

cPa DIXON, WALLER & CO., INC.

OTERO COUNTY SCHOOL

DISTRICT NUMBER 33

SWINK, COLORADO

FINANCIAL STATEMENTS

JUNE 30, 2018

DIXON, WALLER & CO., INC.

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OTERO COUNTY SCHOOL DISTRICT NUMBER 33

FINANCIAL STATEMENTS

JUNE 30, 2018

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**OTERO COUNTY SCHOOL DISTRICT NUMBER 33
ROSTER OF SCHOOL OFFICIALS
June 30, 2018**

BOARD OF EDUCATION

Fred Grantham	President
Robert Bamber	Vice-President
Lyn Neve	Secretary
Dr. Ky Davis	Treasurer
Shannon Wallace	Member

SCHOOL OFFICIALS

Kyle Hebbard	Superintendent
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FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Otero County School District Number 33, as of and for the year ended June 30, 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.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Otero County School District Number 33, as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension and post employment benefits trend data on pages i through viii and 44 through 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Dixon, Waller & Co., Inc.

Trinidad, Colorado
November 30, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

SWINK SCHOOL DISTRICT
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

Management of Swink School District offers readers of the basic financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2018. The focus of the information is on the primary government (general) fund.

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

Financial Highlights

- The following audit continues to present the Food Service fund as a Special Revenue Fund under governmental activities. The following audit continues to present the district's proration of net pension obligation as required by GASB-68.
- In governmental activities, the District's assets were less than liabilities at the close of the fiscal year by (\$2,410,152.00) (net position). This presentation of a negative net position is because of GASB-68. The General Fund has a fund balance of \$3,139,082, which includes Tabor of \$120,000 and BEST set aside of \$18,000.
- There are no longer any District's business-type activities for our district.
- As the end of the fiscal year, the District's governmental funds reported combined ending fund balances of \$3,529,968. This is an increase of \$772,634 from the prior year. The General Fund increased by \$705,444 in anticipation of multiple capital project.
- The District's long-term general obligation debt decreased by \$120,000 as a result of current year principal and interest payments on the outstanding debt.
- The District had adequate resources available for all appropriations.

The District was required to implement GASB 75 resulting in a net other post-employment benefit (OPEB) liability of \$278,878. Under GASB 75 the District's proportionate share of the OPEB liability of the Colorado state retirement system Health Care Trust Fund administered by the Public Employees Retirement Association, is recorded as a liability of the District. At implementation beginning equity is restated and deferred inflows, outflows and the net OPEB liability are reported. Beginning net position of governmental activities decreased as a result of this change.

Upon implementation of GASB 75, the beginning net position of governmental activities decreased \$312,156 to \$(989,752) from \$(677,596) at the end of the previous fiscal year. Fiscal year 2017 financial information has not been restated because some of the comparable information is not available

SWINK SCHOOL DISTRICT
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

Overview of the Financial Statements

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

District-Wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

SWINK SCHOOL DISTRICT
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

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

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

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

Notes to the Financial Statements

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

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

Financial Analysis of the District as a Whole

- The District's total capital net assets (assets, less depreciation) on June 30, 2018 were \$5,883,543.
- The District uses capital assets to provide services to students; consequently, these assets are not available for future spending.

SWINK SCHOOL DISTRICT
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

Statement of Net Position	Government		Government	
	Activities		Activities	
	2016-2017	Total	2017-2018	Total
Assets:				
Current and other assets	\$3,062,131	\$3,062,131	\$3,864,559	\$3,864,559
Capital assets	\$6,139,017	\$6,139,017	\$5,883,543	\$5,883,543
Total Assets	\$9,201,148	\$9,201,148	\$9,748,102	\$9,748,102
Deferred Outflow of Resources				
Pensions	\$4,644,322	\$0	\$3,765,282	\$0
Other Post Employment Benefits	\$0	\$0	\$10,937	\$0
Total Deferred Outflow of Resources	\$4,644,322	\$0	\$3,776,219	\$0
Liabilities				
Current Liabilities	\$306,873	\$306,873	\$611,961	\$611,961
Current Bond Debt	\$120,000	\$120,000	\$125,000	\$125,000
Long-Term Liabilities	\$1,530,000	\$1,530,000	\$1,405,000	\$1,405,000
Net Pension Obligation	\$12,103,721	\$12,103,721	\$12,212,320	\$12,212,320
Total Liabilities	\$14,060,594	\$14,060,594	\$14,354,281	\$14,354,281
Deferred Inflow of Resources				
Pensions	\$462,472	\$462,472	\$1,557,663	\$1,557,663
Other Post Employment Benefits	\$0	\$0	\$22,529	\$22,529
Total Deferred Inflow of Resources	\$462,472	\$462,472	\$1,580,192	\$1,580,192
Net Position				
Net Investment in capital assets	\$4,489,017	\$4,489,017	\$4,353,543	\$4,353,543
Restricted for:				
Tabor Reserve	\$117,000	\$117,000	\$120,000	\$120,000
Food Service	\$45,502	\$0	\$49,609	\$49,609
Debt	\$223,015	\$223,015	\$228,113	\$228,113
Best Capital Renewal Reserve	\$15,000	\$15,000	\$18,000	\$18,000
Unrestricted	-\$5,567,130	-\$5,567,130	-\$7,179,417	-\$7,179,417
Total Net Position	-\$677,596	-\$723,098	-\$2,410,152	-\$2,410,152

SWINK SCHOOL DISTRICT
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

Statement of Activities	2016-2017	2016-2017	2016-2017	2017-2018	2017-2018	2017-2018
Governmental Activities	Governmental	Business Type		Governmental	Business Type	
	Activities	Activities	Total	Activities	Activities	Total
Instructional Services	\$ 2,051,643	\$ -	\$ 2,051,643	\$ 1,957,130	\$ -	\$ 1,957,130
Supporting Services:						
Students	\$ 146,654	\$ -	\$ 146,654	\$ 204,041	\$ -	\$ 204,041
Instruction Staff	\$ 110,382	\$ -	\$ 110,382	\$ 129,669	\$ -	\$ 129,669
District Administration	\$ 231,375	\$ -	\$ 231,375	\$ 181,249	\$ -	\$ 181,249
School Administration	\$ 136,815	\$ -	\$ 136,815	\$ 140,443	\$ -	\$ 140,443
Business	\$ 67,623	\$ -	\$ 67,623	\$ 68,606	\$ -	\$ 68,606
Operation & Maintenance	\$ 518,672	\$ -	\$ 518,672	\$ 468,235	\$ -	\$ 468,235
Transportation	\$ 112,054	\$ -	\$ 112,054	\$ 105,918	\$ -	\$ 105,918
Central	\$ 65,208	\$ -	\$ 65,208	\$ 61,918	\$ -	\$ 61,918
Facility	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Food Service	\$ 162,705	\$ -	\$ 162,705	\$ 172,409	\$ -	\$ 172,409
Capital Outlay	\$ 8,326	\$ -	\$ 8,326	\$ 6,385	\$ -	\$ 6,385
Interest on Long-Liabilities	\$ 68,851	\$ -	\$ 68,851	\$ 65,213	\$ -	\$ 65,213
Pension Expense	\$ 1,816,083	\$ -	\$ 1,816,083	\$ 2,082,830	\$ -	\$ 2,082,830
TOTAL EXPENSES	\$ 5,496,391	\$ -	\$ 5,496,391	\$ 5,644,046	\$ -	\$ 5,644,046
Revenue:						
Charges for Services	\$ 77,861	\$ -	\$ 77,861	\$ 83,807	\$ -	\$ 83,807
Operating Grants and Contributions	\$ 297,463	\$ -	\$ 297,463	\$ 603,612	\$ -	\$ 603,612
Capital Grants and Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Property Taxes	\$ 589,773	\$ -	\$ 589,773	\$ 598,947	\$ -	\$ 598,947
Specific Ownership	\$ 118,465	\$ -	\$ 118,465	\$ 122,926	\$ -	\$ 122,926
Equalization	\$ 2,820,185	\$ -	\$ 2,820,185	\$ 2,924,387	\$ -	\$ 2,924,387
Earnings on Investments	\$ 13,297	\$ -	\$ 13,297	\$ 23,857	\$ -	\$ 23,857
Other Revenue	\$ 226,747	\$ -	\$ 226,747	\$ 95,164	\$ -	\$ 95,164
OPEB Income	\$ -	\$ -	\$ -	\$ 21,686	\$ -	\$ 21,686
Transfers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL REVENUES	\$ 4,143,791	\$ -	\$ 4,143,791	\$ 4,474,386	\$ -	\$ 4,474,386
Increase (Decrease) in Net Position	\$ (1,352,600)	\$ -	\$ (1,352,600)	\$ (1,169,660)	\$ -	\$ (1,169,660)

