

164 E. MAIN  
TRINIDAD, COLORADO 81082  
(719) 846-9241 FAX (719) 846-3352

INDEPENDENT AUDITOR'S REPORT

Board of Education  
Otero County School District Number 3J  
Manzanola, Colorado 81058

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Otero County School District Number 3J, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Otero County School District Number 3J, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance 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, and pension trend data on pages i through xii and 34 through 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Otero County School District Number 3J's basic financial statements. The other schedules and state required schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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



Trinidad, Colorado  
November 17, 2016

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**Otero County, Colorado, School District Number 3J  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016**

This section of the Otero County, Colorado, School District Number 3J's annual financial report offers readers of the District's financial statements a discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information furnished in the District's financial statements, which immediately follow this section.

**Financial Highlights**

- Program specific revenues in the form of charges for services, operating grants and contributions, and capital contributions accounted for 292,845 or approximately 16% of total revenues of \$1,909,601.
- The District had \$2,335,525 in expenses related to governmental activities; only \$292,845 of these expenses were offset by program specific charges for services, operating grants and contributions and capital grants and contributions. General revenues, primarily state equalization payments and property taxes of \$1,909,601 were not quite adequate to provide for these programs so fund balance was used to cover the overage.
- Among major funds, the general fund had \$1,909,601 in revenues and \$2,335,525 in expenditures. The general fund's fund balance decreased from \$1,186,202 to \$1,144,771. A difference of \$41,431.
- Enrollment of the District decreased 8 students to a full-time equivalent (FTE) of 128.5 students.
- Outlays for capital assets were primarily comprised of building improvements, computers and related equipment. See the Capital Assets section of this management's discussion and analysis for more information.
- The District decreased its outstanding long-term debt to \$23,156 for the current years compensated absences and paid vacation.

**Overview of the Financial Statements**

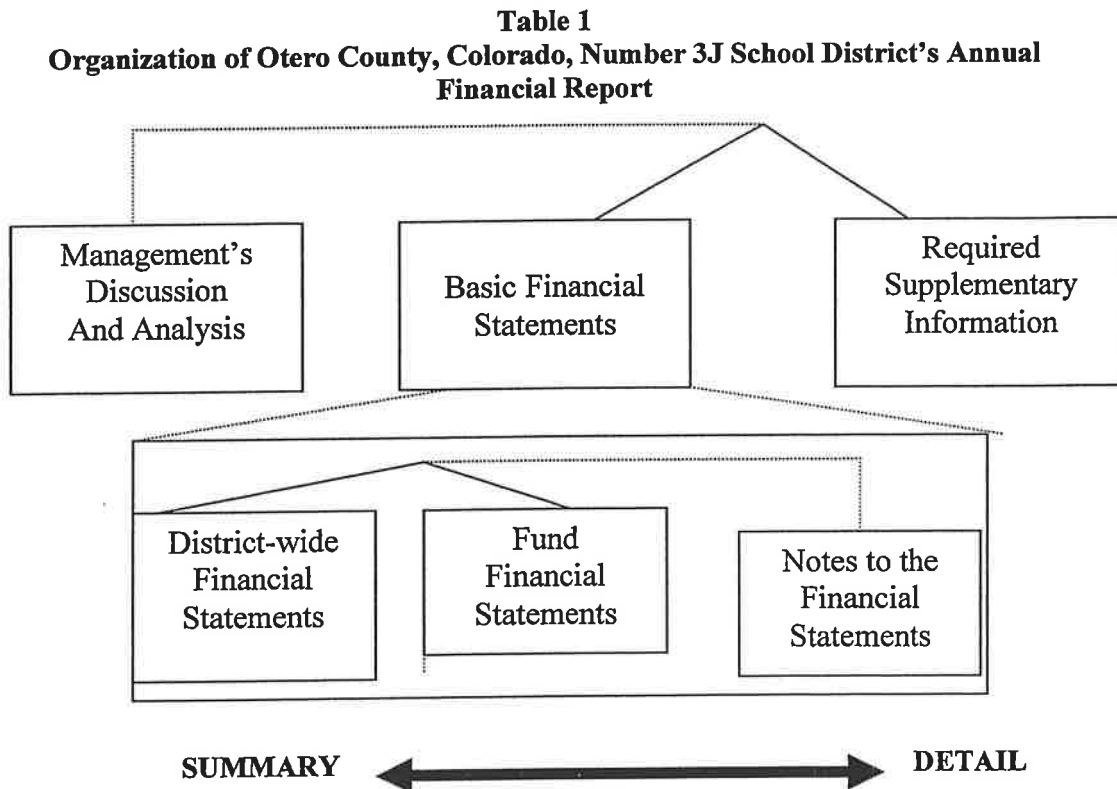
This annual financial report consists of three parts: management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District.

**Otero County, Colorado, School District Number 3J  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016**

- 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.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements 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.

Detailed in the following diagram are how the various parts of this annual report are arranged and related to one another.



**Otero County, Colorado, School District Number 3J  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016**

Table 2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of the overview section of management's discussion and analysis highlights the structure and contents of each of the two types of financial statements, district wide and fund, found in the basic financial statements.

**Table 2  
Major Features of the District-Wide and Fund Financial Statements**

	District-wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required Financial Statements	Statement of net position  Statement of Activities	Balance Sheet  Statement of revenues, expenditures, and changes in fund balances	Statement of fiduciary net position  Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can

**Otero County, Colorado, School District Number 3J  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016**

Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid
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**District-wide Statements**

The district-wide statements are designed to provide readers a broad overview of Otero County, Colorado, School District Number 3J's finances, in a manner similar to a private-sector business. The statement of net position includes all of the District's assets and liabilities. 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 district-wide financial statements are designed to provide readers a broad overview of Otero County, Colorado School District Number 3J's finances, in a manner similar to a private-sector business. These statements provide both short-term and long-term information about the District's overall financial status.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Otero County, Colorado, School District Number 3J is improving or deteriorating. To assess the District's overall health, you need to consider additional non-financial factors such as the condition of school building and other facilities.

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

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

**Otero County, Colorado, School District Number 3J  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016**

**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 by state law and bond covenants. Other funds control and manage money for particular purposes (such as federal grants). The District's funds are divided into two categories: governmental funds and fiduciary funds.

- **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) inflows and outflows of cash and other financial assets and (2) balances remaining at year-end which are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine financial resources that may be available in the near term to finance the District's programs. Because this information does not encompass the long-term focus of the district-wide statements, a reconciling schedule is included on the governmental funds statements explaining the relationship (or difference) between them.

Otero County, Colorado, School District Number 3J maintains a governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for this fund. Included in the required supplementary information section is budget-to-actual information for this fund.

- **Fiduciary funds:** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The District is responsible for ensuring the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

The District currently has one fiduciary fund, the club activity fund. The fund is used to account for student club activities.

**Otero County, Colorado, School District Number 3J  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016**

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This includes the budgetary comparison schedule for each of the major governmental funds showing original and final budgeted amounts compared to actual amounts

**General Fund Budgetary Highlights**

The actual expenditures were \$1,103,737 below budget, primarily because the District budgeted \$887,946 from fund balance for unplanned expenditures (contingency).

The fund balance as of June 30, 2016 (budgetary basis) was \$1,144,771, compared to \$1,186,202 as of June 30, 2015. 2016 includes \$60,100 for TABOR Amendment emergency reserves.

**Net Position and Changes in Net Position**

The District's combined net position was lower on June 30, 2016, than they were the year before decreasing to (\$1,031,630). The net position of the governmental activities decreased because of the changes required with the districts portion of the net pension obligation for PERA in the amount of \$4,171,473. Table 3 provides a summary of the District's net position at June 30, 2016.

