

**cPa** DIXON, WALLER & CO., INC.

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OTERO COUNTY SCHOOL

DISTRICT NUMBER 3J

MANZANOLA, COLORADO

FINANCIAL STATEMENTS

JUNE 30, 2018

DIXON, WALLER & CO., INC.

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DISTRICT NUMBER 3J

FINANCIAL STATEMENTS

JUNE 30, 2018

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OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
ROSTER OF SCHOOL OFFICIALS  
June 30, 2018

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BOARD OF EDUCATION

Thomas Reyes	President
Felipe Padilla	Vice-President
William Hodges Jr.	Secretary
Lorraine Malgosa	Treasurer
Larry Padilla	Member

SCHOOL OFFICIALS

Thomas Wilke	Superintendent
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FINANCIAL SECTION

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TRINIDAD, COLORADO 81082  
(719) 846-9241 FAX (719) 846-3352

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Otero County School District Number 3J, as of and for the year ended June 30, 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 3J, 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 other post employment benefit trend data on pages i through xi 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 3J's basic financial statements. The other schedules and state required schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

*Dayton, Waller & Co., Inc.*

Trinidad, Colorado  
November 29, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

# Otero County, Colorado, School District Number 3J Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2018

This section of the Otero County, Colorado, School District Number 3J's annual financial report offers readers of the District's financial statements a discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information furnished in the District's financial statements, which immediately follow this section.

## Financial Highlights

- Program specific revenues in the form of charges for services, operating grants and contributions, and capital contributions accounted for \$324,795 or approximately 14% of total revenues of \$2,293,885.
- The District had \$3,452,347 in expenses related to governmental activities; only \$324,795 of these expenses were offset by program specific charges for services, operating grants and contributions and capital grants and contributions. General revenues, primarily state equalization payments and property taxes of \$1,969,090 were not quite adequate to provide for these programs so fund balance was used to cover the overage.
- Among major funds, the general fund had \$2,220,762 in revenues and \$2,138,613 in expenditures. The general fund's fund balance increased from \$1,187,216 to \$1,254,265. A difference of \$67,149.
- Enrollment of the District decreased 3 students to a full-time equivalent (FTE) of 125.5 students.
- Outlays for capital assets were primarily comprised of building improvements, computers and related equipment. See the Capital Assets section of this management's discussion and analysis for more information.
- The District increased its outstanding long-term debt to \$21,619 for the current years compensated absences and paid vacation.

## Overview of the Financial Statements

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

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.

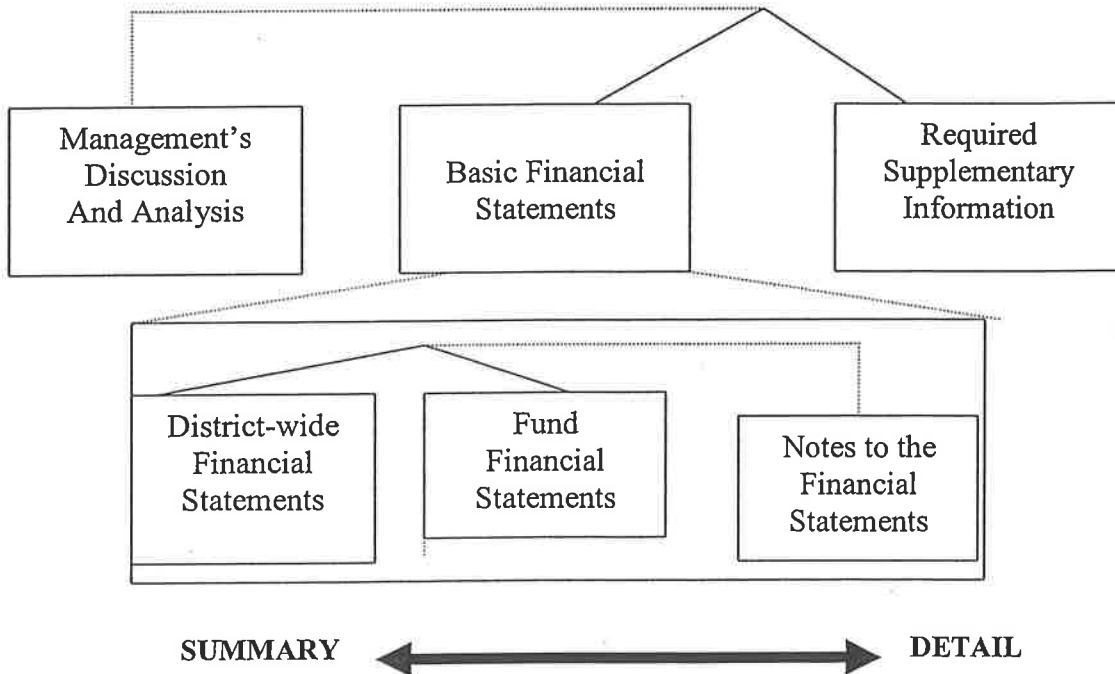
**Otero County, Colorado, School District Number 3J  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2018**

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

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

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

**Table 1  
Organization of Otero County, Colorado, Number 3J School District's Annual  
Financial Report**



**Otero County, Colorado, School District Number 3J  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2018**

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

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

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

**Otero County, Colorado, School District Number 3J  
Management's Discussion and Analysis  
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Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable		All additions and deductions during the year, regardless of when cash is received or paid
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**District-wide Statements**

The district-wide statements are designed to provide readers a broad overview of Otero County, Colorado, School District Number 3J's finances, in a manner similar to a private-sector business. The statement of net position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

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

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

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

**Otero County, Colorado, School District Number 3J  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2018**

**Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds, not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by state law and bond covenants. Other funds control and manage money for particular purposes (such as federal grants). The District's funds are divided into two categories: governmental funds and fiduciary funds.

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

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

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

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

**Notes to the Financial Statements**

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

**Otero County, Colorado, School District Number 3J  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2018**

**Other Information**

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

**General Fund Budgetary Highlights**

The actual expenditures were \$1,030,742 below budget, primarily because the District budgeted \$930,686 from fund balance for unplanned expenditures (contingency). The fund balance as of June 30, 2017 (budgetary basis) was \$1,187,216, compared to \$1,254,365 as of June 30, 2018. 2018 includes \$63,500 for TABOR Amendment emergency reserves.

**Net Position and Changes in Net Position**

The District's combined net position was lower on June 30, 2018, than they were the year before decreasing to (\$3,497,556). The net position of the governmental activities decreased because of the changes required with the districts portion of the net pension obligation for PERA and Other Post Employment Benefits in the amount of \$7,626,350. Table 3 provides a summary of the District's net position at June 30, 2018.