SWINK SCHOOL DISTRICT
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

Governmental Activities by Major Function				
	2017		2018	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instructional services	\$ 2,051,643	\$ (1,881,645)	\$ 2,189,757	\$ (1,720,559)
Students	\$ 146,654	\$ (146,654)	\$ 204,041	\$ (204,041)
Instructional Staff	\$ 110,382	\$ (110,382)	\$ 129,669	\$ (129,669)
District administration	\$ 231,375	\$ (231,375)	\$ 181,249	\$ (181,249)
School Administration	\$ 136,815	\$ (136,815)	\$ 140,443	\$ (140,443)
Business	\$ 67,623	\$ (67,623)	\$ 68,606	\$ (68,606)
Operation and Maintenance of Facilities	\$ 518,672	\$ (504,249)	\$ 469,255	\$ (454,535)
Transportation	\$ 112,054	\$ (97,124)	\$ 120,915	\$ (105,872)
Central Facility	\$ 65,208	\$ (65,208)	\$ 61,918	\$ (61,918)
Food Service	\$ -	\$ -	\$ -	\$ -
Capital outlay	\$ 162,705	\$ 13,268	\$ 175,539	\$ 12,919
Interest on Long Term Liabilities	\$ 8,326	\$ (8,326)	\$ 6,385	\$ (6,385)
Pension Expense	\$ 68,851	\$ (68,851)	\$ 64,179	\$ (64,179)
	\$ 1,816,083	\$ (1,816,083)	\$ 2,061,144	\$ (2,061,144)
	\$ 5,496,391	\$ (5,121,067)	\$ 5,873,100	\$ (5,185,681)

Capital Assets (Net of Depreciation)	Government	Business-type	Total	Government	Business-type	Total
	Activities	Activities		Activities	Activities	
	2016-2017	2016-2017		2017-2018	2017-2018	
Land & Sites	\$627,961	\$0	\$627,961	\$627,961	\$0	\$627,961
Building & Improvements	\$5,338,731	\$0	\$5,338,731	\$5,102,404	\$0	\$5,102,404
Equipment	\$76,712	\$0	\$76,712	\$75,692	\$0	\$75,692
Vehicles	\$69,183	\$0	\$69,183	\$54,186	\$0	\$54,186
Food Service Equipment (change in presentation)	\$26,430	\$0	\$26,430	\$23,300	\$0	\$23,300
Total Capital Assets	\$6,139,017	\$0	\$6,139,017	\$5,883,543	\$0	\$5,883,543

SWINK SCHOOL DISTRICT
 Management Discussion and Analysis
 For the Fiscal Year Ended June 30, 2018

Changes In Long Term Debt	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Bonds 2007	\$1,650,000	\$0	\$120,000	\$1,530,000

Special Revenue Fund

The Special Revenue Fund is the food service fund. This program had revenues of \$188,593 which included a General Fund transfer of \$5,000. Food service expenses were \$172,409. Food service staff members have continued to add new healthier menu items in order to meet federal guidelines. The number of meals served has continued to decline over previous years. The district was able to cooperatively purchase food which has significantly lowered costs. This fund will still need to be monitored closely. Future fund transfers, have been budgeted, and may be necessary. The board is aware of the difficulties in operating the food service program, and will continue to strive to provide nutritious meals at a reasonable cost.

Financial Analysis of the District's Funds

General Fund Budgetary Highlights

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

- Actual revenues in the General Fund of \$4,074,653.
- The actual expenditures were \$3,317,209, plus a Capital Reserve Project fund transfer of \$47,000, plus a Food Service fund transfer of \$5,000, which resulted in and General Fund increase of \$705,444.
- The District must maintain a 3% emergency reserve as a part of the TABOR Amendment (Taxpayer Bill of Rights). At June 30, 2018, District's TABOR reserve amounted to \$120,000.

Economic Factors Bearing on the District's Future

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

SWINK SCHOOL DISTRICT
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

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

<u>School Year</u>	<u>Actual Number of Students</u>	<u>Funded Count</u>
2005/2006	373	365
2006/2007	382	367
2007/2008	369.5	357.5
2008/2009	375	362
2009/2010	378	366
2010/2011	374	363
2011/2012	356	345.5
2012/2013	346	337
2013/2014	336	326
2014/2015	346	337
2015/2016	381	366
2016/2017	366	361.9
2017/2018	373	361.5

The funded count for the District has declined in the past, 2015-2016 was an anomaly as our predictions was for a decrease in the following year. The district has been able to take advantage of the state funding rules that have allowed us to average up to the last five years for our funding. Management and administration continue to take a very conservative approach for the 2018/2019 school year. The School District is prudent in monitoring our fiscal responsibilities as the District continues to be fiscally sound.

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

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

Contacting the District's Financial Management

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

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

BASIC FINANCIAL STATEMENTS

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
STATEMENT OF NET POSITION
June 30, 2018

	Governmental Activities	Total
<u>ASSETS</u>		
Cash and Equivalents	3,754,513	3,754,513
Accounts Receivable	56,505	56,505
Receivables – Other	-	-
Grants Receivable	10,889	10,889
Property Taxes Receivable	37,250	37,250
Inventories	5,402	5,402
Prepaid Assets	-	-
Capital Assets	12,161,795	12,161,795
Accumulated Depreciation	<u>(6,278,252)</u>	<u>(6,278,252)</u>
<u>Total Assets</u>	<u>9,748,102</u>	<u>9,748,102</u>
<u>DEFERRED OUTFLOW OF RESOURCES</u>		
Pensions	3,765,282	3,765,282
Other Post Employment Benefits	<u>10,937</u>	<u>10,937</u>
<u>Total Deferred Outflow of Resources</u>	<u>3,776,219</u>	<u>3,776,219</u>
<u>LIABILITIES</u>		
Accounts Payable	12,909	12,909
Accrued Salaries	303,932	303,932
Accrued Interest	5,192	5,192
Compensated Absences	7,750	7,750
Net Pension Liability	12,212,320	12,212,320
Net OPEB Liability	278,878	278,878
Debt – Current	125,000	125,000
Debt – Long Term	1,405,000	1,405,000
Unamortized Premium on Debt	<u>3,300</u>	<u>3,300</u>
<u>Total Liabilities</u>	<u>14,354,281</u>	<u>14,354,281</u>
<u>DEFERRED INFLOW OF RESOURCES</u>		
Pensions	1,557,663	1,557,663
Other Post Employment Benefits	<u>22,529</u>	<u>22,529</u>
<u>Total Deferred Inflow of Resources</u>	<u>1,580,192</u>	<u>1,580,192</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	4,353,543	4,353,543
Restricted for:		
Tabor Reserve	120,000	120,000
Food Service	49,609	49,609
Debt	228,113	228,113
BEST Capital Renewal Reserve	18,000	18,000
Unrestricted	<u>(7,179,417)</u>	<u>(7,179,417)</u>
<u>TOTAL NET POSITION</u>	<u>(2,410,152)</u>	<u>(2,410,152)</u>

