

cPa DIXON, WALLER & CO., INC.

OTERO COUNTY SCHOOL

DISTRICT NUMBER 33

SWINK, COLORADO

FINANCIAL STATEMENTS

JUNE 30, 2017

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DIXON, WALLER & CO., INC.

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FINANCIAL STATEMENTS.

JUNE 30, 2017

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**OTERO COUNTY SCHOOL DISTRICT NUMBER 33
ROSTER OF SCHOOL OFFICIALS
June 30, 2017**

BOARD OF EDUCATION

Marty Fleischacker	President
Robert Bamber	Vice-President
Matthew Gardner	Secretary
David Cobb	Member
Shannon Wallace	Member

SCHOOL OFFICIALS

Kyle Hebbard	Superintendent
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FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

**Board of Education
Otero County School District Number 33
Swink, Colorado 81077**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Otero County School District Number 33, 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.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Otero County School District Number 33, as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension trend data on pages i through viii and 36 through 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Otero County School District Number 33's basic financial statements. The combining and individual fund financial statements, other schedules, and state required schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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



Trinidad, Colorado
November 22, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

SWINK SCHOOL DISTRICT
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

Management of Swink School District offers readers of the basic financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2017. The focus of the information is on the primary government (general) fund.

The District has adopted a financial reporting model promulgated by the Government Accounting Standards Board (GASB). In accordance with GASB Statement N. 34, *Basic Financial Statement and Management Discussion and Analysis for State and Local Governments*, the District is required to restate prior periods for purposes of providing comparative information.

Financial Highlights

- The following audit continues to present the Food Service fund as a Special Revenue Fund under governmental activities. The following audit continues to present the district's proration of net pension obligation as required by GASB-68.
- In governmental activities, the District's assets were less than liabilities at the close of the fiscal year by (\$677,596.00) (net position). This presentation of a negative net position is because of GASB-68. The General Fund has a fund balance of \$2,443,638.04 which included Pre-Paid Asset of \$56,368.00, Tabor of \$117,000.00 and BEST set aside of \$15,000.00 for a net balance of \$2,255,270.04.
- There are no longer any District's business-type activities for our district.
- As the end of the fiscal year, the District's governmental funds reported combined ending fund balances of \$2,757,344.00. This is an increase of \$416,187.00 from the prior year. This is due in part because of the Food Service Funds operations. The Food Service Director should be commended for improving the financial standing of the fund. The General Fund increased by \$333,782.07 in anticipation of a capital project.
- The District's long-term general obligation debt decreased by \$115,000 as a result of current year principal and interest payments on the outstanding debt.
- The District had adequate resources available for all appropriations.

Overview of the Financial Statements

Management's discussion and analysis is intended to serve as an introduction to the District's basic financial statements. Comparison to the prior year's activity is normally provided in this document. This is a continuing presentation of management's discussion and analysis so a comparison data is provided. The Swink School District's basic financial statements are comprised of three components: 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

SWINK SCHOOL DISTRICT
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

District-Wide Financial Statements

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

The two district-wide statements report the District's net assets and how they have changed. Net assets, the difference between the District's assets and liabilities, are one way to measure the District's financial health or position. The difference between assets and liabilities is reported as net assets. Over time, changes in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The district-wide statements are divided into two categories: Governmental Activities and Business-type Activities.

Governmental activities: Most of the District's basic services are included here, such as instruction, transportation, maintenance and operations, and administration. The School Finance Act of 1994, as amended, made up of property taxes and state equalization, finances most of these activities. This information is comprised of all of the following Swink School District funds – general fund, governmental designated-purpose grants fund, capital reserve fund, bond redemption fund, and new this year the food service fund.

Business-type activities: The district has no business-type activities funds.

Fund Financial Statements

The fund financial statements provide detailed information about the District's funds, focusing on its most significant funds or "major" funds, not the District as a whole. Fund financial statements are designed to demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Swink School District, like other governments, uses fund accounting to ensure and demonstrate compliance.

SWINK SCHOOL DISTRICT
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

All of the funds of the District can be divided into two categories: governmental funds, and fiduciary funds.

Governmental Funds: Most of the District's basic services are reported in governmental funds, which generally focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted into cash. The governmental fund statements provide a detailed short-term view of the District's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Fiduciary Funds: The District is the agent, or *fiduciary*, for assets that belong to others. The district is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations. The District uses fiduciary funds to account for its pupil activity agency fund.

Notes to the Financial Statements

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

In addition to the financial statements and accompanying notes, this report also contains other supplemental information concerning the District's non-major governmental funds. The combining statements of the non-major governmental funds are presented after the notes to the financial statements.

Financial Analysis of the District as a Whole

- The District's total capital assets (assets, less depreciation) on June 30, 2017 were \$6,139,017.
- The District uses capital assets to provide services to students; consequently, these assets are not available for future spending.

SWINK SCHOOL DISTRICT
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

Statement of Net Position	Government		Government	
	Activities		Activities	
	2015-2016	Total	2016-2017	Total
Assets:				
Current and other assets	\$2,701,051.00	\$2,701,051.00	\$3,062,131.00	\$3,062,131.00
Capital assets	\$6,137,764.00	\$6,137,764.00	\$6,139,017.00	\$6,139,017.00
Total Assets	\$8,838,815.00	\$8,838,815.00	\$9,201,148.00	\$9,201,148.00
Deferred Outflow of Resources				
District contribution subsequent to pension measurement date	\$173,223.00	\$173,223.00	\$160,879.00	\$160,879.00
Pension Outflows - Plan Level	\$652,422.00	\$652,422.00	\$4,483,443.00	\$4,483,443.00
Pension Outflows - Employer Level	\$0.00	\$0.00	\$0.00	\$0.00
Difference in actual and projected pension investment earnings	\$0.00	\$0.00	\$0.00	\$0.00
Total Deferred Outflow of Resources	\$825,645.00	\$825,645.00	\$4,644,322.00	\$4,644,322.00
Liabilities				
Current Liabilities	\$369,391.00	\$369,391.00	\$306,873.00	\$306,873.00
Current Bond Debt	\$115,000.00	\$115,000.00	\$120,000.00	\$120,000.00
Long-Term Liabilities	\$1,650,000.00	\$1,650,000.00	\$1,530,000.00	\$1,530,000.00
Net Pension Obligation	\$6,641,568.00	\$6,641,568.00	\$12,103,721.00	\$12,103,721.00
Total Liabilities	\$8,775,959.00	\$8,775,959.00	\$14,060,594.00	\$14,060,594.00
Deferred Inflow of Resources				
Difference in Pension Expected and Actual Experience	\$0.00	\$0.00	\$0.00	\$0.00
Pension Inflows - Plan Level	\$94,134.00	\$94,134.00	\$54,688.00	\$54,688.00
Pension Inflows - Employer Level	\$195,731.00	\$195,731.00	\$407,784.00	\$407,784.00
Total Deferred Inflow of Resources	\$289,865.00	\$289,865.00	\$462,472.00	\$462,472.00
Net Position				
Net Investment in capital assets	\$4,372,764.00	\$4,372,764.00	\$4,489,017.00	\$4,489,017.00
Restricted for:				
Tabor Reserve	\$110,900.00	\$110,900.00	\$117,000.00	\$117,000.00
Food Service	\$0.00	\$0.00	\$45,502.00	\$45,502.00
Debt	\$216,444.00	\$216,444.00	\$223,015.00	\$223,015.00
Best Capital Renewal Reserve	\$12,000.00	\$12,000.00	\$15,000.00	\$15,000.00
Unrestricted	-\$4,093,472.00	-\$4,093,472.00	-\$5,567,130.00	-\$5,567,130.00
Total Net Position	\$618,636.00	\$618,636.00	-\$677,596.00	-\$677,596.00