The District was required to implement GASB 75 resulting in a net other post-employment benefit (OPEB) liability of \$170,221. 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 \$197,607 to \$2,339,094 from \$2,141,487 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

**Otero County, Colorado, School District Number 3J  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2018**

**Table 3  
Condensed Statement of Net Position**

Table 3:  
NET POSITION

	2017			2018		
	Governmental Activities	Business Type Activities	Total	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>						
Current and Other Assets	1,409,134	-	1,409,134	1,467,011	-	1,467,011
Capital Assets - Net	1,714,885	-	1,714,885	1,685,838	-	1,685,838
Deferred Outflows	2,888,714	-	2,888,714	2,296,564	-	2,296,564
<b>Total Assets and Flows</b>	<b>6,012,733</b>	<b>-</b>	<b>6,012,733</b>	<b>5,449,413</b>	<b>-</b>	<b>5,449,413</b>
<b>LIABILITIES</b>						
Current and Other Liabilities	7,745,797	-	7,745,797	7,835,387	-	7,835,387
Long Term Liabilities	-	-	-	-	-	-
Deferred Inflows	408,423	-	408,423	1,111,582	-	1,111,582
<b>Total Liabilities and Flows</b>	<b>8,154,220</b>	<b>-</b>	<b>8,154,220</b>	<b>8,946,969</b>	<b>-</b>	<b>8,946,969</b>
<b>NET POSITION</b>						
Net Investment in Capital Assets	1,714,885	-	1,714,885	1,685,838	-	1,685,838
Restricted for:						
Labor Reserve	63,500	-	63,500	63,500	-	63,500
Food Service	10,178	-	10,178	15,928	-	15,928
Debt	-	-	-	-	-	-
Unrestricted	(3,930,050)	-	(3,930,050)	(5,262,822)	-	(5,262,822)
<b>Total Net Position</b>	<b>(2,141,487)</b>	<b>-</b>	<b>(2,141,487)</b>	<b>(3,497,556)</b>	<b>-</b>	<b>(3,497,556)</b>

At the end of the 2018 fiscal year, District assets as a whole decreased because of the change in the reporting of the net pension obligations for PERA. Table 4 provides a summary of the changes in net assets. Following Table 4 is specific discussion related to overall revenues and expenses.

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

Table 2:  
Changes in Net Position

	2017			2018		
	Governmental Activities	Business Type Activities	Total	Governmental Activities	Business Type Activities	Total
<b>Revenues</b>						
Charges for Services	15,780	-	15,780	16,541	-	16,541
Operating Grants and Contributions	293,236	-	293,236	281,668	-	281,668
Capital Grants and Contributions	-	-	-	26,586	-	26,586
Property taxes	212,948	-	212,948	214,863	-	214,863
Specific Ownership Taxes	39,972	-	39,972	42,219	-	42,219
Equalization	1,551,670	-	1,551,670	1,656,528	-	1,656,528
Earnings on Investments	7,996	-	7,996	11,234	-	11,234
Other Revenues	188,646	-	188,646	44,240	-	44,240
Transfers	-	-	-	-	-	-
<b>TOTAL REVENUES</b>	<b>2,310,248</b>	<b>-</b>	<b>2,310,248</b>	<b>2,293,885</b>	<b>-</b>	<b>2,293,885</b>
<b>Expenses</b>						
Instructional services	1,141,178	-	1,141,178	1,197,880	-	1,197,880
Students	86,311	-	86,311	85,503	-	85,503
Instructional staff	146,195	-	146,195	139,250	-	139,250
District administration	174,339	-	174,339	169,090	-	169,090
School administration	162,729	-	162,729	166,333	-	166,333
Business	536	-	536	561	-	561
Operation and maintenance of facilities	423,253	-	423,253	254,367	-	254,367
Transportation	42,024	-	42,024	43,113	-	43,113
Central	47,978	-	47,978	57,160	-	57,160
Other Support	35,136	-	35,136	35,107	-	35,107
Community Services	32,086	-	32,086	15,643	-	15,643
Food Service	84,473	-	84,473	87,220	-	87,220
Capital outlay	-	-	-	-	-	-
Interest on Long Term Liabilities	-	-	-	-	-	-
Pension and OPEB Expense	1,042,667	-	1,042,667	1,195,114	-	1,195,114
<b>TOTAL EXPENSES</b>	<b>3,420,105</b>	<b>-</b>	<b>3,420,105</b>	<b>3,452,347</b>	<b>-</b>	<b>3,452,347</b>
<b>Increase (Decrease in Net Po</b>	<b>(1,109,857)</b>	<b>-</b>	<b>(1,109,857)</b>	<b>(1,158,462)</b>	<b>-</b>	<b>(1,158,462)</b>

**Otero County, Colorado, School District Number 3J  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2018**

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

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	1,141,178	(913,921)	1,197,880	(962,292)
Supporting services:				
Students	86,911	(86,911)	85,509	(85,509)
Instructional staff	146,195	(146,195)	139,250	(139,250)
District administration	174,939	(174,939)	169,090	(169,090)
School administration	162,729	(162,729)	166,333	(166,333)
Business	536	(536)	561	(561)
Operation and maintenance of facilities	423,253	(412,587)	254,367	(244,108)
Transportation	42,024	(35,815)	49,113	(45,955)
Central	47,978	(47,978)	57,160	(57,160)
Other Support	35,136	(35,136)	35,107	(35,107)
Community Services	32,086	(32,086)	15,643	(15,643)
Food Service	84,473	(19,589)	87,220	(11,430)
Capital outlay				
Pension and OPEB Expense	<u>1,042,667</u>	<u>(1,042,667)</u>	<u>1,195,114</u>	<u>(1,195,114)</u>
Total	<u>3,420,105</u>	<u>(3,111,089)</u>	<u>3,452,347</u>	<u>(3,127,552)</u>

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

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

**Governmental Activities**

The primary source of operating revenue for school districts comes from the School Finance Act of 1994. Under this act, the District received \$14,383.96 per funded student. Funding for the School Finance Act comes from property taxes, specific ownership tax, and state equalization. The District receives approximately 78 percent of this funding from state equalization while the remaining amounts come from property tax and specific ownership tax.

**Otero County, Colorado, School District Number 3J  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2018**

The decrease in net position for governmental activities was \$1,158,462 in the 2018 fiscal year.

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

As reflected on the reconciliation of governmental funds revenues and expenditures to the district-wide statement of activities, the net difference between capital outlays and depreciation expense was \$(29,047) for the year ended June 30, 2018.

**Financial Analysis of District's Funds**

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

The general fund revenues (including transfers) did exceeded expenses, so there was a increase in fund balance.

The General Fund Budgetary Highlights section of this analysis, details the components of the general fund's fund balance.