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

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and Equivalents	3,363,145	391,368	3,754,513
Accounts Receivable	56,505	-	56,505
Grants Receivable	10,889	-	10,889
Due From Other Funds	-	-	-
Property Taxes Receivable	27,100	10,150	37,250
Inventories	-	5,402	5,402
Prepaid Assets	-	-	-
<u>Total Assets</u>	<u>3,457,639</u>	<u>406,920</u>	<u>3,864,559</u>
<u>LIABILITIES:</u>			
Accounts Payable	12,909	-	12,909
Accrued Salaries	291,548	12,384	303,932
Due To Other Funds	-	-	-
Other Payables	-	-	-
<u>Total Liabilities</u>	<u>304,457</u>	<u>12,384</u>	<u>316,841</u>
<u>DEFERRED INFLOW OF RESOURCES</u>			
Property Taxes	<u>14,100</u>	<u>3,650</u>	<u>17,750</u>
<u>FUND BALANCES:</u>			
Nonspendable:			
Inventories	-	5,402	5,402
Prepaid Assets	-	-	-
Restricted for:			
Emergencies	120,000	-	120,000
Food Service	-	49,609	49,609
Debt Service	-	228,113	228,113
BEST Capital Renewal Reserve	18,000	-	18,000
Committed for:			
Capital Outlay	-	107,762	107,762
Unassigned	<u>3,001,082</u>	<u>-</u>	<u>3,001,082</u>
<u>Total Fund Balances</u>	<u>3,139,082</u>	<u>390,886</u>	<u>3,529,968</u>
<u>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u>			
	<u>3,457,639</u>	<u>406,920</u>	<u>3,864,559</u>

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

**OTERO COUNTY SCHOOL DISTRICT NUMBER 33
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO STATEMENT OF NET POSITION
June 30, 2018**

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

TOTAL FUND BALANCE – GOVERNMENTAL FUNDS	3,529,968
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$12,161,795 and the accumulated depreciation is \$6,278,252.	5,883,543
Property tax revenue is recognized when earned (claim to resources established) rather than when “available”. All of the deferred property tax revenue is not available.	17,750
Accrued interest on long term debt is not reported in the funds.	(5,192)
Long term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(1,530,000)
Unamortized bond premium is not reported in the funds.	(3,300)
Compensated absences are not reported as a liability in the funds.	(7,750)
The District’s portion of the net pension obligation for PERA is reported on the statement of net position is not reported as a liability in the funds.	(12,212,320)
The District’s portion of the net OPEB obligation is reported on the statement of net position is not reported as a liability in the funds	(278,878)
Deferred flows for contributions made toward the net pension obligation from December 31, 2017 until June 30, 2018 is not reported in the funds.	180,387
Deferred flows for contributions made toward the net OPEB obligation from December 31, 2017 until June 30, 2018 is not reported in the funds.	9,618
Net deferred pension flows – Plan Level	2,843,415
Net deferred pension flows – Employer Level	(816,183)
Net deferred OPEB flows – Plan Level	1,319
Net deferred OPEB flows – Employer Level	<u>(22,529)</u>
<u>TOTAL NET POSITION – GOVERNMENTAL ACTIVITIES</u>	<u>(2,410,152)</u>

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

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>REVENUES</u>			
Property Taxes	411,738	188,359	600,097
Specific Ownership Taxes	122,926	-	122,926
Earnings on Investments	21,592	2,265	23,857
Other Local Sources	113,769	69,202	182,971
State Aid	3,240,831	3,686	3,244,517
Federal Aid	163,797	115,685	279,482
<u>Total Revenues</u>	<u>4,074,653</u>	<u>379,197</u>	<u>4,453,850</u>
<u>EXPENDITURES</u>			
Current:			
Instructional Services	1,957,130	-	1,957,130
Supporting Services:			
Students	204,041	-	204,041
Instructional Staff	129,669	-	129,669
District Administration	181,249	-	181,249
School Administration	140,443	-	140,443
Business	68,606	-	68,606
Operation & Maintenance of Facilities	468,235	-	468,235
Transportation	105,918	-	105,918
Central	61,918	-	61,918
Facilities	-	-	-
Food Service	-	172,409	172,409
Debt Service:			
Principal Retirement	-	120,000	120,000
Interest and Fiscal Charges	-	65,213	65,213
Capital Outlay	-	6,385	6,385
<u>Total Expenditures</u>	<u>3,317,209</u>	<u>364,007</u>	<u>3,681,216</u>
<u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u>	<u>757,444</u>	<u>15,190</u>	<u>772,634</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers	(52,000)	52,000	-
<u>Total Other Financing Sources (Uses)</u>	<u>(52,000)</u>	<u>52,000</u>	<u>-</u>
<u>NET CHANGE IN FUND BALANCES</u>	<u>705,444</u>	<u>67,190</u>	<u>772,634</u>
<u>FUND BALANCES, Beginning</u>	<u>2,433,638</u>	<u>323,696</u>	<u>2,757,334</u>
<u>FUND BALANCES, Ending</u>	<u>3,139,082</u>	<u>390,886</u>	<u>3,529,968</u>

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

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

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

<u>NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS</u>	772,634
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.</p>	
Capital Outlays	19,450
Depreciation Expense	<u>(274,924)</u>
	(255,474)
<p>Property tax revenues received prior to the year for which they are being levied or are not “available” at year end are reported as deferred revenue in the governmental funds. They are, however recorded as revenues in the statement of activities. Deferred property tax revenues changed this year.</p>	
	(1,150)
<p>In the statement of activities compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amount paid). During the year, compensated absences changed by this amount.</p>	
	3,700
<p>The governmental funds report debt proceeds as an other financing source, while repayment of debt principal is reported as an expenditure. The effect of issue cost and premiums are recognized when the debt is issued in governmental funds, whereas these amounts are deferred and amortized in the statement of activities. Interest expense is recognized as it accrues in the statement of activities regardless of when it is due. The net effect of these differences follows:</p>	
Payment of Debt	120,000
Interest Expense	401
Premium Amortization	633
<p>The statement of activities reports net pension obligation which is not reported in the fund financial statements.</p>	
Change in net pension obligation	(108,599)
Change in net OPEB obligation	20,714
Deferred flows from net pension obligations	(1,974,231)
Deferred flows from net OPEB obligations	<u>972</u>
<u>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</u>	<u>(1,420,400)</u>

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

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
STATEMENT OF FIDUCIARY NET POSITION
PUPIL ACTIVITY FUND
June 30, 2018

	<u>Pupil Activity Fund</u>
<u>ASSETS</u>	
Cash and Investments	<u>89,414</u>
<u>Total Assets</u>	<u>89,414</u>
<u>LIABILITIES</u>	
Accounts Payable	-
Deposits Held for Others	<u>89,414</u>
<u>Total Liabilities</u>	<u>89,414</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

A. Reporting Entity

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

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

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

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

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

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

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

D. Fund Accounting

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

- **Major Governmental Funds**

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

Additionally, the District reports the following fund type:

Trust and Agency Fund

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

E. Cash and Investments

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

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Investments (Continued)

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

F. Receivables

Property taxes levied in 2017 but uncollected in 2018 are identified as property taxes receivable. Amounts of property taxes that are not available at June 30, 2018 are recorded as deferred inflows. Program grants are recorded as receivables and revenues at the time reimbursable project costs are incurred.

G. Inventories

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

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

H. Capital Assets

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

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

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

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

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

I. Long-Term Obligations

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

J. Constitutional Amendment

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

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

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future years. TABOR requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be three percent or more of fiscal year spending (excluding bonded debt service). As of June 30, 2018 the District reserved \$120,000 for this purpose.

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

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

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

K. Property Taxes

Under Colorado law, all property taxes are due and payable in the year following the year levied. The 2017 property tax calendar for Otero County was as follows:

Levy Date	December 15, 2017
Lien Date	January 1, 2018
Tax Bills Mailed	January 1, 2018
First Installment Due	February 28, 2018
Second Installment Due	June 15, 2018
If Paid in Full, Due	April 30, 2018
Tax Sale – 2016 Delinquent Property Taxes	October 25, 2017

L. Accumulated Sick Leave

Compensated absences are made up of accumulated sick leave reported as non-current liabilities in the government-wide financial statements. As of June 30, 2018, the District has recorded an estimated liability of \$7,750 relating to accrued sick leave payable.