SWINK SCHOOL DISTRICT
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

Statement of Activities	2015-2016	2015-2016	2015-2016	2016-2017	2016-2017	2016-2017
	Governmental	Business Type		Governmental	Business Type	
	Activities	Activities	Total	Activities	Activities	Total
Governmental Activities						
Instructional Services	\$2,302,984.00	\$0.00	\$2,302,984.00	\$2,051,643.00	\$0.00	\$2,051,643.00
Supporting Services:						
Students	\$166,043.00	\$0.00	\$166,043.00	\$146,654.00	\$0.00	\$146,654.00
Instruction Staff	\$154,042.00	\$0.00	\$154,042.00	\$110,382.00	\$0.00	\$110,382.00
District Administration	\$138,918.00	\$0.00	\$138,918.00	\$231,375.00	\$0.00	\$231,375.00
School Administration	\$195,585.00	\$0.00	\$195,585.00	\$136,815.00	\$0.00	\$136,815.00
Business	\$67,339.00	\$0.00	\$67,339.00	\$67,623.00	\$0.00	\$67,623.00
Operation & Maintenance	\$522,859.00	\$0.00	\$522,859.00	\$518,672.00	\$0.00	\$518,672.00
Transportation	\$110,743.00	\$0.00	\$110,743.00	\$112,054.00	\$0.00	\$112,054.00
Central	\$61,620.00	\$0.00	\$61,620.00	\$65,208.00	\$0.00	\$65,208.00
Facility	\$676.00	\$0.00	\$676.00	\$0.00	\$0.00	\$0.00
Food Service	\$183,960.00	\$0.00	\$183,960.00	\$162,705.00	\$0.00	\$162,705.00
Capital Outlay	\$0.00	\$0.00	\$0.00	\$8,326.00	\$0.00	\$8,326.00
Interest on Long-Liabilities	\$73,322.00	\$0.00	\$73,322.00	\$68,851.00	\$0.00	\$68,851.00
Pension Expense	\$224,763.00	\$0.00	\$224,763.00	\$1,816,083.00	\$0.00	\$1,816,083.00
TOTAL EXPENSES	\$4,202,854.00	\$0.00	\$4,202,854.00	\$5,496,391.00	\$0.00	\$5,496,391.00
Revenue:						
Charges for Services	\$64,932.00	\$0.00	\$64,932.00	\$77,861.00	\$0.00	\$77,861.00
Operating Grants and Contributions	\$365,960.00	\$0.00	\$365,960.00	\$297,463.00	\$0.00	\$297,463.00
Capital Grants and Contributions	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Property Taxes	\$587,890.00	\$0.00	\$587,890.00	\$589,773.00	\$0.00	\$589,773.00
Specific Ownership	\$123,686.00	\$0.00	\$123,686.00	\$118,465.00	\$0.00	\$118,465.00
Equalization	\$2,826,734.00	\$0.00	\$2,826,734.00	\$2,820,185.00	\$0.00	\$2,820,185.00
Earnings on Investments	\$12,345.00	\$0.00	\$12,345.00	\$13,297.00	\$0.00	\$13,297.00
Other Revenue	\$125,291.00	\$0.00	\$125,291.00	\$226,747.00	\$0.00	\$226,747.00
Transfers	\$0.00	\$0.00	\$0.00	\$0.00	0	\$0.00
TOTAL REVENUES	\$4,106,838.00	\$0.00	\$4,106,838.00	\$4,143,791.00	\$0.00	\$4,143,791.00
Increase (Decrease) in Net Position	(\$96,016.00)	\$0.00	(\$96,016.00)	(\$1,352,600.00)	\$0.00	(\$1,352,600.00)

SWINK SCHOOL DISTRICT
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

Governmental Activities by Major Function					
	2016		2017		
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service	
Instructional services	\$2,302,984.00	-\$2,064,545.00	\$2,051,643.00	-\$1,881,645.00	
Students	\$166,043.00	-\$166,043.00	\$146,654.00	-\$146,654.00	
instructional staff	\$154,042.00	-\$154,042.00	\$110,382.00	-\$110,382.00	
District administration	\$138,918.00	-\$138,918.00	\$231,375.00	-\$231,375.00	
School Administration	\$195,585.00	-\$195,585.00	\$136,815.00	-\$136,815.00	
business	\$67,339.00	-\$67,339.00	\$67,623.00	-\$67,623.00	
Operation and maintenance of facilities	\$522,859.00	-\$509,773.00	\$518,672.00	-\$504,249.00	
Transportation	\$110,743.00	-\$94,168.00	\$112,054.00	-\$97,124.00	
Central	\$61,620.00	-\$61,620.00	\$65,208.00	-\$65,208.00	
Facility	\$676.00	-\$676.00	\$0.00	\$0.00	
Food Service	\$183,960.00	-\$21,168.00	\$162,705.00	\$13,268.00	
Capital outlay	\$0.00	\$0.00	\$8,326.00	-\$8,326.00	
Interest on Long Term Liabilities	\$73,322.00	-\$73,322.00	\$68,851.00	-\$68,851.00	
Pension Expense	\$224,763.00	-\$224,763.00	\$1,816,083.00	-\$1,816,083.00	
	\$4,202,854.00	-\$3,771,962.00	\$5,496,391.00	-\$5,121,067.00	

Capital Assets (Net of Depreciation)	Government	Business-type		Government	Business-type	
	Activities	Activities	Total	Activities	Activities	Total
	2015-2016	2015-2016	2015-2016	2016-2017	2016-2017	206-2017
Land & Sites	\$627,961.00	\$0.00	\$627,961.00	\$627,961.00	\$0.00	\$627,961.00
Building & Improvements	\$5,369,464.00	\$0.00	\$5,369,464.00	\$5,338,731.00	\$0.00	\$5,338,731.00
Equipment & Vehicles	\$137,000.00	\$0.00	\$137,000.00	\$145,895.00	\$0.00	\$145,895.00
Construction in Progress	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Food Service Equipment (change in presertation)	\$3,339.00	\$0.00	\$3,339.00	\$26,430.00	\$0.00	\$26,430.00
Total Capital Assets	\$6,137,764.00	\$0.00	\$6,137,764.00	\$6,139,017.00	\$0.00	\$6,139,017.00

Changes In Long Term Debt	Beginning			Ending
	Balance	Additions	Reductions	
General Obligation Bonds 2007	\$1,765,000.00	\$0.00	\$115,000.00	\$1,650,000.00

SWINK SCHOOL DISTRICT
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

Special Revenue Fund

The Special Revenue Fund is the food service fund. This program had revenues of \$190,972 which included a General Fund transfer of \$15,000, and expenses of \$159,251. The District found it necessary to raise lunch prices in 2016-2017. Food service staff members have continued to add new healthier menu items in order to meet federal guidelines. Utilizing local growers for the fresh fruits and vegetables have helped costs during the produce growing season. The number of meals served has continued to decline over previous years. The district was able to cooperatively purchase food which has significantly lowered costs. This fund will still need to be monitored closely. Future fund transfers, have been budgeted, and may be necessary. The board is aware of the difficulties in operating the food service program, and will continue to provide nutritious meals at a reasonable cost.

Financial Analysis of the District's Funds

General Fund Budgetary Highlights

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

- Actual revenues in the General Fund of \$3,787,315.
- The actual expenditures were \$3,398,533, plus a Capital Reserve Project fund transfer of \$40,000, plus a Food Service fund transfer of \$15,000, which resulted in and General Fund increase of \$330,783.
- The District must maintain a 3% emergency reserve as a part of the TABOR Amendment (Taxpayer Bill of Rights). At June 30, 2017, District's TABOR reserve amounted to \$117,000.

Economic Factors Bearing on the District's Future

The factors that affected this year's budget and will continue its affect into the future is small growth in the economy, lack of employment opportunities, water related issues, the continuing shift of school funding to local property taxes from state taxes, the negative factor (now referred to as the budget stabilization factor) used by the State of Colorado to balance their budget, and maintaining current student enrollment.

The following is a comparison of the funded student count and actual number of students for the past several years:

<u>School Year</u>	<u>Actual Number of Students</u>	<u>Funded Count</u>
2005/2006	373	365
2006/2007	382	367
2007/2008	369.5	357.5
2008/2009	375	362

SWINK SCHOOL DISTRICT
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

2009/2010	378	366
2010/2011	374	363
2011/2012	356	345.5
2012/2013	346	337
2013/2014	336	326
2014/2015	346	337
2015/2016	381	366
2016/2017	368.4	361.9

The funded count for the District has declined in the past, 2015-2016 was an anomaly as our predictions was for a decrease in the following year. The district has been able to take advantage of the state funding rules that have allowed us to average the last three years for our funding. Management and administration continue to take a very conservative approach for the 2017/2018 school year. The School District is prudent in monitoring our fiscal responsibilities as the District continues to be fiscally sound.

We know that the quality of life in a community is directly linked to the quality of its schools. Even in tough economic times and having to be fiscally responsible, Swink School District continues to have high academic student achievement and is known for exemplary K-12 student achievement. Student achievement scores on the new state assessments were recorded above the state average.

Our small class size, opportunities for advanced course work (through concurrent and OJC classes) and a culture with minor discipline issues contribute to a school family that knows the value of an education.

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the Swink School District's finances for all those with an interest in the District. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Janell Wood, Business Manager
Swink School District
610 Columbia, PO Box 487, Swink, CO 81077

BASIC FINANCIAL STATEMENTS

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
STATEMENT OF NET POSITION
June 30, 2017

	Governmental Activities	Total
<u>ASSETS</u>		
Cash and Investments	2,900,292	2,900,292
Accounts Receivable	-	-
Receivables – Other	-	-
Grants Receivable	52,944	52,944
Property Taxes Receivable	42,500	42,500
Inventories	10,027	10,027
Prepaid Assets	56,368	56,368
Capital Assets	12,142,345	12,142,345
Accumulated Depreciation	<u>(6,003,328)</u>	<u>(6,003,328)</u>
<u>Total Assets</u>	<u>9,201,148</u>	<u>9,201,148</u>
<u>DEFERRED OUTFLOW OF RESOURCES</u>		
District Contributions Subsequent to Pension Measurement Date	160,879	160,879
Pension Outflows – Plan Level	4,483,443	4,483,443
Pension Outflows – Employer Level	-	-
<u>Total Deferred Outflow of Resources</u>	<u>4,644,322</u>	<u>4,644,322</u>
<u>LIABILITIES</u>		
Accounts Payable	10,893	10,893
Accrued Salaries	275,004	275,004
Accrued Interest	5,593	5,593
Compensated Absences	11,450	11,450
Net Pension Liability	12,103,721	12,103,721
Debt – Current	120,000	120,000
Debt – Long Term	1,530,000	1,530,000
Unamortized Premium on Debt	3,933	3,933
<u>Total Liabilities</u>	<u>14,060,594</u>	<u>14,060,594</u>
<u>DEFERRED INFLOW OF RESOURCES</u>		
Pension Inflows – Plan Level	54,688	54,688
Pension Inflows – Employer Level	<u>407,784</u>	<u>407,784</u>
<u>Total Deferred Inflow of Resources</u>	<u>462,472</u>	<u>462,472</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	4,489,017	4,489,017
Restricted for:		
Tabor Reserve	117,000	117,000
Food Service	45,502	45,502
Debt	223,015	223,015
BEST Capital Renewal Reserve	15,000	15,000
Unrestricted	<u>(5,567,130)</u>	<u>(5,567,130)</u>
<u>TOTAL NET POSITION</u>	<u>(677,596)</u>	<u>(677,596)</u>

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

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

		Program Revenues			in Net Position	
Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants and Contributions	Governmental Activities	Total	
Instructional Services	2,051,643	169,998	-	(1,881,645)	(1,881,645)	
Supporting Services:						
Students	146,654	-	-	(146,654)	(146,654)	
Instructional Staff	110,382	-	-	(110,382)	(110,382)	
District Administration	231,375	-	-	(231,375)	(231,375)	
School Administration	136,815	-	-	(136,815)	(136,815)	
Business	67,623	-	-	(67,623)	(67,623)	
Operation & Maintenance of Facilities	518,672	-	-	(504,249)	(504,249)	
Transportation	112,054	14,930	-	(97,124)	(97,124)	
Central Facilities	65,208	-	-	(65,208)	(65,208)	
Food Service	162,705	112,535	-	13,268	13,268	
Capital Outlay	8,326	-	-	(8,326)	(8,326)	
Interest on Long-Term Liabilities	68,851	-	-	(68,851)	(68,851)	
Pension Expense	1,816,083	-	-	(1,816,083)	(1,816,083)	
Total Governmental Activities	<u>5,496,391</u>	<u>297,463</u>	<u>-</u>	<u>(5,121,067)</u>	<u>(5,121,067)</u>	
Total School District	<u>5,496,391</u>	<u>297,463</u>	<u>-</u>	<u>(5,121,067)</u>	<u>(5,121,067)</u>	
General Revenues						
				589,773	589,773	
Property Taxes Levied for General Purpose				118,465	118,465	
Specific Ownership Taxes				2,820,185	2,820,185	
Equalization				13,297	13,297	
Earnings on Investments				226,747	226,747	
Other Revenues				-	-	
Transfers				-	-	
Total General Revenues & Transfers				<u>3,768,467</u>	<u>3,768,467</u>	
Change in Net Position						
Net Position, Beginning				(1,352,600)	(1,352,600)	
Prior Period Correction				618,636	618,636	
Net Position, Ending				<u>56,368</u>	<u>56,368</u>	
				<u>(677,596)</u>	<u>(677,596)</u>	

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

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash and Investments	2,582,948	317,344	2,900,292
Accounts Receivable	-	-	-
Grants Receivable	52,944	-	52,944
Due From Other Funds	-	-	-
Property Taxes Receivable	30,300	12,200	42,500
Inventories	-	10,027	10,027
Prepaid Assets	56,368	-	56,368
<u>Total Assets</u>	<u>2,722,560</u>	<u>339,571</u>	<u>3,062,131</u>
<u>LIABILITIES:</u>			
Accounts Payable	10,893	-	10,893
Accrued Salaries	263,329	11,675	275,004
Due To Other Funds	-	-	-
Other Payables	-	-	-
<u>Total Liabilities</u>	<u>274,222</u>	<u>11,675</u>	<u>285,897</u>
<u>DEFERRED INFLOW OF RESOURCES</u>			
Property Taxes	14,700	4,200	18,900
<u>FUND BALANCES:</u>			
Nonspendable:			
Inventories	-	10,027	10,027
Prepaid Assets	56,368	-	56,368
Restricted for:			
Emergencies	117,000	-	117,000
Food Service	-	23,800	23,800
Debt Service	-	223,015	223,015
BEST Capital Renewal Reserve	15,000	-	15,000
Committed for:			
Capital Outlay	-	66,854	66,854
Unassigned	2,245,270	-	2,245,270
<u>Total Fund Balances</u>	<u>2,433,638</u>	<u>323,696</u>	<u>2,757,334</u>
<u>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u>			
	<u>2,722,560</u>	<u>339,571</u>	<u>3,062,131</u>

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

**OTERO COUNTY SCHOOL DISTRICT NUMBER 33
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO STATEMENT OF NET POSITION
June 30, 2017**

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

TOTAL FUND BALANCE – GOVERNMENTAL FUNDS	2,757,334
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$12,142,345 and the accumulated depreciation is \$6,003,328.	6,139,017
Property tax revenue is recognized when earned (claim to resources established) rather than when “available”. All of the deferred property tax revenue is not available.	18,900
Accrued interest on long term debt is not reported in the funds.	(5,593)
Long term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(1,650,000)
Unamortized bond premium is not reported in the funds.	(3,933)
Compensated absences are not reported as a liability in the funds.	(11,450)
The District’s portion of the net pension obligation for PERA is reported on the statement of net position is not reported as a liability in the funds.	(12,103,721)
Deferred flows for contributions made toward the net pension obligation from December 31, 2016 until June 30, 2017 is not reported in the funds.	160,879
Net deferred pension flows – Plan Level	4,428,755
Net deferred pension flows – Employer Level	<u>(407,784)</u>
<u>TOTAL NET POSITION – GOVERNMENTAL ACTIVITIES</u>	<u>(677,596)</u>

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

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>REVENUES</u>			
Property Taxes	410,494	190,379	600,873
Specific Ownership Taxes	118,465	-	118,465
Earnings on Investments	12,597	766	13,363
Other Local Sources	76,781	63,896	140,677
State Aid	3,024,354	3,506	3,027,860
Federal Aid	<u>144,624</u>	<u>109,029</u>	<u>253,653</u>
<u>Total Revenues</u>	<u>3,787,315</u>	<u>367,576</u>	<u>4,154,891</u>
<u>EXPENDITURES</u>			
Current:			
Instructional Services	1,812,895	-	1,812,895
Supporting Services:			
Students	146,654	-	146,654
Instructional Staff	110,382	-	110,382
District Administration	231,375	-	231,375
School Administration	136,815	-	136,815
Business	67,623	-	67,623
Operation & Maintenance of Facilities	542,921	-	542,921
Transportation	98,058	-	98,058
Central	65,208	-	65,208
Facilities	186,602	-	186,602
Food Service	-	159,251	159,251
Debt Service:			
Principal Retirement	-	115,000	115,000
Interest and Fiscal Charges	-	69,912	69,912
Capital Outlay	-	52,376	52,376
<u>Total Expenditures</u>	<u>3,398,533</u>	<u>396,539</u>	<u>3,795,072</u>
<u>EXCESS (DEFICIENCY) OF REVENUES</u>			
<u>OVER (UNDER) EXPENDITURES</u>	<u>388,782</u>	<u>(28,963)</u>	<u>359,819</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers	<u>(55,000)</u>	<u>55,000</u>	-
<u>Total Other Financing Sources (Uses)</u>	<u>(55,000)</u>	<u>55,000</u>	-
<u>NET CHANGE IN FUND BALANCES</u>	333,782	26,037	359,819
<u>FUND BALANCES, Beginning</u>	2,043,488	297,659	2,341,147
<u>PRIOR PERIOD ADJUSTMENT</u>	<u>56,368</u>	-	<u>56,368</u>
<u>FUND BALANCES, Ending</u>	<u>2,433,638</u>	<u>323,696</u>	<u>2,757,334</u>

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

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
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

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

<u>NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS</u>	359,819
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.</p>	
Capital Outlays	276,060
Depreciation Expense	<u>(274,807)</u>
	1,253
<p>Property tax revenues received prior to the year for which they are being levied or are not “available” at year end are reported as deferred revenue in the governmental funds. They are, however recorded as revenues in the statement of activities. Deferred property tax revenues changed this year.</p>	
	(11,100)
<p>In the statement of activities compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amount paid). During the year, compensated absences changed by this amount.</p>	
	(2,550)
<p>The governmental funds report debt proceeds as an other financing source, while repayment of debt principal is reported as an expenditure. The effect of issue cost and premiums are recognized when the debt is issued in governmental funds, whereas these amounts are deferred and amortized in the statement of activities. Interest expense is recognized as it accrues in the statement of activities regardless of when it is due. The net effect of these differences follows:</p>	
Payment of Debt	115,000
Interest Expense	382
Premium Amortization	679
<p>Debt proceeds are reported as a source of revenue in the funds. However, in the statement of activities, these amounts are recorded as debt payable and unamortized premium.</p>	
	-
<p>The statement of activities reports net pension obligation which is not reported in the fund financial statements.</p>	
Change in net pension obligation	(5,462,153)
Deferred flows from net pension obligations	<u>3,646,070</u>
<u>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</u>	<u>(1,352,600)</u>

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

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
STATEMENT OF FIDUCIARY NET POSITION
PUPIL ACTIVITY FUND
June 30, 2017

	<u>Pupil Activity Fund</u>
<u>ASSETS</u>	
Cash and Investments	<u>91,447</u>
<u>Total Assets</u>	<u>91,447</u>
<u>LIABILITIES</u>	
Accounts Payable	4,941
Deposits Held for Others	<u>86,506</u>
<u>Total Liabilities</u>	<u>91,447</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Otero County School District Number 33 (District) conform with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

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

The District is the lowest level of government, which is considered to be financially accountable over all activities related to public school education in Otero County School District Number 33. The District receives funding from local, state, and federal government sources and must comply with requirements of these funding source entities. The Board of Education members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

A. Reporting Entity

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

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

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

B. Government-Wide and Fund Financial Statements

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

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

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

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

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

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

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

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

D. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred flows, fund equity, revenues and expenditures, or expenses, as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The major funds presented in the accompanying basic financial statements are as follows:

- **Major Governmental Funds**

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

Additionally, the District reports the following fund type:

Trust and Agency Fund

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

E. Cash and Investments

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

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

E. Cash and Investments (Continued)

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

F. Receivables

Property taxes levied in 2016 but uncollected in 2017 are identified as property taxes receivable. Amounts of property taxes that are not available at June 30, 2017 are recorded as deferred inflows. Program grants are recorded as receivables and revenues at the time reimbursable project costs are incurred.

G. Inventories

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

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

H. Capital Assets

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

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

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

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

I. Long-Term Obligations

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

J. Constitutional Amendment

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

On November 4, 1997 the registered voters approved a ballot resolution authorizing Otero County School District Number 33 to collect, retain and expend all revenues from any source provided that no property tax mill levy be increased or any new tax be imposed.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future years. TABOR requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be three percent or more of fiscal year spending (excluding bonded debt service). As of June 30, 2017 the District reserved \$117,000 for this purpose.

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

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2017

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

K. Property Taxes

Under Colorado law, all property taxes are due and payable in the year following the year levied. The 2016 property tax calendar for Otero County was as follows:

Levy Date	December 15, 2016
Lien Date	January 1, 2017
Tax Bills Mailed	January 1, 2017
First Installment Due	February 28, 2017
Second Installment Due	June 15, 2017
If Paid in Full, Due	April 30, 2017
Tax Sale – 2015 Delinquent Property Taxes	October 25, 2016

L. Accumulated Sick Leave

Compensated absences are made up of accumulated sick leave reported as non-current liabilities in the government-wide financial statements. As of June 30, 2017, the District has recorded an estimated liability of \$11,450 relating to accrued sick leave payable.

A summary of changes in compensated absences is as follows:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
Accumulated Sick Leave	<u>8,900</u>	<u>2,550</u>	<u>-</u>	<u>11,450</u>

M. Use of Estimates

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

N. GASB Statement No. 54

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

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

1. Nonspendable such as fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned).

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

N. GASB Statement No. 54

2. Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
3. Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School District Board of Directors (the district's highest level of decision-making authority).
4. Assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and
5. Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

Fund Balance Classification Policies and Procedures

Committed Fund Balance Policy:

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

Assigned Fund Balance Policy:

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

Order of Fund Balance Spending Policy

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

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

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

N. GASB Statement No. 54 (Continued)

Fund Balance Classification by Fund:

	<u>General Fund</u>	<u>Bond Fund</u>	<u>Capital Reserve Capital Projects Fund</u>	<u>Food Service Fund</u>	<u>Total Governmental Funds</u>
<u>Nonspendable:</u>					
Inventories	-	-	-	10,027	10,027
Prepaid Assets	56,368	-	-	-	56,368
<u>Restricted:</u>					
Emergencies	117,000	-	-	-	117,000
Debt Service	-	223,015	-	-	223,015
Food Service	-	-	-	23,800	23,800
BEST Capital Renewal Reserve	15,000	-	-	-	15,000
<u>Committed:</u>					
Capital Outlay	-	-	66,854	-	66,854
<u>Unassigned</u>	<u>2,245,270</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,245,270</u>
<u>Total Fund Balances</u>	<u>2,433,638</u>	<u>223,015</u>	<u>66,854</u>	<u>33,827</u>	<u>2,757,334</u>

O. Deferred Outflows / Inflows of Resources

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

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

NOTE 2 **RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

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

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

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

	Items Eliminated	
	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	-	-
Bond Fund	-	-
Capital Reserve/Capital Projects Fund	-	-
	<u>Transfers To Other Funds</u>	<u>Transfers From Other Funds</u>
General Fund	55,000	-
Capital Reserve/Capital Projects Fund	-	40,000
Food Service	-	15,000

NOTE 3 **BUDGETARY INFORMATION**

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

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

1. Prior to June 1, the Business Manager submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public notices are released to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted through passage of a resolution.
4. The Business Manager is authorized to transfer budgeted amounts between categories within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.
5. Formal budgetary integration should be employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects Funds.
6. Budgets for the General, Special Revenue, Debt Service and Capital Projects Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgets have been adopted for the Pupil Activity Agency Funds although measurements to operations is not required in the financial statements.

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 3 **BUDGETARY INFORMATION (Continued)**

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

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

NOTE 4 **CASH AND INVESTMENTS**

Deposits

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

At June 30, 2017, the District's bank balance and corresponding carrying balance were as follows:

	<u>Carrying Balance</u>	<u>Bank Balance</u>
Insured (FDIC)	500,000	500,000
Uninsured, Collateralized under the Public Deposit Protection Act of the State of Colorado	2,267,145	2,256,069
Cash with County Treasurer	9,764	-
Cash with Fiscal Agent	<u>214,830</u>	<u>-</u>
<u>Total Cash and Deposits</u>	<u>2,991,739</u>	<u>2,756,069</u>

As presented above, deposits with a bank balance of \$2,256,069 and a carrying balance of \$2,267,145 as of June 30, 2017 are uninsured, are exposed to custodial risk, and are collateralized with securities held by the pledging financial institution.

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 5 CAPITAL ASSETS

A summary of changes in capital assets is as follows:

Governmental Activities

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
<u>Capital Assets Not Being Depreciated</u>				
Land	627,961	-	-	627,961
<u>Capital Assets Being Depreciated</u>				
Buildings & Site Improvements	9,353,894	205,465	-	9,559,359
Equipment	1,161,683	-	-	1,161,683
Vehicles	690,359	44,050	-	734,409
Food Service Equipment	32,388	26,545	-	58,933
<u>Total Capital Assets Being Depreciated</u>	<u>11,238,324</u>	<u>276,060</u>	<u>-</u>	<u>11,514,384</u>
<u>Less Accumulated</u>				
<u>Depreciation for:</u>				
Building & Site Improvements	3,984,430	236,198	-	4,220,628
Equipment	1,063,812	21,159	-	1,084,971
Vehicles	651,230	13,996	-	665,226
Food Service Equipment	29,049	3,454	-	32,503
<u>Total Accumulated Depreciation</u>	<u>5,728,521</u>	<u>274,807</u>	<u>-</u>	<u>6,003,328</u>
<u>Total Capital Assets Being Depreciated, Net</u>	<u>5,509,803</u>	<u>1,253</u>	<u>-</u>	<u>5,511,056</u>
<u>Governmental Activities</u>				
<u>Capital Assets, Net</u>	<u>6,137,764</u>	<u>1,253</u>	<u>-</u>	<u>6,139,017</u>

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

Governmental Activities:

Instruction	236,198
Operations and Maintenance	21,159
Transportation	13,996
Food Service	3,454
<u>Total Depreciation Expense –Governmental Activities</u>	<u>274,807</u>

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 6 **PENSION PLAN**

Defined Benefit Pension Plan

Summary of Significant Accounting Policies

Pensions. Otero County School District Number 33 participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

Plan description. Eligible employees of the Otero County School District Number 33 are provided with pensions through the School Division Trust Fund (SCHDTF) - a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investment/pera-financial-reports.

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.

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

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit.

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 6 **PENSION PLAN (Continued)**

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

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

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

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

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

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

Contributions. Eligible employees and Otero County School District Number 33 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.

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 6 **PENSION PLAN (Continued)**

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

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the Otero County School District Number 33 is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from Otero County School District Number 33 were \$318,445 for the year ended 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 Otero County School District Number 33 reported a liability of \$12,103,721 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 Otero County School District Number 33 proportion of the net pension liability was based on Otero County School District Number 33 contributions to the SCHDTF for the calendar year 2016 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2016, the Otero County School District Number 33 proportion was 0.0407 percent, which was a decrease of 0.0027 in its proportion measured as of December 31, 2015.

For the year ended June 30, 2017, the Otero County School District Number 33 recognized pension expense of \$1,816,083. At June 30, 2017, the Otero County School District Number 33 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 6 **PENSION PLAN (Continued)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	151,315	(107)
Changes of assumptions or other inputs	3,927,405	(54,581)
Net difference between projected and actual earnings on pension plan investments	404,723	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	(407,784)
Contributions subsequent to the measurement date	160,879	N/A
Total	4,644,322	(462,472)

\$160,879 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30, 2017	
2018	1,573,654
2019	1,621,872
2020	821,410
2021	4,035
2022	-
Thereafter	-

Actuarial assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial cost method, 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
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 6 **PENSION PLAN (Continued)**

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 revised 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 – 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.

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.

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 6 **PENSION PLAN (Continued)**

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

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

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

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

The long-term expected rate of return on pension 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 changed, 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.

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 6 **PENSION PLAN (Continued)**

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

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

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

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

- 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.

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 6 **PENSION PLAN (Continued)**

- 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.
- 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 members. Therefore, the long-term expected rate of return on plan investments of 7.50% 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. The discount rate was 7.50 percent, 2.24 percent higher compared to the current measurement date.

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2017

NOTE 6 **PENSION PLAN (Continued)**

Sensitivity of the Otero County School District Number 33 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	15,220,041	12,103,721	9,565,592

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.

Defined Contribution Pension Plan

Voluntary Investment Program

Plan Description – Employees of the Otero County School District Number 33 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 and investment earnings. For the year ended June 30, 2017, program members contributed \$20,360.

Other Post-Employment Benefits

Health Care Trust Fund

Plan Description – The Otero County School District Number 33 contributes to the Health Care Trust Fund (“HCTF”), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports.

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 6 **PENSION PLAN (Continued)**

Funding Policy – The Otero County School District Number 33 is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the Otero County School District Number 33 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 Otero County School District Number 33 contributions to the HCTF were \$17,673, \$19,112 and \$19,290, respectively equal to their required contributions for each year.

NOTE 7 **RISK MANAGEMENT**

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

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

NOTE 8 **COLORADO SCHOOL DISTRICT SELF INSURANCE POOL**

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

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 8 **COLORADO SCHOOL DISTRICT SELF INSURANCE POOL (Continued)**

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.

An audited summary of the Colorado School District's Pool financial information at December 31, 2016 (latest information available) follows:

Total Assets	<u>48,036,383</u>
Total Liabilities	<u>21,232,630</u>
Total Equity	<u>26,803,753</u>
Revenue	14,232,299
Underwriting Expenses	<u>12,497,566</u>
Underwriting Gain (Loss)	1,734,733
Net Investment Income	690,250
Other Income	-
Net Income (Loss) Before Dividend	<u>2,424,983</u>
Dividend	-
Net Income	<u>2,424,983</u>
Transfer of Capital Contributions	-
Change in Non Admitted Assets	<u>53,761</u>
Capital Contributions from Members	-
Unassigned Surplus	<u>26,803,753</u>

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 9 **LONG TERM DEBT**

2007 General Obligation Bonds

On December 19, 2007 the district issued \$2,500,000 of General Obligation bonds with an interest rate ranging from 4.50% to 4.00%. In addition \$62,982 of registered coupons, payable in fiscal year 2008-2009, were also issued. The bond proceeds along with \$350,000 from the Colorado Division of Local Government and \$600,000 from the District's General Fund will be used to finance the construction of a new gymnasium, improve existing facilities and to the extent that funds are available equipping the project.

Payments to maturity are as follows:

	<u>Year Ended</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
General Obligation Bonds dated December 19, 2007, interest rates ranging from 4.5% to 4%. Payment dates June 1 and December 1 annually.				
2018		120,000	64,713	184,713
2019		125,000	59,812	184,812
2020		130,000	54,713	184,713
2021		135,000	49,412	184,412
2022		145,000	43,813	188,813
2023		150,000	37,912	187,912
2024		155,000	31,813	186,813
2025		160,000	25,512	185,512
2026		170,000	18,806	188,806
2027		175,000	11,581	186,581
2028		<u>185,000</u>	<u>3,932</u>	<u>188,932</u>
TOTAL		<u>1,650,000</u>	<u>402,019</u>	<u>2,052,019</u>

Changes in Long-Term Debt

	<u>Balance</u> <u>7-1-2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6-30-2017</u>	<u>Current</u> <u>Portion</u>
General Obligation Bonds Series 2007	<u>1,765,000</u>	<u>-</u>	<u>115,000</u>	<u>1,650,000</u>	<u>120,000</u>

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 10 INVENTORIES

Food Service Fund inventories at June 30, 2017, consisted of purchased food, non-food, and donated commodities amounting to \$10,027. Purchased inventories are stated at cost. Donated inventories, received at no cost under a program supported by the United States Government, are recorded at their estimated fair market value at the date of receipt.

NOTE 11 ACCRUED SALARIES AND BENEFITS

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve month period from September to August, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid at June 30, 2017 are estimated to be \$275,004. Accordingly, the accrued compensation is reflected as a liability in the accompanying financial statements of the various funds.

NOTE 12 LITIGATION

None.

NOTE 13 SUMMARY DISCLOSURE OF SIGNIFICANT COMMITMENTS AND CONTINGENCIES

Claims and Judgments - The District participates in a number of federal, state and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2017, significant amounts of grant expenditures have not been audited by the grantor but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual government funds or the overall financial position of the District.

NOTE 14 JOINT VENTURES

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

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 14 **JOINT VENTURES (Continued)**

The District has one member on the Board. The Board has final authority for all budgeting and financing of the joint venture. The District's share of the joint venture is not determinable at June 30, 2017. The joint venture summary audited financial information as of June 30, 2016 is as follows:

Assets and Deferred Outflows	<u>1,453,439</u>
Liabilities and Deferred Inflows	4,960,218
Net Position	<u>(3,506,779)</u>
	<u>1,453,439</u>
Revenues	2,759,270
Expenditures	<u>2,941,446</u>
Excess (Deficiency)	<u>(182,176)</u>

The B.O.C.E.S. has no long term debt.

The BOCES is not included as a component unit of the District as the financial responsibility is minimal, there is no financial interdependency, the District does not have the ability to significantly influence the operations of the BOCES and the District is not accountable for fiscal matters of the BOCES. A copy of the BOCES audit report is filed with the State Auditor's office each year.

NOTE 15 **INTERFUND BALANCES AND TRANSFERS**

<u>Interfund Balances</u>	<u>Due To</u>	<u>Due From</u>
<u>Major Funds</u>		
General Fund	-	-
<u>Nonmajor Funds</u>	<u>-</u>	<u>-</u>

These interfund balances occurred due to expenditures paid on behalf of another fund.

Interfund balances are expected to be paid within one year from the date of the financial statements.

<u>Transfers</u>	<u>Transfer In</u>	<u>Transfer Out</u>
<u>Major Governmental Fund</u>		
General Fund	-	55,000
<u>NonMajor Governmental Fund</u>		
Capital Reserve/Capital Projects Fund	40,000	-
Food Service	<u>15,000</u>	-
	<u>55,000</u>	<u>55,000</u>

Transfers were made to assist in operations.

NOTE 16 **PRIOR PERIOD CORRECTION**

A prior period correction to net position of \$56,368 was recorded to reflect a prepaid asset for workman's compensation insurance that was not recorded at June 30, 2016.

REQUIRED SUPPLEMENTARY INFORMATION

General Fund

The General Fund accounts for all transactions of the District not accounted for in other funds. This fund represents an accounting for the District's ordinary operations financed from property taxes and other general revenues. It is the most significant fund in relation to the District's overall operations.

Pension Trend Data

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
<u>Local Sources</u>				
Property Taxes	370,133	370,133	410,494	40,361
Specific Ownership Taxes	73,737	73,737	118,465	44,728
Earnings on Investments	10,000	10,000	12,597	2,597
Delinquent Taxes & Interest	1,200	1,200	1,111	(89)
Other	66,180	66,180	75,670	9,490
<u>State Sources</u>				
Equalization	2,864,424	2,890,060	2,820,185	(69,875)
Transportation	15,000	14,964	14,930	(34)
Vocational Education	15,000	11,800	12,607	807
Special Education	-	-	-	-
Other	12,050	182,971	176,632	(6,339)
<u>Federal Sources</u>				
Other	133,447	158,597	144,624	(13,973)
<u>TOTAL REVENUES</u>	<u>3,561,171</u>	<u>3,779,642</u>	<u>3,787,315</u>	<u>7,673</u>
<u>EXPENDITURES</u>				
<u>Instruction</u>				
<u>Regular Programs</u>				
Salaries	1,307,668	1,251,903	1,186,127	65,776
Employee Benefits	442,717	422,090	387,274	34,816
Purchased Services – Professional	8,100	9,452	667	8,785
Purchased Services - Property	7,500	7,500	1,484	6,016
Purchased Services – Other	171,594	167,889	97,222	70,667
Supplies and Materials	190,276	173,910	120,596	53,314
Property	2,900	2,900	19,525	(16,625)
Other Objects	500	-	-	-
<u>Total Instruction</u>	<u>2,131,255</u>	<u>2,035,644</u>	<u>1,812,895</u>	<u>222,749</u>

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

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>SUPPORTING SERVICES</u>				
<u>Student Supporting Services</u>				
Salaries	64,976	52,868	51,499	1,369
Employee Benefits	18,948	16,423	13,296	3,127
Purchased Services - Professional	1,000	1,000	378	622
Purchased Services - Property	-	-	-	-
Purchased Services - Other	70,500	70,500	79,730	(9,230)
Supplies and Materials	2,000	2,000	1,577	423
Property	-	-	-	-
Other Objects	600	600	174	426
<u>Total Student Services</u>	<u>158,024</u>	<u>143,391</u>	<u>146,654</u>	<u>(3,263)</u>
<u>Instructional Staff</u>				
Salaries	80,481	89,061	77,529	11,532
Employee Benefits	26,711	26,989	23,891	3,098
Purchased Services - Professional	3,000	3,000	265	2,735
Purchased Services - Property	-	-	-	-
Purchased Services - Other	6,400	2,860	2,898	(38)
Supplies and Materials	24,500	24,500	5,799	18,701
Property	-	-	-	-
Other Objects	-	-	-	-
<u>Total Instructional Staff</u>	<u>141,092</u>	<u>146,410</u>	<u>110,382</u>	<u>36,028</u>
<u>General Administration</u>				
Salaries	61,310	138,834	138,834	-
Employee Benefits	12,783	20,155	19,839	316
Purchased Services - Professional	16,000	26,350	30,634	(4,284)
Purchased Services - Property	-	-	-	-
Purchased Services - Other	23,000	23,000	21,982	1,018
Supplies and Materials	16,000	16,000	13,828	2,172
Property	-	-	-	-
Other Objects	7,000	7,000	6,258	742
<u>Total General Administration</u>	<u>136,093</u>	<u>231,339</u>	<u>231,375</u>	<u>(36)</u>

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

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>School Administration</u>				
<u>Office of the Principal</u>				
Salaries	95,668	100,730	100,918	(188)
Employee Benefits	36,147	37,202	35,086	2,116
Purchased Services – Professional	-	-	-	-
Purchased Services – Property	-	-	-	-
Purchased Services – Other	500	1,000	-	1,000
Supplies and Materials	3,000	3,500	586	2,914
Property	-	-	-	-
Other Objects	500	1,000	225	775
<u>Total School Administration</u>	<u>135,815</u>	<u>143,432</u>	<u>136,815</u>	<u>6,617</u>
<u>Business Services</u>				
Salaries	52,950	52,950	53,018	(68)
Employee Benefits	16,440	16,440	14,605	1,835
Purchased Services – Professional	-	-	-	-
Purchased Services - Property	-	-	-	-
Purchased Services - Other	-	-	-	-
Supplies and Materials	-	-	-	-
Property	-	-	-	-
Other Objects	-	-	-	-
<u>Total Business Services</u>	<u>69,390</u>	<u>69,390</u>	<u>67,623</u>	<u>1,767</u>
<u>Operations and Maintenance</u>				
Salaries	160,324	160,324	157,694	2,630
Employee Benefits	60,428	60,428	57,908	2,520
Purchased Services - Professional	-	-	-	-
Purchased Services - Property	43,000	78,000	66,765	11,235
Purchased Services - Other	44,373	44,373	43,873	500
Supplies and Materials	215,862	215,862	183,066	32,796
Property	5,000	36,668	33,615	3,053
Other Objects	-	-	-	-
<u>Total Operations and Maintenance</u>	<u>528,987</u>	<u>595,655</u>	<u>542,921</u>	<u>52,734</u>

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

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Student Transportation</u>				
Salaries	58,918	58,918	52,851	6,067
Employee Benefits	12,300	12,300	11,016	1,284
Purchased Services – Professional	-	-	-	-
Purchased Services – Property	-	-	-	-
Purchased Services – Other	5,500	5,500	5,837	(337)
Supplies and Materials	30,000	30,000	28,354	1,646
Property	-	-	-	-
Other Objects	-	-	-	-
<u>Total Student Transportation</u>	<u>106,718</u>	<u>106,718</u>	<u>98,058</u>	<u>8,660</u>
<u>Central Support</u>				
Purchased Services – Other	61,645	63,365	65,208	(1,843)
<u>Total Central Support</u>	<u>61,645</u>	<u>63,365</u>	<u>65,208</u>	<u>(1,843)</u>
<u>Facilities</u>				
Purchased Services – Property	-	72,000	43,721	28,279
Property	-	157,722	142,881	14,841
<u>Total Facilities</u>	<u>-</u>	<u>229,722</u>	<u>186,602</u>	<u>43,120</u>
<u>TOTAL SUPPORTING SERVICES</u>	<u>1,337,764</u>	<u>1,729,422</u>	<u>1,585,638</u>	<u>143,784</u>
<u>Appropriated Reserves</u>	<u>1,911,152</u>	<u>2,003,064</u>	<u>-</u>	<u>2,003,064</u>
<u>TOTAL EXPENDITURES</u>	<u>5,380,171</u>	<u>5,768,130</u>	<u>3,398,533</u>	<u>2,369,597</u>
<u>REVENUES OVER (UNDER) EXPENDITURES</u>	<u>(1,819,000)</u>	<u>(1,988,488)</u>	<u>388,782</u>	
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers	<u>(55,000)</u>	<u>(55,000)</u>	<u>(55,000)</u>	<u>-</u>
<u>REVENUES OVER (UNDER) EXPENDITURES AND OTHER SOURCES (USES)</u>	<u>(1,874,000)</u>	<u>(2,043,488)</u>	<u>333,782</u>	
<u>FUND BALANCE, July 1</u>	<u>1,874,000</u>	<u>2,043,488</u>	<u>2,043,488</u>	
<u>PRIOR PERIOD ADJUSTMENT</u>	<u>-</u>	<u>-</u>	<u>56,368</u>	
<u>FUND BALANCE, June 30</u>	<u>-</u>	<u>-</u>	<u>2,433,638</u>	

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

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
For The Last 10 Fiscal Years (As Available)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
District's proportion of the net pension liability (asset)	0.0407%	0.0434%	0.0447%	0.0459%	-	-	-	-	-	-
District's proportionate share of the net pension liability (asset)	\$12,103,721	\$6,641,568	\$6,052,130	\$5,858,691	-	-	-	-	-	-
District's covered-employee payroll	\$1,732,638	\$1,873,716	\$1,891,185	\$1,877,385	-	-	-	-	-	-
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	699%	354%	320%	312%	-	-	-	-	-	-
Plan fiduciary net position as a percentage of the total pension liability	43.13%	59.2%	62.80%	64.06%	-	-	-	-	-	-

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
SCHEDULE OF DISTRICT CONTRIBUTIONS
For The Last 10 Fiscal Years (As Available)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually required contributions	\$ 318,445	\$ 332,358	\$ 319,481	\$ 300,135	\$ 273,340	-	-	-	-	-
Contributions in relation to the contractually required contributions	<u>\$ (318,445)</u>	<u>\$ (332,358)</u>	<u>\$ (319,481)</u>	<u>\$ (300,135)</u>	<u>\$ (273,340)</u>	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	-	-	-	-	-
District's covered-employee payroll	\$1,732,638	\$1,873,716	\$1,891,185	\$1,877,385	\$1,810,326	-	-	-	-	-
Contributions as a percentage of covered-employee payroll	18.38%	17.74%	16.89%	15.99%	15.10%	-	-	-	-	-

COMBINING AND INDIVIDUAL FUND STATEMENTS AND OTHER SCHEDULES

Combining Balance Sheet – Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds.

NON MAJOR GOVERNMENTAL FUNDS

Capital Reserve/Capital Projects Fund –is funded by transfer revenues from the General Fund. It is used to fund ongoing capital needs such as site acquisition, building additions and equipment purchases.

Bond Fund

This fund accounts for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

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

Agency Fund

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

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2017

	<u>Capital Reserve Capital Projects</u>	<u>Bond</u>	<u>Food Service</u>	<u>Total Nonmajor Governmental Funds</u>
<u>ASSETS</u>				
Cash and Investments	66,854	215,015	35,475	317,344
Accounts Receivable	-	-	-	-
Accrued Revenue	-	-	-	-
Due From Other Funds	-	-	-	-
Property Taxes Receivable	-	12,200	-	12,200
Inventories	-	-	10,027	10,027
<u>Total Assets</u>	<u>66,854</u>	<u>227,215</u>	<u>45,502</u>	<u>339,571</u>
<u>LIABILITIES</u>				
Accounts Payable	-	-	-	-
Accrued Salaries	-	-	11,675	11,675
Due To Other Funds	-	-	-	-
Other Payables	-	-	-	-
<u>Total Liabilities</u>	<u>-</u>	<u>-</u>	<u>11,675</u>	<u>11,675</u>
<u>DEFERRED INFLOW OF RESOURCES</u>				
Property Taxes	-	4,200	-	4,200
<u>FUND BALANCES</u>				
Nonspendable:				
Inventory	-	-	10,027	10,027
Restricted for:				
Food Service	-	-	23,800	23,800
Debt Service	-	223,015	-	223,015
Committed for:				
Capital Outlay	66,854	-	-	66,854
Unassigned	-	-	-	-
<u>Total Fund Balances</u>	<u>66,854</u>	<u>223,015</u>	<u>33,827</u>	<u>323,696</u>
<u>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u>				
	<u>66,854</u>	<u>227,215</u>	<u>45,502</u>	<u>339,571</u>

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

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NON MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

	<u>Capital Reserve Capital Projects</u>	<u>Bond</u>	<u>Food Service</u>	<u>Total Non-Major Governmental Funds</u>
<u>REVENUES</u>				
Property Taxes	-	190,379	-	190,379
Specific Ownership Taxes	-	-	-	-
Earnings on Investments	120	580	66	766
Other Local Sources	-	524	63,372	63,896
State Aid	-	-	3,506	3,506
Federal Aid	-	-	109,029	109,029
<u>Total Revenues</u>	<u>120</u>	<u>191,483</u>	<u>175,973</u>	<u>367,576</u>
<u>EXPENDITURES</u>				
Current:				
Instructional Services	-	-	-	-
Supporting Services:				
Students	-	-	-	-
Instructional Staff	-	-	-	-
District Administration	-	-	-	-
School Administration	-	-	-	-
Business	-	-	-	-
Operation & Maintenance of Facilities	-	-	-	-
Transportation	-	-	-	-
Food Service	-	-	159,251	159,251
Debt Service:				
Principal Retirement	-	115,000	-	115,000
Interest and Fiscal Charges	-	69,912	-	69,912
Capital Outlay	52,376	-	-	52,376
<u>Total Expenditures</u>	<u>52,376</u>	<u>184,912</u>	<u>159,251</u>	<u>396,539</u>
<u>Excess (Deficiency) of Revenues Over (Under) Expenditures</u>	<u>(52,256)</u>	<u>6,571</u>	<u>16,722</u>	<u>(28,963)</u>
<u>OTHER FINANCING SOURCES</u>				
(Uses)				
Transfers	40,000	-	15,000	55,000
<u>NET CHANGE IN FUND BALANCES</u>	<u>(12,256)</u>	<u>6,571</u>	<u>31,722</u>	<u>26,037</u>
<u>FUND BALANCES – Beginning</u>	<u>79,110</u>	<u>216,444</u>	<u>2,105</u>	<u>297,659</u>
<u>FUND BALANCES, Ending</u>	<u>66,854</u>	<u>223,015</u>	<u>33,827</u>	<u>323,696</u>

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

**OTERO COUNTY SCHOOL DISTRICT NUMBER 33
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
BOND REDEMPTION FUND
For the Year Ended June 30, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
<u>REVENUES</u>			
Property Taxes	186,212	190,379	4,167
Specific Ownership Taxes	-	-	-
Earnings on Investments	200	580	380
Other	-	524	524
<u>Total Revenues</u>	<u>186,412</u>	<u>191,483</u>	<u>5,071</u>
<u>EXPENDITURES:</u>			
Debt Service:			
Principal Retirement	115,000	115,000	-
Interest and Fiscal Charges	70,412	69,912	500
Other	-	-	-
Contingency	<u>217,444</u>	-	<u>217,444</u>
<u>Total Expenditures</u>	<u>402,856</u>	<u>184,912</u>	<u>217,944</u>
<u>REVENUES OVER (UNDER) EXPENDITURES</u>	(216,444)	6,571	
<u>FUND BALANCE, July 1</u>	<u>216,444</u>	<u>216,444</u>	
<u>FUND BALANCE, June 30</u>	<u>-</u>	<u>223,015</u>	

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

**OTERO COUNTY SCHOOL DISTRICT NUMBER 33
 CAPITAL RESERVE CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
 For the Year Ended June 30, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<u>Revenues</u>			
Earnings on Investments	75	120	45
Other	<u>14,750</u>	-	<u>(14,750)</u>
<u>Total Revenues</u>	<u>14,825</u>	<u>120</u>	<u>(14,705)</u>
<u>Expenditures</u>			
Land and Sites	-	-	-
Buildings & Improvements	90,935	8,326	82,609
Equipment	43,000	44,050	(1,050)
Vehicles	-	-	-
Other	-	-	-
Contingency Reserves	-	-	-
<u>Total Expenditures</u>	<u>133,935</u>	<u>52,376</u>	<u>81,559</u>
<u>Revenues Over (Under) Expenditures</u>	<u>(119,110)</u>	<u>(52,256)</u>	
<u>Other Financing Sources (Uses)</u>			
Transfers	<u>40,000</u>	<u>40,000</u>	-
<u>Total Other Financing Sources (Uses)</u>	<u>40,000</u>	<u>40,000</u>	-
<u>Net Change in Fund Balances</u>	<u>(79,110)</u>	<u>(12,256)</u>	
<u>FUND BALANCES, July 1</u>	<u>79,110</u>	<u>79,110</u>	
<u>FUND BALANCES, June 30</u>	<u>-</u>	<u>66,854</u>	

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

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
 FOOD SERVICE – SPECIAL REVENUE FUND
 For the Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
<u>REVENUES</u>			
<u>Local Sources</u>			
Food Sales	78,500	63,049	(15,451)
Earnings on Investments	25	66	41
Other	-	323	323
<u>State Sources</u>			
School Lunches	3,435	3,506	71
<u>Federal Sources</u>			
School Lunches	86,000	92,447	6,447
Commodities	<u>11,379</u>	<u>16,582</u>	<u>5,203</u>
<u>Total Revenues</u>	<u>179,339</u>	<u>175,973</u>	<u>(3,366)</u>
<u>EXPENDITURES</u>			
Salaries	47,009	50,298	(3,289)
Employee Benefits	22,653	23,444	(791)
Purchased Services – Professional	-	-	-
Purchased Services – Property	1,500	1,158	342
Purchased Services - Other	1,641	675	966
Supplies and Materials	123,641	67,094	56,547
Capital Outlay	-	-	-
Other	-	-	-
Commodities	-	<u>16,582</u>	<u>(16,582)</u>
<u>Total Expenditures</u>	<u>196,444</u>	<u>159,251</u>	<u>37,193</u>
<u>REVENUES OVER (UNDER) EXPENDITURES</u>	(17,105)	16,722	
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers	<u>15,000</u>	<u>15,000</u>	<u>-</u>
<u>REVENUES AND SOURCES OVER (UNDER) EXPENDITURES AND USES</u>	(2,105)	31,722	
<u>FUND BALANCE, Beginning</u>	<u>2,105</u>	<u>2,105</u>	
<u>FUND BALANCE, Ending</u>	<u>-</u>	<u>33,827</u>	

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

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
 SCHEDULE OF ACTIVITIES – BUDGET AND ACTUAL
 PUPIL ACTIVITY - AGENCY FUND
 For the Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
<u>ADDITIONS</u>			
Earnings on Investments	300	-	(300)
Other Local Sources	<u>205,000</u>	<u>161,747</u>	<u>(43,253)</u>
<u>Total Additions</u>	<u>205,300</u>	<u>161,747</u>	<u>(43,553)</u>
<u>DEDUCTIONS</u>			
Activity Expenditures	205,300	161,513	43,787
Contingency	<u>86,271</u>	-	<u>86,271</u>
<u>Total Deductions</u>	<u>291,571</u>	<u>161,513</u>	<u>130,058</u>
Net Increase (Decrease) in Deposits Held for Others	(86,271)	234	
Deposits Held for Others – Beginning of Year	<u>86,271</u>	<u>86,272</u>	
Deposits Held for Others – End of Year	<u>—</u>	<u>86,506</u>	

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

STATE REQUIRED SCHEDULES

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

Bolded Balance Sheet



Colorado Department of Education
Auditors Integrity Report
 District: 2570 - SWANK 33
 Fiscal Year: 2016-17
 Colorado School Districts/ROCS

Fund Type & Number	Revenues, Expenditures, & Fund Balance by Fund	1000-9999 Total Revenues & 1001-9999 Total Expenditures & Other Sources	6700-6799 & 7000-7099 (6880*) Ending Fund Balance
	Adj (6800*)		
Governmental		3,732,315	3,294,533
10 General Fund	2,097,856	0	2,433,678
16 Risk Mgmt Sub-Fund of General Fund	0	0	0
19 Colorado Preschool Program Fund	0	0	0
Sub-Total	2,097,856	3,732,315	2,433,678
11 Charter School Fund	0	0	0
20.15-29 Special Revenue Fund	0	0	0
06 Supplemental Cap Const, Tech, Main, Fund	0	0	0
21 Food Service Spec Revenue Fund	2,105	198,972	33,625
22 Govt Designated-Purpose Grants Fund	0	0	0
23 Pupil Activity Special Revenue Fund	0	0	0
24 Full Day Kindergarten Mill Levy Override	0	0	0
25 Transportation Fund	0	0	0
31 Bond Redemption Fund	215,444	197,483	223,014
39 Certificate of Participation (COP) Debt Service Fund	0	0	0
41 Building Fund	0	0	0
42 Special Building Fund	0	0	0
43 Capital Reserve Capital Projects Fund	79,110	40,120	66,854
46 Supplemental Cap Const, Tech, Main Fund	0	0	0
Totals	2,977,515	4,154,869	2,757,332
Proprietary			
50 Other Enterprise Funds	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0
60.65-69 Other Internal Service Funds	0	0	0
Totals	0	0	0
Exhibitory			
70 Other Trust and Agency Funds	0	0	0
72 Private Purpose Trust Fund	0	0	0
73 Agency Fund	0	0	0
74 Pupil Activity Agency Fund	86,271	161,740	86,506
79 GASB 34-Commodities Fund	0	0	0
85 Foundations	0	0	0
Totals	86,271	161,740	86,506
FINAL			



Colorado Department of Education
Balanced Budget Report
 District: 2570 - SWINK 33
 Fiscal Year 2016-17
 Colorado School District/BOCES

ASSETS	Governmental						Proprietary					Fiduciary			
	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-25	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Services Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
Cash and Investments (8100-8104,8111)	2,573,369	0	0	0	0	35,475	214,830	66,854	0	0	0	0	91,447	0	2,981,974
Cash with Fical Agent (8105)	9,579	0	0	0	0	0	185	0	0	0	0	0	0	0	9,764
Taxes Receivable (8121,8122)	30,300	0	0	0	0	0	12,200	0	0	0	0	0	0	0	42,500
Grants Accounts Receivable (8142)	52,944	0	0	0	0	0	0	0	0	0	0	0	0	0	52,944
Other Receivables (8151-8154,8161)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Inventories (8171,8172,8173)	0	0	0	0	0	10,027	0	0	0	0	0	0	0	0	10,027
Prepaid Expenses (8181,8182)	56,368	0	0	0	0	0	0	0	0	0	0	0	0	0	56,368
Machinery and Equipment (8241,8242,8251)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Assets	2,722,561	0	0	0	0	45,501	227,214	66,854	0	0	0	0	91,447	0	3,154,577

Governmental

Proprietary

Fiduciary

LIABILITIES & FUND EQUITY

LIABILITIES

	General Funds 10,17-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50-59	Risk-Related Activity Funds 60-64	Other Internal Service Funds 60	Trusts & Agency Funds 70-79	Foundations Fund 85	Totals
Other Payables (7421-7423)	10,893	0	0	0	0	0	0	0	0	0	0	0	4,941	0	15,834
Accrued Expenses (7461)	263,329	0	0	0	0	11,675	0	0	0	0	0	0	0	0	275,004
Unearned Revenue (7481)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Deferred Inflow (7800)	14,700	0	0	0	0	0	4,200	0	0	0	0	0	0	0	18,900
Total Liabilities	288,922	0	0	0	0	11,675	4,200	0	0	0	0	0	4,941	0	309,738

Fiduciary

Proprietary

Governmental

FUND EQUITY	Governmental										Proprietary				Fiduciary	
	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60, 70-79	Trust & Agency Funds 70-79	Foundations Fund 85	Totals	
Non-spendable Fund Balance 6710	56,368	0	0	0	0	10,027	0	0	0	0	0	0	0	0	66,395	
Restricted Fund Balance 6720	0	0	0	0	0	0	223,014	0	0	0	0	0	0	0	223,014	
TABOR 3% Emergency Reserve 6721	117,000	0	0	0	0	0	0	0	0	0	0	0	0	0	117,000	
TABOR Multi-Year 6722	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
District Emergency Reserve (letter of credit or real estate) 6723	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Colorado Preschool Program (CPP) Reserve 6724	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Full-Day Kindergarten Reserve 6725	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Risk-Related / Restricted Capital Reserve 6726	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
BEST Capital Reserve 6727	15,000	0	0	0	0	0	0	0	0	0	0	0	0	0	15,000	
Committed Fund Balance 6750	0	0	0	0	0	0	0	66,854	0	0	0	0	0	0	66,854	
Assigned Fund Balance 6760	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Unassigned Fund Balance 6770	2,245,270	0	0	0	0	23,799	0	0	0	0	0	86,506	0	2,355,575		
Invested in Capital Assets, Net of Related Debt 6790	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Restricted Net Assets 6791	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Unrestricted Net Assets 6792	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Prior Period Adjustment 6880	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Total Fund Equity	2,433,638	0	0	0	0	33,826	223,014	66,854	0	0	0	86,506	0	2,843,838		

Total Liabilities & Fund Equity	Governmental										Proprietary				Fiduciary	
	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60, 70-79	Trust & Agency Funds 70-79	Foundations Fund 85	Totals	
2,722,561	0	0	0	0	0	45,801	227,214	66,854	0	0	0	91,447	0	3,153,577		

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

Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
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