**General Fund Budgetary Highlights**

The District's budget is prepared according to Colorado law and is based on accounting for certain transactions on a basis of cash receipts and disbursements. The District's budget for the general fund anticipated that expenditures would exceed revenues for fiscal year 2017-2018. The actual results for the year resulted in an increase of \$67,149 in fund balance changing the ending fund balance to \$1,254,365.

- Actual revenues were \$166,177 higher than anticipated.
- The actual expenditures were \$1,030,742 lower than budget.
- The District must maintain a 3% emergency reserve as a part of the TABOR Amendment (Taxpayer Bill of Rights). At June 30, 2018, the District's TABOR reserve amounted to \$63,500.
- The district's general fund transferred \$15,000 to help operate the food service fund.
- The District does not have multiple year contracts.

**Otero County, Colorado, School District Number 3J  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2018**

**Capital Assets and Debt Administration**

**Capital Assets**

By the end of fiscal year 2018, the District had not invested capitalized capital assets, including site improvements, vehicles and other equipment (See Table 6). Total depreciation expense for the year was \$109,016 for governmental funds.

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

<u>Capital Assets (Net of Depreciation)</u>	<u>Governmental 2016-2017</u>	<u>Governmental 2017-2018</u>
Land & Sites	26,840	51,809
Buildings & Improvements	1,777,454	1,565,513
Equipment & Vehicles	51,044	68,516
<b>Total Capital Assets</b>	<u>1,855,338</u>	<u>1,685,838</u>

**Long-Term Debt**

The District's long-term debt consists of accumulated unpaid sick leave as of June 30, 2018. Sick leave can be accumulated up to a maximum of 75 days. Sick leave is paid at 50% of substitute teacher pay if resignation is received prior to July 1 of the up coming school year or upon retirement.

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

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

- Early projections for the fall of 2019 show District enrollment will likely hold steady.
- The State of Colorado has experienced slowing economic conditions, which has a direct impact on the state's general fund revenues. Budget cuts at the State level will mean that the district will need to make cuts to balance the budget for the next few school years.

**Otero County, Colorado, School District Number 3J  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2018**

- The State issues report cards for every public school in the state. The report card gives each school a performance grade based on the PARCC Assessment tests given to all students in third through tenth grade.
- The assessed valuation for the District increased for the 2018 year compared to the 2017 year.

**Contacting the District's Financial Management**

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

BASIC FINANCIAL STATEMENTS

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
STATEMENT OF NET POSITION  
June 30, 2018

	Governmental Activities	Total
<u>ASSETS</u>		
Cash and Investments	1,405,460	1,405,460
Accounts Receivable	7,492	7,492
Receivables – Other	-	-
Accrued Revenue	35,096	35,096
Property Taxes Receivable	17,630	17,630
Inventories	1,333	1,333
Capital Assets	4,914,163	4,914,163
Accumulated Depreciation	(3,228,325)	(3,228,325)
<u>Total Assets</u>	<u>3,152,849</u>	<u>3,152,849</u>
 <u>DEFERRED OUTFLOW OF RESOURCES</u>		
Pension	2,290,341	2,290,341
Other Post Employment Benefits	6,223	6,223
<u>Total Deferred Outflow of Resources</u>	<u>2,296,564</u>	<u>2,296,564</u>
 <u>LIABILITIES</u>		
Accounts Payable	25,640	25,640
Accrued Salaries	161,778	161,778
Compensated Absences	21,619	21,619
Net Pension Obligation	7,456,129	7,456,129
Net Other Post Employment Benefits Obligation	170,221	170,221
<u>Total Liabilities</u>	<u>7,835,387</u>	<u>7,835,387</u>
 <u>DEFERRED INFLOW OF RESOURCES</u>		
Pensions	1,094,912	1,094,912
Other Post Employment Benefits	16,670	16,670
<u>Total Deferred Inflow of Resources</u>	<u>1,111,582</u>	<u>1,111,582</u>
 <u>NET POSITION</u>		
Net Investment in Capital Assets	1,685,838	1,685,838
Restricted for:		
TABOR Reserve	63,500	63,500
Food Service	15,928	15,928
Unrestricted	(5,262,822)	(5,262,822)
<u>TOTAL NET POSITION</u>	<u>(3,497,556)</u>	<u>(3,497,556)</u>

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

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
STATEMENT OF ACTIVITIES  
For The Year Ended June 30, 2018

	Program Revenues				Net (Expenses) Revenue and Changes in Net Position	
	Charges for Services	Operating Grants & Contributions	Capital Grants and Contributions	Primary Government		
Expenses				Governmental Activities	Total	
<b><u>FUNCTIONS/PROGRAMS</u></b>						
Instructional Services	1,197,880	209,002	26,586	(962,292)	(962,292)	
Supporting Services:						
Students	85,509	-	-	(85,509)	(85,509)	
Instructional Staff	139,250	-	-	(139,250)	(139,250)	
District Administration	169,090	-	-	(169,090)	(169,090)	
School Administration	166,333	-	-	(166,333)	(166,333)	
Business	561	-	-	(561)	(561)	
Operation & Maintenance of Facilities	254,367	-	-	(244,108)	(244,108)	
Transportation	49,113	3,158	-	(45,955)	(45,955)	
Central	57,160	-	-	(57,160)	(57,160)	
Other Support	35,107	-	-	(35,107)	(35,107)	
Community Services	15,643	-	-	(15,643)	(15,643)	
Food Services	87,220	69,508	-	(11,430)	(11,430)	
Capital Outlay	-	-	-	-	-	
Pension and Other Post Employment Benefits Expense	1,195,114	-	-	(1,195,114)	(1,195,114)	
<b>Total Governmental Activities</b>	<u>3,452,347</u>	<u>281,668</u>	<u>26,586</u>	<u>(3,127,552)</u>	<u>(3,127,552)</u>	
<b>Total School District</b>	<u>3,452,347</u>	<u>281,668</u>	<u>26,586</u>	<u>(3,127,552)</u>	<u>(3,127,552)</u>	
<b>General Revenues</b>						
Property Taxes Levied for General Purposes				214,869	214,869	
Specific Ownership Taxes				42,219	42,219	
Equalization				1,656,528	1,656,528	
Earnings on Investments				11,234	11,234	
Other Revenues				44,240	44,240	
<b>Total General Revenues &amp; Transfers</b>				<u>1,969,090</u>	<u>1,969,090</u>	
<b>Change in Net Position</b>				<u>(1,158,462)</u>	<u>(1,158,462)</u>	
<b>Net Position, Beginning (as Restated)</b>				<u>(2,339,094)</u>	<u>(2,339,094)</u>	
<b>Net Position, Ending</b>				<u>(3,497,556)</u>	<u>(3,497,556)</u>	