A summary of changes in compensated absences is as follows:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
Accumulated Sick Leave	<u>11,450</u>	<u>—</u>	<u>3,700</u>	<u>7,750</u>

M. Use of Estimates

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

N. GASB Statement No. 54

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

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

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

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

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

N. **GASB Statement No. 54**

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

Fund Balance Classification Policies and Procedures

Committed Fund Balance Policy:

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

Assigned Fund Balance Policy:

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

Order of Fund Balance Spending Policy

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

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

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

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

N. GASB Statement No. 54 (Continued)

Fund Balance Classification by Fund:

	<u>General Fund</u>	<u>Bond Fund</u>	<u>Capital Reserve Capital Projects Fund</u>	<u>Food Service Fund</u>	<u>Total Governmental Funds</u>
<u>Nonspendable:</u>					
Inventories	-	-	-	5,402	5,402
Prepaid Assets	-	-	-	-	-
<u>Restricted:</u>					
Emergencies	120,000	-	-	-	120,000
Debt Service	-	228,113	-	-	228,113
Food Service	-	-	-	49,609	49,609
BEST Capital	-	-	-	-	-
Renewal Reserve	18,000	-	-	-	18,000
<u>Committed:</u>					
Capital Outlay	-	-	107,762	-	107,762
<u>Unassigned</u>	<u>3,001,082</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,001,082</u>
<u>Total Fund Balances</u>	<u>3,139,082</u>	<u>228,113</u>	<u>107,762</u>	<u>55,011</u>	<u>3,529,968</u>

O. Deferred Outflows / Inflows of Resources

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

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

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

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

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

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

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

	Items Eliminated	
	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	-	-
Bond Fund	-	-
Capital Reserve/Capital Projects Fund	-	-
	<u>Transfers To Other Funds</u>	<u>Transfers From Other Funds</u>
General Fund	52,000	-
Capital Reserve/Capital Projects Fund	-	47,000
Food Service	-	5,000

NOTE 3 **BUDGETARY INFORMATION**

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

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

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

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 3 **BUDGETARY INFORMATION (Continued)**

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

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

NOTE 4 **CASH AND EQUIVALENTS**

Deposits

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

At June 30, 2018, the District's bank balance and corresponding carrying balance were as follows:

	<u>Carrying Balance</u>	<u>Bank Balance</u>
Insured (FDIC)	500,000	500,000
Uninsured, Collateralized under the Public Deposit Protection Act of the State of Colorado	2,655,731	2,640,114
Cash with County Treasurer	13,741	-
Cash with Fiscal Agent	220,262	-
Cash with COLO Trust	<u>454,193</u>	<u>-</u>
<u>Total Cash and Deposits</u>	<u>3,843,927</u>	<u>3,140,114</u>

As presented above, deposits with a bank balance of \$2,640,114 and a carrying balance of \$2,655,731 as of June 30, 2018 are uninsured, are exposed to custodial risk, and are collateralized with securities held by the pledging financial institution.

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 5 **CAPITAL ASSETS**

A summary of changes in capital assets is as follows:

Governmental Activities

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
<u>Capital Assets Not Being Depreciated</u>				
Land	627,961	-	-	627,961
<u>Capital Assets Being Depreciated</u>				
Buildings & Site Improvements	9,559,359	-	-	9,559,359
Equipment	1,161,683	19,450	-	1,181,133
Vehicles	734,409	-	-	734,409
Food Service Equipment	58,933	-	-	58,933
<u>Total Capital Assets Being Depreciated</u>	<u>11,514,384</u>	<u>19,450</u>	<u>-</u>	<u>11,533,834</u>
<u>Less Accumulated Depreciation for:</u>				
Building & Site Improvements	4,220,628	236,327	-	4,456,955
Equipment	1,084,971	20,470	-	1,105,441
Vehicles	665,226	14,997	-	680,223
Food Service Equipment	32,503	3,130	-	35,633
<u>Total Accumulated Depreciation</u>	<u>6,003,328</u>	<u>274,924</u>	<u>-</u>	<u>6,278,252</u>
<u>Total Capital Assets Being Depreciated, Net</u>	<u>5,511,056</u>	<u>(255,474)</u>	<u>-</u>	<u>5,255,582</u>
<u>Governmental Activities Capital Assets, Net</u>	<u>6,139,017</u>	<u>(255,474)</u>	<u>-</u>	<u>5,883,543</u>

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

Governmental Activities:

Instruction	236,327
Operations and Maintenance	20,470
Transportation	14,997
Food Service	3,130
<u>Total Depreciation Expense – Governmental Activities</u>	<u>274,924</u>

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 **PENSION PLAN**

Defined Benefit Pension Plan

Summary of Significant Accounting Policies

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

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*.

General Information about the Pension Plan

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

Benefits provided 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:

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 6

PENSION PLAN (Continued)

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

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

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

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

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

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

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 **PENSION PLAN (Continued)**

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.

Contribution provisions as of June 30, 2018. Eligible employees and Otero County School District Number 33 are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. 24-51-401, et seq. Eligible employees are required to contribute 8 percent of their PERA- includable salary. The employer contribution requirements are summarized in the table below.

	For the Year Ended December 31, 2017	For the Year Ended December 31, 2018
Employer Contribution Rate	10.15 %	10.15 %
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. 24-51-208 (1) (f)	(1.02)%	(1.02)%
Amount Apportioned to the SCHDTF	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. 24-51-411	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. 24-51-411	5.000%	5.50%
Total Employer Contribution Rate to the SCHDTF	18.63%	19.13%

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the Otero County School District Number 33 is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from Otero County School District Number 33 were \$343,913 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 Otero County School District Number 33 reported a liability of \$12,212,320 for its proportionate share of the net pension liability. The net pension liability for the SCHDTF 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 Otero County School District Number 33 proportion of the net pension liability was based on Otero County School District Number 33 contributions to the SCHDTF for the calendar year 2017 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2017, the Otero County School District Number 33 proportion was 0.0378 percent, which was a decrease of 0.0029 from its proportion measured as of December 31, 2016.

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 **PENSION PLAN (Continued)**

For the year ended June 30, 2018, the Otero County School District Number 33 recognized pension expense of \$2,082,830. At June 30, 2018, the Otero County School District Number 33 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	224,533	-
Changes of assumptions or other inputs	3,118,259	(19,788)
Net difference between projected and actual earnings on pension plan investments	242,103	(721,692)
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	(816,183)
Contributions subsequent to the measurement date	180,387	N/A
Total	3,765,282	(1,557,663)

\$180,387 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, 2019. 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	1,518,951
2020	781,988
2021	(93,283)
2022	(180,424)
2023	-
Thereafter	-

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 **PENSION PLAN (Continued)**

Actuarial assumptions. The total pension 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 – 9.70 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	5.26 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic)	2.00 percent
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

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.

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

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

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

For disabled retirees, the mortality assumption was based on 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.

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 **PENSION PLAN (Continued)**

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

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 current 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:

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

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

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

- 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%.

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 6

PENSION PLAN (Continued)

- 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 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 Bond Buyer, 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.

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

NOTE 6 **PENSION PLAN (Continued)**

Sensitivity of the Otero County School District Number 33 proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 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 (6.78 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	15,426,238	12,212,320	9,593,345

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.

- 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.

**OTERO COUNTY SCHOOL DISTRICT NUMBER 33
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018**

NOTE 6 PENSION PLAN (Continued)

At June 30 2018, the Otero County School District Number 33 reported a liability of \$12,212,320 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 Otero County School District Number 33's 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%	5,517,421

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 \$5,700,787 of the estimated reduction is attributable to the use of a 7.25 percent discount rate.

Defined Contribution Pension Plan

Voluntary Investment Program

Plan Description – Employees of the Otero County School District Number 33 that are also members of the SCHDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA, Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report which includes additional information on the Voluntary Investment Program. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy – The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions and investment earnings. For the year ended June 30, 2018, program members contributed \$14,902.