**Otero County, Colorado, School District Number 3J  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016**

**Table 3  
Condensed Statement of Net Position**

NET POSITION	2016			2015		
	Governmental Activities	Business Type Activities	Total	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>						
Current and Other Assets	1,401,714	-	1,401,714	1,437,560	-	1,437,560
Capital Assets - Net	1,831,311	-		1,855,338	-	
Deferred Outflows	515,279	-	515,279	187,053	-	187,053
Total Assets and Flows	<u>3,748,304</u>	<u>-</u>	<u>3,748,304</u>	<u>3,479,951</u>	<u>-</u>	<u>3,479,951</u>
<b>LIABILITIES</b>						
Current and Other Liabilities	4,420,148	-	4,420,148	4,207,299	-	4,207,299
Long Term Liabilities	-	-		-	-	
Deferred Inflows	349,786	-	349,786	240	-	240
Total Liabilities and Flows	<u>4,769,934</u>	<u>-</u>	<u>4,769,934</u>	<u>4,207,539</u>	<u>-</u>	<u>4,207,539</u>
<b>NET POSITION</b>						
Net Investment in Capital Assets	1,821,311	-	1,821,311	1,855,338	-	1,855,338
Restricted for:						
Tabor Reserve	60,100	-	60,100	63,800	-	63,800
Food Service	17,124	-	17,124	13,190	-	13,190
Debt	-	-	-	-	-	-
Unrestricted	<u>(2,930,165)</u>	<u>-</u>	<u>(2,930,165)</u>	<u>(2,659,916)</u>	<u>-</u>	<u>(2,659,916)</u>
Total Net Position	<u>(1,031,630)</u>	<u>-</u>	<u>(1,031,630)</u>	<u>(727,588)</u>	<u>-</u>	<u>(727,588)</u>

At the end of the 2016 fiscal year, District assets as a whole decreased because of the change in the reporting of the net pension obligations for PERA. Table 4 provides a summary of the changes in net assets. Following Table 4 is specific discussion related to overall revenues and expenses.

**Otero County, Colorado, School District Number 3J  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016**

**Table 4  
Changes in Net Position from Operating Results**

Changes in Net Position	2016			2015		
	Governmental Activities	Business Type Activities	Total	Governmental Activities	Business Type Activities	Total
<b>Revenues</b>						
Charges for Services	10,658	-	10,658	10,877	-	10,877
Operating Grants and Contributions	262,478	-	262,478	227,695	-	227,695
Capital Grants and Contributions	19,709	-	19,709	197,973	-	197,973
Property taxes	206,078	-	206,078	188,270	-	188,270
Specific Ownership Taxes	40,428	-	40,428	36,181	-	36,181
Equalization	1,597,813	-	1,597,813	1,620,767	-	1,620,767
Earnings on investments	7,761	-	7,761	6,210	-	6,210
Other Revenues	57,521	-	57,521	59,318	-	59,318
Transfers	-	-	-	-	-	-
<b>TOTAL REVENUES</b>	<b>2,202,446</b>	<b>-</b>	<b>2,202,446</b>	<b>2,347,291</b>	<b>-</b>	<b>2,347,291</b>
<b>Expenses</b>						
Instructional services	1,198,634	-	1,198,634	1,171,878	-	1,171,878
Students	88,487	-	88,487	82,921	-	82,921
Instructional staff	143,758	-	143,758	152,111	-	152,111
District administration	169,303	-	169,303	180,506	-	180,506
School administration	158,765	-	158,765	175,780	-	175,780
Business	495	-	495	435	-	435
Operation and maintenance of facilities	270,480	-	270,480	301,828	-	301,828
Transportation	44,382	-	44,382	50,414	-	50,414
Central	52,976	-	52,976	47,198	-	47,198
Other Support	35,143	-	35,143	32,351	-	32,351
Community Services	13,176	-	13,176	8,161	-	8,161
Food Service	87,077	-	87,077	119,079	-	119,079
Capital outlay	-	-	-	-	-	-
Interest on Long Term Liabilities	-	-	-	-	-	-
Pension Expense	72,849	-	72,849	22,594	-	22,594
<b>TOTAL EXPENSES</b>	<b>2,335,525</b>	<b>-</b>	<b>2,335,525</b>	<b>2,345,256</b>	<b>-</b>	<b>2,345,256</b>
<b>Increase (Decrease in Net Position)</b>	<b>(133,079)</b>	<b>-</b>	<b>(133,079)</b>	<b>2,035</b>	<b>-</b>	<b>2,035</b>

**Otero County, Colorado, School District Number 3J  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016**

**Table 5  
Net (Expense) Revenue and Change in Net Positions**

Governmental Activities by Major Function	2016		2015	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instructional services	1198634	(1,005,360)	1171878	(1,000,604)
Supporting services:		-		-
Students	88487	(88,487)	82921	(82,921)
Instructional staff	143758	(143,758)	152111	(152,111)
District administration	169303	(169,303)	180506	(180,506)
School administration	158765	(158,765)	175780	(175,780)
Business	495	(495)	435	(435)
Operation and maintenance of facilities	270480	(241,195)	301828	(109,484)
Transportation	44382	(37,209)	50414	(50,414)
Central	52,976	(52,976)	47,198	(47,198)
Other Support	35,143	(35,143)	32,351	(32,351)
Community Services	13,176	(13,176)	8,161	(8,161)
Food Service	87,077	(23,964)	119,079	(46,152)
Capital outlay		-		-
Pension Expense	72,849	(72,849)	22,594	(22,594)
Total	<u>2,335,525</u>	<u>(2,042,680)</u>	<u>2,345,256</u>	<u>(1,908,711)</u>

Property taxes and per pupil state formula revenue (state equalization) account for most of the District's revenue.

The District's expenses predominantly relate to instruction and support services, which include support for students and instructional staff, administration, operations and maintenance, and transportation. Given that Otero County, Colorado, School District Number 3J is a service organization providing education services to students, the majority of the expenses are paid in the form of compensation (salaries and benefits) to the District's employees.

**Otero County, Colorado, School District Number 3J**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2016**

**Governmental Activities**

The primary source of operating revenue for school districts comes from the School Finance Act of 1994. Under this act, the District received \$13,523.84 per funded student. Funding for the School Finance Act comes from property taxes, specific ownership tax, and state equalization. The District receives approximately 85 percent of this funding from state equalization while the remaining amounts come from property tax and specific ownership tax.

The decrease in net position for governmental activities was \$133,079 in the 2016 fiscal year.

The governmental funds monitor cash resources and expenditures. No capitalized capital was incurred within the funds during the fiscal year. Capitalized capital expenditures are not considered an expense on the district-wide statement of activities. Rather, these costs are expensed over time as depreciation expense.

As reflected on the reconciliation of governmental funds revenues and expenditures to the district-wide statement of activities, the net difference between capital outlays and depreciation expense was (\$34,027) for the year ended June 30, 2016.

**Financial Analysis of District's Funds**

The strong financial position of the District as a whole is reflected in its governmental funds.

The general fund revenues (including transfers) did not exceed expenses, so there was a decrease in fund balance.

Even though the fund balance in the general fund decreased, this is not necessarily indicative of the District's overall financial strength. The General Fund Budgetary Highlights section of this analysis, details the components of the general fund's fund balance.

**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 District's budget for the general fund anticipated that expenditures would exceed revenues for fiscal year 2015-2016. The actual results for the year resulted in a decrease of \$41,431 in fund balance changing the ending fund balance to \$1,144,771.

**Otero County, Colorado, School District Number 3J  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016**

- Actual revenues were \$91,329 lower than anticipated.
- The actual expenditures were \$1,103,737 lower than budget.
- The District must maintain a 3% emergency reserve as a part of the TABOR Amendment (Taxpayer Bill of Rights). At June 30, 2016, the District's TABOR reserve amounted to \$60,100.
- The district's general fund transferred \$20,000 to help operate the food service fund.
- The District does not have multiple year contracts.

**Capital Assets and Debt Administration**

**Capital Assets**

By the end of fiscal year 2016, the District had not invested capitalized capital assets, including site improvements, vehicles and other equipment (See Table 6). Total depreciation expense for the year was \$117,284 for governmental funds.

**Table 6  
Capital Assets (Net of Depreciation)**

<u>Capital Assets ( Net of Depreciation )</u>	<u>Governmental 2015-2016</u>	<u>Governmental 2014-2015</u>
Land & Sites	26,840	26,840
Buildings & Improvements	1,755,017	1,777,454
Equipment & Vehicles	39,454	51,044
Total Capital Assets	<u>1,821,311</u>	<u>1,855,338</u>

**Long-Term Debt**

The District's long-term debt consists of accumulated unpaid sick leave as of June 30, 2016. Sick leave can be accumulated up to a maximum of 75 days. Sick leave is paid at 50% of substitute teacher pay if resignation is received prior to July 1 of the up coming school year or upon retirement.

**Otero County, Colorado, School District Number 3J  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016**

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

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

- Early projections for the fall of 2017 show District enrollment will likely drop by 5 or so students.
- The State of Colorado has experienced slowing economic conditions, which has a direct impact on the state's general fund revenues. Budget cuts at the State level will mean that the district will need to make cuts to balance the budget for the next few school years.
- The State issues report cards for every public school in the state. The report card gives each school a performance grade based on the PARCC Assessment tests given to all students in third through tenth grade.
- The assessed valuation for the District increased for the 2016 year compared to the 2015 year.

**Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Business Services, Otero County, Colorado, School District Number 3J, Rhonda Bohlander, Business Manager, P.O. Box 148, 301 South Catalpa, Manzanola, Colorado 81058.

BASIC FINANCIAL STATEMENTS

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
STATEMENT OF NET POSITION  
June 30, 2016

	Governmental Activities	Total
<u>ASSETS</u>		
Cash and Investments	1,205,696	1,205,696
Accounts Receivable	135,846	135,846
Receivables – Other	-	-
Accrued Revenue	37,306	37,306
Property Taxes Receivable	21,300	21,300
Inventories	1,566	1,566
Capital Assets	4,834,194	4,834,194
Accumulated Depreciation	(3,012,883)	(3,012,883)
<u>Total Assets</u>	<u>3,223,025</u>	<u>3,223,025</u>
<u>DEFERRED OUTFLOW OF RESOURCES</u>		
District Contributions Subsequent to Pension Measurement Date	105,502	105,502
Pension Outflows – Plan Level	409,777	409,777
Pension Outflows – Employer Level	-	-
<u>Total Deferred Outflow of Resources</u>	<u>515,279</u>	<u>515,279</u>
<u>LIABILITIES</u>		
Accounts Payable	38,923	38,923
Accrued Salaries	186,596	186,596
Compensated Absences	23,156	23,156
Net Pension Obligation	4,171,473	4,171,473
<u>Total Liabilities</u>	<u>4,420,148</u>	<u>4,420,148</u>
<u>DEFERRED INFLOW OF RESOURCES</u>		
Pension Inflows – Plan Level	59,124	59,124
Pension Inflows – Employer Level	290,662	290,662
<u>Total Deferred Inflow of Resources</u>	<u>349,786</u>	<u>349,786</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	1,821,311	1,821,311
Restricted for:		
TABOR Reserve	60,100	60,100
Food Service	17,124	17,124
Unrestricted	(2,930,165)	(2,930,165)
<u>TOTAL NET POSITION</u>	<u>(1,031,630)</u>	<u>(1,031,630)</u>

The accompanying notes are an integral part of these financial statements.

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
STATEMENT OF ACTIVITIES  
For The Year Ended June 30, 2016

	Program Revenues				Net (Expenses) Revenue and Changes in Net Position	
	Charges for Services	Operating Grants & Contributions	Capital Grants and Contributions	Primary Government		
Expenses				Governmental Activities	Total	
<b><u>FUNCTIONS/PROGRAMS</u></b>						
Instructional Services	1,198,634	193,274	-	(1,005,360)	(1,005,360)	
Supporting Services:						
Students	88,487	-	-	(88,487)	(88,487)	
Instructional Staff	143,758	-	-	(143,758)	(143,758)	
District Administration	169,303	-	-	(169,303)	(169,303)	
School Administration	158,765	-	-	(158,765)	(158,765)	
Business	495	-	-	(495)	(495)	
Operation & Maintenance of Facilities	270,480	-	19,709	(241,195)	(241,195)	
Transportation	44,382	7,173	-	(37,209)	(37,209)	
Central	52,976	-	-	(52,976)	(52,976)	
Other Support	35,143	-	-	(35,143)	(35,143)	
Community Services	13,176	-	-	(13,176)	(13,176)	
Food Services	87,077	62,031	-	(23,964)	(23,964)	
Capital Outlay	-	-	-	-	-	
Pension Expense	72,849	-	-	(72,849)	(72,849)	
<b>Total Governmental Activities</b>	<u>2,335,525</u>	<u>262,478</u>	<u>19,709</u>	<u>(2,042,680)</u>	<u>(2,042,680)</u>	
<b>Total School District</b>	<u>2,335,525</u>	<u>262,478</u>	<u>19,709</u>	<u>(2,042,680)</u>	<u>(2,042,680)</u>	
<b>General Revenues</b>						
Property Taxes Levied for General Purposes				206,078	206,078	
Specific Ownership Taxes				40,428	40,428	
Equalization				1,597,813	1,597,813	
Earnings on Investments				7,761	7,761	
Other Revenues				57,521	57,521	
Transfers				-	-	
<b>Total General Revenues &amp; Transfers</b>				<u>1,909,601</u>	<u>1,909,601</u>	
Change in Net Position				(133,079)	(133,079)	
Net Position, Beginning				(727,588)	(727,588)	
Prior Period Correction				(170,963)	(170,963)	
<b>Net Position, Ending</b>				<u>(1,031,630)</u>	<u>(1,031,630)</u>	

The accompanying notes are an integral part of these financial statements.

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2016

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>			
Cash and Investments	1,195,101	10,595	1,205,696
Accounts Receivable	126,830	9,016	135,846
Accrued Revenue	37,306	-	37,306
Due From Other Funds	-	-	-
Property Taxes Receivable	21,300	-	21,300
Inventories	-	1,566	1,566
<u>Total Assets</u>	<u>1,380,537</u>	<u>21,177</u>	<u>1,401,714</u>
<b><u>LIABILITIES</u></b>			
Accounts Payable	38,923	-	38,923
Accrued Salaries	182,543	4,053	186,596
Due To Other Funds	-	-	-
Other Payables	-	-	-
<u>Total Liabilities</u>	<u>221,466</u>	<u>4,053</u>	<u>225,519</u>
<b><u>DEFERRED INFLOW OF RESOURCES</u></b>			
Deferred Property Taxes	14,300	-	14,300
<b><u>FUND BALANCES</u></b>			
Nonspendable:			
Inventories	-	1,566	1,566
Restricted for:			
Emergencies	60,100	-	60,100
Food Service	-	15,558	15,558
Unassigned	1,084,671	-	1,084,671
<u>Total Fund Balances</u>	<u>1,144,771</u>	<u>17,124</u>	<u>1,161,895</u>
<b><u>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u></b>			
	<u>1,380,537</u>	<u>21,177</u>	<u>1,401,714</u>

The accompanying notes are an integral part of these financial statements.

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET  
TO STATEMENT OF NET POSITION  
June 30, 2016

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

<u>Total Fund Balance – Governmental Funds</u>	1,161,895
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$4,834,194 and the accumulated depreciation is \$3,012,883.	1,821,311
Property tax revenue is recognized when earned (claim to resources established) rather than when “available.” All of the deferred property tax revenue is not available.	14,300
Compensated absences are not reported as a liability in the funds.	(23,156)
The Districts portion of the net pension obligation for PERA is reported on the statement of net position is not reported as a liability in the funds.	(4,171,473)
Deferred flows for contributions made toward the net pension obligation from December 31, 2015 until June 30, 2016 is not reported in the funds.	105,502
Deferred employer and plan level pension flows are not reported in the funds.	<u>59,991</u>
<u>TOTAL NET POSITION – GOVERNMENTAL ACTIVITIES</u>	<u>(1,031,630)</u>

The accompanying notes are an integral part of these financial statements.

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – GOVERNMENTAL FUNDS  
For The Year Ended June 30, 2016

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>REVENUES</u>			
Property Taxes	200,578	-	200,578
Specific Ownership Taxes	40,428	-	40,428
Earnings on Investments	7,733	27	7,760
Other Local Sources	63,886	4,473	68,359
State Aid	1,683,885	1,311	1,685,196
Federal Aid	<u>134,084</u>	<u>60,541</u>	<u>194,625</u>
<u>Total Revenues</u>	<u>2,130,594</u>	<u>66,352</u>	<u>2,196,946</u>
<u>EXPENDITURES</u>			
Current:			
Instructional Services	1,098,058	-	1,098,058
Supporting Services:			
Students	88,487	-	88,487
Instructional Staff	153,758	-	153,758
District Administration	163,465	-	163,465
School Administration	158,765	-	158,765
Business	495	-	495
Operation & Maintenance of Facilities	303,762	-	303,762
Transportation	44,237	-	44,237
Central	52,976	-	52,976
Other Support	35,143	-	35,143
Community Service	13,176	-	13,176
Facility	39,703	-	39,703
Food Service	-	84,434	84,434
Debt Service:			
Principal Retirement	-	-	-
Interest and Fiscal Charges	-	-	-
Capital Outlay	-	-	-
<u>Total Expenditures</u>	<u>2,152,025</u>	<u>84,434</u>	<u>2,236,459</u>
<u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u>	<u>(21,431)</u>	<u>(18,082)</u>	<u>(39,513)</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers	<u>(20,000)</u>	<u>20,000</u>	<u>-</u>
<u>Total Other Financing Sources (Uses)</u>	<u>(20,000)</u>	<u>20,000</u>	<u>-</u>
<u>NET CHANGE IN FUND BALANCES</u>	(41,431)	1,918	(39,513)
<u>FUND BALANCES – Beginning</u>	<u>1,186,202</u>	<u>15,206</u>	<u>1,201,408</u>
<u>FUND BALANCES – Ending</u>	<u>1,144,771</u>	<u>17,124</u>	<u>1,161,895</u>

The accompanying notes are an integral part of these financial statements.

