

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

June 30, 2018



**Wall,
Smith,
Bateman** Inc.
Certified Public Accountants

DEL NORTE SCHOOL DISTRICT NO. C-7
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Wall,
Smith,
Bateman Inc.

INDEPENDENT AUDITORS' REPORT

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

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Certified Public Accountants

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Emphasis of Matter

Change in Accounting Principle

As discussed in Note 1 – Summary of Significant Accounting Policies, in fiscal year 2018 the District adopted new accounting guidance, *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

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, pension and other postemployment benefits information on pages 3-10 and 49-52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

December 06, 2018

**Del Norte School District No. C-7
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018**

As management of the Del Norte School District, we offer readers of the Del Norte School District's financial statements this narrative overview and analysis of the financial activities of the Del Norte School District for the year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the District's financial statements, which follow this section.

Financial Highlights

- The District's financial status decreased over the course of the 2018 fiscal year. Total net position decreased 27.79 percent.
- General revenues, primarily property taxes and state equalization payments, account for approximately \$4.7 million or 87 percent of all revenues in FY2017 and \$6 million or 68 percent in FY2018. Program specific revenues in the form of charges for services and sales, grants and contributions, accounted for \$0.7 million or 13 percent of total revenues of \$5.4 million in FY2017 and \$2.8 million or 32 percent of \$8.8 million in FY 2018.
- The District had \$9.0 million in expenses related to governmental activities in FY2017 with \$0.7 million of these expenses offset by program specific charges for services, grants and contributions and \$9.7 million in expenses with \$2.8 million offset by program specific charges in FY2018. General revenues of \$4.7 million in FY2017 and \$6 million in FY2018 were not adequate to provide for these programs.
- The District increased its outstanding long-term debt approximately \$17,913,517.
- The District received a voter-approved mill levy override of 9.000 in November 2012.
- The District was awarded a "Best" Grant in the amount of \$27.16 million in May of 2017 for construction of a new K-12 School. The District passed a General Obligation Bond of \$17.91 million in November of 2017 for the matching money required to receive the awarded Best Grant funds. District taxes may be increased by the District up to \$1.45 million annually for payment of the General Obligation Bond.

Overview of the Financial Statements

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

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

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

District-wide Financial Statements

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

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

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

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

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

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds, not the District as a whole. Funds are accounting devices the District uses to track specific sources of funding and spending on particular programs. The Del Norte School District, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District's funds are divided into two categories: governmental funds and fiduciary funds.

Governmental Funds: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) balances remaining at year-end which are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine financial resources that may be available in the near term to finance the District's programs. Because this information does not encompass the long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.

Del Norte School District maintains individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the (1) general fund, (2) debt service, (3) governmental designated purpose grants fund (4) building fund, and (5) other governmental funds.

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

Notes to the basic financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 21-46 of this report.

Other information

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

District-wide Financial Analysis

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

Table 1 provides a summary of the District's net position at June 30, 2018 and June 30, 2017.

Table 1				
Condensed Statement of Net Position				
	Governmental Activities		Total School District	
	FY 2018	FY 2017	FY 2018	FY 2017
Current and other assets	\$ 22,220,332	\$ 2,803,024	\$ 22,220,332	\$ 2,803,024
Capital assets, net	6,410,668	4,516,121	6,410,668	4,516,121
Total assets	28,631,000	7,319,145	28,631,000	7,319,145
Deferred outflows of resources	5,672,745	7,043,810	5,672,745	7,043,810
Long-term liabilities	37,315,200	18,290,836	37,315,200	18,290,836
Other liabilities	1,991,800	521,240	1,991,800	521,240
Total liabilities	39,307,000	18,812,076	39,307,000	18,812,076
Deferred inflows of resources	1,142,524	360,211	1,142,524	360,211
Net position				
Net investment in				
Capital assets	6,410,668	4,516,121	6,410,668	4,516,121
Restricted	1,649,429	463,173	1,649,429	463,173
Unrestricted (Deficit)	(14,205,876)	(9,788,626)	(14,205,876)	(9,788,626)
Total net position at June 30	\$ (6,145,779)	\$ (4,809,332)	\$ (6,145,779)	\$ (4,809,332)

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

Table 2				
Changes in Net Position from Operating Results				
	Governmental		Total	
	Activities		School District	
	FY 2018	FY 2017	FY 2018	FY 2017
Revenues				
Program Revenues				
Charges for Services	\$ 79,606	\$ 77,481	\$ 79,606	\$ 77,481
Operating grants and contributions	826,695	636,706	826,695	636,706
Capital grants and contributions	1,878,743	-	1,878,743	-
General revenues				
Property taxes	3,487,983	2,286,865	3,487,983	2,286,865
State formula revenue	2,167,726	2,067,208	2,167,726	2,067,208
Other	380,924	334,971	380,924	334,971
Total Revenues	8,821,677	5,403,231	8,821,677	5,403,231
Expenses				
Instructional Program	4,968,521	4,751,757	4,968,521	4,751,757
Support Services:				
Students	464,678	439,577	464,678	439,577
Instructional staff	658,462	542,889	658,462	542,889
Food Services	382,471	468,668	382,471	468,668
General administration	543,131	509,739	543,131	509,739
School administration	645,591	705,957	645,591	705,957
Business	239,152	133,096	239,152	133,096
Operations and maintenance of plant	883,731	879,324	883,731	879,324
Student transportation	389,851	345,857	389,851	345,857
Central	37,626	40,411	37,626	40,411
Other	181,477	162,858	181,477	162,858
Facilities Acquisition and Construction	(33,438)	-	(33,438)	-
Other	-	-	-	-
Interest on Long-term Debt	358,510	22,317	358,510	22,317
Total Expenses	9,719,763	9,002,450	9,719,763	9,002,450
Increase (dec) in net position before transfers	<u>(898,086)</u>	<u>(3,599,219)</u>	<u>(898,086)</u>	<u>(3,599,219)</u>
Special Item	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	\$ (898,086)	\$ (3,599,219)	\$ (898,086)	\$ (3,599,219)

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

Governmental Activities

The primary source of operating revenue for school districts comes from the School Finance Act of 1994. Under this act, the districts received \$8,224.00 per funded pupil in FY2017 and \$8,633.43 per funded pupil in FY2018. In fiscal year 2016-2017, the funded pupil count was 451.2 and 438.9 in fiscal year 2017-2018. Funding for the school finance act comes from property taxes, specific ownership taxes, and state equalization. The District receives approximately 36 percent of this funding from state equalization while the remaining amounts come from property taxes and specific ownership tax.

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

	Total Cost of Services		Net Cost of Services	
	FY 2018	FY 2017	FY 2018	FY 2017
Instructional Program	\$ 4,968,521	\$ 4,751,757	\$ 4,377,756	\$ 4,402,062
Students	464,678	439,577	428,916	333,748
Instructional Staff	658,462	542,889	658,462	542,889
Food Services	382,471	468,668	228,396	282,738
General Administration	543,131	509,739	529,437	501,274
School Administration	645,591	705,957	645,591	705,957
Business	239,152	133,096	239,152	133,096
Operations and Maintenance	883,731	879,324	815,897	857,891
Student Transportation	389,851	345,857	345,680	303,022
Central	37,626	40,411	37,626	40,411
Other Programs	181,477	162,858	181,477	162,858
Facilities Acquisition and Construction	(33,438)	-	(1,912,181)	-
Interest on Long-term Debt	358,510	22,317	358,510	22,317
Total	\$ 9,719,763	\$ 9,002,450	\$ 6,934,719	\$ 8,288,263

- The cost of all governmental activities this year was \$9,719,763.
- Some of the cost was financed by the users of the District's programs. \$79,606 of revenues in this category include items such as student and food service fees.
- Federal and State government subsidized certain programs with grants and contributions amounting to \$2,705,438.
- Most of the District's costs (\$9,719,763), however, were financed by District and State taxpayers.
- This portion of governmental activities was financed with \$3,487,983 in property taxes, \$2,167,726 in state aid (equalization) based on the statewide formula for per pupil funding, and \$361,124 in investment earnings and other miscellaneous revenues not pertaining specifically to a program.

General Fund Budgetary Highlights

The District approves a budget in June based on enrollment projections for the following school year. In May 2018, the District revised the annual operating budget approved by the District's Board of Education in June 2017. The primary reason for the issuance of a supplemental budget was due to additional revenues received and expenditures incurred.

The actual expenditures were \$48,234 below budget in FY2017 and \$191,188 below budget in FY2018. Mainly in Student Support Services and Operations and Maintenance of Plant Services.

The fund balance as of June 30, 2017 was \$2,049,972 compared to \$1,875,926 as of June 30, 2018, including \$215,000 for TABOR Amendment emergency reserves.

Capital Assets

By the end of the fiscal year 2018, the District had invested \$6,410,668 in a broad range of capital assets, including land, buildings, site improvements, vehicles, and other equipment. (See Table 4.)

	Governmental Activities		Total	
	FY 2018	FY 2017	FY 2018	FY 2017
Land	\$ 445,059	\$ 194,576	\$ 445,059	\$ 194,576
Construction in Progress Building and Site Improvements	1,912,181		1,912,181	
Equipment & Vehicles	3,721,927	3,927,852	3,721,927	3,927,852
Total	\$ 6,410,668	\$ 4,516,121	\$ 6,410,668	\$ 4,516,121

Long-Term Debt

At year-end, the District had approximately \$17,913,517 in other long-term debt outstanding, an increase of 100.00 percent from last year, as shown in Table 5. More detailed information about the District's long-term liabilities is presented in Note 9 to the financial statements.

	Total School District		Total Percentage Change
	FY 2018	FY 2017	FY 2017-2018
Governmental Activities Bonds Payable Series 2017	\$17,913,517	\$ -	100.00%

During the 2018 fiscal year, the District increased its debt. Colorado Revised Statute 22-42-104 states that a school district shall have a limit of bonded indebtedness determined by a specified formula. The District's outstanding debt is below the statutory limit.

Factors Bearing on the District's Future

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

- Information from the FY2018-2019 student enrollment "October Count" shows that Del Norte School District has remained stable in students from last year, resulting in an increase in revenue from the funded pupil count.
- Historical trends have shown a continuous decline in pupil enrollment.
- The United States and the State of Colorado have experienced growth in economic conditions in the past couple of years. One impact of this economic growth is an increase in the State of Colorado's general fund revenues, which are expected to continue to increase. Because educational expenditures represent a significant portion of the State of Colorado's total expenditures, the District anticipates its revenues to continue to increase.
- November 2012 the voters approved a mill levy override of 9.000. The revenue generated from the voter-approved mill levy override will be used to support student instruction and staff salaries and benefits.
- The District was awarded a "Best" Grant in the amount of \$27.16 million in May of 2017 for the construction of a new K-12 School. The District passed a General Obligation Bond of \$17.91 million in November of 2017 for the matching money required to receive the awarded Best Grant funds. District taxes may be increased by the District up to \$1.45 million annually for payment of the General Obligation Bond.

Contacting the District's Financial Management

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

DEL NORTE SCHOOL DISTRICT NO. C-7

BASIC FINANCIAL STATEMENTS

DEL NORTE SCHOOL DISTRICT C-7
STATEMENT OF NET POSITION
June 30, 2018

	Primary Government Governmental Activities
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 21,004,773
Property Tax Receivable	260,438
Due from Other Governments	944,462
Due from County Treasurer	7,908
Inventory	2,751
Capital Assets	
Land	445,059
Construction in Progress	1,912,181
Land Improvements	294,221
Buildings and Improvements	8,853,453
Equipment	285,385
Vehicles	1,181,189
Less: Accumulated Depreciation	(6,560,820)
TOTAL ASSETS	28,631,000
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	5,655,395
OPEB	17,350
TOTAL DEFERRED OUTFLOWS OF RESOURCES	5,672,745
LIABILITIES	
Current Liabilities	
Accounts Payable	749,788
Accrued Salaries and Benefits	451,567
Accrued Interest Payable	48,117
Unearned Revenue	92,255
General Obligation Bonds	650,073
Long-term Liabilities	
Due more than one year:	
General Obligation Bonds	17,263,444
Pension Liability	19,604,057
OPEB Liability	447,699
TOTAL LIABILITIES	39,307,000
DEFERRED INFLOWS OF RESOURCES	
Pensions	1,042,116
OPEB	12,657
Unavailable Revenue - Property Tax	87,751
TOTAL DEFERRED INFLOWS OF RESOURCES	1,142,524
NET POSITION	
Net Investment in Capital Assets	6,410,668
Restricted for	
TABOR	215,000
TABOR Multi-Year Obligation	500,000
Debt Service	934,429
Unrestricted	(14,205,876)
TOTAL NET POSITION	\$ (6,145,779)

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

DEL NORTE SCHOOL DISTRICT C-7
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for Services</u>	<u>Operating Grants & Contributions</u>	<u>Capital Grants & Contributions</u>	<u>Revenue and Change in Net Position</u>
					<u>Primary Government</u>
Primary Government:					
Governmental Activities:					
Instructional Program	\$ 4,968,521	\$ -	\$ 590,765	\$ -	\$ (4,377,756)
Student Support Services	464,678	32,329	3,433	-	(428,916)
Instructional Staff Support Services	658,462	-	-	-	(658,462)
Food Service Operations	382,471	33,583	120,492	-	(228,396)
General Administration Support Services	543,131	13,694	-	-	(529,437)
School Administration Support Services	645,591	-	-	-	(645,591)
Business Support Services	239,152	-	-	-	(239,152)
Operations and Maintenance of Plant Services	883,731	-	67,834	-	(815,897)
Student Transportation Services	389,851	-	44,171	-	(345,680)
Central Support Services	37,626	-	-	-	(37,626)
Other Support Services	181,477	-	-	-	(181,477)
Facilities Acquisition and Construction Services	(33,438)	-	-	1,878,743	1,912,181
Interest on Long-term Debt	358,510	-	-	-	(358,510)
Total Governmental Activities	<u>9,719,763</u>	<u>79,606</u>	<u>826,695</u>	<u>1,878,743</u>	<u>(6,934,719)</u>
Total Primary Government	<u>\$ 9,719,763</u>	<u>\$ 79,606</u>	<u>\$ 826,695</u>	<u>\$ 1,878,743</u>	<u>(6,934,719)</u>
General Revenues					
Taxes:					
					3,487,983
					365,888
					9,728
					2,167,726
					1,558
					3,750
					<u>6,036,633</u>
					Change in Net Position (898,086)
					Net Position, Beginning of Year (4,809,332)
					GASB 75 Restatement (438,361)
					<u>Net Position, Beginning of Year Restated</u> (5,247,693)
					<u>Net Position, End of Year</u> \$ (6,145,779)

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

DEL NORTE SCHOOL DISTRICT C-7
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2018

	GENERAL FUND	GOVERNMENTAL DESIGNATED PURPOSE GRANTS FUND	DEBT SERVICE FUND
ASSETS			
Cash and Cash Equivalents	\$ 2,059,141	\$ -	\$ 918,591
Cash with Fiscal Agent	-	-	-
Property Tax Receivable	163,984	-	96,454
Due from Other Governments	84,515	184,338	-
Due from County Treasurer	7,908	-	-
Due from Other Funds	133,838	-	-
Inventory	-	-	-
TOTAL ASSETS	\$ 2,449,386	\$ 184,338	\$ 1,015,045
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 37,722	\$ 3,225	\$ -
Due to Other Funds	-	133,838	-
Accrued Salaries and Benefits	390,287	46,902	-
Accrued Interest Payable	-	-	48,117
Unearned Revenue	90,199	373	-
TOTAL LIABILITIES	518,208	184,338	48,117
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue -Property Tax	55,252	-	32,499
FUND BALANCE			
Nonspendable	-	-	-
Restricted for			
TABOR	215,000	-	-
TABOR Multi-Year Obligation	500,000	-	-
Debt Service	-	-	934,429
Bond Proceeds for Capital Construction	-	-	-
Committed			
Capital Projects	-	-	-
Pupil Activities	-	-	-
Food Service	-	-	-
Assigned			
Subsequent Year Expenditures	32,631	-	-
Other Appropriated Reserves	997,429	-	-
Unassigned	130,866	-	-
TOTAL FUND BALANCE	1,875,926	-	934,429
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
	\$ 2,449,386	\$ 184,338	\$ 1,015,045

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

BUILDING FUND	TOTAL NONMAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ -	\$ 113,524	\$ 3,091,256
17,913,517	-	17,913,517
-	-	260,438
675,609	-	944,462
-	-	7,908
-	-	133,838
-	2,751	2,751
<u>\$ 18,589,126</u>	<u>\$ 116,275</u>	<u>\$ 22,354,170</u>
\$ 675,609	\$ 33,232	\$ 749,788
-	-	133,838
-	14,378	451,567
-	-	48,117
-	1,683	92,255
<u>675,609</u>	<u>49,293</u>	<u>1,475,565</u>
-	-	87,751
-	2,751	2,751
-	-	215,000
-	-	500,000
-	-	934,429
17,913,517	-	17,913,517
-	631	631
-	35,623	35,623
-	27,977	27,977
-	-	32,631
-	-	997,429
-	-	130,866
<u>17,913,517</u>	<u>66,982</u>	<u>20,790,854</u>
<u>\$ 18,589,126</u>	<u>\$ 116,275</u>	<u>\$ 22,354,170</u>

DEL NORTE SCHOOL DISTRICT C-7
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO THE STATEMENT OF NET POSITION
June 30, 2018

Total governmental fund balances	\$ 20,790,854
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds.	6,410,668
Deferred results and contributions to pension and OPEB plans made after the measurement date are recorded as expenditures in the governmental funds but must be deferred in the statement of net position.	5,672,745
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
General Obligation Bonds	(17,913,517)
Net pension and OPEB liabilities are not due and payable in the current period and are not reported in the funds.	(20,051,756)
Certain amounts related to the net pension and OPEB liabilities are deferred and amortized over time. These are not reported in the funds.	<u>(1,054,773)</u>
Net position of governmental activities	<u><u>\$ (6,145,779)</u></u>

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

DEL NORTE SCHOOL DISTRICT C-7
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES
For the Year Ended June 30, 2018

	GENERAL FUND	GOVERNMENTAL DESIGNATED PURPOSE GRANTS FUND	DEBT SERVICE FUND
REVENUES			
Federal Sources	\$ -	\$ 350,724	\$ -
State Sources	2,413,698	40,286	-
Local Sources	2,679,716	-	-
Other Sources	5,491	-	1,262,865
TOTAL REVENUES	5,098,905	391,010	1,262,865
EXPENDITURES			
Instructional Program	2,442,355	301,367	-
Student Support Services	194,787	3,821	-
Instructional Staff Support Services	373,886	75,573	-
Food Service Operations	1,532	-	-
General Administration Support Services	357,528	-	-
School Administration Support Services	350,750	6,057	-
Business Support Services	125,674	4,192	-
Operations and Maintenance of Plant Services	594,872	-	-
Student Transportation Services	249,164	-	-
Central Support Services	16,558	-	-
Other Support Services	161,711	-	-
Facilities Acquisition and Construction Services	-	-	-
Debt Service	-	-	342,609
TOTAL EXPENDITURES	4,868,817	391,010	342,609
Excess (deficiency) of revenues over expenditures	230,088	-	920,256
OTHER FINANCING SOURCES (USES)			
Sale of Fixed Assets	3,750	-	-
General Obligation Bonds Issued	-	-	-
Transfer from Other Funds	40,000	-	-
Transfers to Other Funds	(447,884)	-	(40,000)
TOTAL OTHER FINANCING SOURCES (USES)	(404,134)	-	(40,000)
NET CHANGE IN FUND BALANCE	(174,046)	-	880,256
FUND BALANCE, Beginning of Year	2,049,972	-	54,173
FUND BALANCE, End of Year	\$ 1,875,926	\$ -	\$ 934,429

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

BUILDING FUND	TOTAL NONMAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ -	\$ 118,397	\$ 469,121
1,878,743	2,095	4,334,822
-	65,912	2,745,628
-	-	1,268,356
<u>1,878,743</u>	<u>186,404</u>	<u>8,817,927</u>
-	-	2,743,722
-	111,870	310,478
-	-	449,459
-	258,358	259,890
-	-	357,528
-	-	356,807
-	-	129,866
-	283,921	878,793
-	-	249,164
-	-	16,558
-	-	161,711
1,878,743	-	1,878,743
-	15,901	358,510
<u>1,878,743</u>	<u>670,050</u>	<u>8,151,229</u>
-	(483,646)	666,698
-	-	3,750
17,913,517	-	17,913,517
-	447,884	487,884
-	-	(487,884)
<u>17,913,517</u>	<u>447,884</u>	<u>17,917,267</u>
17,913,517	(35,762)	18,583,965
-	102,744	2,206,889
<u>\$ 17,913,517</u>	<u>\$ 66,982</u>	<u>\$ 20,790,854</u>

DEL NORTE SCHOOL DISTRICT C-7
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

Net change in fund balances - total governmental funds **\$ 18,583,965**

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

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

Capital asset additions	2,167,848	
Capital asset deletions	(3,600)	
Depreciation expense	<u>(269,701)</u>	
		1,894,547

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

Bond Proceeds	(17,913,517)
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Certain items reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds. This item consists of the change in pension and OPEB expense.

	<u>(3,463,081)</u>
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Change in net position of governmental activities	<u><u>\$ (898,086)</u></u>
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DEL NORTE SCHOOL DISTRICT C-7
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
June 30, 2018

	<u>PUPIL ACTIVITY AGENCY FUND</u>
ASSETS	
Cash and Cash Equivalents	\$ 137,896
Accounts Receivable	922
	138,818
TOTAL ASSETS	\$ 138,818
LIABILITIES	
Pupil Activities Deposits	138,818
	138,818
TOTAL LIABILITIES	\$ 138,818

DEL NORTE SCHOOL DISTRICT NO. C-7
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

REPORTING ENTITY

Primary Government

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

Component Units

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

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

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

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

DEL NORTE SCHOOL DISTRICT NO. C-7
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

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

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

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. This measurement is also used for the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants are recognized as revenue when all applicable eligibility requirements, imposed by the provider, are met.

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

- The **General Fund** is the general operating fund of the District. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The **Governmental Designated Purpose Grants Fund** is used to record financial transactions for grants received for designated programs funded by federal, state, or local governments.
- The **Building Fund** is used to account for all resources available for acquiring capital sites, buildings, and equipment. Specifically, bond and grant proceeds for the BEST K-12 construction project.
- The **Bond Redemption Fund** is used to account for the accumulation of resources for and the payment of principal, interest, and related expenses on the long-term general obligation debt or long-term voter-approved lease-purchase debt.

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

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

DEL NORTE SCHOOL DISTRICT NO. C-7
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

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

Cash and Cash Equivalents

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

Property Taxes

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

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

Receivables/Payables From Other District Funds

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

Inventories

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

USDA Commodities

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

Capital Assets

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

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

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

DEL NORTE SCHOOL DISTRICT NO. C-7
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

Long-Term Obligations

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

Compensated Absences

Employees of the District receive one day of sick leave for each month worked. At the end of each school year, an employee has the option to either accumulate unused sick leave or be paid at the rate of \$15 per day for each day over 51 days for nine months, 50 days for 10 months, 49 days for 12 months. An employee can accumulate up to 60 days of sick leave; however, benefits do not vest. Employees also receive two personal days each year. Unused personal days are purchased by the District at \$40 per day for a certified employee and \$25 per day for a support service employee. All accumulated sick and personal days are purchased by June 30 of the year accrued. Therefore, there is no liability for compensated absences at June 30, 2018.

Unearned Grant Revenue

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

Deferred Outflows/Inflows of Resources

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

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

Certain amounts related to pensions must be deferred.

Pensions

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

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications to the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. Governmental accounting standards require the net pension liability and related amounts of the SCHDTF for financial reporting purposes be measured using the plan provisions in effect as of the SCHDTF's measurement date of December 31, 2017. As such, the following disclosures do not include the changes to plan provisions required by SB 18-200 with the exception of the section titled *Changes between the measurement date of the net pension liability and June 30, 2018*.

DEL NORTE SCHOOL DISTRICT NO. C-7
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

Other Postemployment Benefits

The District participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

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

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

Fund Balance

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

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

DEL NORTE SCHOOL DISTRICT NO. C-7
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

- *Unassigned Fund Balance* – amounts that are available for any purpose; these amounts are reported only in the General Fund.

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

Encumbrances

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

Use of Estimates

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

New Accounting Pronouncements

During 2018, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions* (GASB No. 75), which revises and establishes new financial reporting requirements for most governments that provide their employees with postemployment benefits other than pensions. These benefits are referred to as other postemployment benefits (OPEB).

GASB No. 75 requires cost-sharing employers participating in the PERA program, such as the District to record their proportionate share, as defined in GASB No. 75, of PERA's unfunded OPEB, specifically the Health Care Trust Fund (HCTF). The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. The District has no legal obligation to fund this HCTF shortfall nor does it have any ability to affect funding, benefit or annual required contribution decisions made by PERA or the General Assembly. The requirement of GASB No. 75 to record a portion of PERA's unfunded liability negatively impacted the District's beginning net position by \$438,361. The OPEB liability recorded as of June 30, 2018 was \$447,799. Information regarding PERA's current funding status can be found in its Comprehensive Annual Financial Report.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets and Budgetary Accounting

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

- 1) Preparation of budget documents by administrative staff shall be submitted to the Board no later than June 1 of each year.

DEL NORTE SCHOOL DISTRICT NO. C-7
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

- 2) Publication of a notice stating that the budget is available for public inspection.
- 3) Discussion of the budget in a meeting open to the public.
- 4) Adoption of the budget in a public meeting by appropriate resolution.

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

The total expenditures for each fund cannot exceed the budgeted amount unless a supplemental appropriation is adopted. The Board of Education adopted supplemental appropriations during fiscal year 2018.

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

NOTE 3 CASH AND DEPOSITS

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

Cash Deposited with Banks	\$ 3,229,152
Cash with Fiscal Agent	17,913,517
Less: amounts related to Agency Fund	<u>(137,896)</u>
Total cash and deposits on the Statement of Net Position	<u><u>\$ 21,004,773</u></u>

Cash and Deposits

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

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

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of year-end, \$2,568,165 of the District's bank balance of \$3,318,165 was exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institution through PDPA.

DEL NORTE SCHOOL DISTRICT NO. C-7
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 4 PROPERTY TAXES RECEIVABLE

Property taxes receivable at June 30, 2018, consisted of the following:

General Fund	\$ 163,984
Bond Redemption Fund	96,454
	\$ 260,438

NOTE 5 DUE FROM OTHER GOVERNMENTS

Intergovernmental receivables include amounts due from grantors for specific program grants. Program grants are recorded as receivables and revenues at the time reimbursable project costs are incurred. As of June 30, 2018, the District had \$944,462 due from Federal, State, and Local governments, reflected as intergovernmental receivables in the accompanying basic financial statements.

NOTE 6 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund Receivables/Payables

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

Interfund receivable and payable balances at June 30, 2018, were as follows:

Receivable Fund	Payable Fund	Amount
General Fund	GDPG Fund	\$ 133,838

Interfund Transfers

Interfund transfers for the year ended June 30, 2018, were as follows:

Transfer In	Transfer Out	Amount
General Fund	Debt Service Fund	\$ 40,000
Pupil Activity Fund	General Fund	79,000
Food Service Fund	General Fund	87,500
Capital Reserve Capital Projects Fund	General Fund	281,384
Total		\$ 487,884

These transfers were made to subsidize the Pupil Activity, Food Service and Capital Reserve Capital Projects Funds. Transfer from Debt Service Fund to General Fund was to close out prior year bond cash account that was completed in fiscal year 2015.

DEL NORTE SCHOOL DISTRICT NO. C-7
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 7 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018, was as follows:

	Balance 06/30/2017	Additions	Deletions	Balance 06/30/2018
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 194,576	\$ 250,483	\$ -	\$ 445,059
Construction in Progress	-	1,912,181	-	1,912,181
Total capital assets not being depreciated	<u>194,576</u>	<u>2,162,664</u>	<u>-</u>	<u>2,357,240</u>
Capital assets being depreciated				
Land Improvements	294,221	-	-	294,221
Buildings and Improvements	8,853,453	-	-	8,853,453
Equipment	295,587	5,184	(15,386)	285,385
Vehicles	1,208,849	-	(27,660)	1,181,189
Total capital assets being depreciated	<u>10,652,110</u>	<u>5,184</u>	<u>(43,046)</u>	<u>10,614,248</u>
Less accumulated depreciation for:				
Land Improvements	221,902	9,108	-	231,010
Buildings and Improvements	4,997,920	196,817	-	5,194,737
Equipment	189,685	16,411	(11,786)	194,310
Vehicles	921,058	47,365	(27,660)	940,763
Total accumulated depreciation	<u>6,330,565</u>	<u>269,701</u>	<u>(39,446)</u>	<u>6,560,820</u>
Total capital assets being depreciated, net	<u>4,321,545</u>	<u>(264,517)</u>	<u>(3,600)</u>	<u>4,053,428</u>
GOVERNMENTAL ACTIVITIES, NET	<u>\$ 4,516,121</u>	<u>\$ 1,898,147</u>	<u>\$ (3,600)</u>	<u>\$ 6,410,668</u>

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

Governmental activities:

Instructional Program	\$ 175,433
Instructional Staff Support Services	1,037
Food Service Operations	1,866
Operations and Maintenance of Plant Services	64,828
Student Transportation Services	3,774
Central Support Services	21,068
Other Support Services	1,695
Total depreciation expense – governmental activities	<u>\$ 269,701</u>

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NOTE 8 ACCRUED SALARIES AND BENEFITS

The teachers, administrators, and the administrative staff are employed under nine, ten, and eleven month contracts. All District employees are paid on a twelve-month basis; therefore, a difference exists between the actual amount of salaries earned under the contract and the amount paid. The difference between salaries earned and paid, including the District's share of benefits, has been accrued in the financial statements in the amount of \$451,567.

NOTE 9 LONG-TERM LIABILITIES

Changes in Long-Term Liabilities

Long-term liability balances for the year ended June 30, 2018, were as follows:

	Beginning Balance 06/30/2017	Additions	Deletions	Ending Balance 06/30/2018	Due Within One Year
<i>Governmental Activities</i>					
Bonds Payable- Series 2017	\$ -	\$ 17,913,517	\$ -	\$ 17,913,517	\$ 650,073

General Obligation Bond Payable

On December 7, 2017, the District issued general obligation bonds series 2017 in the amount of \$17,913,517 with an interest rate of 3.39% to be paid in full December 1, 2037. The bonds were issued for the District's match for the Building Excellent Schools Today Act (BEST) grant for the construction of the new school building and facilities.

The annual debt service for the General Obligation Bond payable is as follows:

	Principal	Interest	Totals
FY 2019	\$ 650,073	\$ 596,902	\$ 1,246,975
FY 2020	661,989	572,140	1,234,129
FY 2021	684,431	549,255	1,233,686
FY 2022	707,633	525,594	1,233,227
FY 2023	731,622	501,131	1,232,753
FY 2024-2028	4,047,385	2,108,676	6,156,061
FY 2029-2033	4,781,535	1,360,010	6,141,545
FY 2034-2037	5,648,849	475,543	6,124,392
	<u>\$ 17,913,517</u>	<u>\$ 6,689,251</u>	<u>\$ 24,602,768</u>

NOTE 10 OPERATING LEASES

The District is committed under an operating lease for office equipment. This lease is considered for accounting purposes as an operating lease. Lease expenses for the year totaled \$15,901.

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NOTE 11 DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

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

Benefits provided as of December 31, 2017. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

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

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

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

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

As of December 31, 2017, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SCHDTF.

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

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

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Contributions provisions as of June 30, 2018. Eligible employees and the District are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq.* Eligible employees are required to contribute 8 percent of their PERA-includable salary.

The employer contribution requirements are summarized in the table below:

	For the Year Ended December 31,	
	2018	2017
Employer Contribution Rate ¹	10.15%	10.15%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) ¹	-1.02%	-1.02%
Amount Apportioned to the SCHDTF ¹	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	5.50%	5.00%
Total Employer Contribution Rate SCHDTF	19.13%	18.63%

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District were \$548,406, for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$19,604,057 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017. The District's proportion of the net pension liability was based on District contributions to the SCHDTF for the calendar year 2017 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2017, District's proportion was 0.061 percent, which was a decrease of 0.0008 percent from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018 the District recognized pension expense of \$3,458,436. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 360,436	\$ -
Changes of assumptions or other inputs	5,005,644	31,764
Net difference between projected and actual earnings on pension plan investments	-	769,870
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	240,482
Contributions subsequent to the measurement date	289,315	-
Total	\$ 5,655,395	\$ 1,042,116

\$289,315 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,	
2019	\$ 2,934,244
2020	1,681,463
2021	(2,118)
2022	(289,628)
2023	-
Thereafter	-

Actuarial assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs:

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

A discount rate of 4.78 percent was used in the roll-forward calculation of the total pension liability to the measurement date of December 31, 2017.

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

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

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

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

The actuarial assumptions used in the December 31, 2016, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

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.

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

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

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

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

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

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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 3.43 percent, resulting in a discount rate of 4.78 percent.

As of the prior measurement date, the long-term expected rate of return on plan investments of 7.25 percent and the municipal bond index rate of 3.86 percent were used in the discount rate determination resulting in a discount rate of 5.26 percent, 0.48 percent higher compared to the current measurement date.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 4.78 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 (3.78 percent) or 1-percentage-point higher (5.78 percent) than the current rate:

	1% Decrease (3.78%)	Current Discount Rate (4.78%)	1% Increase (5.78%)
Proportionate share of the net pension liability	\$ 24,763,259	\$ 19,604,057	\$ 15,399,898

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.

Changes between the measurement date of the net pension liability and June 30, 2018.

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through SB 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to the plans administered by PERA with the goal of eliminating the unfunded actuarial accrued liability of the Division Trust Funds and thereby reach a 100 percent funded ratio for each division within the next 30 years.

A brief description of some of the major changes to plan provisions required by SB 18-200 are listed below. A full copy of the bill can be found online at www.leg.colorado.gov.

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- Increases employer contribution rates by 0.25 percent on July 1, 2019.
- Increases employee contribution rates by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).
- Directs the state to allocate \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution will be allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the other divisions eligible for the direct distribution.
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, modifying the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.
- Member contributions, employer contributions, the direct distribution from the state, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.

At June 30, 2018, the District reported a liability of \$19,604,057 for its proportionate share of the net pension liability which was measured using the plan provisions in effect as of the pension plan's year-end based on a discount rate of 4.78%. For comparative purposes, the following schedule presents an estimate of what the District proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the SCHDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the SCHDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

Estimated Discount Rate Calculated Using Plan Provisions Required by SB 18-200 (pro forma)	Proportionate Share of the Estimated Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 (pro forma)
7.25%	\$8,856,943

Recognizing that the changes in contribution and benefit provisions also affect the determination of the discount rate used to calculate proportionate share of the net pension liability, approximately \$9,151,297 of the estimated reduction is attributable to the use of a 7.25 percent discount rate.

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS

General Information about the OPEB Plan

Plan description. Eligible employees of the District are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended from time to time by the Colorado

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General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided. The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit.

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare.

Enrollment in the PERACare is voluntary and is available to benefit recipients and their eligible dependents, certain surviving spouses, and divorced spouses and guardians, among others. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

PERA Benefit Structure

The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF on behalf of benefit recipients not covered by Medicare Part A.

Contributions. Pursuant to Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02 percent of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the District were \$29,418 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$447,699 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2017. The District's

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proportion of the net OPEB liability was based on District contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF.

At December 31, 2017, the District proportion was 0.0344 percent, which was a decrease of 0.0005 from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018 the District recognized OPEB expense of \$4,645. At June 30, 2018, District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 2,117	\$ -
Net difference between projected and actual earnings on OPEB plan investments	-	7,490
Changes of assumptions or other inputs	-	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	5,167
Contributions subsequent to the measurement date	15,233	-
Total	\$ 17,350	\$ 12,657

\$15,233 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	
2019	(2,472)
2020	(2,472)
2021	(2,472)
2022	(2,472)
2023	(599)
Thereafter	(53)

Actuarial assumptions. The total OPEB liability in the December 31, 2016 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 percent in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates	

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PERA benefit structure:

Service-based premium subsidy	0.00 percent
PERACare Medicare plans	5.00 percent
Medicare Part A premiums	3.00 percent for 2017, gradually rising to 4.25 percent in 2023

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each actuarial valuation and on the pattern of sharing of costs between employers of each fund to that point.

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2016, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The PERA benefit structure health care cost trend rates that were used to measure the total OPEB liability are summarized in the table below:

Year	PERACare Medicare Plans	Medicare Part A Premiums
2017	5.00%	3.00%
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.00%
2023	5.00%	4.25%
2024+	5.00%	4.25%

Mortality assumptions for the determination of the total pension liability for each of the Division Trust Funds as shown below are applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

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

Healthy, post-retirement mortality assumptions for the School and Judicial Divisions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

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

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The following economic and demographic assumptions were specifically developed for, and used in, the measurement of the obligations for the HCTF:

- The assumed rates of PERACare participation were revised to reflect more closely actual experience.
- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2017 plan year.
- The percentages of PERACare enrollees who will attain age 65 and older ages and are assumed to not qualify for premium-free Medicare Part A coverage were revised to more closely reflect actual experience.
- The percentage of disabled PERACare enrollees who are assumed to not qualify for premium-free Medicare Part A coverage were revised to reflect more closely actual experience.
- Assumed election rates for the PERACare coverage options that would be available to future PERACare enrollees who will qualify for the “No Part A Subsidy” when they retire were revised to more closely reflect actual experience.
- Assumed election rates for the PERACare coverage options that will be available to those current PERACare enrollees, who qualify for the “No Part A Subsidy” but have not reached age 65, were revised to more closely reflect actual experience.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.
- The rates of PERACare coverage election for spouses of eligible inactive members and future retirees were revised to more closely reflect actual experience.
- The assumed age differences between future retirees and their participating spouses were revised to reflect more closely actual experience.

The actuarial assumptions used in the December 31, 2016, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA’s actuary, as needed.

DEL NORTE SCHOOL DISTRICT NO. C-7
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

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

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

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

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

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates. The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

DEL NORTE SCHOOL DISTRICT NO. C-7
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A trend rate	3.25%	4.25%	5.25%
Net OPEB Liability	\$435,356	\$447,674	\$462,509

Discount rate. The discount rate used to measure the total OPEB liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2017, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date. For future plan members, employer contributions were reduced by the estimated amount of total service costs for future plan members.
- 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.
- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the projection test indicates the HCTF's fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent.

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ 503,326	\$ 447,674	\$ 400,173

DEL NORTE SCHOOL DISTRICT NO. C-7
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

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

NOTE 13 DEFINED CONTRIBUTION PENSION PLAN

Voluntary Investment Program

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

Funding Policy - The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions, employer contributions and investment earnings. For the years ended June 30, 2018 program members contributed \$27,702 for the Voluntary Investment Program.

NOTE 14 JOINT VENTURES AND RELATED PARTIES

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

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

San Luis Valley Board of Cooperative Services (BOCES)

The BOCES is an organization that provides member districts educational services at a shared lower cost per district. The Board of BOCES is selected from the elected members of the District Boards. The District has one member on the Board. This Board has final authority for all budgeting and financing of the joint venture. The District's share of the joint venture is approximately 7% at June 30, 2018. Complete separate financial statements may be obtained from BOCES.

DEL NORTE SCHOOL DISTRICT NO. C-7
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

Colorado School Districts' Self-Insurance Pool

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

As the District did not exercise oversight responsibility nor have sufficient control over Pool activities, the Pool is not a component unit of the District and only the District's share of contributions to the Pool is recorded as expenditures in the General Fund. The District's share in the Pool is not determinable from current information, but is estimated to be less than 1%. The District's share, if calculated, would not be material to the Pool's financial information at June 30, 2018. Complete separate financial statements may be obtained from the Colorado School Districts' Self-Insurance Pool.

NOTE 15 COMMITMENTS AND CONTINGENCIES

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

NOTE 16 TABOR EMERGENCY RESERVE

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

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

On November 5, 1996 voters approved a ballot which stated that the District is authorized to collect, retain and expend all revenues including grants and other funds collected during 1996 and each subsequent year from any source, notwithstanding the limitations of Article X, Section 20 of the Colorado constitution, provided, however, that no property tax mill levy be increased at any time nor shall any new tax be imposed without the prior approval of the voters.

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

DEL NORTE SCHOOL DISTRICT NO. C-7
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 17 RISK MANAGEMENT

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

NOTE 18 PUPIL ACTIVITY AGENCY FUND BUDGET AND ACTUAL

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

Therefore, the budget and actual amounts for agency funds received and disbursed for the year ended June 30, 2018 are presented below:

	Original Budget	Final Budget	Actual	Variance
Agency Fund Receipts	\$ 250,000	\$ 250,000	\$ 88,693	\$ (161,307)
Agency Fund Disbursements	(250,000)	(250,000)	(88,462)	161,538
Change in Pupil Activity Deposits	-	-	231	231
Beginning Balance	140,000	138,588	138,587	(1)
Ending Balance	<u>\$ 140,000</u>	<u>\$ 138,588</u>	<u>\$ 138,818</u>	<u>\$ 230</u>

NOTE 19 SUBSEQUENT EVENT

On November 28, 2018, the District granted a warranty deed to Rio Grande Child Development and Family Services (the Del Norte Headstart) for property known as the Mesa Building, Mini Gym, and an adjacent lot in exchange for a warranty deed granted by the Headstart to the District for vacant land.

DEL NORTE SCHOOL DISTRICT NO. C-7

REQUIRED SUPPLEMENTARY INFORMATION

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

DEL NORTE SCHOOL DISTRICT C-7
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2018

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
				<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
REVENUES				
State Sources	\$ 2,531,857	\$ 2,514,565	\$ 2,413,698	\$ (100,867)
Local Sources	2,550,652	2,624,394	2,679,716	55,322
Other Sources	18,000	18,000	5,491	(12,509)
TOTAL REVENUES	<u>5,100,509</u>	<u>5,156,959</u>	<u>5,098,905</u>	<u>(58,054)</u>
EXPENDITURES				
Instructional Program	2,464,697	2,425,858	2,442,355	(16,497)
Student Support Services	178,716	290,538	194,787	95,751
Instructional Staff Support Services	369,831	394,427	373,886	20,541
Food Service Operations	-	-	1,532	(1,532)
General Administration Support Services	374,432	381,100	357,528	23,572
School Administration Support Services	352,969	353,484	350,750	2,734
Business Support Services	150,040	126,532	125,674	858
Operations and Maintenance of Plant Services	624,705	632,955	594,872	38,083
Student Transportation Services	248,380	278,294	249,164	29,130
Central Support Services	17,000	17,000	16,558	442
Other Support Services	144,367	159,817	161,711	(1,894)
TOTAL EXPENDITURES	<u>4,925,137</u>	<u>5,060,005</u>	<u>4,868,817</u>	<u>191,188</u>
Excess (deficiency) of revenues over expenditures	<u>175,372</u>	<u>96,954</u>	<u>230,088</u>	<u>133,134</u>
OTHER FINANCING SOURCES (USES)				
Sale of Fixed Assets	4,000	4,000	3,750	(250)
Transfer from Other Funds	-	-	40,000	40,000
Transfer to Other Funds	(535,000)	(535,000)	(447,884)	87,116
TOTAL OTHER FINANCING SOURCES (USES)	<u>(531,000)</u>	<u>(531,000)</u>	<u>(404,134)</u>	<u>126,866</u>
NET CHANGE IN FUND BALANCE	<u>(355,628)</u>	<u>(434,046)</u>	<u>(174,046)</u>	<u>260,000</u>
FUND BALANCE, Beginning of Year	<u>2,400,000</u>	<u>2,049,972</u>	<u>2,049,972</u>	<u>-</u>
FUND BALANCE, End of Year	<u>\$ 2,044,372</u>	<u>\$ 1,615,926</u>	<u>\$ 1,875,926</u>	<u>\$ 260,000</u>

Notes to Required Supplementary Information

The basis of budgeting is the same as GAAP.

This schedule is presented on the GAAP basis.

DEL NORTE SCHOOL DISTRICT C-7
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GOVERNMENTAL DESIGNATED PURPOSE GRANTS FUND
For the Year Ended June 30, 2018

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES				
Federal Sources	\$ 362,746	\$ 369,696	\$ 350,724	\$ (18,972)
State Sources	114,317	37,159	40,286	3,127
TOTAL REVENUES	477,063	406,855	391,010	(15,845)
EXPENDITURES				
Instructional Program	293,939	308,423	301,367	7,056
Student Support Services	86,000	9,433	3,821	5,612
Instructional Staff Support Services	75,395	76,925	75,573	1,352
School Administration Support Services	3,125	6,820	6,057	763
Business Support Services	-	4,754	4,192	562
Other Support Services	18,604	500	-	500
TOTAL EXPENDITURES	477,063	406,855	391,010	15,845
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE, Beginning of Year	-	-	-	-
FUND BALANCE, End of Year	\$ -	\$ -	\$ -	\$ -

Notes to Required Supplementary Information

The basis of budgeting is the same as GAAP.

This schedule is presented on the GAAP basis.

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.0606252697%	0.0614325184%	0.0628131197%	0.0650425406%
District's proportionate share of the net pension liability (asset)	\$ 19,604,058	\$ 18,290,836	\$ 9,606,823	\$ 8,815,449
District's covered payroll	\$ 2,796,570	\$ 2,761,873	\$ 2,737,381	\$ 2,724,629
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	701%	662%	351%	324%
Plan fiduciary net position as a percentage of the total pension liability	44.0%	43.1%	59.2%	62.8%

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

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

Notes to Required Supplementary Information:

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

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

	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 548,406	\$ 505,389	\$ 489,989	\$ 462,013	\$ 427,298	\$ 367,384	\$ 391,661	\$ 409,930
Contributions in relation to the contractually required contribution	(548,406)	(505,389)	(489,989)	(462,013)	(427,298)	(367,384)	(391,661)	(409,930)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 2,884,121	\$ 2,748,812	\$ 2,761,902	\$ 2,735,625	\$ 2,671,267	\$ 2,435,998	\$ 2,762,825	\$ 2,980,990
Contributions as a percentage of covered payroll	19.01%	18.39%	17.74%	16.89%	16.00%	15.08%	14.18%	13.75%

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

Notes to Required Supplementary Information:

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

DEL NORTE SCHOOL DISTRICT C-7
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
COLORADO PERA HEALTH CARE TRUST FUND
For the Years Ended June 30

	2018	2017
District's proportion of the net OPEB liability	0.0344470292%	0.0349162414%
District's proportionate share of the net OPEB liability	\$ 447,674	\$ 452,701
District's covered payroll	\$ 2,796,570	\$ 2,761,873
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	16%	16%
Plan fiduciary net position as a percentage of the total OPEB liability	17.5%	20.0%

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

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

Notes to Required Supplementary Information:

See Note 12 in the accompanying Notes to the Basic Financial Statements for changes to assumptions or other inputs used.

**DEL NORTE SCHOOL DISTRICT C-7
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
COLORADO PERA HEALTH CARE TRUST FUND**

For the Years Ended June 30,

	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 29,418	\$ 28,038	\$ 28,171	\$ 27,903	\$ 27,247	\$ 24,847	\$ 28,181	\$ 30,406
Contributions in relation to the contractually required contribution	(29,418)	(28,038)	(28,171)	(27,903)	(27,247)	(24,847)	(28,181)	(30,406)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 2,884,121	\$ 2,748,812	\$ 2,761,902	\$ 2,735,625	\$ 2,671,267	\$ 2,435,998	\$ 2,762,825	\$ 2,980,990
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%

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

Notes to Required Supplementary Information:

See Note 12 in the accompanying Notes to the Basic Financial Statements for changes to assumptions or other inputs used.

DEL NORTE SCHOOL DISTRICT NO. C-7

SUPPLEMENTARY INFORMATION

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

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

SPECIAL REVENUE FUNDS

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

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

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

CAPITAL PROJECTS FUND

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

DEL NORTE SCHOOL DISTRICT C-7
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2018

	<u>SPECIAL REVENUE FUNDS</u>		<u>CAPITAL RESERVE CAPITAL PROJECTS FUND</u>	<u>TOTAL NONMAJOR FUNDS</u>
	<u>PUPIL ACTIVITY FUND</u>	<u>FOOD SERVICE FUND</u>		
ASSETS				
Cash and Cash Equivalents	\$ 35,623	\$ 43,832	\$ 34,069	\$ 113,524
Inventory	-	2,751	-	2,751
TOTAL ASSETS	<u>\$ 35,623</u>	<u>\$ 46,583</u>	<u>\$ 34,069</u>	<u>\$ 116,275</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts Payable	\$ -	\$ (206)	\$ 33,438	\$ 33,232
Accrued Salaries and Benefits	-	14,378	-	14,378
Unearned Revenue	-	1,683	-	1,683
TOTAL LIABILITIES	<u>-</u>	<u>15,855</u>	<u>33,438</u>	<u>49,293</u>
FUND BALANCE				
Nonspendable	-	2,751	-	2,751
Committed				
Capital Projects	-	-	631	631
Pupil Activities	35,623	-	-	35,623
Food Service	-	27,977	-	27,977
TOTAL FUND BALANCE	<u>35,623</u>	<u>30,728</u>	<u>631</u>	<u>66,982</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 35,623</u>	<u>\$ 46,583</u>	<u>\$ 34,069</u>	<u>\$ 116,275</u>

DEL NORTE SCHOOL DISTRICT C-7
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

	<u>SPECIAL REVENUE FUNDS</u>		<u>CAPITAL RESERVE</u>	
	<u>PUPIL ACTIVITY FUND</u>	<u>FOOD SERVICE FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>TOTAL NONMAJOR FUNDS</u>
REVENUES				
Federal Sources	\$ -	\$ 118,397	\$ -	\$ 118,397
State Sources	-	2,095	-	2,095
Local Sources	32,329	33,583	-	65,912
TOTAL REVENUES	<u>32,329</u>	<u>154,075</u>	<u>-</u>	<u>186,404</u>
EXPENDITURES				
Student Support Services	111,870	-	-	111,870
Food Service Operations	-	258,358	-	258,358
Operations and Maintenance of Plant Services	-	-	283,921	283,921
Debt Service	-	-	15,901	15,901
TOTAL EXPENDITURES	<u>111,870</u>	<u>258,358</u>	<u>299,822</u>	<u>670,050</u>
Excess (deficiency) of revenues over expenditures	<u>(79,541)</u>	<u>(104,283)</u>	<u>(299,822)</u>	<u>(483,646)</u>
OTHER FINANCING SOURCES (USES)				
Transfer from General Fund	79,000	87,500	281,384	447,884
TOTAL OTHER FINANCING SOURCES (USES)	<u>79,000</u>	<u>87,500</u>	<u>281,384</u>	<u>447,884</u>
NET CHANGE IN FUND BALANCE	(541)	(16,783)	(18,438)	(35,762)
FUND BALANCE, Beginning of Year	<u>36,164</u>	<u>47,511</u>	<u>19,069</u>	<u>102,744</u>
FUND BALANCE, End of Year	<u>\$ 35,623</u>	<u>\$ 30,728</u>	<u>\$ 631</u>	<u>\$ 66,982</u>

DEL NORTE SCHOOL DISTRICT C-7
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
PUPIL ACTIVITY FUND
For the Year Ended June 30, 2018

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Local Sources				
Pupil Activities	\$ 57,600	\$ 57,600	\$ 32,329	\$ (25,271)
TOTAL REVENUES	<u>57,600</u>	<u>57,600</u>	<u>32,329</u>	<u>(25,271)</u>
EXPENDITURES				
Student Support Services				
Pupil Activities	151,610	151,610	111,870	39,740
TOTAL EXPENDITURES	<u>151,610</u>	<u>151,610</u>	<u>111,870</u>	<u>39,740</u>
Excess (deficiency) of revenues over expenditures	<u>(94,010)</u>	<u>(94,010)</u>	<u>(79,541)</u>	<u>14,469</u>
OTHER FINANCING SOURCES (USES)				
Transfer from General Fund	79,000	79,000	79,000	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>79,000</u>	<u>79,000</u>	<u>79,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(15,010)	(15,010)	(541)	14,469
FUND BALANCE, Beginning of Year	<u>50,300</u>	<u>36,164</u>	<u>36,164</u>	<u>-</u>
FUND BALANCE, End of Year	<u>\$ 35,290</u>	<u>\$ 21,154</u>	<u>\$ 35,623</u>	<u>\$ 14,469</u>

DEL NORTE SCHOOL DISTRICT C-7
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP)
FOOD SERVICE FUND
For the Year Ended June 30, 2018

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE
				(NEGATIVE)
REVENUES				
Federal Sources	\$ 138,000	\$ 138,000	\$ 110,246	\$ (27,754)
State Sources	3,200	3,200	2,095	(1,105)
Local Sources	32,400	32,400	33,583	1,183
TOTAL REVENUES	<u>173,600</u>	<u>173,600</u>	<u>145,924</u>	<u>(27,676)</u>
EXPENDITURES				
Food Service Operations				
Salaries	100,080	108,771	107,811	960
Fringe Benefits	36,520	49,457	46,723	2,734
Food	92,000	98,000	64,533	33,467
Milk	23,000	23,000	10,424	12,576
Supplies	12,000	12,000	12,858	(858)
Miscellaneous	2,400	2,300	1,859	441
Capital Outlay	7,000	7,000	6,423	577
TOTAL EXPENDITURES	<u>273,000</u>	<u>300,528</u>	<u>250,631</u>	<u>49,897</u>
Excess (deficiency) of revenues over expenditures	<u>(99,400)</u>	<u>(126,928)</u>	<u>(104,707)</u>	<u>22,221</u>
OTHER FINANCING SOURCES (USES)				
Transfer from General Fund	100,000	100,000	87,500	(12,500)
TOTAL OTHER FINANCING SOURCES (USES)	<u>100,000</u>	<u>100,000</u>	<u>87,500</u>	<u>(12,500)</u>
CHANGE IN FUND BALANCE - BUDGET BASIS	600	(26,928)	(17,207)	9,721
Non-Budgeted Revenues and Expenditures				
USDA Commodities Received			8,151	
USDA Commodities Expended			<u>(7,727)</u>	
Total Non-Budgeted Activity			424	
CHANGE IN FUND BALANCE - GAAP BASIS	600	(26,928)	(16,783)	10,145
FUND BALANCE, Beginning of Year	<u>46,500</u>	<u>47,511</u>	<u>47,511</u>	<u>-</u>
FUND BALANCE, End of Year	<u>\$ 47,100</u>	<u>\$ 20,583</u>	<u>\$ 30,728</u>	<u>\$ 10,145</u>

DEL NORTE SCHOOL DISTRICT C-7
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
CAPITAL RESERVE CAPITAL PROJECTS FUND
For the Year Ended June 30, 2018

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Local Sources	\$ -	\$ -	\$ -	\$ -
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
Operations and Maintenance of Plant Services	290,000	290,000	283,921	6,079
Debt Service	66,000	66,000	15,901	50,099
TOTAL EXPENDITURES	<u>356,000</u>	<u>356,000</u>	<u>299,822</u>	<u>56,178</u>
Excess (deficiency) of revenues over expenditures	<u>(356,000)</u>	<u>(356,000)</u>	<u>(299,822)</u>	<u>56,178</u>
OTHER FINANCING SOURCES (USES)				
Transfer from Other Funds	<u>356,000</u>	<u>356,000</u>	<u>281,384</u>	<u>(74,616)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>356,000</u>	<u>356,000</u>	<u>281,384</u>	<u>(74,616)</u>
NET CHANGE IN FUND BALANCE	-	-	(18,438)	(18,438)
FUND BALANCE, Beginning of Year	<u>29,000</u>	<u>19,069</u>	<u>19,069</u>	<u>-</u>
FUND BALANCE, End of Year	<u>\$ 29,000</u>	<u>\$ 19,069</u>	<u>\$ 631</u>	<u>\$ (18,438)</u>

DEL NORTE SCHOOL DISTRICT C-7
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND
For the Year Ended June 30, 2018

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Local Sources				
Property Taxes	\$ 1,000	\$ 1,351,000	\$ 1,262,327	\$ (88,673)
Interest on Property Tax	-	-	538	538
Total Local Sources	1,000	1,351,000	1,262,865	(88,135)
TOTAL REVENUES	1,000	1,351,000	1,262,865	(88,135)
EXPENDITURES				
Debt Service				
Other	-	1,351,000	342,609	1,008,391
Total Debt Service	-	1,351,000	342,609	1,008,391
TOTAL EXPENDITURES	-	1,351,000	342,609	1,008,391
Excess (deficiency) of revenues over expenditures	-	-	920,256	920,256
OTHER FINANCING SOURCES (USES)				
Transfer to Other Funds	-	-	40,000	40,000
TOTAL OTHER FINANCING SOURCES (USES)	-	-	40,000	40,000
NET CHANGE IN FUND BALANCE	1,000	-	880,256	880,256
FUND BALANCE, Beginning of Year	56,000	54,174	54,173	(1)
FUND BALANCE, End of Year	<u>\$ 57,000</u>	<u>\$ 54,174</u>	<u>\$ 934,429</u>	<u>\$ 880,255</u>

DEL NORTE SCHOOL DISTRICT C-7
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
BUILDING FUND
For the Year Ended June 30, 2018

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
State Sources	-	-	1,878,743	1,878,743
TOTAL REVENUES	-	-	1,878,743	1,878,743
EXPENDITURES				
Facilities Acquisition and Construction Services	-	17,913,517	1,878,743	16,034,774
TOTAL EXPENDITURES	-	17,913,517	1,878,743	16,034,774
Excess (deficiency) of revenues over expenditures	-	(17,913,517)	-	17,913,517
OTHER FINANCING SOURCES (USES)				
Bonds Issued - Series 2018	-	17,913,517	17,913,517	-
TOTAL OTHER FINANCING SOURCES (USES)	-	17,913,517	17,913,517	-
NET CHANGE IN FUND BALANCE	-	-	17,913,517	-
FUND BALANCE, Beginning of Year	-	-	-	-
FUND BALANCE, End of Year	\$ -	\$ -	\$ 17,913,517	\$ 17,913,517

DEL NORTE SCHOOL DISTRICT NO. C-7

CDE COMPLIANCE SECTION



Wall,
Smith,
Bateman Inc.

**REPORT ON COMPLIANCE WITH CDE-FINANCIAL
POLICIES AND PROCEDURES MANUAL**

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Del Norte School District No. C-7 (the District), as of and for the year ended June 30, 2018, which collectively comprise the District's basic financial statements, as listed in the table of contents, and have issued our report thereon dated December 06, 2018.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the Colorado Department of Education Financial Policies and Procedures Manual insofar as it relates to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

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

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

December 06, 2018

Certified Public Accountants

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



Colorado Department of Education
Auditors Integrity Report
 District: 2730 - DEL NORTE C-7
 Fiscal Year 2017-18
 Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	+	1000 - 5999 Total Revenues & Other Sources	-	0001-0999 Total Expenditures & Other Uses	=	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental							
10 General Fund	2,049,972		4,387,412		4,561,458		1,875,926
18 Risk Mgmt Sub-Fund of General Fund	0		125,419		125,419		0
19 Colorado Preschool Program Fund	0		181,940		181,940		0
Sub- Total	2,049,972		4,694,771		4,868,817		1,875,926
11 Charter School Fund	0		0		0		0
20,26-29 Special Revenue Fund	0		0		0		0
06 Supplemental Cap Const, Tech, Main Fund	0		0		0		0
21 Food Service Spec Revenue Fund	47,511		241,575		258,358		30,729
22 Govt Designated Purpose Grants Fund	0		391,010		391,010		0
23 Pupil Activity Special Revenue Fund	36,164		111,329		111,870		35,623
24 Full Day Kindergarten Mill Levy Override	0		0		0		0
25 Transportation Fund	0		0		0		0
31 Bond Redemption Fund	54,174		1,222,865		342,610		934,429
39 Certificate of Participation (COP) Debt Service Fund	0		0		0		0
41 Building Fund	0		19,792,260		1,878,743		17,913,517
42 Special Building Fund	0		0		0		0
43 Capital Reserve Capital Projects Fund	19,069		281,384		299,822		631
46 Supplemental Cap Const, Tech, Main Fund	0		0		0		0
Totals	2,206,890		26,735,195		8,151,230		20,790,855
Proprietary							
50 Other Enterprise Funds	0		0		0		0
64 (63) Risk-Related Activity Fund	0		0		0		0
60,65-69 Other Internal Service Funds	0		0		0		0
Totals	0		0		0		0
Fiduciary							
70 Other Trust and Agency Funds	0		0		0		0
72 Private Purpose Trust Fund	0		0		0		0
73 Agency Fund	0		0		0		0
74 Pupil Activity Agency Fund	138,588		88,692		88,462		138,818
79 GASB 34/Permanent Fund	0		0		0		0
85 Foundations	0		0		0		0
Totals	138,588		88,692		88,462		138,818
FINAL							