

**DEL NORTE SCHOOL DISTRICT NO. C-7
DEL NORTE, COLORADO
FINANCIAL STATEMENTS**

June 30, 2017



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**Wall,
Smith,
Bateman** Inc.

Certified Public Accountants

DEL NORTE SCHOOL DISTRICT NO. C-7

TABLE OF CONTENTS

June 30, 2017

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	12
Statement of Activities	13
Governmental Fund Financial Statements:	
Balance Sheet	14
Reconciliation of Total Governmental Fund Balances to the Statement of Net Position	15
Statement of Revenues, Expenditures, and Changes in Fund Balances	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Assets and Liabilities	18
Notes to the Basic Financial Statements	19
Required Supplementary Information:	
Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	
General Fund	37
Governmental Designated Purpose Grants Fund	38
Schedule of the District's Proportionate Share of the Net Pension Liability - PERA SCHDTF Pension Plan	39
Schedule of District Contributions - PERA SCHDTF Pension Plan	40
Supplementary Information:	
Combining Schedule of Nonmajor Governmental Funds:	
Combining Balance Sheet	41
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances	42
Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	
Pupil Activity Fund	43
Food Service Fund	44
Capital Reserve Capital Projects Fund	45
Debt Service Fund	46
Report on Compliance with CDE - Financial Policies and Procedures Manual	47
Colorado School District Auditor's Integrity Report	



Wall,
Smith,
Bateman Inc.

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Del Norte School District No. C-7
Del Norte, Colorado

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Del Norte School District No. C-7 (the District), as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Certified Public Accountants

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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, and pension information on pages 3-11 and 37-40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

January 09, 2018

**Del Norte School District No. C-7
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017**

As management of the Del Norte School District, we offer readers of the Del Norte School District's financial statements this narrative overview and analysis of the financial activities of the Del Norte School District for the year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the District's financial statements, which follow this section.

Financial Highlights

- The District's financial status declined over the course of the 2017 fiscal year. Total net position decreased 297.43 percent.
- General revenues, primarily property taxes and state equalization payments, account for approximately \$4.7 million or 81 percent of all revenues in FY2016 and \$4.7 million or 87 percent in FY2017. Program specific revenues in the form of charges for services and sales, grants and contributions, accounted for \$1.1 million or 19 percent of total revenues of \$5.8 million in FY2016 and \$0.7 million or 13 percent of \$5.4 million in FY 2017.
- The District had \$6.1 million in expenses related to governmental activities in FY2016 with \$1.1 million of these expenses offset by program specific charges for services, grants and contributions and \$9.0 million in expenses with \$0.7 million offset by program specific charges in FY2017. General revenues of \$4.7 million in FY2016 and \$4.7 million in FY2017 were not adequate to provide for these programs.
- The District reduced its outstanding long-term debt approximately \$37,899 or 100 percent.
- The District was awarded a "Best" Grant in the amount of \$27.16 million in May of 2017 for construction of a new K-12 School. The District passed a General Obligation Bond of \$17.95 million in November of 2017 for the matching money required to receive the awarded Best Grant funds. District taxes may be increased by the District up to \$1.45 million annually for payment of the General Obligation Bond.

Overview of the Financial Statements

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

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

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

District-wide Financial Statements

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

The statement of net position presents information on all of the Del Norte School 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 the Del Norte School District is improving or deteriorating. To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

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

The district-wide financial statements can be found on pages 12 and 13 of this report.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds, not the District as a whole. Funds are accounting devices the District uses to track specific sources of funding and spending on particular programs. The Del Norte School District, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. 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) how cash and other financial assets that can readily be converted to cash flow in and out and (2) balances remaining at year-end which are available for spending. Consequently, the governmental 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, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.

Del Norte School District maintains individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the (1) general fund, (2) debt service, (3) other governmental funds.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government, such as student activity funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. Fiduciary funds are not reflected in the district-wide financial statements because the resources of those funds are not available to support the District's own programs.

Notes to the basic 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. The notes to the financial statements can be found on pages 19-36 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents supplementary information. Supplementary information includes combining statements mentioned earlier in connection with non-major governmental funds as well as budget-to-actual information for these funds as dictated by state law.

District-wide Financial Analysis

Comparative information to the prior year is available for this section of the Management's Discussion and Analysis. The District will report prior year details along with current information.

Table 1 provides a summary of the District's net position at June 30, 2017 and June 30, 2016.

Table 1				
Condensed Statement of Net Position				
	Governmental Activities		Total School District	
	FY 2017	FY 2016	FY 2017	FY 2016
Current and other assets	\$ 2,803,024	\$ 3,521,623	\$ 2,803,024	\$ 3,521,623
Capital assets, net	4,516,121	4,531,578	4,516,121	4,531,578
Total assets	7,319,145	8,053,201	7,319,145	8,053,201
Deferred outflows of resources	7,043,810	1,370,058	7,043,810	1,370,058
Long-term liabilities	18,290,836	9,606,823	18,290,836	9,606,823
Other liabilities	521,240	582,456	521,240	582,456
Total liabilities	18,812,076	10,189,279	18,812,076	10,189,279
Deferred inflows of resources	360,211	444,093	360,211	444,093
Net position				
Net investment in				
Capital assets	4,516,121	4,493,679	4,516,121	4,493,679
Restricted	463,173	474,213	463,173	474,213
Unrestricted (Deficit)	(9,788,626)	(6,178,005)	(9,788,626)	(6,178,005)
Total net position at June 30	\$ (4,809,332)	\$ (1,210,113)	\$ (4,809,332)	\$ (1,210,113)

Table 2 provides a summary of the changes in net position. Following Table 2 is a specific discussion related to overall revenues and expenses.

Table 2				
Changes in Net Position from Operating Results				
	Governmental		Total	
	Activities		School District	
	FY 2017	FY 2016	FY 2017	FY 2016
Revenues				
Program Revenues				
Charges for Services	\$ 77,481	\$ 133,672	\$ 77,481	\$ 133,672
Operating grants and contributions	636,706	941,440	636,706	941,440
Capital grants and contributions	-	-	-	-
General revenues				
Property taxes	2,286,865	2,230,706	2,286,865	2,230,706
State formula revenue	2,067,208	2,151,741	2,067,208	2,151,741
Other	334,971	314,948	334,971	314,948
Total Revenues	5,403,231	5,772,507	5,403,231	5,772,507
Expenses				
Instructional Program	4,751,757	3,055,200	4,751,757	3,055,200
Support Services:				
Students	439,577	349,051	439,577	349,051
Instructional staff	542,889	398,469	542,889	398,469
Food Services	468,668	349,656	468,668	349,656
General administration	509,739	357,776	509,739	357,776
School administration	705,957	394,427	705,957	394,427
Business	133,096	68,631	133,096	68,631
Operations and maintenance of plant	879,324	676,968	879,324	676,968
students transportation	345,857	214,329	345,857	214,329
Central	40,411	28,764	40,411	28,764
Other	162,858	189,938	162,858	189,938
Interest on Long-term Debt	22,317	2,023	22,317	2,023
Total Expenses	9,002,450	6,085,232	9,002,450	6,085,232
Increase (dec) in net position before transfers	(3,599,219)	(312,725)	(3,599,219)	(312,725)
Special Item	-	(144,000)	-	(144,000)
Change in net position	\$ (3,599,219)	\$ (456,725)	\$ (3,599,219)	\$ (456,725)

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

Governmental Activities

The primary source of operating revenue for school districts comes from the School Finance Act of 1994. Under this act, the districts received \$7,987.82 per funded pupil in FY2016 and \$8,224.00 per funded pupil in FY2017. In fiscal year 2015-2016, the funded pupil count was 470.0 and 451.2 in fiscal year 2016-2017. Funding for the school finance act comes from property taxes, specific ownership taxes, and state equalization. The District receives approximately 45 percent of this funding from state equalization while the remaining amounts come from property taxes and specific ownership tax.