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
 For The Year Ended June 30, 2016

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

Net Change in Fund Balances – Total Governmental Funds (39,513)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more the \$5,000 are capitalized and the cost is allocated over their estimated used lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital Outlays more than \$5,000	83,257	
Depreciation Expense	<u>(117,284)</u>	(34,027)

Property tax revenues received prior to the year for which the are being levied or are not “available” at year end are reported as deferred revenue in the governmental funds. They are, however, recorded as revenue in the statement of activities. Deferred property tax revenues increased this year. 5,500

In the statement of activities compensated absences are measured by the amounts earned During the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amount paid). During the year, compensated absences decreased by this amount. 7,810

The statement of activities reports net pension obligation which is not reported in the fund financial statements.

Change in net pension obligation		(222,492)
Deferred flows from net pension obligation		<u>149,643</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES (133,079)

The accompanying notes are an integral part of these financial statements.

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
STATEMENT OF FIDUCIARY NET POSITION  
PUPIL ACTIVITY TRUST AND AGENCY FUND  
June 30, 2016

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	<u>Pupil Activity Fund</u>
<u>ASSETS</u>	
Cash and Investments	24,183
Due From Other Funds	-
<u>Total Assets</u>	<u>24,183</u>
 <u>LIABILITIES</u>	
Accounts Payable	-
Deposits Held for Others	24,183
<u>Total Liabilities</u>	<u>24,183</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2016

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NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Otero County School District Number 3J (District) conform with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

The District operates under an elected Board of Education with five members.

The District is the lowest level of government, which is considered to be financially accountable over all activities related to public school education in Otero County School District Number 3J. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. The Board of Education members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

A.      Reporting Entity

Governmental Accounting Standards board (GASB) Statement No. 14 (as amended by Statements No. 34, No. 39 and No.61), "*The Financial Reporting Entity*" (GASB No. 14) describes the financial reporting entity as it relates to governmental accounting. According to this Statement, the financial reporting entity consists of a) the primary government, b) organizations for which the primary government is financially accountable, and c) other organizations whose exclusion from the reporting entity's financial statements would cause those statements to be misleading or incomplete.

Any organizations that can be described by these last two items are included with the primary government in the financial statements as component units.

This District is not included in any other governmental "reporting entity" as defined in GASB No. 14 and does not include any other component unit as part of its "reporting entity". As required by accounting principles generally accepted in the USA, these basis financial statements present the District (the primary government) and its component units.

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2016

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NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B.      Government-Wide and Fund Financial Statements

The Government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds (General Fund) and individual enterprise funds are reported as separate columns in the fund financial statements.

C.      Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the District's governmental and business-type activities. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2016

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NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C.      Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, operating statements present increases and decreases in net current assets and unassigned fund balance as a measure of available spendable resources. This means that only current liabilities are generally included on their balance sheets.

Amounts reported as program revenues included 1) charges to customers or applicants for goods, services or privileges provided 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

All governmental fund types use the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. Revenues are considered to be available to collect within 60 days after year-end.

Property and automotive ownership taxes are reported as receivables and deferred revenue when levied and as revenues when due for collection in the following year and determined to be available.

Grants and entitlement revenues are recognized when compliance with matching requirements is met. A receivable is established when the related expenditures exceed revenue receipts.

Expenditures are recorded when the related fund liability is incurred with the exception of general obligation and capital lease debt service which is recognized when due and certain accrued sick and personal pay which are accounted for as expenditures when expected to be liquidated with expendable available financial resources.

Proprietary fund types are accounted for on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. The measurement focus in these funds is on the flow of economic resources and emphasizes the determination of net income. All assets and all liabilities associated with their activity are included on their statements of net position. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total position.

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2016

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NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C.      Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing goods and services in connection with a proprietary fund's ongoing operations. The principal operating revenues of the District's proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources, as they are needed.

D.      Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be 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, deferred flows, fund equity, revenues and expenditures, or expenses, as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The major funds presented in the accompanying basic financial statements are as follows:

- Major Governmental Funds
  1. General Fund – the general operating fund of the District; used to account for all resources that are not required legally or by sound financial management to be accounted for in another fund.

Additionally, the District reports the following fund type:

The Student Activity Fund – this fund is used to account for the activities of student clubs and organizations held in a fiduciary capacity by the District.

E.      Cash and Investments

Cash represents amounts on deposit with financial institutions or held by the District. The District is allowed to invest in the following types of investments: short-term certificates of deposit, repurchase agreements, money market deposit accounts, mutual funds, government pools, and U.S. Treasury Obligations. The District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2016

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NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E.      Cash and Investments (Continued)

Investments are recorded at fair value in accordance with GASB Statement No. 72 *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

F.      Receivables

Property taxes levied in 2015 but uncollected in 2016 are identified as property taxes receivable. Amounts of property taxes that are not available at June 30, 2016 are recorded as deferred revenue, and are presented net of an allowance for uncollectible taxes. Program grants are recorded as receivables and revenues at the time reimbursable project costs are incurred.

G.      Inventories

Materials and supplies inventories are stated at cost. Inventories recorded in the Food Services Fund consist of purchased and donated commodities. Purchased inventories are stated at cost. Donated inventories, received at no cost under a program supported by the Federal Government, are recorded at their estimated fair value at the date of receipt.

The cost of all inventories is recorded as an asset when the individual inventory items are purchased, and as an expenditure or expense when consumed.

H.      Capital Assets

Capital assets, which include property, vehicles and equipment, are utilized for general District operations and are capitalized at actual or estimated cost. Donations of such assets are recorded at estimated fair value at the time of donation. Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Maintenance, repairs, and minor renovations are recorded as expenditures when incurred. Major additions and improvements are capitalized. When assets used in the operation of the governmental fund types are sold, the proceeds of the sale are recorded as revenues in the appropriate fund. The District does not capitalize interest on the construction of capital assets in governmental funds. However, the District does capitalize interest on the construction of capital assets in business-type activities.

The monetary threshold for capitalization of assets is \$5,000. The District's capital assets are depreciated using the straight-line method over the estimated useful lives of the fixed assets (5-40 years). Depreciation of all capital assets is charged as an expense against their operations. Depreciation is recorded in the year of acquisition and any remaining depreciation is recorded in the year of disposition.

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2016

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NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I.      Long Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or proprietary fund type statement of net position. The District records long-term debt of governmental funds at the face value. General Obligation Bonds are serviced from property taxes and other revenues of the Debt Service Fund. Capital leases are serviced from property taxes and other revenues of the General Fund. The long-term accumulated unpaid accrued sick leave is serviced from property taxes and other revenues by the respective fund type from future appropriations.

J.      Constitutional Amendment

In November 1992, Colorado voters approved Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR contains revenue, spending, tax and debt limitations, which apply to the State of Colorado and local governments. It requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of an expiring tax, or tax policy change directly causing a net tax revenue gain to any entity.

On November 7, 1995 voters approved a ballot question which stated that the District is authorized to collect, retain and expend all revenues including grants and other funds collected during 2000-01 budget year and each subsequent year from any source, notwithstanding the limitations of Article x, Section 20 of the Colorado constitution, provided, however, that no property tax mill levy be increased at any time nor shall any new tax be imposed without the prior approval of the voters.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future years. TABOR requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be three percent or more of fiscal year spending (excluding bonded debt service). As of June 30, 2016, the District reserved \$60,100 for this purpose.

Spending and revenue limits are determined based on the prior fiscal year's spending adjusted for inflation in the prior calendar year plus annual increases in funded student enrollment. Fiscal year spending is generally defined as expenditures and reserve increases with certain exceptions.