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

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
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 Investments	1,391,328	14,132	1,405,460
Accounts Receivable	3,460	4,032	7,492
Accrued Revenue	35,096	-	35,096
Due From Other Funds	-	-	-
Property Taxes Receivable	17,630	-	17,630
Inventories	-	1,333	1,333
<u>Total Assets</u>	<u>1,447,514</u>	<u>19,497</u>	<u>1,467,011</u>
<u>LIABILITIES</u>			
Accounts Payable	25,640	-	25,640
Accrued Salaries	158,209	3,569	161,778
Due To Other Funds	-	-	-
Other Payables	-	-	-
<u>Total Liabilities</u>	<u>183,849</u>	<u>3,569</u>	<u>187,418</u>
<u>DEFERRED INFLOW OF RESOURCES</u>			
Deferred Property Taxes	9,300	-	9,300
<u>FUND BALANCES</u>			
Nonspendable:			
Inventories	-	1,333	1,333
Restricted for:			
Emergencies	63,500	-	63,500
Food Service	-	14,595	14,595
Unassigned	1,190,865	-	1,190,865
<u>Total Fund Balances</u>	<u>1,254,365</u>	<u>15,928</u>	<u>1,270,293</u>
<u>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u>			
	<u>1,447,514</u>	<u>19,497</u>	<u>1,467,011</u>

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

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
 RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET  
 TO STATEMENT OF NET POSITION  
 June 30, 2018

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

<u>Total Fund Balance – Governmental Funds</u>	1,270,293
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$4,914,163 and the accumulated depreciation is \$3,228,325.	1,685,838
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.	9,300
Compensated absences are not reported as a liability in the funds.	(21,619)
Net pension and other post employment benefits liabilities, along with associated deferred flows, are not recorded at the fund level.	
Net Pension Liability	(7,456,129)
Net Other Post Employment Benefits Liability	(170,221)
Deferred Outflows	2,296,564
Deferred Inflows	<u>(1,111,582)</u>
 <u>TOTAL NET POSITION – GOVERNMENTAL ACTIVITIES</u>	 <u>(3,497,556)</u>

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

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – GOVERNMENTAL FUNDS  
For The Year Ended June 30, 2018

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>REVENUES</u>			
Property Taxes	217,569	-	217,569
Specific Ownership Taxes	42,219	-	42,219
Earnings on Investments	11,201	33	11,234
Other Local Sources	81,085	6,282	87,367
State Aid	1,740,632	535	1,741,167
Federal Aid	128,056	68,973	197,029
<u>Total Revenues</u>	<u>2,220,762</u>	<u>75,823</u>	<u>2,296,585</u>
<u>EXPENDITURES</u>			
Current:			
Instructional Services	1,096,179	-	1,096,179
Supporting Services:			
Students	85,509	-	85,509
Instructional Staff	139,250	-	139,250
District Administration	166,570	-	166,570
School Administration	166,333	-	166,333
Business	561	-	561
Operation & Maintenance of Facilities	279,064	-	279,064
Transportation	97,237	-	97,237
Central	57,160	-	57,160
Other Support	35,107	-	35,107
Community Service	15,643	-	15,643
Facility	-	-	-
Food Service	-	85,073	85,073
Debt Service:			
Principal Retirement	-	-	-
Interest and Fiscal Charges	-	-	-
Capital Outlay	-	-	-
<u>Total Expenditures</u>	<u>2,138,613</u>	<u>85,073</u>	<u>2,223,686</u>
<u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u>	<u>82,149</u>	<u>(9,250)</u>	<u>72,899</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers	(15,000)	15,000	-
<u>Total Other Financing Sources (Uses)</u>	<u>(15,000)</u>	<u>15,000</u>	<u>-</u>
<u>NET CHANGE IN FUND BALANCES</u>	67,149	5,750	72,899
<u>FUND BALANCES – Beginning</u>	<u>1,187,216</u>	<u>10,178</u>	<u>1,197,394</u>
<u>FUND BALANCES – Ending</u>	<u>1,254,365</u>	<u>15,928</u>	<u>1,270,293</u>

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

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
 For The Year Ended June 30, 2018

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

<u>Net Change in Fund Balances – Total Governmental Funds</u>	72,899
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more the \$5,000 are capitalized and the cost is allocated over their estimated used lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.</p>	
Capital Outlays more than \$5,000	79,969
Depreciation Expense	<u>(109,016)</u>
	(29,047)
<p>Property tax revenues received prior to the year for which the are being levied or are not “available” at year end are reported as deferred revenue in the governmental funds. They are, however, recorded as revenue in the statement of activities. Deferred property tax revenues decreased this year.</p>	
	(2,700)
<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 increased by this amount.</p>	
	(4,500)
<p>The increase in net pension and other post employment benefits liabilities, along with the changes and amortizations of deferred flows associated with those liabilities, are not recorded at the fund level.</p>	
Pension Cost	(1,212,053)
Other Post Employment Benefits	<u>16,939</u>
	(1,195,114)
<u>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</u>	<u>(1,158,462)</u>

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

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
STATEMENT OF FIDUCIARY NET POSITION  
PUPIL ACTIVITY TRUST AND AGENCY FUND  
June 30, 2018

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	<u>Pupil Activity Fund</u>
<u>ASSETS</u>	
Cash and Investments	40,931
Due From Other Funds	<u>-</u>
<u>Total Assets</u>	<u>40,931</u>
<u>LIABILITIES</u>	
Accounts Payable	-
Deposits Held for Others	<u>40,931</u>
<u>Total Liabilities</u>	<u>40,931</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2018

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NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

A. Reporting Entity

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

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

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2018

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NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2018

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2018

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NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

D.      Fund Accounting

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

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

Additionally, the District reports the following fund type:

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

E.      Cash and Investments

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

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2018

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NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E.      Cash and Investments (Continued)

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

F.      Receivables

Property taxes levied in 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 revenue, and are presented net of an allowance for uncollectible taxes. Program grants are recorded as receivables and revenues at the time reimbursable project costs are incurred.

G.      Inventories

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

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

H.      Capital Assets

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

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

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

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2018

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NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I.      Long Term Obligations

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

J.      Constitutional Amendment

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

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

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future years. TABOR requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be three percent or more of fiscal year spending (excluding bonded debt service). As of June 30, 2018, the District reserved \$63,500 for this purpose.