The statement of activities provides the cost of program services and the related charges for services and grants offsetting those costs. Table 3 reflects each program’s net cost (total cost less fees generated by the programs and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District’s taxpayers by each of these programs.

Table 3				
Net Cost of Governmental Activities (in dollars)				
	Total Cost of Services		Net Cost of Services	
	FY 2017	FY 2016	FY 2017	FY 2016
Instructional Program	\$ 4,751,757	\$ 3,055,200	\$ 4,402,062	\$ 2,447,141
Students	439,577	349,051	333,748	181,624
Instructional Staff	542,889	398,469	542,889	398,469
Food Services	468,668	349,656	282,738	134,981
General Administration	509,739	357,776	501,274	349,588
School Administration	705,957	394,427	705,957	394,427
Business	133,096	68,631	133,096	68,631
Operations and Maintenance	879,324	676,968	857,891	657,401
Student Transportation	345,857	214,329	303,022	157,133
Central	40,411	28,764	40,411	28,764
Other Programs	162,858	189,938	162,858	189,938
Interest on Long-term Debt	22,317	2,023	22,317	2,023
Total	\$ 9,002,450	\$ 6,085,232	\$ 8,288,263	\$ 5,010,120

- The cost of all governmental activities this year was \$9,002,450
- Some of the cost was financed by the users of the District’s programs. \$77,481 of revenues in this category include items such as athletic fees and building rental income.
- Federal and State government subsidized certain programs with grants and contributions amounting to \$636,706.
- Most of the District’s costs (\$9,002,450), however, were financed by District and State taxpayers.
- This portion of governmental activities was financed with \$2,286,865 in property taxes, \$2,067,208 in state aid (equalization) based on the statewide formula for per pupil funding, and \$334,971 in investment earnings and other miscellaneous revenues not pertaining specifically to a program.

General Fund Budgetary Highlights

The District approves a budget in June based on enrollment projections for the following school year. In May 2017, the District revised the annual operating budget approved by the District's Board of Education in June 2016. The primary reason for the issuance of a supplemental budget was due to additional revenues received and expenditures incurred.

The actual expenditures were \$237,512 below budget in FY2016 and \$48,234 below budget in FY2017. Mainly in School Administration Support Services and Student Transportation Services.

The fund balance as of June 30, 2016 was \$2,515,927 compared to \$2,049,972 as of June 30, 2017, including \$149,000 for TABOR Amendment emergency reserves.

Capital Assets

By the end of the fiscal year 2017, the District had invested \$4,516,121 in a broad range of capital assets, including land, buildings, site improvements, vehicles, and other equipment. (See Table 4.)

	Governmental Activities		Total	
	FY 2017	FY 2016	FY 2017	FY 2016
Land	\$ 194,576	\$ 194,576	\$ 194,576	\$ 194,576
Building and Site Improvements	3,927,852	4,083,685	3,927,852	4,083,685
Equipment & Vehicles	393,693	253,317	393,693	253,317
Total	\$ 4,516,121	\$ 4,531,578	\$ 4,516,121	\$ 4,531,578

Long-Term Debt

At year-end, the District had approximately \$0.00 in other long-term debt outstanding, a reduction of 100.00 percent from last year, as shown in Table 5. More detailed information about the District's long-term liabilities is presented in Note 9 to the financial statements.

	Total School District		Total Percentage Change FY 2016-2017
	FY 2017	FY 2016	
Governmental Activities			
Capital Lease Payable	\$ -	\$ 37,899	-100.00%
Total	\$ -	\$ 37,899	-100.00%

During the 2017 fiscal year, the District continued to pay down its debt. Colorado Revised Statute 22-42-104 states that a school district shall have a limit of bonded indebtedness determined by a specified formula. The District's outstanding debt is below the statutory limit.

Factors Bearing on the District's Future

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

- Information from the FY2017-2018 student enrollment "October Count" shows that Del Norte School District has had a decrease in students than last year, resulting in a decrease in revenue from the funded pupil count.
- Historical trends have shown a continuous decline in pupil enrollment.
- The United States and the State of Colorado have experienced slowing economic conditions in the past several years. One impact of this economic slowing is the reduction in the State of Colorado's general fund revenues, which are expected to continue to decline. Because educational expenditures represent a significant portion of the State of Colorado's total expenditures, the District anticipates its revenues will be adversely impacted. If the District revenues are reduced, the District will be required to reduce its future expenditures.
- The District was awarded a "Best" Grant in the amount of \$27.16 million in May of 2017 for the construction of a new K-12 School. The District passed a General Obligation Bond of \$17.95 million in November of 2017 for the matching money required to receive the awarded Best Grant funds. District taxes may be increased by the District up to \$1.45 million annually for payment of the General Obligation Bond.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Superintendent's Office, Del Norte School District, 770 11th Street, Del Norte, CO 81132.

DEL NORTE SCHOOL DISTRICT NO. C-7
BASIC FINANCIAL STATEMENTS

DEL NORTE SCHOOL DISTRICT C-7
STATEMENT OF NET POSITION
June 30, 2017

	Primary Government Governmental Activities
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 2,397,829
Property Tax Receivable	204,788
Accounts Receivable	3,099
Due from Other Governments	177,122
Due from County Treasurer	19,161
Inventory	1,025
Capital Assets	
Land	194,576
Land Improvements	294,221
Buildings and Improvements	8,853,453
Equipment	295,587
Vehicles	1,208,849
Less: Accumulated Depreciation	(6,330,565)
TOTAL ASSETS	7,319,145
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	7,043,810
LIABILITIES	
Current Liabilities	
Accounts Payable	53,011
Accrued Salaries and Benefits	456,184
Unearned Revenue	12,045
Long-term Liabilities	
Due more than one year:	
Pension Liability	18,290,836
TOTAL LIABILITIES	18,812,076
DEFERRED INFLOWS OF RESOURCES	
Pensions	285,316
Unavailable Revenue - Property Tax	74,895
TOTAL DEFERRED INFLOWS OF RESOURCES	360,211
NET POSITION	
Net Investment in Capital Assets	4,516,121
Restricted for	
TABOR	149,000
TABOR Multi-Year Obligation	260,000
Debt Service	54,173
Unrestricted	(9,788,626)
TOTAL NET POSITION	\$ (4,809,332)