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2016

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NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K.      Property Taxes

Under Colorado law, all property taxes are due and payable in the year following the year levied. The 2015 property tax calendar for Las Animas County was as follows:

Levy Date	December 15, 2015
Lien Date	January 1, 2016
Tax Bills Mailed	January 1, 2016
First Installment Due	February 28, 2016
Second Installment Due	June 15, 2016
If Paid in Full, Due	April 30, 2016
Tax Sale – 2014 Delinquent Property Taxes	December 1, 2015

L.      Accumulated Sick and Vacation Leave

Compensated absences are made up of accumulated sick and vacation leave reported as non-current liabilities in the government-wide financial statements. As of June 30, 2016, the District has recorded an estimated liability of \$23,156 relating to accrued sick and vacation leave payable.

A summary of changes in compensated absences is as follows:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
<u>Accumulated Sick and Vacation Leave:</u>				
Governmental Activities	<u>30,966</u>	<u>-</u>	<u>7,810</u>	<u>23,156</u>

M.      Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2016

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NOTE 1    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N.        GASB Statement No. 54

The Government Accounting Standards Board (GASB) has issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54). This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below.

1. Nonspendable such as fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned).
2. Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
3. Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School District Board of Directors (the District's highest level of decision-making authority).
4. Assigned fund balance classification is intended to be used by the government for specific purposes that do not meet the criteria to be classified as restricted or committed.
5. Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

Fund Balance Classification Policies and Procedures

Committed Fund Balance Policy:

The District's Committed Fund Balance is fund balance reporting required by the School Board, either because of a School Board Policy in the School Board Policy Manual, or because of motions that passed at School Board meetings.

Assigned Fund Balance Policy:

The District's Assigned Fund Balance is fund balance reporting occurring by School Board Administration authority, under the direction of the Chief Business Officer.

Order of Fund Balance Spending Policy

The District's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year by adjusting journal entries.

First, non-spendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then unrestricted fund balances are determined following the order of committed, assigned, and unassigned.

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2016

NOTE 1    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N.    GASB Statement No. 54 (Continued)

Fund Balance Classification by Fund:

	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Total Governmental Funds</u>
<u>Nonspendable:</u>	-	1,566	1,566
<u>Restricted:</u>			
Emergencies	60,100	-	60,100
Food Service	-	15,558	15,558
<u>Assigned:</u>	-	-	-
<u>Unassigned:</u>	<u>1,084,671</u>	<u>-</u>	<u>1,084,671</u>
 <u>Total Fund Balances</u>	 <u>1,144,771</u>	 <u>17,124</u>	 <u>1,161,895</u>

O.    Deferred Outflows / Inflows of Resources

In addition to assets, the statement of financial position and the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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

NOTE 2    RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The governmental funds balance sheet includes a reconciliation between *fund balances – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. Additionally, the governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balances – total government funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities.

These reconciliations detail items that require adjustment to convert from the current resources measurement and modified accrual basis for governmental fund statements to the economic resources measurement and full accrual basis used for government-wide statements. However, certain items having no effect on measurement and basis were eliminated from the government fund statements during the consolidation of governmental activities.

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2016

NOTE 2      RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS  
 (Continued)

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	-	20,000
Food Service	<u>20,000</u>	-
	<u>20,000</u>	<u>20,000</u>

NOTE 3      BUDGETARY INFORMATION

Revenues and expenditures are controlled by budgetary accounting systems in accordance with various legal requirements. The budgeted revenues and expenditures represent the original adopted budget as subsequently adjusted by the Board of Education in accordance with Colorado School Laws. Budgets are generally prepared on the same basis as that used for accounting purposes.

The District has set procedures to be followed in establishing the budgetary data reflected in the financial statements:

1. Prior to June 1, the Business Manager 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.
2. Public notices are released to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted through passage of a resolution.
4. The Business Manager is authorized to transfer budgeted amounts between categories within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.
5. Formal budgetary integration should be employed as a management control device during the year for the General Fund and Special Revenue Funds.
6. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgets have been adopted for Trust and Agency Funds.

All appropriations lapse at the end of each fiscal year. Authorization to transfer budgeted amounts between programs and/or departments within any fund and the reallocation of budget line items within any program and/or department rests with the Superintendent of Schools and may be delegated to an appropriate level of management. Revisions and/or supplemental appropriations that alter the total expenditures of any fund must be approved by the Board of Education.

Budgetary amounts reported in the accompanying basic financial statements are as originally adopted and amended by the Superintendent and/or the Board of Education throughout the year.

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2016

NOTE 4     CASH AND INVESTMENTS

Deposits

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

At June 30, 2016, the District's bank balance and corresponding carrying balance were as follows:

	<u>Carrying Balance</u>	<u>Bank Balance</u>
Insured (FDIC)(SIPC)	500,000	500,000
Uninsured, Collateralized under the Public Deposit Protection Act of the State of Colorado	719,154	754,319
Cash with County Treasurer	10,275	-
Cash on Hand	<u>450</u>	<u>-</u>
<u>Total Cash and Deposits</u>	<u>1,229,879</u>	<u>1,254,319</u>

As presented above, deposits with a bank balance of \$754,319 and a carrying balance of \$719,154 as of June 30, 2016 are uninsured, are exposed to custodial risk, and are collateralized with securities held by the pledging financial institution.

Investments

The types of investment which are authorized to be made with District funds are controlled by state statute and the investment policies of the District. Colorado statutes and the District's investment policies specify investment instruments meeting defined rating and risk criteria in which the District may invest:

- Obligations of the United States and certain U.S. government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Local government investment pools
- Repurchase agreements
- Money market funds
- Guaranteed investment contracts
- Corporate or bank debt issued by eligible corporations or banks

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2016

NOTE 5      CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Balance</u> <u>June 30, 2016</u>
<u>Governmental Activities</u>					
<u>Capital Assets Not Being Depreciated</u>					
Land	26,840	-	-	-	26,840
Construction in Progress	<u>40,936</u>	-	-	(40,936)	-
<u>Total Capital Assets Not Being Depreciated</u>	<u>67,776</u>	-	-	(40,936)	<u>26,840</u>
<u>Capital Assets Being Depreciated:</u>					
Building & Site Improvements	3,471,493	73,257	-	40,936	3,585,686
Equipment	856,365	10,000	-	-	866,365
Vehicles	299,641	-	-	-	299,641
Food Service	<u>55,662</u>	-	-	-	<u>55,662</u>
<u>Total Capital Assets Being Depreciated</u>	<u>4,683,161</u>	<u>83,257</u>	-	<u>40,936</u>	<u>4,807,354</u>
<u>Less Accumulated Depreciation:</u>					
Building & Site Improvements	1,734,975	95,694	-	-	1,830,669
Equipment	819,341	18,802	-	-	838,143
Vehicles	299,496	145	-	-	299,641
Food Service	<u>41,787</u>	<u>2,643</u>	-	-	<u>44,430</u>
<u>Total Accumulated Depreciation</u>	<u>2,895,599</u>	<u>117,284</u>	-	-	<u>3,012,883</u>
<u>Total Capital Assets Being Depreciated, Net</u>	<u>1,787,562</u>	<u>(34,027)</u>	-	<u>40,936</u>	<u>1,794,471</u>
<u>Governmental Activities Capital Assets, Net</u>	<u>1,855,338</u>	<u>(34,027)</u>	-	-	<u>1,821,311</u>

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

<u>Governmental Activities:</u>	
Instruction	108,386
General Administration Support	5,838
Operations and Maintenance	272
Transportation	145
Food Service	<u>2,643</u>
<u>Total Depreciation Expense – Governmental Activities</u>	<u>117,284</u>

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2016

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NOTE 6      PENSION PLAN

**Defined Benefit Pension Plan**

Summary of Significant Accounting Policies

Pensions. Otero County School District Number 3J 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.

General Information about the Pension Plan

Plan description. Eligible employees of the Otero County School District Number 3J 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/investment/pera-financial-reports](http://www.copera.org/investment/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. 24-51-601, 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.

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2016

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NOTE 6      PENSION PLAN (Continued)

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

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

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

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

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 and all benefit recipients of the DPS benefit structure receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve for the SCHDTF.