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

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 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 Las Animas 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	December 1, 2017

L.      Accumulated Sick and Vacation Leave

Compensated absences are made up of accumulated sick and vacation leave reported as non-current liabilities in the government-wide financial statements. As of June 30, 2018, the District has recorded an estimated liability of \$21,619 relating to accrued sick and vacation 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 and Vacation Leave:				
Governmental Activities	<u>17,119</u>	<u>4,500</u>	<u>-</u>	<u>21,619</u>

M.      Use of Estimates

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

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2018

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NOTE 1    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N.        GASB Statement No. 54

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

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

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

Fund Balance Classification Policies and Procedures

Committed Fund Balance Policy:

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

Assigned Fund Balance Policy:

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

Order of Fund Balance Spending Policy

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

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

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 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>Food Service Fund</u>	<u>Total Governmental Funds</u>
<u>Nonspendable:</u>	-	1,333	1,333
<u>Restricted:</u>			
Emergencies	63,500	-	63,500
Food Service	-	14,595	14,595
<u>Assigned:</u>	-	-	-
<u>Unassigned:</u>	<u>1,190,865</u>	<u>-</u>	<u>1,190,865</u>
<u>Total Fund Balances</u>	<u>1,254,365</u>	<u>15,928</u>	<u>1,270,293</u>

O.        Deferred Outflows / Inflows of Resources

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

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

NOTE 2    RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2018

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

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	-	15,000
Food Service	<u>15,000</u>	<u>-</u>
	<u>15,000</u>	<u>15,000</u>

NOTE 3      BUDGETARY INFORMATION

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

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

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

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

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

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2018

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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)(SIPC)	250,000	250,000
Uninsured, Collateralized under the Public Deposit Protection Act of the State of Colorado	1,184,396	1,206,773
Cash with County Treasurer	11,545	-
Cash on Hand	<u>450</u>	<u>-</u>
<u>Total Cash and Deposits</u>	<u>1,446,391</u>	<u>1,456,773</u>

As presented above, deposits with a bank balance of \$1,206,773 and a carrying balance of \$1,184,396 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 3J  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2018

NOTE 5      CAPITAL ASSETS

A summary of changes in capital assets 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>
<u>Governmental Activities</u>				
<u>Capital Assets Not</u>				
<u>Being Depreciated</u>				
Land	26,840	-	-	26,840
Construction in Progress	-	<u>24,969</u>	-	<u>24,969</u>
<u>Total Capital Assets Not Being</u>				
<u>Depreciated</u>	<u>26,840</u>	<u>24,969</u>	-	<u>51,809</u>
<u>Capital Assets Being Depreciated:</u>				
Building & Site Improvements	3,585,686	-	-	3,585,686
Equipment	866,365	-	-	866,365
Vehicles	299,641	55,000	-	354,641
Food Service	<u>55,662</u>	-	-	<u>55,662</u>
<u>Total Capital Assets Being</u>				
<u>Depreciated</u>	<u>4,807,354</u>	<u>55,000</u>	-	<u>4,862,354</u>
<u>Less Accumulated Depreciation:</u>				
Building & Site Improvements	1,925,658	94,515	-	2,020,173
Equipment	846,937	5,478	-	852,415
Vehicles	299,641	6,876	-	306,517
Food Service	<u>47,073</u>	<u>2,147</u>	-	<u>49,220</u>
<u>Total Accumulated Depreciation</u>	<u>3,119,309</u>	<u>109,016</u>	-	<u>3,228,325</u>
<u>Total Capital Assets Being</u>				
<u>Depreciated, Net</u>	<u>1,688,045</u>	<u>(54,016)</u>	-	<u>1,634,029</u>
<u>Governmental Activities Capital</u>				
<u>Assets, Net</u>	<u>1,714,885</u>	<u>(29,047)</u>	-	<u>1,685,838</u>

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

<u>Governmental Activities:</u>	
Instruction	97,201
General Administration Support	2,520
Operations and Maintenance	272
Transportation	6,876
Food Service	<u>2,147</u>
<u>Total Depreciation Expense –Governmental Activities</u>	<u>109,016</u>

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2018

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NOTE 6      PENSION PLAN

Defined Benefit Pension Plan

Summary of Significant Accounting Policies

Pensions. Otero County School District Number 3J participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 3J are provided with pensions through the School Division Trust Fund (SCHDTF) - a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at [www.copera.org/investment/pera-financial-reports](http://www.copera.org/investment/pera-financial-reports).

Benefits provided 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 3J  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2018

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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 3J  
 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 3J are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. 24-51-401, et seq. Eligible employees are required to contribute 8 percent of their PERA- includable salary. The employer contribution requirements are summarized in the table below.

	For the Year Ended December 31, 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 3J is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from Otero County School District Number 3J were \$200,177 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 3J reported a liability of \$7,456,129 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 3J proportion of the net pension liability was based on Otero County School District Number 3J 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 3J proportion was 0.0231 percent, which was equal to a decrease of 0.0022 percent in its proportion measured as of December 31, 2016.

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
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 3J recognized pension expense of \$1,212,053. At June 30, 2018, the Otero County School District Number 3J 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	137,087	-
Changes of assumptions or other inputs	1,903,827	(12,082)
Net difference between projected and actual earnings on pension plan investments	147,814	(440,623)
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	(642,207)
Contributions subsequent to the measurement date	101,613	N/A
Total	2,290,341	(1,094,912)

\$101,613 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	847,113
2020	430,537
2021	(73,679)
2022	(110,155)
2023	-
Thereafter	-

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
 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 3J  
 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:

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

\*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 3J  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2018

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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 3J  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2018

**NOTE 6**      **PENSION PLAN (Continued)**

*Sensitivity of the Otero County School District Number 3J proportionate share of the net pension liability to changes in the discount rate.* The following presents the proportionate share of the net pension liability calculated using the discount rate of 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	9,418,359	7,456,129	5,857,136

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

**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](http://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 3J  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2018

**NOTE 6**      PENSION PLAN (Continued)

At June 30 2018, the Otero County School District Number 3J reported a liability of \$7,456,129 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 3J'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%	3,368,615

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 \$3,480,575 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 3J that are also members of the SCHDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA, Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report which includes additional information on the Voluntary Investment Program. That report can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

*Funding Policy* – The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions and investment earnings. For the year ended June 30, 2018, program members contributed \$9,699.

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
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 3J 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 description.* Eligible employees of the Otero County School District Number 3J 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](http://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 3J  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2018

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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 3J  
 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 3J is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from Otero County School District Number 3J were \$10,814 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 3J reported a liability of \$186,537 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 3J proportion of the net OPEB liability was based on Otero County School District Number 3J 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 3J proportion was 0.0131 percent, which was a decrease of 0.0013 percent from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the Otero County School District Number 3J recognized OPEB benefit of \$16,939. At June 30, 2018, the Otero County School District Number 3J 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	805	-
Changes of assumptions or other inputs	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	(2,848)
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	(13,822)
Contributions subsequent to the measurement date	5,418	N/A
Total	6,223	(16,670)

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2018

NOTE 7      OTHER POST EMPLOYMENT BENEFITS (Continued)

\$5,418 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	(3,270)
2020	(3,270)
2021	(3,270)
2022	(3,270)
2023	(2,558)
Thereafter	(227)

*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 3J  
 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 3J  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2018

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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 3J  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2018

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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 3J  
 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 3J 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	165,538	170,221	175,862

*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 3J  
 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 3J 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	191,382	170,221	152,160

*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](http://www.copera.org/investments/pera-financial-reports).