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

DEL NORTE SCHOOL DISTRICT C-7
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Revenue and Change in Net Position
					Primary Government
Primary Government:					
Governmental Activities:					
Instructional Program	\$ 4,751,757	\$ 4,256	\$ 345,439	\$ -	\$ (4,402,062)
Student Support Services	439,577	28,122	77,707	-	(333,748)
Instructional Staff Support Services	542,889	-	-	-	(542,889)
Food Service Operations	468,668	36,638	149,292	-	(282,738)
General Administration Support Services	509,739	8,465	-	-	(501,274)
School Administration Support Services	705,957	-	-	-	(705,957)
Business Support Services	133,096	-	-	-	(133,096)
Operations and Maintenance of Plant Services	879,324	-	21,433	-	(857,891)
Student Transportation Services	345,857	-	42,835	-	(303,022)
Central Support Services	40,411	-	-	-	(40,411)
Other Support Services	162,858	-	-	-	(162,858)
Interest on Long-term Debt	22,317	-	-	-	(22,317)
Total Governmental Activities	9,002,450	77,481	636,706	-	(8,288,263)
Total Primary Government	\$ 9,002,450	\$ 77,481	\$ 636,706	\$ -	(8,288,263)
General Revenues					
Taxes:					
					2,286,865
					290,872
					23,392
					2,067,208
					20,707
					4,689,044
Change in Net Position					(3,599,219)
Net Position, Beginning of Year					(1,210,113)
Net Position, End of Year					\$ (4,809,332)

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

DEL NORTE SCHOOL DISTRICT C-7
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2017

	GENERAL FUND	GOVERNMENTAL DESIGNATED PURPOSE GRANTS FUND	TOTAL NONMAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and Cash Equivalents	\$ 2,237,007	\$ -	\$ 112,442	\$ 2,349,449
Cash with Fiscal Agent	-	-	48,380	48,380
Property Tax Receivable	204,788	-	-	204,788
Accounts Receivable	1,275	-	1,824	3,099
Due from Other Governments	22,221	150,445	4,456	177,122
Due from County Treasurer	19,161	-	-	19,161
Due from Other Funds	90,810	-	2,777	93,587
Inventory	-	-	1,025	1,025
TOTAL ASSETS	\$ 2,575,262	\$ 150,445	\$ 170,904	\$ 2,896,611
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 51,188	\$ 1,526	\$ 297	\$ 53,011
Due to Other Funds	-	93,587	-	93,587
Accrued Salaries and Benefits	399,143	45,034	12,007	456,184
Unearned Revenue	64	10,298	1,683	12,045
TOTAL LIABILITIES	450,395	150,445	13,987	614,827
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue -Property Tax	74,895	-	-	74,895
FUND BALANCE				
Nonspendable	-	-	1,025	1,025
Restricted for				
TABOR	149,000	-	-	149,000
TABOR Multi-Year Obligation	260,000	-	-	260,000
Debt Service	-	-	54,173	54,173
Committed				
Capital Projects	-	-	19,069	19,069
Pupil Activities	-	-	36,164	36,164
Food Service	-	-	46,486	46,486
Assigned				
Subsequent Year Expenditures	355,629	-	-	355,629
Other Appropriated Reserves	674,431	-	-	674,431
Unassigned	610,912	-	-	610,912
TOTAL FUND BALANCE	2,049,972	-	156,917	2,206,889
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
	\$ 2,575,262	\$ 150,445	\$ 170,904	\$ 2,896,611

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

DEL NORTE SCHOOL DISTRICT C-7
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO THE STATEMENT OF NET POSITION
June 30, 2017

Total governmental fund balances	\$ 2,206,889
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds.	4,516,121
Deferred results and contributions to pension plans made after the measurement date are recorded as expenditures in the governmental funds but must be deferred in the statement of net position.	7,043,810
Net pension liabilities are not due and payable in the current period and are not reported in the funds.	(18,290,836)
Certain amounts related to the net pension liability are deferred and amortized over time. These are not reported in the funds.	(285,316)
Net position of governmental activities	\$ (4,809,332)

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

DEL NORTE SCHOOL DISTRICT C-7
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES
For the Year Ended June 30, 2017

	GENERAL FUND	GOVERNMENTAL DESIGNATED PURPOSE GRANTS FUND	TOTAL NONMAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Federal Sources	\$ -	\$ 271,808	\$ 146,620	\$ 418,428
State Sources	2,154,869	102,659	2,672	2,260,200
Local Sources	2,659,810	-	64,760	2,724,570
Other Sources	33	-	-	33
TOTAL REVENUES	4,814,712	374,467	214,052	5,403,231
EXPENDITURES				
Instructional Program	2,576,625	230,371	-	2,806,996
Student Support Services	105,558	77,707	141,258	324,523
Instructional Staff Support Services	325,705	65,735	-	391,440
Food Service Operations	53,779	-	274,643	328,422
General Administration Support Services	368,269	-	-	368,269
School Administration Support Services	408,929	-	-	408,929
Business Support Services	76,156	-	-	76,156
Operations and Maintenance of Plant Services	651,294	-	287,587	938,881
Student Transportation Services	216,653	-	-	216,653
Central Support Services	19,343	-	-	19,343
Other Support Services	149,356	654	-	150,010
Debt Service	-	-	60,216	60,216
TOTAL EXPENDITURES	4,951,667	374,467	763,704	6,089,838
Excess (deficiency) of revenues over expenditures	(136,955)	-	(549,652)	(686,607)
OTHER FINANCING SOURCES (USES)				
Transfer from Other Funds	-	-	329,000	329,000
Transfers to Other Funds	(329,000)	-	-	(329,000)
TOTAL OTHER FINANCING SOURCES (USES)	(329,000)	-	329,000	-
NET CHANGE IN FUND BALANCE	(465,955)	-	(220,652)	(686,607)
FUND BALANCE, Beginning of Year	2,515,927	-	377,569	2,893,496
FUND BALANCE, End of Year	\$ 2,049,972	\$ -	\$ 156,917	\$ 2,206,889

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

DEL NORTE SCHOOL DISTRICT C-7
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, 2017

Net change in fund balances - total governmental funds **\$ (686,607)**

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

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

Capital asset additions	326,336	
Capital asset deletions	(44,107)	
Depreciation expense	<u>(297,686)</u>	
		(15,457)

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

Principal payment on capital lease	37,899
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Certain items reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds. This item consists of the change in pension expense.	<u>(2,935,054)</u>
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Change in net position of governmental activities	<u><u>\$ (3,599,219)</u></u>
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DEL NORTE SCHOOL DISTRICT C-7
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
June 30, 2017

	<u>PUPIL ACTIVITY AGENCY FUND</u>
ASSETS	
Cash and Cash Equivalents	\$ 137,407
Accounts Receivable	1,180
	<hr/>
TOTAL ASSETS	\$ 138,587
	<hr/> <hr/>
LIABILITIES	
Pupil Activities Deposits	138,587
	<hr/>
TOTAL LIABILITIES	\$ 138,587
	<hr/> <hr/>

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

DEL NORTE SCHOOL DISTRICT NO. C-7
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

REPORTING ENTITY

Primary Government

Del Norte School District No. C-7 is a public school as established by Colorado State Statute. The District is declared to be a corporate body with perpetual existence and in its name may hold property, sue and be sued, and be a party to contracts for any purpose authorized by law. Members of the school board are voted on at large by the registered, qualified electors of the District. Taxes are levied upon all taxable property within the District's boundaries by the County Commissioners. The County Treasurer collects the taxes and remits them to the District. The District also receives State and Federal funds. The school board has the authority to issue bonds up to 20% of the latest assessed valuation of the taxable property in the District. The board also has authority to select the depository of school funds and acquire short-term loans.