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

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

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2016

**NOTE 6**      PENSION PLAN (Continued)

*Contributions.* Eligible employees and Otero County School District Number 3J 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, 2015	For the Year Ended December 31, 2016
Employer Contribution Rate	10.15 %	10.15 %
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. 24-51-208 (1) (f)	(1.02)%	(1.02)%
Amount Apportioned to the SCHDTF	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. 24-51-411	4.20%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. 24-51-411	4.00%	4.50%
Total Employer Contribution Rate to the SCHDTF	17.33%	18.13%

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the Otero County School District Number 3J is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from Otero County School District Number 3J were \$203,900 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 Otero County School District Number 3J reported a liability of \$4,171,473 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 Otero County School District Number 3J proportion of the net pension liability was based on Otero County School District Number 3J 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 Otero County School District Number 3J proportion was 0.0273 percent, which was a decrease of 0.0019 from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016, the Otero County School District Number 3J recognized pension expense of \$72,849. At June 30, 2016, the Otero County School District Number 3J reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2016

NOTE 6 PENSION PLAN (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	55,085	(174)
Changes of assumptions or other inputs	0	(58,950)
Net difference between projected and actual earnings on pension plan investments	354,692	0
Changes in proportion and differences between contributions recognized and proportionate share of contributions	0	(290,662)
Contributions subsequent to the measurement date	105,502	N/A
Total	515,279	(349,786)

\$105,502 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, 2016. 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, 2016	
2017	(40,225)
2018	(21,198)
2019	48,681
2020	72,733
2021	-
Thereafter	-

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

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

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2016

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NOTE 6      PENSION PLAN (Continued)

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

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

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

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

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

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:

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2016

NOTE 6      PENSION PLAN (Continued)

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to increase annually at a rate of 3.9%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2016

NOTE 6      PENSION PLAN (Continued)

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

Based on the above actuarial cost method and assumptions, the SCHDTF’s fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

*Sensitivity of the Otero County School District Number 3J 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-percent-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	5,407,488	4,171,473	3,143,372

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

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2016

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NOTE 6      PENSION PLAN (Continued)

**Defined Contribution Pension Plan**

Voluntary Investment Program

*Plan Description* – Employees of the Otero County School District Number 3J that are also members of the SCHDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA, Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees, PERA issues a publicly available comprehensive annual financial report for the Plan. That report can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

*Funding Policy* – The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions and investment earnings. For the year ended June 30, 2016, program members contributed \$9,371.

**Other Post-Employment Benefits**

Health Care Trust Fund

*Plan Description* – The Otero County School District Number 3J 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](http://www.copera.org/investments/pera-financial-reports).

*Funding Policy* – The Otero County School District Number 3J is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the Otero County School District Number 3J 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 Otero County School District Number 3J contributions to the HCTF were \$11,727, \$12,458 and \$12,698, respectively equal to their required contributions for each year.

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2016

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NOTE 7      RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God.

The District maintains commercial insurance for all risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 8      COLORADO SCHOOL DISTRICT SELF INSURANCE POOL

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

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

The District's share in the Pool is not determinable from current information, but is estimated to be less than 1%. The District's share, if calculated, would not be material to the Pool's financial information at June 30, 2016.

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2016

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NOTE 8      COLORADO SCHOOL DISTRICT SELF INSURANCE POOL (Continued)

An audited summary of the Colorado School District's Pool financial information at December 31, 2015 (latest information available) follows:

Total Assets	<u>46,958,320</u>
Total Liabilities	<u>22,633,311</u>
Total Equity	<u>24,325,009</u>
Revenue	13,432,892
Underwriting Expenses	<u>16,484,758</u>
Underwriting Gain (Loss)	(3,051,866)
Net Investment Income	663,509
Other Income	<u>-</u>
Net Income (Loss) Before Dividend	(2,388,357)
Dividend	<u>-</u>
Net Income (Loss)	(2,388,357)
Transfer of Capital Contributions	-
Change in Non Admitted Assets	<u>95,339</u>
Capital Contributions from Members	<u>-</u>
Unassigned Surplus	<u>24,325,009</u>

NOTE 9      FOOD INVENTORIES

Food Service Fund inventories at June 30, 2016, consisted of purchased, non-food and donated commodities amounting to \$429, \$69 and \$1,068, respectively. Purchased inventories are stated at cost. Donated inventories, received at no cost under a program supported by the United States Government, are recorded at their estimated fair market value at the date of receipt.

NOTE 10      ACCRUED SALARIES AND BENEFITS

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve month period from September to August, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, at June 30, 2016 are estimated to be \$186,596. Accordingly, the accrued compensation is reflected as a liability in the accompanying financial statements of the various funds.

NOTE 11      LITIGATION

None.

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2016

NOTE 12     SUMMARY DISCLOSURE OF SIGNIFICANT COMMITMENTS AND CONTINGENCIES

Claims and Judgments - The District participates in a number of federal, state and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2016, significant amounts of grant expenditures have not been audited by the grantor but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual government funds or the overall financial position of the District.

NOTE 13     JOINT VENTURES AND RELATED PARTIES

Not reflected in the accompanying financial statements is the District's participation in the South Central Board of Cooperative Educational Services (BOCES). The BOCES is an organization that provides member districts educational services at a shared lower cost per District.

The District has one member on the Board. The Board has final authority for all budgeting and financing of the joint venture. The District's share of the joint venture is not determinable at June 30, 2016. The joint venture summary audited financial information as of June 30, 2015 is as follows:

Assets and Deferred Outflows	<u>2,480,068</u>
Liabilities and Deferred Inflows	<u>6,846,498</u>
Net Position	<u>(4,366,430)</u>
Revenues	3,389,502
Expenditures	<u>2,694,018</u>
Change In Net Position	<u>695,484</u>

The BOCES is not included as a component unit of the District as the financial responsibility is minimal, there is no financial interdependency, the District does not have the ability to significantly influence the operations of the BOCES and the District is not accountable for fiscal matters of the BOCES. The BOCES is audited annually and files a report with the Colorado State Auditor's Office.

NOTE 14     INTERFUND BALANCES AND TRANSFERS

<u>TRANSFERS</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	-	20,000
Food Service Fund	<u>20,000</u>	<u>-</u>
	<u>20,000</u>	<u>20,000</u>

Transfers were made from the General Fund to the Food Service Fund for the purpose of assisting operations.

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2016

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NOTE 15      PRIOR PERIOD CORRECTION

A prior period correction of \$170,963 was recorded to reflect an employer level pension flow for the change in the employer's allocation percentage on collective net pension liability that was not recorded at June 30, 2015.

REQUIRED SUPPLEMENTARY INFORMATION

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
BUDGET (GAAP BASIS) AND ACTUAL  
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget- Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
<u>Local Sources</u>				
Property Taxes	192,073	192,073	200,578	8,505
Specific Ownership Taxes	38,501	38,501	40,428	1,927
Earnings on Investments	7,000	7,000	7,733	733
Delinquent Taxes and Interest	-	-	556	556
Other	48,440	48,440	63,330	14,890
<u>State Sources</u>				
Equalization	1,614,776	1,614,776	1,597,813	(16,963)
Transportation	7,000	7,000	7,173	173
Vocational Education	-	-	-	-
Special Education	-	-	-	-
Other	181,124	181,124	78,899	(102,225)
<u>Federal Sources</u>				
Other	133,009	133,009	134,084	1,075
<u>TOTAL REVENUES</u>	<u>2,221,923</u>	<u>2,221,923</u>	<u>2,130,594</u>	<u>(91,329)</u>
<u>EXPENDITURES</u>				
<u>Instruction</u>				
Regular Programs				
Salaries	772,758	772,758	757,818	14,940
Employees Benefits	233,960	233,960	215,070	18,890
Purchased Services-Professional	18,965	18,965	18,734	231
Purchased Services-Property	67,671	67,671	45,814	21,857
Purchased Services-Other	27,576	27,576	20,636	6,940
Supplies and Materials	44,164	44,164	35,824	8,340
Property	6,750	6,750	4,162	2,588
Other Objects	1,000	1,000	-	1,000
<u>Total Instruction</u>	<u>1,172,844</u>	<u>1,172,844</u>	<u>1,098,058</u>	<u>74,786</u>

The accompanying notes are an integral part of these financial statements.