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 7

OTHER POST EMPLOYMENT BENEFITS

Defined Benefit And Other Post Employment Benefit (OPEB) Plan
Summary of Significant Accounting Policies

OPEB. Otero County School District Number 33 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.

General Information about the OPEB Plan

Plan Plan description. Eligible employees of the Otero County School District Number 33 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 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. For members who retire having service credit with employers in the Denver Public Schools (DPS) Division and one or more of the other four Divisions (State, School, Local Government and Judicial), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

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 and all retirees under the DPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. Upon the death of a DPS benefit structure retiree, no further subsidy is paid.

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 7

OTHER POST EMPLOYMENT BENEFITS (Continued)

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 or the DPS HCTF on behalf of benefit recipients not covered by Medicare Part A.

DPS Benefit Structure

The maximum service-based premium subsidy is \$230 per month for retirees who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for retirees 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 subsidy, in each case, is for retirees 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 retiree pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For retirees who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, the HCTF or the DPS HCTF pays an alternate service-based premium subsidy. Each individual retiree meeting these conditions receives the maximum \$230 per month subsidy reduced appropriately for service less than 20 years, as described above. Retirees who do not have Medicare Part A pay the difference between the total premium and the monthly subsidy.

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.

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 7 **OTHER POST EMPLOYMENT BENEFITS (Continued)**

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the Otero County School District Number 33 is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from Otero County School District Number 33 were \$18,571 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 Otero County School District Number 33 reported a liability of \$278,878 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 Otero County School District Number 33 proportion of the net OPEB liability was based on Otero County School District Number 33 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 Otero County School District Number 33 proportion was 0.0214 percent, which was a decrease of 0.0016 percent from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the Otero County School District Number 33 recognized OPEB income of \$21,686. At June 30, 2018, the Otero County School District Number 33 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	1,319	-
Changes of assumptions or other inputs	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	(4,666)
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	(17,863)
Contributions subsequent to the measurement date	9,618	N/A
Total	10,937	(22,529)

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 7 **OTHER POST EMPLOYMENT BENEFITS (Continued)**

\$9,618 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	(4,417)
2020	(4,417)
2021	(4,417)
2022	(4,416)
2023	(3,250)
Thereafter	(293)

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 pension plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates	
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
DPS benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

The 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.

**OTERO COUNTY SCHOOL DISTRICT NUMBER 33
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018**

NOTE 7

OTHER POST EMPLOYMENT BENEFITS (Continued)

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%

The 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 State and Local Government Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 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 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 7

OTHER POST EMPLOYMENT BENEFITS (Continued)

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:

- **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.**

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 7

OTHER POST EMPLOYMENT BENEFITS (Continued)

- 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.

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:

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

NOTE 7 OTHER POST EMPLOYMENT BENEFITS (Continued)

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

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

Sensitivity of the Otero County School District Number 33 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:

	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	271,205	278,878	288,120

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.

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

NOTE 7

OTHER POST EMPLOYMENT BENEFITS (Continued)

- 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 Otero County School District Number 33 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	313,546	278,878	249,287

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.

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 8 **RISK MANAGEMENT**

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

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

NOTE 9 **COLORADO SCHOOL DISTRICT SELF INSURANCE POOL**

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

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

The District's share in the Pool is not determinable from current information, but is estimated to be less than 1%. The District's share, if calculated, would not be material to the Pool's financial information at June 30, 2018.

An audited summary of the Colorado School District's Pool financial information at June 30, 2017 and for the six months then ended (latest information available) follows:

Total Assets	<u>42,273,940</u>
Total Liabilities	<u>11,655,251</u>
Total Equity	<u>30,618,689</u>
Revenue	7,429,394
Underwriting Expenses	<u>4,126,717</u>
Underwriting Gain (Loss)	3,302,677
Net Investment Income	276,653
Other Income	<u>-</u>
Net Income (Loss) Before Dividend	3,579,330
Dividend	<u>-</u>
Net Income	3,579,330
Transfer of Capital Contributions	-
Change in Non Admitted Assets	<u>235,606</u>
Capital Contributions from Members	<u>-</u>
Unassigned Surplus	<u>30,618,689</u>

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 10 LONG TERM DEBT

2007 General Obligation Bonds

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

Payments to maturity are as follows:

	<u>Year Ended</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
General Obligation Bonds dated December 19, 2007, interest rates ranging from 4.5% to 4%. Payment dates June 1 and December 1 annually.				
2019		125,000	59,812	184,812
2020		130,000	54,713	184,713
2021		135,000	49,412	184,412
2022		145,000	43,813	188,813
2023		150,000	37,912	187,912
2024		155,000	31,813	186,813
2025		160,000	25,512	185,512
2026		170,000	18,806	188,806
2027		175,000	11,581	186,581
2028		<u>185,000</u>	<u>3,932</u>	<u>188,932</u>
TOTAL		<u>1,530,000</u>	<u>337,306</u>	<u>1,867,306</u>

Changes in Long-Term Debt

	<u>Balance</u> <u>7-1-2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6-30-2018</u>	<u>Current</u> <u>Portion</u>
General Obligation Bonds Series 2007	<u>1,650,000</u>	<u>-</u>	<u>120,000</u>	<u>1,530,000</u>	<u>125,000</u>

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 11 **INVENTORIES**

Food Service Fund inventories at June 30, 2018, consisted of purchased food, non-food, and donated commodities amounting to \$5,402. Purchased inventories are state at cost. Donated inventories, received at no cost under a program supported by the United States Government, are recorded at their estimated fair market value at the date of receipt.

NOTE 12 **ACCRUED SALARIES AND BENEFITS**

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve month period from September to August, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid at June 30, 2018 are estimated to be \$303,932. Accordingly, the accrued compensation is reflected as a liability in the accompanying financial statements of the various funds.

NOTE 13 **LITIGATION**

None.

NOTE 14 **SUMMARY DISCLOSURE OF SIGNIFICANT COMMITMENTS AND CONTINGENCIES**

Claims and Judgments - The District participates in a number of federal, state and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2018, significant amounts of grant expenditures have not been audited by the grantor but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual government funds or the overall financial position of the District.

NOTE 15 **JOINT VENTURES**

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

The District has one member on the Board. The Board has final authority for all budgeting and financing of the joint venture. The District's share of the joint venture is not determinable at June 30, 2018. The joint venture summary audited financial information as of June 30, 2017 is as follows:

Assets and Deferred Outflows	<u>4,401,612</u>
Liabilities and Deferred Inflows	9,279,768
Net Position	<u>(4,878,156)</u>
	<u>4,401,612</u>
Revenues	2,769,488
Expenditures	<u>4,140,865</u>
Excess (Deficiency)	<u>(1,371,377)</u>

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

OTERO COUNTY SCHOOL DISTRICT NUMBER 33
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 15 **JOINT VENTURES (Continued)**

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

NOTE 16 **INTERFUND BALANCES AND TRANSFERS**

<u>Transfers</u>	<u>Transfer In</u>	<u>Transfer Out</u>
<u>Major Governmental Fund</u>		
General Fund	-	52,000
<u>NonMajor Governmental Fund</u>		
Capital Reserve/Capital Projects Fund	47,000	-
Food Service	<u>5,000</u>	<u>-</u>
	<u>52,000</u>	<u>52,000</u>

Transfers were made to assist in operations.

NOTE 17 **RESTATEMENT OF BEGINNING NET POSITION**

The net position of the governmental activities has been restated to reflect the implementation of GASB Statement 75. That statement requires that the District report their portion of any post employment benefit (OPEB) liability, and related deferred flows. The beginning net position of \$(677,596) has been changed by the net OPEB liability at June 30, 2017 of \$299,592 and related deferred flows of \$(12,564), resulting in a restated beginning net position of \$(989,752).