Component Units

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

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

Based on the aforementioned criteria, the Del Norte School District No. C-7 has no component units.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements include the statement of net position and the statement of activities. Government-wide statements report information on all of the activities of the District, except for District fiduciary activity. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. Mainly taxes and intergovernmental revenues support governmental activities.

DEL NORTE SCHOOL DISTRICT NO. C-7
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

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

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. The emphasis of fund financial statements is on major governmental funds and enterprise funds, each reported as a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. This measurement is also used for the proprietary fund financial 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 are recognized as revenue when all applicable eligibility requirements, imposed by the provider, are met.

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

- The *General Fund* is the general operating fund of the District. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Governmental Designated Purpose Grants Fund* is used to record financial transactions for grants received for designated programs funded by federal, state, or local governments.

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

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

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

Cash and Cash Equivalents

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

DEL NORTE SCHOOL DISTRICT NO. C-7
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

Property Taxes

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

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

Receivables/Payables From Other District Funds

Balances that originate from current lending/borrowing arrangements between funds are referred to as "Due To/From Other Funds."

Inventories

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

USDA Commodities

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

Capital Assets

Capital assets, which include land, land improvements, buildings and improvements, equipment, vehicles, and construction in progress, are reported in the applicable governmental activities column in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

Assets	Years
Land Improvements	20
Buildings and Improvements	7-50
Equipment	5-15
Vehicles	8

Long-Term Obligations

Long-term debt and other long-term obligations are recorded as liabilities in the government-wide financial statements. In the fund financial statements for governmental fund types, debt proceeds are reported as an other financing source and debt payments are reported as debt service expenditures.

Compensated Absences

Employees of the District receive one day of sick leave for each month worked. At the end of each school year, an employee has the option to either accumulate unused sick leave or be paid at the rate of \$15 per day for each day

DEL NORTE SCHOOL DISTRICT NO. C-7
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

over 51 days for nine months, 50 days for 10 months, 49 days for 12 months. An employee can accumulate up to 60 days of sick leave; however, benefits do not vest. Employees also receive two personal days each year. Unused personal days are purchased by the District at \$40 per day for a certified employee and \$25 per day for a support service employee. All accumulated sick and personal days are purchased by June 30 of the year accrued. Therefore, there is no liability for compensated absences at June 30, 2017.

Unearned Grant Revenue

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

Deferred Outflows/Inflows of Resources

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

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

Certain amounts related to pensions must be deferred.

Pensions

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

Net Position

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

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

DEL NORTE SCHOOL DISTRICT NO. C-7
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

Fund Balance

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

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

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

Encumbrances

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

Use of Estimates

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

Reclassifications

Certain reclassifications were made to fiscal year 2016 financial statements in order to conform to the fiscal year 2017 financial statements presentation.

DEL NORTE SCHOOL DISTRICT NO. C-7
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets and Budgetary Accounting

Del Norte School District No. C-7 follows the procedures set forth in the Colorado School District Budget Law when preparing annual budgets for each fund. Budget procedures include:

- 1) Preparation of budget documents by administrative staff shall be submitted to the Board no later than June 1 of each year.
- 2) Publication of a notice stating that the budget is available for public inspection.
- 3) Discussion of the budget in a meeting open to the public.
- 4) Adoption of the budget in a public meeting by appropriate resolution.

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

The total expenditures for each fund cannot exceed the budgeted amount unless a supplemental appropriation is adopted. The Board of Education adopted supplemental appropriations during fiscal year 2017.

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

Stewardship

During fiscal year 2017 total expenditures exceed budgeted appropriations in the Debt Service Fund by \$40. This may be a violation of Colorado Revised Statute 22-44-115(1).

NOTE 3 CASH AND DEPOSITS

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

Cash Deposited with Banks	2,535,236
Less: amounts related to Agency Fund	<u>(137,407)</u>
Total cash and deposits on the Statement of Net Position	<u><u>\$ 2,397,829</u></u>

Cash and Deposits

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

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

DEL NORTE SCHOOL DISTRICT NO. C-7
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of year-end, \$2,166,736 of the District’s bank balance of \$2,715,115 was exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institution through PDPA.

NOTE 4 PROPERTY TAXES RECEIVABLE

At June 30, 2017, the District had an estimated property tax receivable of \$204,788.

NOTE 5 DUE FROM OTHER GOVERNMENTS

Intergovernmental receivables include amounts due from grantors for specific program grants. Program grants are recorded as receivables and revenues at the time reimbursable project costs are incurred. As of June 30, 2017, the District had \$177,122 due from Federal, State, and Local governments, reflected as intergovernmental receivables in the accompanying basic financial statements.

NOTE 6 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund Receivables/Payables

The District reports interfund balances between many of its funds. The balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Interfund balances are generally expected to be repaid within one year of the financial statement date.

Interfund receivable and payable balances at June 30, 2017, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	GDPG Fund	\$ 90,810
Pupil Activity Fund	GDPG Fund	2,777
Total		<u>\$ 93,587</u>

Interfund Transfers

Interfund transfers for the year ended June 30, 2017, were as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Pupil Activity Fund	General Fund	\$ 79,000
Food Service Fund	General Fund	90,000
Capital Reserve Capital Projects Fund	General Fund	160,000
Total		<u>\$ 329,000</u>

These transfers were made to subsidize the Pupil Activity, Food Service and Capital Reserve Capital Projects Funds.