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
BUDGET (GAAP BASIS) AND ACTUAL  
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget- Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
<u>Supporting Services</u>				
<u>Student Supporting Services</u>				
Salaries	67,155	67,155	68,684	(1,529)
Employee Benefits	16,250	16,250	17,283	(1,033)
Purchased Services – Professional	900	900	-	900
Purchased Services – Other	630	630	516	114
Supplies and Materials	2,970	2,970	2,004	966
Property	-	-	-	-
<u>Total Student Services</u>	<u>87,905</u>	<u>87,905</u>	<u>88,487</u>	<u>(582)</u>
<u>Instructional Staff</u>				
Salaries	92,411	92,411	89,502	2,909
Employee Benefits	37,623	37,623	36,021	1,602
Purchased Services – Professional	15,578	15,578	7,248	8,330
Purchased Services – Property	3,400	3,400	2,350	1,050
Purchased Services – Other	180	180	-	180
Supplies and Materials	5,025	5,025	3,632	1,393
Property	-	-	10,000	(10,000)
Other Objects	-	-	5,005	(5,005)
<u>Total Instructional Staff</u>	<u>154,217</u>	<u>154,217</u>	<u>153,758</u>	<u>459</u>
<u>General Administration</u>				
Salaries	95,800	95,800	103,000	(7,200)
Employee Benefits	26,366	26,366	27,803	(1,437)
Purchased Services-Professional	14,400	14,400	12,447	1,953
Purchased Services – Property	3,200	3,200	2,939	261
Purchased Services-Other	8,460	8,460	9,313	(853)
Supplies and Materials	1,800	1,800	2,810	(1,010)
Other Objects	4,050	4,050	5,153	(1,103)
<u>Total General Administration</u>	<u>154,076</u>	<u>154,076</u>	<u>163,465</u>	<u>(9,389)</u>
<u>School Administration</u>				
<u>Office of the Principal</u>				
Salaries	131,738	131,738	108,372	23,366
Employee Benefits	41,060	41,060	39,329	1,731
Purchased Services - Property	14,000	14,000	9,929	4,071
Purchased Services – Other	1,530	1,530	-	1,530
Supplies and Materials	1,180	1,180	1,135	45
Property	500	500	-	500
Other Objects	1,260	1,260	-	1,260
<u>Total School Administration</u>	<u>191,268</u>	<u>191,268</u>	<u>158,765</u>	<u>32,503</u>

The accompanying notes are an integral part of these financial statements.

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
BUDGET (GAAP BASIS) AND ACTUAL  
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Supporting Services (Continued)</u>				
<u>Business Services</u>				
Purchased Services-Professional	550	550	495	55
<u>Total Business Services</u>	<u>550</u>	<u>550</u>	<u>495</u>	<u>55</u>
<u>Operations and Maintenance</u>				
Salaries	81,000	81,000	64,716	16,284
Employees Benefits	30,500	30,500	21,498	9,002
Purchased Services-Property	57,550	57,550	39,907	17,643
Purchased Services-Other	2,900	2,900	1,862	1,038
Supplies and Materials	149,700	149,700	160,640	(10,940)
Property	<u>32,000</u>	<u>32,000</u>	<u>15,139</u>	<u>16,861</u>
<u>Total Operations and Maintenance</u>	<u>353,650</u>	<u>353,650</u>	<u>303,762</u>	<u>49,888</u>
<u>Student Transportation</u>				
Salaries	20,000	20,000	15,147	4,853
Employee Benefits	3,945	3,945	2,325	1,620
Purchased Services – Professional	5,610	5,610	3,365	2,245
Purchased Services – Property	13,770	13,770	10,836	2,934
Purchased Services-Other	4,780	4,780	4,678	102
Supplies and Materials	<u>16,810</u>	<u>16,810</u>	<u>7,886</u>	<u>8,924</u>
<u>Total Student Transportation</u>	<u>64,915</u>	<u>64,915</u>	<u>44,237</u>	<u>20,678</u>
<u>Central Support</u>				
Salaries	7,310	7,310	6,697	613
Employee Benefits	106	106	97	9
Purchased Services – Other	<u>46,000</u>	<u>46,000</u>	<u>46,182</u>	<u>(182)</u>
<u>Total Central Support</u>	<u>53,416</u>	<u>53,416</u>	<u>52,976</u>	<u>440</u>
<u>Other Support</u>				
Salaries	3,100	3,100	3,100	-
Employee Benefits	595	595	548	47
Purchased Services – Property	-	-	1,157	(1,157)
Purchased Services – Other	32,000	32,000	30,338	1,662
Supplies and Materials	<u>35,560</u>	<u>35,560</u>	<u>-</u>	<u>35,560</u>
<u>Total Other Support</u>	<u>71,255</u>	<u>71,255</u>	<u>35,143</u>	<u>36,112</u>
<u>Community Service</u>				
Other Objects	<u>10,720</u>	<u>10,720</u>	<u>13,176</u>	<u>(2,456)</u>
<u>Total Community Service</u>	<u>10,720</u>	<u>10,720</u>	<u>13,176</u>	<u>(2,456)</u>

The accompanying notes are an integral part of these financial statements.

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
BUDGET (GAAP BASIS) AND ACTUAL  
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget- Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
<u>Facility</u>				
Supplies and Materials	53,000	53,000	16,027	36,973
Property	-	-	<u>23,676</u>	<u>(23,676)</u>
<u>Total Facility</u>	<u>53,000</u>	<u>53,000</u>	<u>39,703</u>	<u>13,297</u>
<u>Total Supporting Services</u>	<u>1,194,972</u>	<u>1,194,972</u>	<u>1,053,967</u>	<u>141,005</u>
<u>Appropriated Reserves</u>	<u>887,946</u>	<u>887,946</u>	-	<u>887,946</u>
<u>TOTAL EXPENDITURES</u>	<u>3,255,762</u>	<u>3,255,762</u>	<u>2,152,025</u>	<u>1,103,737</u>
<u>REVENUES OVER (UNDER) EXPENDITURES</u>	(1,033,839)	(1,033,839)	(21,431)	
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers	<u>(45,000)</u>	<u>(45,000)</u>	<u>(20,000)</u>	<u>25,000</u>
<u>REVENUES OVER (UNDER) EXPENDITURES AND OTHER USES</u>	(1,078,839)	(1,078,839)	(41,431)	
<u>FUND BALANCE, July 1</u>	<u>1,078,839</u>	<u>1,078,839</u>	<u>1,186,202</u>	
<u>FUND BALANCE, June 30</u>	<u>-</u>	<u>-</u>	<u>1,144,771</u>	

The accompanying notes are an integral part of these financial statements.

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
 SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
 For The Last 10 Fiscal Years (As Available)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
District's proportion of the net pension liability (asset)	0.0273%	0.0291%	0.0310%	-	-	-	-	-	-	-
District's proportionate share of the net pension liability (asset)	\$4,171,473	\$3,948,981	\$3,950,642	-	-	-	-	-	-	-
District's covered-employee payroll	\$1,149,709	\$1,221,334	\$1,244,938	-	-	-	-	-	-	-
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	363%	323%	317%	-	-	-	-	-	-	-
Plan fiduciary net position as a percentage of the total pension liability	59.2%	62.80%	64.06%	-	-	-	-	-	-	-

The accompanying notes are an integral part of these financial statements.

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
 SCHEDULE OF DISTRICT CONTRIBUTIONS  
 For The Last 10 Fiscal Years (As Available)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually required contributions	\$ 203,900	\$ 218,710	\$ 211,618	\$ 202,181	-	-	-	-	-	-
Contributions in relation to the contractually required contributions	<u>\$ (203,900)</u>	<u>\$ (218,710)</u>	<u>\$ (211,618)</u>	<u>\$ (202,181)</u>	-	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	-	-	-	-	-	-
District's covered-employee payroll	\$ 1,149,709	\$ 1,221,334	\$ 1,244,938	\$ 1,256,015	-	-	-	-	-	-
Contributions as a percentage of covered-employee payroll	17.73%	17.91%	17.00%	16.10%	-	-	-	-	-	-

The accompanying notes are an integral part of these financial statements.

OTHER SCHEDULES

Special Revenue Funds

Food Service Fund – This fund accounts for all financial activities associated with the District’s school breakfast and lunch programs.

Agency Fund

Pupil Activity – This fund is used to account for assets held by the District in a trustee capacity or as an agent for others.