REQUIRED SUPPLEMENTARY INFORMATION

General Fund

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

Pension Trend Data

Other Post Employment Benefits Trend Data

**OTERO COUNTY SCHOOL DISTRICT NUMBER 33
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
For the Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
<u>Local Sources</u>				
Property Taxes	366,307	366,307	411,738	45,431
Specific Ownership Taxes	83,409	83,409	122,926	39,517
Earnings on Investments	10,000	10,000	21,592	11,592
Delinquent Taxes & Interest	1,200	1,200	994	(206)
Other	70,225	127,895	112,775	(15,120)
<u>State Sources</u>				
Equalization	2,926,595	2,926,607	2,924,387	(2,220)
Transportation	14,500	15,007	15,043	36
Vocational Education	11,000	3,086	2,840	(246)
Special Education	-	-	-	-
Other	16,461	238,898	298,561	59,663
<u>Federal Sources</u>				
Other	<u>130,626</u>	<u>160,764</u>	<u>163,797</u>	<u>3,033</u>
<u>TOTAL REVENUES</u>	<u>3,630,323</u>	<u>3,933,173</u>	<u>4,074,653</u>	<u>141,480</u>
<u>EXPENDITURES</u>				
<u>Instruction</u>				
Regular Programs				
Salaries	1,312,932	1,297,232	1,276,250	20,982
Employee Benefits	460,510	449,486	435,672	13,814
Purchased Services – Professional	8,952	6,952	495	6,457
Purchased Services - Property	7,500	7,500	17,707	(10,207)
Purchased Services – Other	132,572	111,496	47,740	63,756
Supplies and Materials	183,703	163,799	145,880	17,919
Property	54,400	47,900	32,616	15,284
Other Objects	-	770	770	-
<u>Total Instruction</u>	<u>2,160,569</u>	<u>2,085,135</u>	<u>1,957,130</u>	<u>128,005</u>

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

**OTERO COUNTY SCHOOL DISTRICT NUMBER 33
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
For the Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>SUPPORTING SERVICES</u>				
<u>Student Supporting Services</u>				
Salaries	55,888	83,359	80,574	2,785
Employee Benefits	22,711	34,624	27,352	7,272
Purchased Services - Professional	1,000	4,575	2,290	2,285
Purchased Services - Property	-	25	25	-
Purchased Services - Other	70,500	74,530	71,545	2,985
Supplies and Materials	2,000	14,883	18,237	(3,354)
Property	-	-	-	-
Other Objects	600	665	4,018	(3,353)
<u>Total Student Services</u>	<u>152,699</u>	<u>212,661</u>	<u>204,041</u>	<u>8,620</u>
<u>Instructional Staff</u>				
Salaries	84,734	84,734	76,076	8,658
Employee Benefits	28,133	28,133	23,967	4,166
Purchased Services - Professional	3,000	3,000	4,766	(1,766)
Purchased Services - Property	-	-	-	-
Purchased Services - Other	6,400	6,400	49	6,351
Supplies and Materials	24,500	25,500	18,753	6,747
Property	-	10,000	6,058	3,942
Other Objects	-	-	-	-
<u>Total Instructional Staff</u>	<u>146,767</u>	<u>157,767</u>	<u>129,669</u>	<u>28,098</u>
<u>General Administration</u>				
Salaries	91,500	91,500	91,500	-
Employee Benefits	31,535	31,535	31,535	-
Purchased Services - Professional	16,500	18,127	19,252	(1,125)
Purchased Services - Property	-	-	-	-
Purchased Services - Other	40,500	25,500	21,129	4,371
Supplies and Materials	16,000	17,500	11,839	5,661
Property	-	-	-	-
Other Objects	7,000	7,000	5,994	1,006
<u>Total General Administration</u>	<u>203,035</u>	<u>191,162</u>	<u>181,249</u>	<u>9,913</u>

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

**OTERO COUNTY SCHOOL DISTRICT NUMBER 33
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
For the Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>School Administration</u>				
<u>Office of the Principal</u>				
Salaries	100,269	101,769	101,764	5
Employee Benefits	37,608	37,929	36,183	1,746
Purchased Services – Professional	-	-	-	-
Purchased Services – Property	-	-	-	-
Purchased Services – Other	1,000	1,000	789	211
Supplies and Materials	3,500	3,500	1,482	2,018
Property	-	-	-	-
Other Objects	<u>1,000</u>	<u>1,000</u>	<u>225</u>	<u>775</u>
<u>Total School Administration</u>	<u>143,377</u>	<u>145,198</u>	<u>140,443</u>	<u>4,755</u>
<u>Business Services</u>				
Salaries	53,400	53,400	53,519	(119)
Employee Benefits	16,801	16,801	15,087	1,714
Purchased Services – Professional	-	-	-	-
Purchased Services - Property	-	-	-	-
Purchased Services - Other	-	-	-	-
Supplies and Materials	-	-	-	-
Property	-	-	-	-
Other Objects	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Total Business Services</u>	<u>70,201</u>	<u>70,201</u>	<u>68,606</u>	<u>1,595</u>
<u>Operations and Maintenance</u>				
Salaries	160,324	159,007	150,488	8,519
Employee Benefits	61,229	60,948	57,614	3,334
Purchased Services - Professional	-	-	-	-
Purchased Services - Property	76,188	125,058	27,661	97,397
Purchased Services - Other	38,325	38,325	37,825	500
Supplies and Materials	215,862	215,862	188,847	27,015
Property	-	-	5,800	(5,800)
Other Objects	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Total Operations and Maintenance</u>	<u>551,928</u>	<u>599,200</u>	<u>468,235</u>	<u>130,965</u>

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

**OTERO COUNTY SCHOOL DISTRICT NUMBER 33
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
For the Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Student Transportation</u>				
Salaries	45,089	45,089	40,347	4,742
Employee Benefits	14,988	14,988	13,267	1,721
Purchased Services – Professional	-	-	-	-
Purchased Services – Property	-	-	1,350	(1,350)
Purchased Services – Other	18,882	18,882	21,147	(2,265)
Supplies and Materials	30,000	30,000	29,807	193
Property	-	-	-	-
Other Objects	-	-	-	-
<u>Total Student Transportation</u>	<u>108,959</u>	<u>108,959</u>	<u>105,918</u>	<u>3,041</u>
<u>Central Support</u>				
Purchased Services – Other	64,788	64,721	61,918	2,803
<u>Total Central Support</u>	<u>64,788</u>	<u>64,721</u>	<u>61,918</u>	<u>2,803</u>
<u>Facilities</u>				
Property	18,000	18,000	-	18,000
<u>Total Facilities</u>	<u>18,000</u>	<u>18,000</u>	<u>-</u>	<u>18,000</u>
<u>TOTAL SUPPORTING SERVICES</u>	<u>1,459,754</u>	<u>1,567,869</u>	<u>1,360,079</u>	<u>207,790</u>
<u>Appropriated Reserves</u>	<u>1,955,000</u>	<u>2,651,807</u>	<u>-</u>	<u>2,651,807</u>
<u>TOTAL EXPENDITURES</u>	<u>5,575,323</u>	<u>6,304,811</u>	<u>3,317,209</u>	<u>2,987,602</u>
<u>REVENUES OVER (UNDER) EXPENDITURES</u>	<u>(1,945,000)</u>	<u>(2,371,638)</u>	<u>757,444</u>	
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers	<u>(55,000)</u>	<u>(62,000)</u>	<u>(52,000)</u>	<u>10,000</u>
<u>REVENUES OVER (UNDER) EXPENDITURES AND OTHER SOURCES (USES)</u>	<u>(2,000,000)</u>	<u>(2,433,638)</u>	<u>705,444</u>	
<u>FUND BALANCE, July 1</u>	<u>2,000,000</u>	<u>2,433,638</u>	<u>2,433,638</u>	
<u>FUND BALANCE, June 30</u>	<u>-</u>	<u>-</u>	<u>3,139,082</u>	