DEL NORTE SCHOOL DISTRICT NO. C-7
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 7 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, was as follows:

	Balance <u>06/30/2016</u>	Additions	Deletions	Balance <u>06/30/2017</u>
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 194,576	\$ 10,200	\$ (10,200)	\$ 194,576
Total capital assets not being depreciated	<u>194,576</u>	<u>10,200</u>	<u>(10,200)</u>	<u>194,576</u>
Capital assets being depreciated				
Land Improvements	243,839	50,382	-	294,221
Buildings and Improvements	8,853,453	-	-	8,853,453
Equipment	272,919	22,668	-	295,587
Vehicles	1,028,508	243,086	(62,745)	1,208,849
Total capital assets being depreciated	<u>10,398,719</u>	<u>316,136</u>	<u>(62,745)</u>	<u>10,652,110</u>
Less accumulated depreciation for:				
Land Improvements	212,794	9,108	-	221,902
Buildings and Improvements	4,800,813	197,107	-	4,997,920
Equipment	174,299	15,386	-	189,685
Vehicles	873,811	76,085	(28,838)	921,058
Total accumulated depreciation	<u>6,061,717</u>	<u>297,686</u>	<u>(28,838)</u>	<u>6,330,565</u>
Total capital assets being depreciated, net	<u>4,337,002</u>	<u>18,450</u>	<u>(33,907)</u>	<u>4,321,545</u>
GOVERNMENTAL ACTIVITIES, NET	<u>\$4,531,578</u>	<u>\$ 28,650</u>	<u>\$ (44,107)</u>	<u>\$ 4,516,121</u>

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

Governmental activities:

Instructional Program	\$ 175,723
Food Service Operations	3,179
Operations and Maintenance of Plant Services	68,370
Student Transportation Services	27,651
Central Support Services	21,068
Other Support Services	<u>1,695</u>
Total depreciation expense – governmental activities	<u><u>\$ 297,686</u></u>

NOTE 8 ACCRUED SALARIES AND BENEFITS

The teachers, administrators, and the administrative staff are employed under nine, ten, and eleven month contracts. All District employees are paid on a twelve-month basis; therefore, a difference exists between the actual amount of salaries earned under the contract and the amount paid. The difference between salaries earned and paid, including the District's share of benefits, has been accrued in the financial statements in the amount of \$456,184.

DEL NORTE SCHOOL DISTRICT NO. C-7
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 9 LONG-TERM LIABILITIES

Changes in Long-Term Liabilities

Long-term liability balances for the year ended June 30, 2017, were as follows:

	Beginning Balance 06/30/2016	Additions	Deletions	Ending Balance 06/30/2017	Due Within One Year
<i>Governmental Activities</i>					
Capital Lease Payable	\$ 37,899	\$ -	\$ (37,899)	\$ -	\$ -

Capital Lease Payable

The District entered into a capital lease agreement on October 15, 2014 for \$134,820 between De Lage Landen Public Finance, LLC, as lessor, and Del Norte School District (the "District"), as lessee, for the purchase of a 2015 Bluebird passenger bus. Payments are due annually with an interest rate of 2.65%. Final payment is due October 2016. The equipment is included in capital assets at a cost of 134,820 and accumulated depreciation of \$134,820 as of June 30, 2017. Principal balance at June 30, 2017 was \$0.

NOTE 10 OPERATING LEASES

The District is committed under an operating lease for office equipment. This lease is considered for accounting purposes as an operating lease. Lease expenses for the year totaled \$16,670.

NOTE 11 DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

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

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

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

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

DEL NORTE SCHOOL DISTRICT NO. C-7
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

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

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

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

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

The employer contribution requirements are summarized in the table below:

	For the Year Ended December 31,	
	2017	2016
Employer Contribution Rate ¹	10.15%	10.15%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) ¹	-1.02%	-1.02%
Amount Apportioned to the SCHDTF ¹	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	5.00%	4.50%
Total Employer Contribution Rate SCHDTF	<u>18.63%</u>	<u>18.13%</u>

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District were \$505,389, for the year ended June 30, 2017.

DEL NORTE SCHOOL DISTRICT NO. C-7
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

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

At June 30, 2017, the District reported a liability of \$18,290,836 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016. The District's proportion of the net pension liability was based on District contributions to the SCHDTF for the calendar year 2016 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2016, District's proportion was 0.061 percent, which was a decrease of 0.0014 percent from its proportion measured as of December 31, 2015.

For the year ended June 30, 2017 the District recognized pension expense of \$2,935,054. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 228,663	\$ -
Changes of assumptions or other inputs	5,934,995	82,483
Net difference between projected and actual earnings on pension plan investments	611,607	160
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	202,673
Contributions subsequent to the measurement date	268,545	-
Total	\$ 7,043,810	\$ 285,316

\$268,545 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2018	\$ 2,609,337
2019	2,572,527
2020	1,301,983
2021	6,101
2022	-
Thereafter	-

DEL NORTE SCHOOL DISTRICT NO. C-7
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

Actuarial assumptions. The total pension liability in the December 31, 2015 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
Discount rate	7.50 percent
Post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

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

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

Mortality rates used in the December 31, 2015 valuation 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. Active member mortality was based upon the same mortality rates but adjusted to 55 percent of the base rate for males and 40 percent of the base rate for females. For disabled retirees, the RP-2000 Disabled Mortality Table (set back 2 years for males and set back 2 years for females) was assumed.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

DEL NORTE SCHOOL DISTRICT NO. C-7
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

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

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

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

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

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

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

- Investment rate of return assumption decreased from 7.50 percent per year, compounded annually, net of investment expenses to 7.25 percent per year, compounded annually, net of investment expenses.
- Price inflation assumption decreased from 2.80 percent per year to 2.40 percent per year.
- Real rate of investment return assumption increased from 4.70 percent per year, net of investment expenses, to 4.85 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.90 percent per year to 3.50 percent per year.

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

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

DEL NORTE SCHOOL DISTRICT NO. C-7
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

As of the November 18, 2016 adoption of the long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity- Large Cap	21.20%	4.30%
U.S. Equity- Small Cap	7.42%	4.80%
Non U.S. Equity- Developed	18.55%	5.20%
Non U.S. Equity- Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income - Developed	1.84%	0.60%
Emerging Market Bonds	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	100.00%	

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

Discount rate. The discount rate used to measure the total pension liability was 5.26 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated economic and demographic actuarial assumptions adopted by PERA’s Board on November 18, 2016.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

DEL NORTE SCHOOL DISTRICT NO. C-7
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

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

Based on the above assumptions and methods, the projection test indicates the SCHDTF's fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25 percent on pension plan investments was applied to periods through 2041 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System, was applied to periods on and after 2041 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.86 percent, resulting in a discount rate of 5.26 percent.

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

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 5.26 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.26 percent) or 1-percentage-point higher (6.26 percent) than the current rate:

	1% Decrease (4.26%)	Current Discount Rate (5.26%)	1% Increase (6.26%)
Proportionate share of the net pension liability	\$ 14,455,280	\$ 18,290,836	\$ 23,000,139

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.

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS

Health Care Trust Fund

Plan Description – The District contributes to the Health Care Trust Fund ("HCTF"), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a

DEL NORTE SCHOOL DISTRICT NO. C-7
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy – The District is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2017, 2016, and 2015, the District contributions to the HCTF were \$28,038, 28,171, and \$27,903, respectively, equal to their required contributions for each year.

NOTE 13 DEFINED CONTRIBUTION PENSION PLAN

Voluntary Investment Program

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

Funding Policy – The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions, employer contributions and investment earnings. For the years ended June 30, 2017 program members contributed \$45,008 for the Voluntary Investment Program.