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
FOOD SERVICE – SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE – BUDGET AND ACTUAL  
For the Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	Variance- Favorable (Unfavorable)
<u>REVENUES</u>			
<u>Local Sources</u>			
Food Sales	3,600	1,262	(2,338)
Earnings on Investments	1,000	27	(973)
Other	-	3,211	3,211
<u>State Sources</u>			
School Lunches	1,950	1,311	(639)
<u>Federal Sources</u>			
School Lunches	60,000	55,932	(4,068)
Commodities	3,000	4,609	1,609
<u>Total Revenues</u>	<u>69,550</u>	<u>66,352</u>	<u>(3,198)</u>
 <u>EXPENDITURES</u>			
Salaries	27,400	21,504	5,896
Employee Benefits	5,105	4,231	874
Purchased Services – Professional	15,015	15,015	-
Purchased Services – Property	2,500	779	1,721
Purchased Services - Other	430	-	430
Supplies and Materials	72,100	38,296	33,804
Capital Outlay	5,000	-	5,000
Other	4,000	-	4,000
Commodities	-	4,609	(4,609)
Depreciation	-	-	-
<u>Total Expenditures</u>	<u>131,550</u>	<u>84,434</u>	<u>47,116</u>
 <u>REVENUES OVER (UNDER) EXPENDITURES</u>	 (62,000)	 (18,082)	
 <u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers from General Fund	45,000	20,000	(25,000)
 <u>REVENUES AND SOURCES OVER (UNDER) EXPENDITURES AND USES</u>	 (17,000)	 1,918	
 <u>FUND BALANCE, Beginning</u>	 <u>17,000</u>	 <u>15,206</u>	
 <u>FUND BALANCE, Ending</u>	 <u>-</u>	 <u>17,124</u>	

The accompanying notes are an integral part of these financial statements.

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
PUPIL ACTIVITY AGENCY FUND  
SCHEDULE OF ACTIVITIES - BUDGET AND ACTUAL  
For the Year Ended June 30, 2016

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	<u>Budget</u>	<u>Actual</u>	Variance- Favorable (Unfavorable)
<u>ADDITIONS</u>			
Local Sources	76,617	53,176	(23,441)
State Sources	-	-	-
Federal Sources	-	-	-
<u>Total Additions</u>	<u>76,617</u>	<u>53,176</u>	<u>(23,441)</u>
<u>DEDUCTIONS</u>			
Student Activities	<u>107,067</u>	<u>60,798</u>	<u>46,269</u>
<u>Total Deductions</u>	<u>107,067</u>	<u>60,798</u>	<u>46,269</u>
<u>Net Increase (Decrease) in Deposits Held for Others</u>	(30,450)	(7,622)	
<u>Deposits Held for Others – Beginning of Year</u>	<u>30,450</u>	<u>31,805</u>	
<u>Deposits Held for Others – End of Year</u>	<u>-</u>	<u>24,183</u>	

The accompanying notes are an integral part of these financial statements.

STATE REQUIRED SCHEDULES

Auditor's Integrity Report (Revenues, Expenditures, and Fund Balance by Fund)

Bolded Balance Sheet



**Colorado Department of Education**

**Auditors Integrity Report**  
 District: 2535 - MANZANOLA 3J  
 Fiscal Year 2015-16  
 Colorado School District/BOCES

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

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000-5999 Total Revenues & Other Sources/Uses	1000-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
<b>Governmental</b>				
10 General Fund	1,185,202	2,110,584	2,152,025	1,144,770
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	0	0	0	0
<b>Sub-Total</b>	<b>1,185,202</b>	<b>2,110,584</b>	<b>2,152,025</b>	<b>1,144,770</b>
11 Charter School Fund	0	0	0	0
20,28-29 Special Revenue Fund	0	0	0	0
21 Food Service Spec Revenue Fund	15,205	86,352	84,433	17,124
22 Govt Designated-Purpose Grants Fund	0	0	0	0
23 Pupil Activity Special Revenue Fund	0	0	0	0
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	0	0	0	0
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	0	0	0	0
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	0	0	0	0
<b>Totals</b>	<b>1,201,407</b>	<b>2,196,946</b>	<b>2,236,459</b>	<b>1,161,895</b>
<b>Proprietary</b>				
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0	0
60 65-69 Other Internal Service Funds	0	0	0	0
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fiduciary</b>				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	31,805	53,176	60,799	24,183
79 GASB 34-Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
<b>Totals</b>	<b>31,805</b>	<b>53,176</b>	<b>60,799</b>	<b>24,183</b>
<b>FINAL</b>				

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



	Governmental	Proprietary	Fiduciary	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
<b>LIABILITIES &amp; FUND EQUITY</b>									
<b>LIABILITIES</b>									
Other Payables (7421-7423)	38,923	0	0	0	0	0	0	0	38,923
Accrued Expenses (7461)	182,543	4,653	0	0	0	0	0	0	186,596
Payroll Ded. and Withholdings (7471-7473)	0	0	0	0	0	0	0	0	0
Unearned Revenue (7481)	0	0	0	0	0	0	0	0	0
Deferred Inflow (7800)	14,300	0	0	0	0	0	0	0	14,300
<b>Total Liabilities</b>	<b>235,766</b>	<b>4,653</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>239,819</b>

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Fiduciary

Proprietary

Governmental

FUND EQUITY	Governmental										Proprietary					Fiduciary	
	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Food Service Special Revenue Fund 21	Special Revenue Funds 20, 22-28	Debt Service Funds 30-39	Capital Projects Funds 40-49	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals				
Non-spendable Fund Balance 6710	0	0	0	1,566	0	0	0	0	0	0	0	0	1,566				
Restricted Fund Balance 6720	0	0	0	15,558	0	0	0	0	0	0	0	0	15,558				
TABOR 3% Emergency Reserve 6721	56,400	0	0	0	0	0	0	0	0	0	0	0	56,400				
TABOR Multi-Year 6722	0	0	0	0	0	0	0	0	0	0	0	0	0				
District Emergency Reserve (letter of credit or real estate) 6723	0	0	0	0	0	0	0	0	0	0	0	0	0				
Colorado Preschool Program (CPP) Reserve 6724	0	0	0	0	0	0	0	0	0	0	0	0	0				
Full-Day Kindergarten Reserve 6725	0	0	0	0	0	0	0	0	0	0	0	0	0				
Risk-Related / Restricted Capital Reserve 6726	0	0	0	0	0	0	0	0	0	0	0	0	0				
BEST Capital Reserve 6727	0	0	0	0	0	0	0	0	0	0	0	0	0				
Committed Fund Balance 6750	0	0	0	0	0	0	0	0	0	0	0	0	0				
Assigned Fund Balance 6760	0	0	0	0	0	0	0	0	0	0	0	0	0				
Unassigned Fund Balance 6770	1,043,327	0	0	0	0	0	0	0	0	24,183	0	1,067,510					
Invested in Capital Assets, Net of Related Debt 6790	0	0	0	0	0	0	0	0	0	0	0	0	0				
Restricted Net Assets 6791	0	0	0	0	0	0	0	0	0	0	0	0	0				
Unrestricted Net Assets 6792	0	0	0	0	0	0	0	0	0	0	0	0	0				
Prior Period Adjustment 6800	45,043	0	0	0	0	0	0	0	0	0	0	45,043					
<b>Total Fund Equity</b>	<b>1,144,770</b>	<b>0</b>	<b>0</b>	<b>17,124</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>24,183</b>	<b>0</b>	<b>1,186,077</b>					
<b>Total Liabilities &amp; Fund Equity</b>																	
General Funds 10,12-18	1,380,537	0	0	21,177	0	0	0	0	0	24,183	0	1,425,896					
Charter School Fund 11	0	0	0	0	0	0	0	0	0	0	0	0					
Preschool Fund 19	0	0	0	0	0	0	0	0	0	0	0	0					
Food Service Special Revenue Fund 21	0	0	0	21,177	0	0	0	0	0	0	0	0					
Special Revenue Funds 20, 22-29	0	0	0	0	0	0	0	0	0	0	0	0					
Debt Service Funds 30-39	0	0	0	0	0	0	0	0	0	0	0	0					
Capital Projects Funds 40-49	0	0	0	0	0	0	0	0	0	0	0	0					
Other Enterprise Funds 50, 52-59	0	0	0	0	0	0	0	0	0	0	0	0					
Risk-Related Activity Funds 63-64	0	0	0	0	0	0	0	0	0	0	0	0					
Other Internal Service Funds 60	0	0	0	0	0	0	0	0	0	0	0	0					
Trust & Agency Funds 70-79	0	0	0	0	0	0	0	0	0	24,183	0	24,183					
Foundations Fund 85	0	0	0	0	0	0	0	0	0	0	0	0					
<b>Totals</b>	<b>1,380,537</b>	<b>0</b>	<b>0</b>	<b>21,177</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>24,183</b>	<b>0</b>	<b>1,425,896</b>					

For Each Fund Type:  
Do Assets=Liability+Fund Equity