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

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
District's proportion of the net pension liability (asset)	0.0377%	0.0407%	0.0434%	0.0447%	0.0459%	-	-	-	-	-
District's proportionate share of the net pension liability (asset)	\$12,212,320	\$12,103,721	\$6,641,568	\$6,052,130	\$5,858,691	-	-	-	-	-
District's covered-employee payroll	\$1,820,709	\$1,732,638	\$1,873,716	\$1,891,185	\$1,877,385	-	-	-	-	-
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	671%	699%	354%	320%	312%	-	-	-	-	-
Plan fiduciary net position as a percentage of the total pension liability	43.96%	43.13%	59.2%	62.80%	64.06%	-	-	-	-	-

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

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Contractually required contributions	\$ 343,913	\$ 318,445	\$ 332,358	\$ 319,481	\$ 300,135	\$ 273,340	-	-	-	-
Contributions in relation to the contractually required contributions	<u>\$ (343,913)</u>	<u>\$ (318,445)</u>	<u>\$ (332,358)</u>	<u>\$ (319,481)</u>	<u>\$ (300,135)</u>	<u>\$ (273,340)</u>	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	-	-	-
District's covered-employee payroll	\$1,820,709	\$1,732,638	\$1,873,716	\$1,891,185	\$1,877,385	\$1,810,326	-	-	-	-
Contributions as a percentage of covered-employee payroll	18.89%	18.38%	17.74%	16.89%	15.99%	15.10%	-	-	-	-

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

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
District's proportion of the net OPEB liability (asset)	0.0215%	0.0231%	-	-	-	-	-	-	-	-
District's proportionate share of the net OPEB liability (asset)	\$278,878	\$299,592	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$1,820,709	\$1,732,637	-	-	-	-	-	-	-	-
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	15.32%	17.29%	-	-	-	-	-	-	-	-
Plan fiduciary net position as a percentage of the total OPEB liability	17.53%	16.72%	-	-	-	-	-	-	-	-

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

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Contractually required contributions	\$ 18,571	\$ 17,673	-	-	-	-	-	-	-	-
Contributions in relation to the contractually required contributions	\$ (18,571)	\$ (17,673)	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$1,820,709	\$1,732,637	-	-	-	-	-	-	-	-
Contributions as a percentage of covered-employee payroll	1.02%	1.02%	-	-	-	-	-	-	-	-

COMBINING AND INDIVIDUAL FUND STATEMENTS AND OTHER SCHEDULES

Combining Balance Sheet – Nonmajor Governmental Funds

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

NON MAJOR GOVERNMENTAL FUNDS

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

Bond Fund

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

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

Agency Fund

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

**OTERO COUNTY SCHOOL DISTRICT NUMBER 33
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2018**

	<u>Capital Reserve Capital Projects</u>	<u>Bond</u>	<u>Food Service</u>	<u>Total Nonmajor Governmental Funds</u>
<u>ASSETS</u>				
Cash and Investments	107,762	221,613	61,993	391,368
Accounts Receivable	-	-	-	-
Accrued Revenue	-	-	-	-
Due From Other Funds	-	-	-	-
Property Taxes Receivable	-	10,150	-	10,150
Inventories	-	-	5,402	5,402
<u>Total Assets</u>	<u>107,762</u>	<u>231,763</u>	<u>67,395</u>	<u>406,920</u>
<u>LIABILITIES</u>				
Accounts Payable	-	-	-	-
Accrued Salaries	-	-	12,384	12,384
Due To Other Funds	-	-	-	-
Other Payables	-	-	-	-
<u>Total Liabilities</u>	<u>-</u>	<u>-</u>	<u>12,384</u>	<u>12,384</u>
<u>DEFERRED INFLOW OF RESOURCES</u>				
Property Taxes	-	3,650	-	3,650
<u>FUND BALANCES</u>				
Nonspendable:				
Inventory	-	-	5,402	5,402
Restricted for:				
Food Service	-	-	49,609	49,609
Debt Service	-	228,113	-	228,113
Committed for:				
Capital Outlay	107,762	-	-	107,762
Unassigned	-	-	-	-
<u>Total Fund Balances</u>	<u>107,762</u>	<u>228,113</u>	<u>55,011</u>	<u>390,886</u>
<u>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u>	<u>107,762</u>	<u>231,763</u>	<u>67,395</u>	<u>406,920</u>

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

**OTERO COUNTY SCHOOL DISTRICT NUMBER 33
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NON MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018**

	<u>Capital Reserve Capital Projects</u>	<u>Bond</u>	<u>Food Service</u>	<u>Total Non-Major Governmental Funds</u>
<u>REVENUES</u>				
Property Taxes	-	188,359	-	188,359
Specific Ownership Taxes	-	-	-	-
Earnings on Investments	293	1,837	135	2,265
Other Local Sources	-	115	69,087	69,202
State Aid	-	-	3,686	3,686
Federal Aid	-	-	<u>115,685</u>	<u>115,685</u>
Total Revenues	<u>293</u>	<u>190,311</u>	<u>188,593</u>	<u>379,197</u>
<u>EXPENDITURES</u>				
Current:				
Instructional Services	-	-	-	-
Supporting Services:				
Students	-	-	-	-
Instructional Staff	-	-	-	-
District Administration	-	-	-	-
School Administration	-	-	-	-
Business	-	-	-	-
Operation & Maintenance of Facilities	-	-	-	-
Transportation	-	-	-	-
Food Service	-	-	172,409	172,409
Debt Service:				
Principal Retirement	-	120,000	-	120,000
Interest and Fiscal Charges	-	65,213	-	65,213
Capital Outlay	<u>6,385</u>	<u>-</u>	<u>-</u>	<u>6,385</u>
Total Expenditures	<u>6,385</u>	<u>185,213</u>	<u>172,409</u>	<u>364,007</u>
<u>Excess (Deficiency) of Revenues</u>				
<u>Over (Under) Expenditures</u>	<u>(6,092)</u>	<u>5,098</u>	<u>16,184</u>	<u>15,190</u>
<u>OTHER FINANCING SOURCES</u>				
<u>(Uses)</u>				
Transfers	<u>47,000</u>	<u>-</u>	<u>5,000</u>	<u>52,000</u>
<u>NET CHANGE IN FUND BALANCES</u>	<u>40,908</u>	<u>5,098</u>	<u>21,184</u>	<u>67,190</u>
<u>FUND BALANCES – Beginning</u>	<u>66,854</u>	<u>223,015</u>	<u>33,827</u>	<u>323,696</u>
<u>FUND BALANCES, Ending</u>	<u>107,762</u>	<u>228,113</u>	<u>55,011</u>	<u>390,886</u>

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

**OTERO COUNTY SCHOOL DISTRICT NUMBER 33
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
 BOND REDEMPTION FUND
 For the Year Ended June 30, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
<u>REVENUES</u>			
Property Taxes	186,212	188,359	2,147
Specific Ownership Taxes	-	-	-
Earnings on Investments	300	1,837	1,537
Other	-	115	115
<u>Total Revenues</u>	<u>186,512</u>	<u>190,311</u>	<u>3,799</u>
<u>EXPENDITURES:</u>			
Debt Service:			
Principal Retirement	120,000	120,000	-
Interest and Fiscal Charges	65,213	65,213	-
Other	-	-	-
Contingency	<u>224,313</u>	-	<u>224,313</u>
<u>Total Expenditures</u>	<u>409,526</u>	<u>185,213</u>	<u>224,313</u>
<u>REVENUES OVER (UNDER) EXPENDITURES</u>	(223,014)	5,098	
<u>FUND BALANCE, July 1</u>	<u>223,014</u>	<u>223,015</u>	
<u>FUND BALANCE, June 30</u>	<u>-</u>	<u>228,113</u>	