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2018

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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.

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2018

NOTE 9      COLORADO SCHOOL DISTRICT SELF INSURANCE POOL (Continued)

An audited summary of the Colorado School District's Pool financial information at June 30, 2017 and 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	-
Net Income (Loss) Before Dividend	<u>3,579,330</u>
Dividend	-
Net Income (Loss)	<u>3,579,330</u>
Transfer of Capital Contributions	-
Change in Non Admitted Assets	<u>235,606</u>
Capital Contributions from Members	-
Unassigned Surplus	<u>30,618,689</u>

NOTE 10      FOOD INVENTORIES

Food Service Fund inventories at June 30, 2018, consisted of purchased, non-food and donated commodities amounting to \$0, \$415 and \$918, respectively. Purchased inventories are stated at cost. Donated inventories, received at no cost under a program supported by the United States Government, are recorded at their estimated fair market value at the date of receipt.

NOTE 11      ACCRUED SALARIES AND BENEFITS

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve month period from September to August, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, at June 30, 2018 are estimated to be \$161,778. Accordingly, the accrued compensation is reflected as a liability in the accompanying financial statements of the various funds.

NOTE 12      LITIGATION

None.

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2018

NOTE 13      SUMMARY DISCLOSURE OF SIGNIFICANT COMMITMENTS AND CONTINGENCIES

Claims and Judgments - The District participates in a number of federal, state and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 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 14      JOINT VENTURES AND RELATED PARTIES

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

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

Assets and Deferred Outflows	<u>3,380,566</u>
Liabilities and Deferred Inflows	<u>6,557,276</u>
Net Position	<u>(3,176,710)</u>
Revenues	2,449,802
Expenditures	<u>3,215,297</u>
Change In Net Position	<u>(765,495)</u>

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

NOTE 15      INTERFUND BALANCES AND TRANSFERS

<u>TRANSFERS</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	-	15,000
Food Service Fund	<u>15,000</u>	<u>-</u>
	<u>15,000</u>	<u>15,000</u>

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

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2018

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NOTE 16    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 \$(2,141,487) has been changed by the net OPEB liability at June 30, 2017 of \$(186,537) and related deferred flows of \$(11,070), resulting in a restated beginning net position of \$(2,339,094).

REQUIRED SUPPLEMENTARY INFORMATION

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
BUDGET (GAAP BASIS) AND ACTUAL  
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with</u> <u>Final Budget-</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Original &amp; Final</u>		
<u>REVENUES</u>			
<u>Local Sources</u>			
Property Taxes	215,708	216,873	1,165
Specific Ownership Taxes	41,640	42,219	579
Earnings on Investments	7,000	11,201	4,201
Delinquent Taxes and Interest	2,000	696	(1,304)
Other	41,220	81,085	39,865
<u>State Sources</u>			
Equalization	1,592,524	1,656,528	64,004
Transportation	6,152	3,158	(2,994)
Vocational Education	-	15,470	15,470
Special Education	8,757	8,304	(453)
Other	11,141	57,172	46,031
<u>Federal Sources</u>			
Other	128,443	128,056	(387)
<u>TOTAL REVENUES</u>	<u>2,054,585</u>	<u>2,220,762</u>	<u>166,177</u>
<u>EXPENDITURES</u>			
<u>Instruction</u>			
<u>Regular Programs</u>			
Salaries	638,809	669,678	(30,869)
Employees Benefits	209,947	200,230	9,717
Purchased Services-Professional	26,079	12,446	13,633
Purchased Services-Property	88,178	74,988	13,190
Purchased Services-Other	30,666	24,268	6,398
Supplies and Materials	88,228	86,539	1,689
Property	6,750	27,441	(20,691)
Other Objects	1,000	589	411
<u>Total Instruction</u>	<u>1,089,657</u>	<u>1,096,179</u>	<u>(6,522)</u>

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

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
BUDGET (GAAP BASIS) AND ACTUAL  
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u> <u>Original &amp; Final</u>	<u>Actual</u>	Variance with Final Budget- Favorable (Unfavorable)
<u>Supporting Services</u>			
<u>Student Supporting Services</u>			
Salaries	63,477	64,343	(866)
Employee Benefits	17,765	18,909	(1,144)
Purchased Services – Professional	900	70	830
Purchased Services – Other	630	518	112
Supplies and Materials	2,970	1,669	1,301
Property	-	-	-
Other Objects	-	-	-
<u>Total Student Services</u>	<u>85,742</u>	<u>85,509</u>	<u>233</u>
<u>Instructional Staff</u>			
Salaries	94,211	94,140	71
Employee Benefits	46,245	37,513	8,732
Purchased Services – Professional	15,190	1,575	13,615
Purchased Services – Property	3,400	2,188	1,212
Purchased Services – Other	180	-	180
Supplies and Materials	5,525	3,834	1,691
Property	-	-	-
Other Objects	-	-	-
<u>Total Instructional Staff</u>	<u>164,751</u>	<u>139,250</u>	<u>25,501</u>
<u>General Administration</u>			
Salaries	96,400	96,963	(563)
Employee Benefits	37,990	35,008	2,982
Purchased Services-Professional	14,400	16,361	(1,961)
Purchased Services – Property	3,700	2,578	1,122
Purchased Services-Other	10,460	2,344	8,116
Supplies and Materials	2,300	2,705	(405)
Other Objects	5,000	10,611	(5,611)
<u>Total General Administration</u>	<u>170,250</u>	<u>166,570</u>	<u>3,680</u>
<u>School Administration</u>			
<u>Office of the Principal</u>			
Salaries	111,500	112,097	(597)
Employee Benefits	37,520	43,630	(6,110)
Purchased Services - Property	12,000	10,010	1,990
Purchased Services – Other	900	-	900
Supplies and Materials	1,380	596	784
Property	500	-	500
Other Objects	630	-	630
<u>Total School Administration</u>	<u>164,430</u>	<u>166,333</u>	<u>(1,903)</u>

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

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
BUDGET (GAAP BASIS) AND ACTUAL  
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u> <u>Original &amp; Final</u>	<u>Actual</u>	Variance with Final Budget- Favorable (Unfavorable)
<u>Supporting Services (Continued)</u>			
<u>Business Services</u>			
Purchased Services-Professional	550	561	(11)
<u>Total Business Services</u>	<u>550</u>	<u>561</u>	<u>(11)</u>
<u>Operations and Maintenance</u>			
Salaries	83,000	81,504	1,496
Employees Benefits	23,100	22,342	758
Purchased Services-Property	57,750	40,159	17,591
Purchased Services-Other	2,900	1,508	1,392
Supplies and Materials	155,505	133,223	22,282
Property	<u>32,000</u>	<u>328</u>	<u>31,672</u>
<u>Total Operations and Maintenance</u>	<u>354,255</u>	<u>279,064</u>	<u>75,191</u>
<u>Student Transportation</u>			
Salaries	19,500	13,827	5,673
Employee Benefits	3,593	2,839	754
Purchased Services – Professional	6,010	994	5,016
Purchased Services – Property	13,770	10,215	3,555
Purchased Services-Other	5,180	4,692	488
Supplies and Materials	16,810	9,670	7,140
Property	<u>-</u>	<u>55,000</u>	<u>(55,000)</u>
<u>Total Student Transportation</u>	<u>64,863</u>	<u>97,237</u>	<u>(32,374)</u>
<u>Central Support</u>			
Salaries	7,310	6,900	410
Employee Benefits	106	100	6
Purchased Services – Other	<u>51,000</u>	<u>50,160</u>	<u>840</u>
<u>Total Central Support</u>	<u>58,416</u>	<u>57,160</u>	<u>1,256</u>
<u>Other Support</u>			
Salaries	3,100	4,235	(1,135)
Employee Benefits	595	849	(254)
Purchased Services – Other	32,000	30,023	1,977
Supplies and Materials	<u>35,560</u>	<u>-</u>	<u>35,560</u>
<u>Total Other Support</u>	<u>71,255</u>	<u>35,107</u>	<u>36,148</u>
<u>Community Service</u>			
Other Objects	<u>14,500</u>	<u>15,643</u>	<u>(1,143)</u>
<u>Total Community Service</u>	<u>14,500</u>	<u>15,643</u>	<u>(1,143)</u>

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

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
BUDGET (GAAP BASIS) AND ACTUAL  
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		Variance with
	<u>Original &amp; Final</u>	<u>Actual</u>	Final Budget- Favorable (Unfavorable)
<u>Facility</u>			
Supplies and Materials	-	-	-
Property	-	-	-
<u>Total Facility</u>	-	-	-
<u>Total Supporting Services</u>	<u>1,149,012</u>	<u>1,042,434</u>	<u>106,578</u>
<u>Appropriated Reserves</u>	<u>930,686</u>	<u>-</u>	<u>930,686</u>
<u>TOTAL EXPENDITURES</u>	<u>3,169,355</u>	<u>2,138,613</u>	<u>1,030,742</u>
<u>REVENUES OVER (UNDER) EXPENDITURES</u>	(1,114,770)	82,149	
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers	<u>(30,000)</u>	<u>(15,000)</u>	<u>15,000</u>
<u>REVENUES OVER (UNDER) EXPENDITURES AND OTHER USES</u>	(1,144,770)	67,149	
<u>FUND BALANCE, July 1</u>	<u>1,144,770</u>	<u>1,187,216</u>	
<u>FUND BALANCE, June 30</u>	<u>-</u>	<u>1,254,365</u>	

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

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

	<u>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)	0.0231%	0.0253%	0.0273%	0.0291%	0.0310%	-	-	-	-	-
District's proportionate share of the net pension liability (asset)	\$7,456,129	\$7,528,938	\$4,171,473	\$3,948,981	\$3,950,642	-	-	-	-	-
District's covered-employee payroll	\$1,060,234	\$1,089,007	\$1,149,709	\$1,221,334	\$1,244,938	-	-	-	-	-
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	703%	691%	363%	323%	317%	-	-	-	-	-
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 3J  
 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	\$ 200,177	\$ 200,117	\$ 203,900	\$ 218,710	\$ 211,618	\$ 202,181	-	-	-	-
Contributions in relation to the contractually required contributions	<u>\$ (200,177)</u>	<u>\$ (200,117)</u>	<u>\$ (203,900)</u>	<u>\$ (218,710)</u>	<u>\$ (211,618)</u>	<u>\$ (202,181)</u>	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	-	-	-
District's covered-employee payroll	\$1,060,234	\$1,089,007	\$1,149,709	\$1,221,334	\$1,244,938	\$1,256,015	-	-	-	-
Contributions as a percentage of covered-employee payroll	18.88%	18.38%	17.73%	17.91%	17.00%	16.10%	-	-	-	-

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

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
 SCHEDULE OF PROPORTIONATE SHARE OF NET OTHER POST EMPLOYMENT BENEFITS (OPEB) LIABILITY  
 For The Last 10 Fiscal Years (As Available)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the net OPEB liability (asset)	0.0131%	0.0144%	-	-	-	-	-	-	-	-
District's proportionate share of the net OPEB liability (asset)	\$170,221	\$186,537	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$1,060,234	\$1,089,007	-	-	-	-	-	-	-	-
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	16.06%	17.13%	-	-	-	-	-	-	-	-
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 3J  
 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	\$ 10,814	\$ 11,107	-	-	-	-	-	-	-	-
Contributions in relation to the contractually required contributions	\$ (10,814)	\$ (11,107)	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$1,060,234	\$1,089,007	-	-	-	-	-	-	-	-
Contributions as a percentage of covered-employee payroll	1.02%	1.02%	-	-	-	-	-	-	-	-

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

OTHER SCHEDULES

### Special Revenue Funds

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

### Agency Fund

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

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
FOOD SERVICE – SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE – BUDGET AND ACTUAL  
For the Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
<u>REVENUES</u>			
<u>Local Sources</u>			
Food Sales	3,600	1,559	(2,041)
Earnings on Investments	1,000	33	(967)
Other	-	4,723	4,723
<u>State Sources</u>			
School Lunches	1,950	535	(1,415)
<u>Federal Sources</u>			
School Lunches	60,000	64,491	4,491
Commodities	<u>3,000</u>	<u>4,482</u>	<u>1,482</u>
<u>Total Revenues</u>	<u>69,550</u>	<u>75,823</u>	<u>6,273</u>
 <u>EXPENDITURES</u>			
Salaries	23,300	22,551	749
Employee Benefits	5,105	4,467	638
Purchased Services – Professional	15,015	15,367	(352)
Purchased Services – Property	2,500	19	2,481
Purchased Services - Other	430	-	430
Supplies and Materials	63,200	38,007	25,193
Capital Outlay	3,000	-	3,000
Other	4,000	180	3,820
Commodities	-	4,482	(4,482)
Depreciation	-	-	-
<u>Total Expenditures</u>	<u>116,550</u>	<u>85,073</u>	<u>31,477</u>
<u>REVENUES OVER (UNDER) EXPENDITURES</u>	(47,000)	(9,250)	
 <u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers from General Fund	<u>30,000</u>	<u>15,000</u>	<u>(15,000)</u>
<u>REVENUES AND SOURCES OVER (UNDER) EXPENDITURES AND USES</u>	(17,000)	5,750	
<u>FUND BALANCE, Beginning</u>	<u>17,000</u>	<u>10,178</u>	
<u>FUND BALANCE, Ending</u>	<u>-</u>	<u>15,928</u>	

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

OTERO COUNTY SCHOOL DISTRICT NUMBER 3J  
PUPIL ACTIVITY AGENCY FUND  
SCHEDULE OF ACTIVITIES - BUDGET AND ACTUAL  
For the Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
<u>ADDITIONS</u>			
Local Sources	76,617	71,868	(4,749)
State Sources	-	-	-
Federal Sources	-	-	-
<u>Total Additions</u>	<u>76,617</u>	<u>71,868</u>	<u>(4,749)</u>
<u>DEDUCTIONS</u>			
Student Activities	<u>107,067</u>	<u>70,517</u>	<u>36,550</u>
<u>Total Deductions</u>	<u>107,067</u>	<u>70,517</u>	<u>36,550</u>
<u>Net Increase (Decrease) in Deposits Held for Others</u>	(30,450)	1,351	
<u>Deposits Held for Others – Beginning of Year</u>	<u>30,450</u>	<u>39,580</u>	
<u>Deposits Held for Others – End of Year</u>	<u>      -</u>	<u>40,931</u>	

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

STATE REQUIRED SCHEDULES

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

**Bolded Balance Sheet**



**Colorado Department of Education**  
**Auditors Integrity Report**  
 District 2535 - MANZANOLA 3J  
 Fiscal Year 2017-18  
 Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	+	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	=	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
<b>Governmental</b>						
10 General Fund	1,187,216		2,205,760	2,138,612		1,254,364
18 Risk Mgmt Sub-Fund of General Fund	0		0	0		0
19 Colorado Preschool Program Fund	0		0	0		0
Sub-Total	1,187,216		2,205,760	2,138,612		1,254,364
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	10,178		90,823	85,073		15,928
22 Govt Designated-Purpose Grants Fund	0		0	0		0
23 Pupil Activity Special Revenue Fund	0		0	0		0
24 Full Day Kindergarten Mill Levy Override	0		0	0		0
25 Transportation Fund	0		0	0		0
31 Bond Redemption Fund	0		0	0		0
39 Certificate of Participation (COP) Debt Service Fund	0		0	0		0
41 Building Fund	0		0	0		0
42 Special Building Fund	0		0	0		0
43 Capital Reserve Capital Projects Fund	0		0	0		0
46 Supplemental Cap Const. Tech. Main Fund	0		0	0		0
<b>Totals</b>	<b>1,197,394</b>		<b>2,296,583</b>	<b>2,223,685</b>		<b>1,270,292</b>
<b>Proprietary</b>						
50 Other Enterprise Funds	0		0	0		0
64 (63) Risk-Related Activity Fund	0		0	0		0
60,65-69 Other Internal Service Funds	0		0	0		0
<b>Totals</b>	<b>0</b>		<b>0</b>	<b>0</b>		<b>0</b>
<b>Fiduciary</b>						
70 Other Trust and Agency Funds	0		0	0		0
72 Private Purpose Trust Fund	0		0	0		0
73 Agency Fund	0		0	0		0
74 Pupil Activity Agency Fund	39,580		71,868	70,516		40,931
79 GASB 34/Permanent Fund	0		0	0		0
85 Foundations	0		0	0		0
<b>Totals</b>	<b>39,580</b>		<b>71,868</b>	<b>70,516</b>		<b>40,931</b>
<b>FINAL</b>						



**Colorado Department of Education**  
**Bolded Balance Sheet Report**  
 District: 2535 - MANZANOLA 3J  
 Fiscal Year 2017-18  
 Colorado School District/BOCES

	Governmental						Proprietary						Fiduciary		
	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 57-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 65-69	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
<b>ASSETS</b>															
Cash and Investments (8100-8104,8111)	1,391,328	0	0	0	0	14,132	0	0	0	0	0	0	0	0	1,446,391
Taxes Receivable (8121,8122)	17,630	0	0	0	0	0	0	0	0	0	0	0	0	0	17,630
Grants Accounts Receivable (8142)	35,096	0	0	0	0	0	0	0	0	0	0	0	0	0	35,096
Other Receivables (8151-8154,8161)	3,460	0	0	0	0	4,032	0	0	0	0	0	0	0	0	7,492
Inventories (8171,8172,8173)	0	0	0	0	0	1,333	0	0	0	0	0	0	0	0	1,333
Machinery and Equipment (8241,8242,8251)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Assets</b>	<b>1,447,514</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>19,497</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,507,942</b>

	Governmental					Proprietary					Fiduciary			
	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Services Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85
<b>LIABILITIES &amp; FUND EQUITY</b>														
<b>LIABILITIES</b>														
Other Payables (7421-7423)	25,640	0	0	0	0	0	0	0	0	0	0	0	0	25,640
Accrued Expenses (7461)	158,209	0	0	0	0	3,569	0	0	0	0	0	0	0	161,779
Payroll Ded. and Withholdings (7471-7473)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Unearned Revenue (7481)	9,300	0	0	0	0	0	0	0	0	0	0	0	0	9,300
Deferred Inflow (7800)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Liabilities</b>	<b>193,150</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,569</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>196,719</b>

Governmental

Proprietary

Fiduciary

FUND EQUITY	Governmental										Proprietary					Fiduciary		
	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals			
Non-spendable Fund Balance 6710	0	0	0	0	0	1,333	0	0	0	0	0	0	0	0	1,333			
Restricted Fund Balance 6720	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
TABOR 3% Emergency Reserve 6721	63,500	0	0	0	0	0	0	0	0	0	0	0	0	0	63,500			
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	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
Committed Fund Balance 6750	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
Assigned Fund Balance 6760	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
Unassigned Fund Balance 6770	1,190,864	0	0	0	0	14,595	0	0	0	0	0	40,931	0	1,246,390				
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			
<b>Total Fund Equity</b>	<b>1,254,364</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>15,928</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>40,931</b>	<b>0</b>	<b>1,311,223</b>				

Total Liabilities & Fund Equity	Governmental										Proprietary					Fiduciary		
	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals			
1,447,514	0	0	0	0	0	19,497	0	0	0	0	0	40,931	0	1,507,942				

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