NOTE 14 JOINT VENTURES AND RELATED PARTIES

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

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

DEL NORTE SCHOOL DISTRICT NO. C-7
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

San Luis Valley Board of Cooperative Services (BOCES)

The BOCES is an organization that provides member districts educational services at a shared lower cost per district. The Board of BOCES is selected from the elected members of the District Boards. The District has one member on the Board. This Board has final authority for all budgeting and financing of the joint venture. The District's share of the joint venture is approximately 7% at June 30, 2017. Complete separate financial statements may be obtained from BOCES.

Colorado School Districts' Self-Insurance Pool

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

As the District did not exercise oversight responsibility nor have sufficient control over Pool activities, the Pool is not a component unit of the District and only the District's share of contributions to the Pool is recorded as expenditures in the General Fund. The District's share in the Pool is not determinable from current information, but is estimated to be less than 1%. The District's share, if calculated, would not be material to the Pool's financial information at June 30, 2017. Complete separate financial statements may be obtained from the Colorado School Districts' Self-Insurance Pool.

NOTE 15 COMMITMENTS AND CONTINGENCIES

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

NOTE 16 TABOR EMERGENCY RESERVE

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

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

On November 5, 1996 voters approved a ballot which stated that the District is authorized to collect, retain and expend all revenues including grants and other funds collected during 1996 and each subsequent year from any source, notwithstanding the limitations of Article X, Section 20 of the Colorado constitution, provided, however,

DEL NORTE SCHOOL DISTRICT NO. C-7
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

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.

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

NOTE 17 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the Colorado School Districts' Self Insurance Pool. There have been no significant reductions in insurance coverage. Settled claims from these risks have not exceeded commercial insurance coverage for the current year or the three prior years.

NOTE 18 PUPIL ACTIVITY AGENCY FUND BUDGET AND ACTUAL

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

Therefore, the budget and actual amounts for agency funds received and disbursed for the year ended June 30, 2017 are presented below:

	Original Budget	Final Budget	Actual	Variance
Agency Fund Receipts	\$ 250,000	\$ 250,000	\$ 104,757	\$ (145,243)
Agency Fund Disbursements	(250,000)	(250,000)	(100,436)	149,564
Change in Pupil Activity Deposits	-	-	4,321	4,321
Beginning Balance	151,565	134,266	134,266	-
Ending Balance	<u>\$ 151,565</u>	<u>\$ 134,266</u>	<u>\$ 138,587</u>	<u>\$ 4,321</u>

NOTE 19 SUBSEQUENT EVENT

The District was awarded a "Best" Grant in the amount of \$27.16 million in May of 2017 for the construction of a new K-12 School. The District passed a General Obligation Bond of \$17.95 million in November of 2017 for the matching money required to receive the awarded Best Grant funds. District taxes may be increased by the District up to \$1.45 million annually for payment of the General Obligation Bond.

DEL NORTE SCHOOL DISTRICT NO. C-7

REQUIRED SUPPLEMENTARY INFORMATION

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

DEL NORTE SCHOOL DISTRICT C-7
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2017

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE
				(NEGATIVE)
REVENUES				
State Sources	\$ 2,158,811	\$ 2,158,811	\$ 2,154,869	\$ (3,942)
Local Sources	2,703,399	2,678,399	2,659,810	(18,589)
Other Sources	14,440	19,900	33	(19,867)
TOTAL REVENUES	4,876,650	4,857,110	4,814,712	(42,398)
EXPENDITURES				
Instructional Program	2,577,771	2,577,771	2,576,625	1,146
Student Support Services	114,611	114,611	105,558	9,053
Instructional Staff Support Services	337,002	337,002	325,705	11,297
Food Service Operations	45,894	45,894	53,779	(7,885)
General Administration Support Services	368,936	368,936	368,269	667
School Administration Support Services	420,263	420,263	408,929	11,334
Business Support Services	78,800	78,800	76,156	2,644
Operations and Maintenance of Plant Services	285,116	642,550	651,294	(8,744)
Student Transportation Services	256,605	256,605	216,653	39,952
Central Support Services	16,500	16,500	19,343	(2,843)
Other Support Services	139,800	140,969	149,356	(8,387)
TOTAL EXPENDITURES	4,641,298	4,999,901	4,951,667	48,234
Excess (deficiency) of revenues over expenditures	235,352	(142,791)	(136,955)	5,836
OTHER FINANCING SOURCES (USES)				
Transfer to Other Funds	(376,305)	(353,700)	(329,000)	24,700
TOTAL OTHER FINANCING SOURCES (USES)	(376,305)	(353,700)	(329,000)	24,700
NET CHANGE IN FUND BALANCE	(140,953)	(496,491)	(465,955)	30,536
FUND BALANCE, Beginning of Year	2,476,987	2,515,927	2,515,927	-
FUND BALANCE, End of Year	\$ 2,336,034	\$ 2,019,436	\$ 2,049,972	\$ 30,536

Notes to Required Supplementary Information

The basis of budgeting is the same as GAAP.

This schedule is presented on the GAAP basis.

DEL NORTE SCHOOL DISTRICT C-7
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GOVERNMENTAL DESIGNATED PURPOSE GRANTS FUND
For the Year Ended June 30, 2017

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
				<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
REVENUES				
Federal Sources	\$ 355,568	\$ 362,746	\$ 271,808	\$ (90,938)
State Sources	134,376	114,317	102,659	(11,658)
TOTAL REVENUES	<u>489,944</u>	<u>477,063</u>	<u>374,467</u>	<u>(102,596)</u>
EXPENDITURES				
Instructional Program	287,194	293,939	230,371	63,568
Student Support Services	113,067	86,000	77,707	8,293
Instructional Staff Support Services	67,481	75,395	65,735	9,660
School Administration Support Services	3,125	3,125	-	3,125
Other Support Services	19,077	18,604	654	17,950
TOTAL EXPENDITURES	<u>489,944</u>	<u>477,063</u>	<u>374,467</u>	<u>102,596</u>
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE, Beginning of Year	-	-	-	-
FUND BALANCE, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Notes to Required Supplementary Information

The basis of budgeting is the same as GAAP.

This schedule is presented on the GAAP basis.

DEL NORTE SCHOOL DISTRICT C-7
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
PERA SCHDTF PENSION PLAN
For the Years Ended June 30

	2017	2016	2015
District's proportion of the net pension liability	0.0614325184%	0.0628131197%	0.0650425406%
District's proportionate share of the net pension liability (asset)	\$ 18,290,836	\$ 9,606,823	\$ 8,815,449
District's covered payroll	\$ 2,761,873	\$ 2,737,381	\$ 2,724,629
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	662%	351%	324%
Plan fiduciary net position as a percentage of the total pension liability	43.1%	59.2%	62.8%

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

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

Notes to Required Supplementary Information:

See Note 11 in the accompanying Notes to the Basic Financial Statements for changes to assumptions or other inputs used.

DEL NORTE SCHOOL DISTRICT C-7
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
PERA SCHDTF PENSION PLAN
For the Years Ended June 30,

	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 505,389	\$ 489,989	\$ 462,013	\$ 427,298	\$ 367,384	\$ 391,661	\$ 409,930
Contributions in relation to the contractually required contribution	(505,389)	(489,989)	(462,013)	(427,298)	(367,384)	(391,661)	(409,930)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 2,748,812	\$ 2,761,902	\$ 2,735,625	\$ 2,671,267	\$ 2,435,998	\$ 2,762,825	\$ 2,980,990
Contributions as a percentage of covered payroll	18.39%	17.74%	16.89%	16.00%	15.08%	14.18%	13.75%

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

Notes to Required Supplementary Information:

See Note 11 in the accompanying Notes to the Basic Financial Statements for changes to assumptions or other inputs used.

DEL NORTE SCHOOL DISTRICT NO. C-7

SUPPLEMENTARY INFORMATION

The combining and individual fund financial schedules represent the second level of financial reporting for the District. These schedules present more detailed information for the individual funds in a format that segregates information by fund type.

**DEL NORTE SCHOOL DISTRICT NO. C-7
NONMAJOR GOVERNMENTAL FUNDS**

SPECIAL REVENUE FUNDS

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

Pupil Activity Fund – Used to record financial transactions related to school-sponsored pupil intrascholastic and interscholastic athletic and other related activities. These activities are supported in whole or in part by revenues from pupils, gate receipts, and other fundraising activities.

Food Service Fund - Used to account for the District's food service program. Revenues are derived from District contributions and student and adult charges.

CAPITAL PROJECTS FUND

Capital Reserve Capital Projects Fund – Used to account for the purposes and limitations specified by Section 22-45-103(1)(c), C.R.S., including the acquisition of sites, buildings, equipment, and vehicles.

DEBT SERVICE FUND

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

DEL NORTE SCHOOL DISTRICT C-7
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2017

	<u>SPECIAL REVENUE FUNDS</u>		<u>CAPITAL RESERVE</u>	<u>DEBT SERVICE</u>	<u>TOTAL NONMAJOR FUNDS</u>
	<u>PUPIL ACTIVITY FUND</u>	<u>FOOD SERVICE FUND</u>	<u>CAPITAL PROJECTS FUND</u>		
ASSETS					
Cash and Cash Equivalents	\$ 33,387	\$ 54,193	\$ 19,069	\$ 5,793	\$ 112,442
Cash with Fiscal Agent	-	-	-	48,380	48,380
Accounts Receivable	-	1,824	-	-	1,824
Due from Other Governments	-	4,456	-	-	4,456
Due from Other Funds	2,777	-	-	-	2,777
Inventory	-	1,025	-	-	1,025
TOTAL ASSETS	\$ 36,164	\$ 61,498	\$ 19,069	\$ 54,173	\$ 170,904
LIABILITIES AND FUND BALANCE					
LIABILITIES					
Accounts Payable	\$ -	\$ 297	\$ -	\$ -	\$ 297
Accrued Salaries and Benefits	-	12,007	-	-	12,007
Unearned Revenue	-	1,683	-	-	1,683
TOTAL LIABILITIES	-	13,987	-	-	13,987
FUND BALANCE					
Nonspendable	-	1,025	-	-	1,025
Restricted					
Debt Service	-	-	-	54,173	54,173
Committed					
Capital Projects	-	-	19,069	-	19,069
Pupil Activities	36,164	-	-	-	36,164
Food Service	-	46,486	-	-	46,486
TOTAL FUND BALANCE	36,164	47,511	19,069	54,173	156,917
TOTAL LIABILITIES AND FUND BALANCE	\$ 36,164	\$ 61,498	\$ 19,069	\$ 54,173	\$ 170,904

DEL NORTE SCHOOL DISTRICT C-7
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

	<u>SPECIAL REVENUE FUNDS</u>		<u>CAPITAL RESERVE</u>	<u>DEBT SERVICE FUND</u>	<u>TOTAL NONMAJOR FUNDS</u>
	<u>PUPIL ACTIVITY FUND</u>	<u>FOOD SERVICE FUND</u>	<u>CAPITAL PROJECTS FUND</u>		
REVENUES					
Federal Sources	\$ -	\$ 146,620	\$ -	\$ -	\$ 146,620
State Sources	-	2,672	-	-	2,672
Local Sources	28,122	36,638	-	-	64,760
TOTAL REVENUES	<u>28,122</u>	<u>185,930</u>	<u>-</u>	<u>-</u>	<u>214,052</u>
EXPENDITURES					
Student Support Services	141,258	-	-	-	141,258
Food Service Operations	-	274,643	-	-	274,643
Operations and Maintenance of Plant Services	-	-	287,587	-	287,587
Debt Service	-	-	60,176	40	60,216
TOTAL EXPENDITURES	<u>141,258</u>	<u>274,643</u>	<u>347,763</u>	<u>40</u>	<u>763,704</u>
Excess (deficiency) of revenues over expenditures	<u>(113,136)</u>	<u>(88,713)</u>	<u>(347,763)</u>	<u>(40)</u>	<u>(549,652)</u>
OTHER FINANCING SOURCES (USES)					
Transfer from General Fund	79,000	90,000	160,000	-	329,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>79,000</u>	<u>90,000</u>	<u>160,000</u>	<u>-</u>	<u>329,000</u>
NET CHANGE IN FUND BALANCE	(34,136)	1,287	(187,763)	(40)	(220,652)
FUND BALANCE, Beginning of Year	70,300	46,224	206,832	54,213	377,569
FUND BALANCE, End of Year	<u>\$ 36,164</u>	<u>\$ 47,511</u>	<u>\$ 19,069</u>	<u>\$ 54,173</u>	<u>\$ 156,917</u>

DEL NORTE SCHOOL DISTRICT C-7
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
PUPIL ACTIVITY FUND
For the Year Ended June 30, 2017

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Local Sources				
Pupil Activities	\$ 57,600	\$ 72,600	\$ 28,122	\$ (44,478)
TOTAL REVENUES	<u>57,600</u>	<u>72,600</u>	<u>28,122</u>	<u>(44,478)</u>
EXPENDITURES				
Student Support Services				
Pupil Activities	100,600	181,010	141,258	39,752
TOTAL EXPENDITURES	<u>100,600</u>	<u>181,010</u>	<u>141,258</u>	<u>39,752</u>
Excess (deficiency) of revenues over expenditures	<u>(43,000)</u>	<u>(108,410)</u>	<u>(113,136)</u>	<u>(4,726)</u>
OTHER FINANCING SOURCES (USES)				
Transfer from General Fund	43,600	71,700	79,000	7,300
TOTAL OTHER FINANCING SOURCES (USES)	<u>43,600</u>	<u>71,700</u>	<u>79,000</u>	<u>7,300</u>
NET CHANGE IN FUND BALANCE	600	(36,710)	(34,136)	2,574
FUND BALANCE, Beginning of Year	<u>86,575</u>	<u>70,300</u>	<u>70,300</u>	<u>-</u>
FUND BALANCE, End of Year	<u>\$ 87,175</u>	<u>\$ 33,590</u>	<u>\$ 36,164</u>	<u>\$ 2,574</u>

DEL NORTE SCHOOL DISTRICT C-7
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP)
FOOD SERVICE FUND
For the Year Ended June 30, 2017

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Federal Sources	\$ 138,000	\$ 138,000	\$ 132,268	\$ (5,732)
State Sources	3,200	3,200	2,672	(528)
Local Sources	32,400	32,400	36,638	4,238
TOTAL REVENUES	173,600	173,600	171,578	(2,022)
EXPENDITURES				
Food Service Operations				
Salaries	100,080	100,080	101,091	(1,011)
Fringe Benefits	36,620	36,620	30,932	5,688
Food	92,000	92,000	102,996	(10,996)
Milk	23,000	23,000	13,962	9,038
Supplies	12,000	12,000	6,776	5,224
Miscellaneous	1,700	1,700	691	1,009
Capital Outlay	7,000	7,000	-	7,000
TOTAL EXPENDITURES	273,000	273,000	256,448	15,952
Excess (deficiency) of revenues over expenditures	(99,400)	(99,400)	(84,870)	13,930
OTHER FINANCING SOURCES (USES)				
Transfer from General Fund	100,000	100,000	90,000	(10,000)
TOTAL OTHER FINANCING SOURCES (USES)	100,000	100,000	90,000	(10,000)
CHANGE IN FUND BALANCE - BUDGET BASIS	600	600	5,130	4,530
Non-Budgeted Revenues and Expenditures				
USDA Commodities Received			14,352	
USDA Commodities Expended			(18,195)	
Total Non-Budgeted Activity			(3,843)	
CHANGE IN FUND BALANCE - GAAP BASIS	600	600	1,287	687
FUND BALANCE, Beginning of Year	5,107	46,224	46,224	-
FUND BALANCE, End of Year	\$ 5,707	\$ 46,824	\$ 47,511	\$ 687

DEL NORTE SCHOOL DISTRICT C-7
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
CAPITAL RESERVE CAPITAL PROJECTS FUND
For the Year Ended June 30, 2017

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Local Sources	\$ -	\$ -	\$ -	\$ -
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
Operations and Maintenance of Plant Services	86,660	283,001	287,587	(4,586)
Debt Service	30,840	70,000	60,176	9,824
TOTAL EXPENDITURES	<u>117,500</u>	<u>353,001</u>	<u>347,763</u>	<u>5,238</u>
Excess (deficiency) of revenues over expenditures	<u>(117,500)</u>	<u>(353,001)</u>	<u>(347,763)</u>	<u>5,238</u>
OTHER FINANCING SOURCES (USES)				
Transfer from Other Funds	117,500	174,700	160,000	(14,700)
TOTAL OTHER FINANCING SOURCES (USES)	<u>117,500</u>	<u>174,700</u>	<u>160,000</u>	<u>(14,700)</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>(178,301)</u>	<u>(187,763)</u>	<u>(9,462)</u>
FUND BALANCE, Beginning of Year	<u>196,268</u>	<u>206,832</u>	<u>206,832</u>	<u>-</u>
FUND BALANCE, End of Year	<u>\$ 196,268</u>	<u>\$ 28,531</u>	<u>\$ 19,069</u>	<u>\$ (9,462)</u>

DEL NORTE SCHOOL DISTRICT C-7
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND
For the Year Ended June 30, 2017

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
				<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
REVENUES				
Local Sources				
Property Taxes	\$ 500	\$ 500	\$ -	\$ (500)
Interest on Property Tax	500	500	-	(500)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Local Sources	1,000	1,000	-	(1,000)
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	1,000	1,000	-	(1,000)
	<hr/>	<hr/>	<hr/>	<hr/>
EXPENDITURES				
Debt Service				
Other	-	-	40	(40)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Debt Service	-	-	40	(40)
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	-	-	40	(40)
	<hr/>	<hr/>	<hr/>	<hr/>
NET CHANGE IN FUND BALANCE	1,000	1,000	(40)	(1,040)
	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCE, Beginning of Year	54,198	54,213	54,213	-
	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCE, End of Year	<u>\$ 55,198</u>	<u>\$ 55,213</u>	<u>\$ 54,173</u>	<u>\$ (1,040)</u>

DEL NORTE SCHOOL DISTRICT NO. C-7

CDE COMPLIANCE SECTION



Wall,
Smith,
Bateman Inc.

REPORT ON COMPLIANCE WITH CDE-FINANCIAL POLICIES AND PROCEDURES MANUAL

To the Board of Education
Del Norte School District No. C-7
Del Norte, Colorado

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Del Norte School District No. C-7 (the District), as of and for the year ended June 30, 2017, which collectively comprise the District's basic financial statements, as listed in the table of contents, and have issued our report thereon dated January 09, 2018.

In connection with our audit, we noted that in fiscal year 2017, the District total expenditures exceeded budget appropriations in the Debt Service Fund by \$40. This may be a violation of Colorado State Statutes. This caused us to believe that the District failed to comply with the Colorado Department of Education Financial Policies and Procedures Manual insofar as it relates to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

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

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

January 09, 2018

Certified Public Accountants

700 Main Street, Suite 200 PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 | www.wsbcpa.com



Colorado Department of Education
Auditors Integrity Report
 District 2730 - DEL NORTE C-7
 Fiscal Year 2016-17
 Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	+	1000 - 5999 Total Revenues & Other Sources	-	0001-0999 Total Expenditures & Other Uses	=	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental							
10 General Fund	2,515,928		4,192,922		4,558,878		2,049,972
18 Risk Mgmt Sub-Fund of General Fund	0		119,100		119,100		0
19 Colorado Preschool Program Fund	0		173,690		173,690		0
Sub-Total	2,515,928		4,485,712		4,851,667		2,049,972
11 Charter School Fund	0		0		0		0
20.26-29 Special Revenue Fund	0		0		0		0
06 Supplemental Cap Const, Tech, Main Fund	0		0		0		0
21 Food Service Spec Revenue Fund	46,224		275,930		274,642		47,511
22 Govt Designated-Purpose Grants Fund	0		374,467		374,467		0
23 Pupil Activity Special Revenue Fund	70,299		107,122		141,258		36,164
24 Full Day Kindergarten Mill Levy Override	0		0		0		0
25 Transportation Fund	0		0		0		0
31 Bond Redemption Fund	54,213		0		40		54,174
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	206,632		160,000		347,764		19,069
46 Supplemental Cap Const, Tech, Main Fund	0		0		0		0
Totals	2,893,497		5,485,231		6,089,898		2,206,890
Proprietary							
50 Other Enterprise Funds	0		0		0		0
64 (63) Risk-Related Activity Fund	0		0		0		0
60.65-69 Other Internal Service Funds	0		0		0		0
Totals	0		0		0		0
Fiduciary							
70 Other Trust and Agency Funds	0		0		0		0
72 Private Purpose Trust Fund	0		0		0		0
73 Agency Fund	0		0		0		0
74 Pupil Activity Agency Fund	134,266		104,757		100,436		138,588
79 GASB 34/Permanent Fund	0		0		0		0
85 Foundations	0		0		0		0
Totals	134,266		104,757		100,436		138,588
FINAL							138,588