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

**OTERO COUNTY SCHOOL DISTRICT NUMBER 33
 CAPITAL RESERVE CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
 For the Year Ended June 30, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<u>Revenues</u>			
Earnings on Investments	75	293	218
Other	-	-	-
<u>Total Revenues</u>	<u>75</u>	<u>293</u>	<u>218</u>
<u>Expenditures</u>			
Land and Sites	-	-	-
Buildings & Improvements	113,929	-	113,929
Equipment	-	6,385	(6,385)
Vehicles	-	-	-
Other	-	-	-
Contingency Reserves	-	-	-
<u>Total Expenditures</u>	<u>113,929</u>	<u>6,385</u>	<u>107,544</u>
<u>Revenues Over (Under) Expenditures</u>	<u>(113,854)</u>	<u>(6,092)</u>	
<u>Other Financing Sources (Uses)</u>			
Transfers	47,000	47,000	-
<u>Total Other Financing Sources (Uses)</u>	<u>47,000</u>	<u>47,000</u>	<u>-</u>
<u>Net Change in Fund Balances</u>	<u>(66,854)</u>	<u>40,908</u>	
<u>FUND BALANCES, July 1</u>	<u>66,854</u>	<u>66,854</u>	
<u>FUND BALANCES, June 30</u>	<u>-</u>	<u>107,762</u>	

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

**OTERO COUNTY SCHOOL DISTRICT NUMBER 33
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOOD SERVICE – SPECIAL REVENUE FUND
For the Year Ended June 30, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
<u>REVENUES</u>			
<u>Local Sources</u>			
Food Sales	74,500	67,763	(6,737)
Earnings on Investments	50	135	85
Other	-	1,324	1,324
<u>State Sources</u>			
School Lunches	3,140	3,686	546
<u>Federal Sources</u>			
School Lunches	86,000	102,074	16,074
Commodities	12,000	13,611	1,611
<u>Total Revenues</u>	<u>175,690</u>	<u>188,593</u>	<u>12,903</u>
<u>EXPENDITURES</u>			
Salaries	50,313	50,027	286
Employee Benefits	23,594	23,663	(69)
Purchased Services – Professional	-	-	-
Purchased Services – Property	1,500	1,256	244
Purchased Services - Other	1,651	148	1,503
Supplies and Materials	147,458	83,704	63,754
Capital Outlay	-	-	-
Other	-	-	-
Commodities	-	13,611	(13,611)
<u>Total Expenditures</u>	<u>224,516</u>	<u>172,409</u>	<u>52,107</u>
<u>REVENUES OVER (UNDER) EXPENDITURES</u>	(48,826)	16,184	
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers	<u>15,000</u>	<u>5,000</u>	<u>(10,000)</u>
<u>REVENUES AND SOURCES OVER (UNDER) EXPENDITURES AND USES</u>	(33,826)	21,184	
<u>FUND BALANCE, Beginning</u>	<u>33,826</u>	<u>33,827</u>	
<u>FUND BALANCE, Ending</u>	<u>-</u>	<u>55,011</u>	

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

**OTERO COUNTY SCHOOL DISTRICT NUMBER 33
SCHEDULE OF ACTIVITIES – BUDGET AND ACTUAL
PUPIL ACTIVITY - AGENCY FUND
For the Year Ended June 30, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
<u>ADDITIONS</u>			
Earnings on Investments	-	-	-
Other Local Sources	<u>205,300</u>	<u>181,588</u>	<u>(23,712)</u>
<u>Total Additions</u>	<u>205,300</u>	<u>181,588</u>	<u>(23,712)</u>
<u>DEDUCTIONS</u>			
Activity Expenditures	291,806	178,680	113,126
Contingency	-	-	-
<u>Total Deductions</u>	<u>291,806</u>	<u>178,680</u>	<u>113,126</u>
Net Increase (Decrease) in Deposits Held for Others	(86,506)	2,908	
Deposits Held for Others – Beginning of Year	<u>86,506</u>	<u>86,506</u>	
Deposits Held for Others – End of Year	<u>-</u>	<u>89,414</u>	

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

STATE REQUIRED SCHEDULES

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

Bolded Balance Sheet



Colorado Department of Education
Auditors Integrity Report
 District: 2570 - SWINK 33
 Fiscal Year 2017-18
 Colorado School District/BOCES

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	2,433,638	4,022,653	3,317,209	3,139,082
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	0	0	0	0
Sub-Total	2,433,638	4,022,653	3,317,209	3,139,082
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	33,826	193,593	172,408	55,011
22 Govt Designated-Purpose Grants Fund	0	0	0	0
23 Pupil Activity Special Revenue Fund	0	0	0	0
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	223,014	190,311	185,212	238,113
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	0	0	0	0
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	66,854	47,293	6,385	107,762
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
Total	2,757,333	4,212,953	3,502,594	3,376,895
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
Total	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	86,595	181,588	178,680	89,414
79 GASB 34/Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
Total	86,595	181,588	178,680	89,414
FINAL				



Colorado Department of Education
Bolded Balance Sheet Report
 District: 2570 - SWINK 33
 Fiscal Year 2017-18
 Colorado School District/BOCES

ASSETS	Governmental							Proprietary					Fiduciary			Totals
	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 05	Food/Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85		
Cash and Investments (8100-8104,8111)	3,350,756	0	0	0	0	61,993	220,262	107,762	0	0	0	0	89,414	0	3,830,186	
Cash with Fiscal Agent (8105)	12,390	0	0	0	0	0	1,351	0	0	0	0	0	0	0	13,740	
Taxes Receivable (8121,8122)	27,100	0	0	0	0	0	10,150	0	0	0	0	0	0	0	37,250	
Grants Accounts Receivable (8142)	10,889	0	0	0	0	0	0	0	0	0	0	0	0	0	10,889	
Other Receivables (8151-8154,8161)	56,505	0	0	0	0	0	0	0	0	0	0	0	0	0	56,505	
Inventories (8171,8172,8173)	0	0	0	0	0	5,402	0	0	0	0	0	0	0	0	5,402	
Prepaid Expenses 8181,8182)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Machinery and Equipment (8241,8242,8251)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Total Assets	3,457,639	0	0	0	0	67,395	231,763	107,762	0	0	0	0	89,414	0	3,953,973	

	Governmental							Proprietary					Fiduciary		
	General Funds 1012-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
LIABILITIES & FUND EQUITY															
LIABILITIES															
Other Payables (7421-7423)	12,909	0	0	0	0	0	0	0	0	0	0	0	0	12,909	
Accrued Expenses (7461)	291,548	0	0	0	0	12,384	0	0	0	0	0	0	0	303,932	
Unearned Revenue (7481)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Deferred Inflow (7800)	14,100	0	0	0	0	0	3,650	0	0	0	0	0	0	17,750	
Total Liabilities	318,557	0	0	0	0	12,384	3,650	0	0	0	0	0	0	334,591	

Governmental

Proprietary

Fiduciary

FUND EQUITY	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
Non-spendable Fund Balance 6710	0	0	0	0	0	5,402	0	0	0	0	0	0	0	0	5,402
Restricted Fund Balance 6720	0	0	0	0	0	49,509	228,113	0	0	0	0	0	0	0	277,721
TABOR 3% Emergency Reserve 6721	120,000	0	0	0	0	0	0	0	0	0	0	0	0	0	120,000
TABOR Multi-Year 6722	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
District Emergency Reserve (letter of credit or real estate) 6723	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Colorado Preschool Program (CPP) Reserve 6724	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Full-Day Kindergarten Reserve 6725	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Risk-Related / Restricted Capital Reserve 6726	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
BEST Capital Reserve 6727	18,000	0	0	0	0	0	0	0	0	0	0	0	0	0	18,000
Committed Fund Balance 6750	0	0	0	0	0	0	0	107,762	0	0	0	0	0	0	107,762
Assigned Fund Balance 6760	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Unassigned Fund Balance 6770	3,001,082	0	0	0	0	0	0	0	0	0	0	0	89,414	0	3,090,496
Invested in Capital Assets, Net of Related Debt 6790	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Restricted Net Assets 6791	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Unrestricted Net Assets 6792	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Prior Period Adjustment 6880	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Fund Equity	3,139,082	0	0	0	0	55,011	228,113	107,762	0	0	0	0	89,414	0	3,619,381

	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
Total Liabilities & Fund Equity	3,457,639	0	0	0	0	67,395	231,763	107,762	0	0	0	0	89,414	0	3,953,973

	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
Do Assets=Liability+Fund Equity	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes