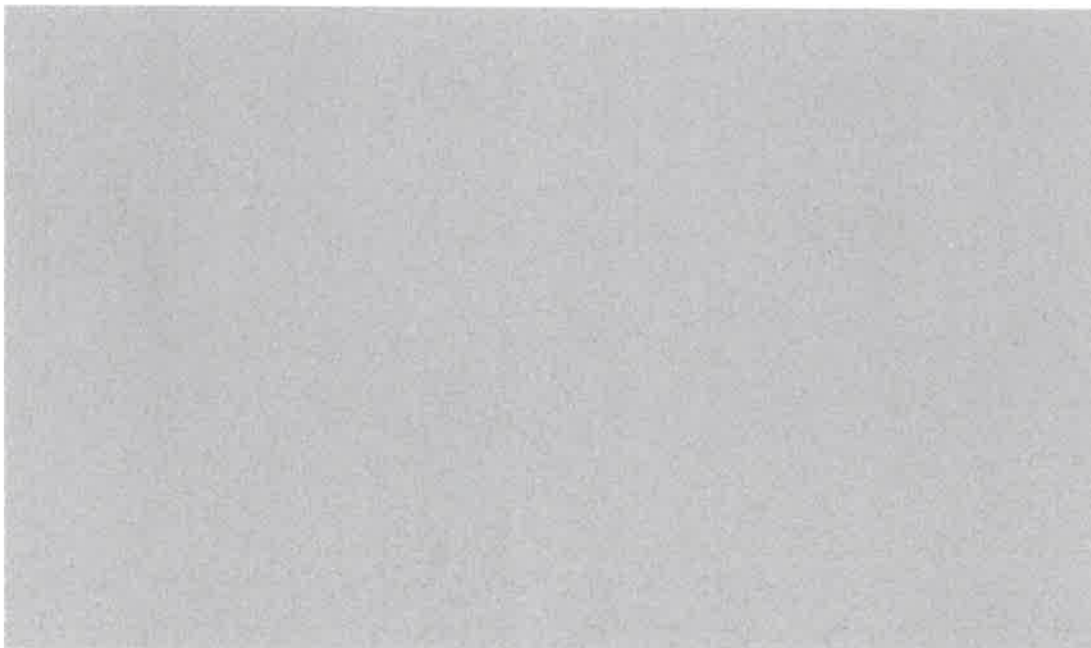


**SOUTH CONEJOS SCHOOL DISTRICT RE-10  
ANTONITO, COLORADO**

**FINANCIAL STATEMENTS**

**June 30, 2018**



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

**SOUTH CONEJOS SCHOOL DISTRICT RE-10**

**BASIC FINANCIAL STATEMENTS**

**SOUTH CONEJOS SCHOOL DISTRICT RE-10**  
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**June 30, 2018**

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# INDEPENDENT AUDITORS' REPORT



Wall,  
Smith,  
Bateman Inc.

To the Board of Education  
South Conejos School District RE-10  
Antonito, Colorado

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South Conejos School District RE-10 (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

## *Management's Responsibility for the Financial Statements*

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

## *Auditors' Responsibility*

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

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

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

## *Opinions*

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

**Certified Public Accountants**

3001 Adcock Circle, PO Box 809, Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 | [www.wsbcpa.com](http://www.wsbcpa.com)

***Emphasis of Matter***

*Change in Accounting Principle*

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

***Other Matters***

*Required Supplementary Information*

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

*Other Information*

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

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

*Wall, Smith, Bateman Inc.*

Wall, Smith, Bateman Inc.  
Alamosa, Colorado

February 05, 2020

The management of South Conejos School District RE-10 offers readers of the district's basic financial statements this narrative overview and analysis of the financial activities of the district for the fiscal year ended June 30, 2018.

### ***Financial Highlights***

On the statement of net position, assets and deferred outflows were more than the district's liabilities and deferred inflows, resulting in a net position of \$7.1 million. Total assets increased by \$0.3 million, deferred outflows of resources decreased by \$1.1 million, total liabilities increased by \$0.2 million and deferred inflows of resources increased by \$0.6 million.

On the statement of activities, general revenues totaling \$3.1 million accounted for 79.5 percent of all revenues of the primary government. Program revenues provided \$0.8 million, or 20.5 percent of all revenues, directly supporting the functions and programs of the primary government.

Outstanding liability for general obligation bonds payable, decreased by \$0.2 million due to scheduled principal payments.

Governmental funds reported combined ending fund balances of \$2.3 million, an increase of \$0.3 million from the prior year. Restricted fund balance for statutory requirements totaled \$0.6 million; fund balance amounts assigned by district management for various operations totaled \$0.1 million. Unassigned fund balance of \$1.6 million in the General Fund is available for district use.

### ***Overview of the Financial Statements***

This discussion and analysis serves as an introduction of the district's basic financial statements. The annual report consists of a series of financial statements and notes to those statements organized so the reader can understand the district as a whole. The basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to basic financial statements.

**Government-wide Financial Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the district's finances using accounting methods similar to those used by a private-sector business. These statements report the financial status of the district's governmental activities, which represent the district's programs and services, including instruction, support services, food service operations, operation and maintenance of facilities, pupil transportation and administration. These activities are principally supported by taxes and State equalization funding. The government-wide financial statements follow this Management's Discussion and Analysis section of the report.

The *statement of net position* presents information on all of the district's assets and deferred outflows of resources and liabilities and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the district's net position changed during the fiscal year. All revenues and expenses are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*.

**Fund Financial Statements.** The fund financial statements focus on the district's major funds and provide more detailed information about the district. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific objectives. The district's funds are governmental funds.

**Governmental Funds.** The district's activities are reported in governmental funds, which focus on how money flows into and out of those funds. Governmental funds are used to account for activities primarily supported by taxes, grants, and similar revenue sources. The balances left at year-end are available for spending in future periods. The

SOUTH CONEJOS SCHOOL DISTRICT RE-10  
Management's Discussion and Analysis (Unaudited)  
June 30, 2018

governmental fund statements provide a detailed, short-term view on the financial resources that can be spent in the near future on the district's programs.

The focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental activities in the governmental-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions.

Because there are differences between *governmental activities* (shown in the statement of net position and the statement of activities previously discussed) and *governmental funds*, two reconciliations are provided in the financial statements. The major differences between the financial reporting on governmental activities and governmental funds are directly related to the district's long-term liabilities and capital assets. For example, repayment of general obligation bonds is shown as an expenditure that reduces fund balance in the Bond Redemption Fund but as a reduction of long-term debt on the statement of activities. Acquisition of capital assets is shown as expenditures that reduce fund balance in governmental funds but as a noncurrent asset on the statement of net position. More details can be found on the reconciliations contained within the financial statements.

**Notes to the Basic Financial Statements.** The notes to the basic financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

**Required Supplementary Information and Other Supplementary Information.** In addition to the basic financial statements and accompanying notes, this report also includes *required supplementary information* containing the district's budgetary schedules for the district's General Fund, Governmental Designated Purpose Fund and Food Service Fund, as well as pension information required by GASB 68 and the OPEB information required by GASB 75. Other supplementary information, including financial statements and budgetary comparisons for the district's other governmental funds and the Auditor's Integrity Report follows the required supplementary information.

### ***Government-wide Financial Analysis***

**Governmental Activities.** As of June 30, 2018, assets and deferred outflows exceeded liabilities and deferred liabilities. As required by accounting standards, GASB 68 and GASB 75, the district has recorded a noncurrent liability of \$11.5 million for its net pension and OPEB liability. The district has no legal obligation to fund this shortfall nor does it have any ability to affect funding, benefits or annual required contribution decisions made by Colorado Public Employees' Retirement Association (PERA). As part of the GASB 68 and GASB 75 accounting, the districts deferred outflows decreased by \$1.0 million. During 2018, the total net position decreased \$1.6 million from \$8.7 million to \$7.1 million. A significant portion of the district's assets are investments in capital assets, such as land, buildings and equipment. The value of capital assets, net of depreciation, decreased by \$0.2 million, from \$18.9 million to \$18.7 million, because of net depreciation. The district's current assets and current liabilities showed minimal change other than cash, which grew by \$0.9 million due to timing and a planned increase in revenue over expenditures.

Restricted net position of the district includes two categories: 1) an emergency fund mandated by Article X, Section 20, of the Colorado constitution (i.e., TABOR) and 2) funds generated from property taxes accounted for in the Bond Redemption Fund that are restricted for the payment of long-term debt. In accordance with the emergency fund mandate, the district reserved 3.0 percent of applicable expenditures and the bond redemption funds, totaling \$0.5 million. Net investment in capital assets remained unchanged.

Net position for government activities decreased \$1.6 million. Expenses for governmental activities remained unchanged. Pension expense is allocated proportionally between instruction and support services in the same proportion as the actual employee benefit expenses.

**Net Position.** The table below provides a summary of the district's net position for June 30, 2018. Comparative data for June 30, 2017, is also presented.

The following condensed financial information is derived from the government-wide statement of net position.

**Comparative Summary of Net Position**

	Primary Government			
	Governmental Activities		Increase	% Change
	June 30, 2018	June 30, 2017	(Decrease)	from 2017
Current assets	\$ 2,763,760	\$ 2,275,597	\$ 488,163	21.5%
Capital assets, net	18,747,821	18,951,725	(203,904)	-1.1%
<b>Total assets</b>	<b>21,511,581</b>	<b>21,227,322</b>	<b>284,259</b>	<b>1.3%</b>
Deferred outflows of resources	3,243,229	4,320,135	(1,076,906)	-24.9%
Current liabilities	614,482	498,173	116,309	23.3%
Noncurrent liabilities outstanding	16,053,612	15,979,486	74,126	0.5%
<b>Total liabilities</b>	<b>16,668,094</b>	<b>16,477,659</b>	<b>190,435</b>	<b>1.2%</b>
Deferred inflows of resources	1,027,627	406,196	621,431	153.0%
Net investment in capital assets	14,042,474	14,042,538	(64)	0.0%
Restricted	613,603	514,231	99,372	0.0%
Unrestricted (deficit)	(7,596,988)	(5,893,167)	(1,703,821)	-27.2%
<b>Total net position</b>	<b>\$ 7,059,089</b>	<b>\$ 8,394,205</b>	<b>\$ (1,335,116)</b>	<b>-18.5%</b>

The deferred outflows decrease of \$1.1 million is due to the change in assumptions used for PERA's actuarial valuation. See the Notes to the Financial Statements for additional information on GASB 68 and GASB 75. The remaining \$0.6 million change in unrestricted net position is due to the district's pension impacts within the deferred inflows of resources.

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Management's Discussion and Analysis (Unaudited)  
June 30, 2018

The following condensed financial information is derived from the government-wide statement of activities and reflects how the district's net position changed from June 30, 2017, to June 30, 2018.

**Comparative Summary of Activities and Changes in Net Position**

	Primary Government			
	Governmental Activities		Increase (Decrease)	% Change from 2017
	June 30, 2018	June 30, 2017		
<b>REVENUES</b>				
Program revenues:				
Charges for services	\$ 60,575	\$ 64,770	\$ (4,195)	-6.5%
Operating grants & contributions	748,666	645,191	103,475	16.0%
General revenues:				
Property taxes	1,234,678	1,257,515	(22,837)	-1.8%
State share	1,898,617	1,959,296	(60,679)	-3.1%
Other	6,445	(511,031)	517,476	98.7%
<b>Total revenues</b>	<b>3,948,981</b>	<b>3,415,741</b>	<b>533,240</b>	<b>15.6%</b>
<b>EXPENSES</b>				
Instruction	2,959,037	2,896,732	62,305	2.2%
Supporting services	1,843,101	1,896,676	(53,575)	-2.8%
Other support services	28,785	64,638	(35,853)	-55.5%
Food service operations	268,631	202,117	66,514	32.9%
Interest on long-term debt	184,543	209,068	(24,525)	-11.7%
<b>Total expenses</b>	<b>5,284,097</b>	<b>5,269,231</b>	<b>14,866</b>	<b>0.3%</b>
<b>Change in net position</b>	<b>(1,335,116)</b>	<b>(1,853,490)</b>	<b>518,374</b>	<b>28.0%</b>
Net position - beginning of year	8,663,601	10,517,092	(1,853,491)	-17.6%
Restatement due to GASB 75	(269,396)	-	(269,396)	-%
<b>Net position - end of year</b>	<b>\$ 7,059,089</b>	<b>\$ 8,663,602</b>	<b>\$ (1,604,513)</b>	<b>-18.5%</b>

**Analysis of the District's Governmental Funds**

As noted earlier, the district uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the district's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable resources*. Unassigned fund balance may serve as a useful measure of the net resources available for spending. The governmental funds use the modified accrual basis of accounting. The fund financial statements provide information about the district's most significant funds and summarize less significant funds into one column.

The Colorado constitution requires an emergency reserve of 3.0 percent of expenditures, with certain federal and local expenditures excluded from this requirement. On the district's Balance Sheet for Governmental Funds, the requirement amount of \$88,000 is shown as fund balance restricted for TABOR emergency reserve.

**General Fund.** The General Fund's unassigned fund balance is \$1.6 million, which provides a measure of the district's net resources available for spending at the end of the fiscal year. This is an increase of \$0.3 million from

SOUTH CONEJOS SCHOOL DISTRICT RE-10  
 Management's Discussion and Analysis (Unaudited)  
 June 30, 2018

the prior year. Fund balances increased in the bond redemption fund and the general fund. The increase in the general fund was due to an underspending of expenditures. The increase in the bond redemption fund was due to an increase in property taxes restricted for debt service.

The district's board of education has not set a policy requiring a minimum total fund balance in the General Fund. Management believes the 65.6% general fund operating reserve ratio is a responsible amount given the unpredictability of revenue related to pupil count and the unpredictability of expenditures related to insurance and special education. The district's operating reserve was 12.8% in 2014. This year marks the third year of the district spending less than its current revenues. This fiscal discipline allowed the district to increase its fiscal health in meeting the financial indicator benchmarks set by the state.

*Revenues.* Governmental funds revenue increased by \$0.85 million with the increase driven by operating grants & contributions and other. The positive change in the other revenue was due to the prior year recognition of loss on disposition of capital assets not repeated in 2018. Operating grants & contributions increased with additional grant funding provided to the district in 2018. The remaining local revenues remaining relatively flat.

*Expenditures.* Total governmental funds expenditures increased slightly to \$3.6 million. Excluding debt service, expenditures were \$3.2 million.

**General Fund Budgetary Highlights**

Actual revenues were essentially equal to budget. Increases in state sources offset decreases to property taxes and federal grant revenue. The positive variance in expenditures related to an underspending in support-based expenditures of \$314,385 and underspending of \$100,106 in transfers to other funds.

**Capital Assets and Debt Administration**

**Capital assets**

Net of depreciation, the district's capital assets as of June 30, 2018, totaled \$19.0 million, which is invested in land, buildings, equipment, vehicles and construction in progress. Current fiscal year depreciation totaled \$418,056. Other than depreciation changes in 2018 related to the Construction in progress (CIP) activities.

	<b>Capital Assets</b>			
	(Net of Depreciation)			
	Primary Government		Increase (Decrease)	% Change From 2017
Governmental Activities				
	June 30, 2018	June 30, 2017		
Land	\$ 45,124	\$ 45,124	\$ -	-
Buildings and improvements	18,504,940	18,781,456	(276,516)	-1.5%
Equipment and vehicles	63,336	81,905	(18,569)	-22.7%
Subtotal	18,613,400	18,908,485	(295,085)	-1.6%
Construction in progress	134,421	43,239	91,182	210.88%
Total	\$ 18,747,821	\$ 18,951,724	\$ (203,903)	-1.1%

The construction in progress relates to the playground equipment paid for with private grant funds. For more information on the district's capital assets, refer to Note 7 Capital Assets in the Notes to the Financial Statements.

**Long-Term Debt**

The remaining long-term debt principal is \$4.7 million with \$0.2 million due in one year. For more information on the district's long-term debt, refer to Note 9 Noncurrent Liabilities in the Notes to the Financial Statements.

**Outstanding Debt  
 June 30, 2018**

	Primary Government		Increase (Decrease)	% Change From 2017
	Governmental Activities			
	June 30, 2018	June 30, 2017		
General obligation bonds	\$ 4,705,347	\$ 4,909,187	\$ (203,840)	-4.2%

***Other Highlights***

Additional information related to capital assets and debt administration are located in Note 7 and Note 9 respectively. The food service fund should have been provided with the expected transfer from the general fund because expenditures continue to significantly exceed revenues by \$55,012. This resulted in a negative unassigned fund balance in the amount of (\$53,171), a possible statutory violation of Colorado's budget provisions. In addition, the Governmental Designated Purpose Fund also reported a negative unassigned fund balance due to expenditures exceeding available revenues by \$16,021.

The actual pupil enrollment at the district is projected to decrease for FY2018-19. Such a decline will be offset in part by a funded pupil count averaging provision implemented by the Colorado Department of Education for declining enrollment districts. Therefore, an actual enrollment count for FY18-19 of 147.0 will be funded closer to 186.6, thereby reducing the single year impact for such enrollment declines.

***Requests for Information***

This financial report is designed to provide 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 information, please contact the Superintendent, South Conejos School District RE-10, 31099 County Road G, Antonito, Colorado 81120, or visit our website at southconejos.com.

**SOUTH CONEJOS SCHOOL DISTRICT RE-10**  
**STATEMENT OF NET POSITION**  
**June 30, 2018**

	<b>Primary Government Governmental Activities</b>
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and Investments	\$ 2,602,546
Property Tax Receivable	128,135
Due from Other Governments	31,238
Inventories	1,841
<b>Capital Assets</b>	
Land	45,124
Land Improvements	155,589
Construction in Progress	134,421
Buildings	19,545,507
Equipment	14,337
Vehicles	529,370
Less: Accumulated Depreciation	(1,676,527)
<b>TOTAL ASSETS</b>	<b>21,511,581</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension	3,233,982
OPEB	9,247
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>3,243,229</b>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts Payable	83,050
Accrued Salaries and Benefits	239,835
Unearned Grant Revenue	79,221
General Obligation Bonds	212,376
<b>Total Current Liabilities</b>	<b>614,482</b>
<b>Noncurrent Liabilities</b>	
General Obligation Bonds	4,492,971
Compensated Absences	36,138
Net Pension Liability	11,267,136
Net OPEB Liability	257,367
<b>Total Noncurrent Liabilities</b>	<b>16,053,612</b>
<b>TOTAL LIABILITIES</b>	<b>16,668,094</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension	1,005,442
OPEB	22,185
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>1,027,627</b>
<b>NET POSITION</b>	
Net Investment in Capital Assets	14,042,474
Restricted for:	
TABOR	88,000
Debt Service	525,603
Unrestricted	(7,596,988)
<b>TOTAL NET POSITION</b>	<b>\$ 7,059,089</b>

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

**SOUTH CONEJOS SCHOOL DISTRICT RE-10**

**STATEMENT OF ACTIVITIES**

**For the Fiscal Year Ended June 30, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Revenue and Changes in Net Position
					Governmental Activities
<b>Primary Government:</b>					
<b>Governmental Activities:</b>					
Instructional Program	\$ 2,959,037	\$ -	\$ 522,725	\$ -	\$ (2,436,312)
Student Support Services	316,659	42,870	81,841	-	(191,948)
Instructional Staff Support Services	71,162	-	-	-	(71,162)
General Administration Support Services	419,587	15	-	-	(419,572)
School Administration Support Services	175,301	-	-	-	(175,301)
Business Support Services	7,211	-	-	-	(7,211)
Operations and Maint. of Plant Services	424,497	-	-	-	(424,497)
Student Transportation Services	237,203	-	33,978	-	(203,225)
Central Support Services	191,481	-	-	-	(191,481)
Other Support Services	21,312	-	-	-	(21,312)
Food Services	268,631	17,690	110,122	-	(140,819)
Facilities Acquisition and Const. Services	7,473	-	-	-	(7,473)
Interest on Long-term Debt	184,543	-	-	-	(184,543)
<b>Total Governmental Activities</b>	<b>5,284,097</b>	<b>60,575</b>	<b>748,666</b>	<b>-</b>	<b>(4,474,856)</b>
<b>Total Primary Government</b>	<b>\$ 5,284,097</b>	<b>\$ 60,575</b>	<b>\$ 748,666</b>	<b>\$ -</b>	<b>(4,474,856)</b>
<b>General Revenues</b>					
Taxes:					
					1,132,869
General Property Taxes - Net					101,809
Specific Ownership Taxes					-
Other Taxes					1,898,617
State Equalization					6,445
Interest on Investments					-
Miscellaneous					-
<b>Total General Revenues</b>					<b>3,139,740</b>
					<b>(1,335,116)</b>
<b>Change in Net Position</b>					<b>8,663,601</b>
<b>Net Position - Beginning of year</b>					<b>(269,396)</b>
<b>GASB 75 Restatement</b>					<b>8,394,205</b>
<b>Net Position - Beginning of Year Restated</b>					<b>\$ 7,059,089</b>
<b>Net Position - End of year</b>					

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

**SOUTH CONEJOS SCHOOL DISTRICT RE-10**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**June 30, 2018**

	GOVERNMENTAL					TOTAL NONMAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	DESIGNATED PURPOSE FUND	FOOD SERVICE FUND	BOND REDEMPTION FUND			
<b>ASSETS</b>							
Cash and Investments	\$ 1,152,217	\$ 244,477	\$ 47,431	\$ 484,376	\$ 128,816	\$ 2,057,317	
Cash with Fiscal Agent	539,311	-	-	5,918	-	545,229	
Property Tax Receivable	66,059	-	-	62,076	-	128,135	
Grant Receivable	-	23,361	-	-	-	23,361	
Due from Other Funds	265,690	-	9,649	-	-	275,339	
Due from Other Governments	-	-	7,877	-	-	7,877	
Inventories	-	-	1,841	-	-	1,841	
<b>TOTAL ASSETS</b>	<b>\$ 2,023,277</b>	<b>\$ 267,838</b>	<b>\$ 66,798</b>	<b>\$ 552,370</b>	<b>\$ 128,816</b>	<b>\$ 3,039,099</b>	
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>							
<b>LIABILITIES</b>							
Accounts Payable	\$ 73,626	\$ 6,363	\$ 3,061	\$ -	\$ -	\$ 83,050	
Due to Other Funds	-	178,486	96,853	-	-	275,339	
Accrued Salaries and Benefits	199,991	19,789	20,055	-	-	239,835	
Unearned Grant Revenue	-	79,221	-	-	-	79,221	
<b>TOTAL LIABILITIES</b>	<b>273,617</b>	<b>283,859</b>	<b>119,969</b>	<b>-</b>	<b>-</b>	<b>677,445</b>	
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable Revenue - Property Tax	28,484	-	-	26,767	-	55,251	
<b>FUND BALANCE</b>							
Nonspendable - Inventory Restricted	-	-	1,841	-	-	1,841	
TABOR	88,000	-	-	-	-	88,000	
Debt Service	-	-	-	525,603	-	525,603	
Committed	-	-	-	-	-	-	
Pupil Activities	-	-	-	-	121,614	121,614	
Capital Projects	-	-	-	-	7,202	7,202	
Unassigned	1,633,176	(16,021)	(55,012)	-	-	1,562,143	
<b>TOTAL FUND BALANCE</b>	<b>1,721,176</b>	<b>(16,021)</b>	<b>(53,171)</b>	<b>525,603</b>	<b>128,816</b>	<b>2,306,403</b>	
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b>\$ 2,023,277</b>	<b>\$ 267,838</b>	<b>\$ 66,798</b>	<b>\$ 552,370</b>	<b>\$ 128,816</b>	<b>\$ 3,039,099</b>	

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

**SOUTH CONEJOS SCHOOL DISTRICT RE-10**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES**  
**TO THE STATEMENT OF NET POSITION**  
**June 30, 2018**

<b>Total governmental fund balances</b>	<b>\$ 2,306,403</b>
 Amounts reported for governmental activities in the statement of net position are difference because:	
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.	18,747,821
Certain deferred inflows related to unavailable fund resources do not provide current financial resources and the revenues are not recognized on the fund financial statements but are recognized on the government-wide financial statements	55,251
Deferred results and contributions to pension and OPEB plans made after the measurement date are recorded as expenditures in the governmental funds but must be deferred in the statement of net position.	2,680,632
Long-term liabilities are not due and payable in the current period and, therefore are not reported in the funds.	
General Obligation Bonds	\$(4,705,347)
Compensated Absences	<u>(36,138)</u>
	(4,741,485)
Net pension and OPEB liabilities are not due and payable in the current period and are not reported in the funds.	(11,524,503)
Certain amounts related to the net pension and OPEB liabilities are deferred and amortized over time. These are not reported in the funds.	<u>(465,030)</u>
<b>Net position of governmental activities</b>	<b><u><u>\$ 7,059,089</u></u></b>

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

**SOUTH CONEJOS SCHOOL DISTRICT RE-10**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES**

For the Year Ended June 30, 2018

	GENERAL FUND	GOVERNMENTAL DESIGNATED PURPOSES FUND	FOOD SERVICE FUND	BOND REDEMPTION FUND	TOTAL NONMAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES</b>						
Federal Sources	\$ 34,170	\$ 165,528	\$ 109,186	\$ -	\$ -	\$ 308,884
State Sources	2,240,536	-	936	-	-	2,241,472
Local Sources	827,186	-	17,690	505,282	43,310	1,393,468
<b>TOTAL REVENUES</b>	<b>3,101,892</b>	<b>165,528</b>	<b>127,812</b>	<b>505,282</b>	<b>43,310</b>	<b>3,943,824</b>
<b>EXPENDITURES</b>						
Instructional Program	1,388,255	137,295	-	-	59,391	1,584,941
Student Supporting Services	176,542	15,890	-	-	-	192,432
Instructional Staff Supporting Services	17,452	24,393	-	-	-	41,845
General Administration Supporting Services	299,120	3,971	-	750	-	303,841
School Administration Supporting Services	103,561	-	-	-	-	103,561
Business Supporting Services	7,211	-	-	-	-	7,211
Operations and Maintenance of Plant Services	325,581	-	-	-	-	325,581
Student Transportation Services	136,752	-	-	-	-	136,752
Central Supporting Services	148,056	-	-	-	-	148,056
Other Supporting Services	21,312	-	182,824	-	-	21,312
Food Services	-	-	-	-	-	182,824
Facilities Acquisition and Construction	-	-	-	-	141,894	141,894
Debt Service	-	-	-	405,160	-	405,160
<b>TOTAL EXPENDITURES</b>	<b>2,623,842</b>	<b>181,549</b>	<b>182,824</b>	<b>405,910</b>	<b>201,285</b>	<b>3,595,410</b>
Excess (deficiency) of revenues over expenditures	478,050	(16,021)	(55,012)	99,372	(157,975)	348,414
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers to Other Funds	(141,894)	-	-	-	-	(141,894)
Transfers from Other Funds	-	-	-	-	141,894	141,894
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(141,894)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>141,894</b>	<b>-</b>
Net Change in Fund Balance	336,156	(16,021)	(55,012)	99,372	(16,081)	348,414
<b>Fund Balance, Beginning of Year</b>	<b>1,385,020</b>	<b>-</b>	<b>1,841</b>	<b>426,231</b>	<b>144,897</b>	<b>1,957,989</b>
<b>Fund Balance, End of Year</b>	<b>\$ 1,721,176</b>	<b>\$ (16,021)</b>	<b>\$ (53,171)</b>	<b>\$ 525,603</b>	<b>\$ 128,816</b>	<b>\$ 2,306,403</b>

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

**SOUTH CONEJOS SCHOOL DISTRICT RE-10**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2018**

**Net change in fund balances - total governmental funds** \$ 348,414

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

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

Capital Asset additions	\$ 214,154	
Depreciation expense	<u>(418,056)</u>	(203,902)

Unearned revenue does not provide current financial resources on the governmental fund financial statements, but this change in unearned revenue from year to year is recognized on the government-wide financial statements. 5,157

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

Principal payment on general obligation bonds	203,840	
Accrued interest	<u>16,777</u>	220,617

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:

Compensated Absences		13,415
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Certain items reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds. This item consists of the change in pension and OPEB expense. (1,718,817)

**Change in net position of governmental activities** **\$ (1,335,116)**

**SOUTH CONEJOS SCHOOL DISTRICT RE-10**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**REPORTING ENTITY**

***Primary Government***

South Conejos School District RE-10 was organized under the School District Act of 1965. The District is declared to be a corporate body with perpetual existence and in its name may hold property, sue and be sued, and be a party to contracts for any purpose authorized by law. Members of the school board are voted on at large by the registered, qualified electors of the District. Taxes are levied upon all taxable property within the District's boundaries by the County Commissioners. The County Treasurer collects the taxes and submits them to the District. The District also receives State and Federal funds. The school board has the authority to issue bonds up to 20% of the latest assessed valuation of the taxable property in the District. The board also has authority to select the depository of school funds and acquire short-term loans.

***Component Units***

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

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

Based on the aforementioned criteria, the South Conejos School District RE-10 has no component units.

**SOUTH CONEJOS SCHOOL DISTRICT RE-10**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

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

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

Separate financial statements are provided for governmental funds. The emphasis of fund financial statements is on major governmental funds each reported as a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION**

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

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

The District reports the following major governmental funds:

- The **General Fund** is the general operating fund of the District. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The **Governmental Designated Purpose Fund** is used to record financial transactions for grants received for designated programs funded by federal, state, or local grantors.
- The **Food Service Fund** is used to account for the operations of the school breakfast and lunch programs.
- The **Bond Redemption Fund** is used for servicing of general long-term debt not being financed by proprietary funds.

**SOUTH CONEJOS SCHOOL DISTRICT RE-10**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables, and receivables. All internal balances in the statement of net position have been eliminated except those representing balances between governmental activities and business-type activities, which are presented as internal balances and eliminated in the total primary government column.

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

***Cash***

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

***Cash with Fiscal Agent***

Conejos County collects property taxes for the District and holds the funds in trust until sent to the District, generally on a monthly basis. The amount held by the County Treasurer is included as a receivable on the balance sheet and statement of net position.

***Investments***

All investments, if any, are recorded at fair market value.

***Property Taxes***

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

Uncollected property taxes that became an enforceable lien January 1, 2018 have been recorded in the financial statements as an asset and a corresponding deferred inflows of resources.

***Receivables/Payables From Other District Funds***

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

***Inventories***

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

***USDA Commodities***

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

**SOUTH CONEJOS SCHOOL DISTRICT RE-10**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

***Capital Assets***

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

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

Assets	Years
Land Improvements	10-20
Buildings and Improvements	5-35
Equipment	5-25
Vehicles	5-12

***Long-Term Obligations***

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

***Compensated Absences***

Employees of the District may accumulate sick leave up to 60 days. Upon retirement from the District, an employee will receive one-half the certified substitute teacher's rate per day for each sick day accumulated. Employees leaving the District for any other reason will receive one-fourth the daily substitute rate for each sick day accumulated. A liability is accrued in the government-wide financial statements.

***Unearned Grant Revenue***

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

***Deferred Outflows/Inflows of Resources***

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

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

Certain amounts related to pension and other postemployment benefits must be deferred.

**SOUTH CONEJOS SCHOOL DISTRICT RE-10**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

***Pension***

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

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

***Other Postemployment Benefits (OPEB)***

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

***Net Position***

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

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

**SOUTH CONEJOS SCHOOL DISTRICT RE-10**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

***Fund Balance***

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

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

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

***Encumbrances***

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

***Use of Estimates***

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

***New Accounting Pronouncements***

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

**SOUTH CONEJOS SCHOOL DISTRICT RE-10**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

GASB No. 75 requires cost-sharing employers participating in the PERA program, such as the District to record their proportionate share, as defined in GASB No. 75, of PERA's unfunded OPEB, specifically the Health Care Trust Fund (HCTF). The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. The District has no legal obligation to fund this HCTF shortfall nor does it have any ability to affect funding, benefit or annual required contribution decisions made by PERA or the General Assembly. The requirement of GASB No. 75 to record a portion of PERA's unfunded liability negatively impacted the District's beginning net position by \$269,396. The OPEB liability recorded as of June 30, 2018 was \$257,367. Information regarding PERA's current funding status can be found in its comprehensive annual financial report.

**NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

***Budgets and Budgetary Accounting***

South Conejos School District RE-10 follows the procedures set forth in the Colorado School District Budget Law when preparing annual budgets for each fund. Budget procedures include:

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

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

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

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

**NOTE 3 CASH, DEPOSITS, AND INVESTMENTS**

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

Cash in Banks	\$ 1,969,680
COLOTRUST	148,490
Investments	<u>484,376</u>
Total cash, deposits, and investments on the Statement of Net Position	<u><u>\$ 2,602,546</u></u>

**SOUTH CONEJOS SCHOOL DISTRICT RE-10**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

***Cash and Deposits***

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

The Colorado Public Deposit Protection Act (PDPA), requires that all units of local government deposit cash in eligible public depositories, determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized in accordance with the PDPA. PDPA allows the institution to create a single collateral pool for all public funds to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

***Custodial Credit Risk – Deposits***

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of year-end, \$1,004,129 of the District's bank balance of \$1,477,835 was exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institution through PDPA.

***Investments***

Colorado Statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest. They include:

- Obligations of the United States and certain U.S. Government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptance of certain banks
- Commercial paper holding the highest credit rating category and with a maturity within 180 days
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Corporate or bank debt issued by eligible corporations or banks

COLOTRUST is a money market investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing COLOTRUST. The pool operates similarly to a money market fund and each share is equal in value to \$1.00. Investments consist of U.S. Treasury and U.S. Agency securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the entities. COLOTRUST is rated

**SOUTH CONEJOS SCHOOL DISTRICT RE-10**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

AAAm by Standard and Poors, and maintains a constant net asset value of \$1 per share. Financial statements for COLOTRUST are available at [www.colotruster.com](http://www.colotruster.com). The total COLOTRUST investment was valued at \$484,376 at June 30, 2018 with a credit rating of AAAm by Standard & Poors.

*Interest Rate Risk* - The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk* - The risk that an issuer or other counterparty to an investment will not fulfill its obligation. State statutes limit investments in U.S. Agency securities to the highest rating issued by National Recognized Statistical Rating Organizations (NRSROs).

*Concentration of Credit Risk* - The risk of loss attributed to the magnitude of a government's investment in a single issuer. The District has not established a policy limiting the investment in any type of security and deems it unnecessary at this time.

**NOTE 4 PROPERTY TAXES RECEIVABLE**

At June 30, 2018, the District had an estimated property tax receivable of \$128,135.

**NOTE 5 DUE FROM OTHER GOVERNMENTS**

Intergovernmental receivables include amounts due from grantors for specific program grants. Program grants are recorded as receivables and revenues at the time reimbursable project costs are incurred.

As of June 30, 2018, the District had \$31,238 due from Federal, State, and Local governments, reflected as Due from Other Governments in the accompanying basic financial statements.

**NOTE 6 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

***Interfund Receivables/Payables***

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

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Food Service Fund	\$ 96,853
General Fund	Governmental Designated Purpose Fund	168,837
Food Service Fund	Governmental Designated Purpose Fund	9,649
Total		<u>\$ 275,339</u>

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***Interfund Transfers***

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

<b>Transfer In</b>	<b>Transfer Out</b>	<b>Amount</b>
Capital Projects Fund	General Fund	141,894
Total		\$ 141,894

This transfer was made from the General Fund to fund capital projects.

**NOTE 7 CAPITAL ASSETS**

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

	<b>Balance 6/30/2017</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/2018</b>
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated				
Land	\$ 45,124	\$ -	\$ -	\$ 45,124
Construction in Progress	43,239	214,154	122,972	134,421
Total capital assets not being depreciated	88,363	214,154	122,972	179,545
Capital assets being depreciated				
Land Improvements	32,617	122,972	-	155,589
Buildings and Improvements	19,545,507	-	-	19,545,507
Equipment	13,633	-	-	13,633
Food Service Equipment	704	-	-	704
Vehicles	529,370	-	-	529,370
Total capital assets being depreciated	20,121,831	122,972	-	20,244,803
Less: Accumulated Depreciation for				
Land improvements	(13,047)	(6,550)	-	(19,597)
Buildings and Improvements	(783,622)	(392,937)	-	(1,176,559)
Equipment	(4,870)	(1,947)	-	(6,817)
Food Service Equipment	(704)	-	-	(704)
Vehicles	(456,228)	(16,622)	-	(472,850)
Total accumulated depreciation	(1,258,471)	(418,056)	-	(1,676,527)
Total Capital Assets being depreciated, net	18,863,360	(295,084)	-	18,568,276
<b>GOVERNMENTAL ACTIVITIES</b>				
<b>CAPITAL ASSETS, NET</b>	<b>\$ 18,951,723</b>	<b>\$ (80,930)</b>	<b>\$ 122,972</b>	<b>\$ 18,747,821</b>

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

Governmental activities:	
Instructional Program	\$ 392,937
Student Support Services	8,497
Student Transportation Services	<u>16,622</u>
Total depreciation expense – governmental activities	<u><u>\$ 418,056</u></u>

**NOTE 8 ACCRUED SALARIES AND BENEFITS**

The teachers, administrators, and the administrative staff are employed under nine, ten and eleven month contracts. All District employees are paid on a twelve-month basis, therefore, a difference exists between the actual amount of salaries earned under the contract and the amount paid. The difference between salaries earned and paid, including the District's share of benefits, has been accrued in the financial statements in the amount of \$239,835.

**NOTE 9 LONG-TERM LIABILITIES**

***Changes in Long-Term Liabilities***

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

	<u>Balance</u> <u>6/30/2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2018</u>	<u>Due within</u> <u>one year</u>
Governmental Activities					
General Obligation Bonds	\$ 4,909,187	\$ -	\$ (203,840)	\$ 4,705,347	\$ 212,376
Compensated Absences	<u>49,554</u>	<u>-</u>	<u>(13,416)</u>	<u>36,138</u>	<u>-</u>
Total	<u><u>\$ 4,958,741</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (217,256)</u></u>	<u><u>\$ 4,741,485</u></u>	<u><u>\$ 212,376</u></u>

***General Obligation Bonds***

In 2014, the District issued \$5,477,745 of general obligation bonds that were used for an escrow match to build the PK-12 school replacement. The district was awarded a Building Excellent Schools Today (BEST) lease-purchase grant requiring the escrow match. Principal is due annually on December 1, and interest at a rate of 4.18% is due semiannually on June 1, and December 1. Payments are made through the Bond Redemption Fund.

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The annual debt service for the general obligation bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
FY 2019	\$ 212,376	\$ 192,604	\$ 404,980
FY 2020	221,270	183,524	404,794
FY 2021	230,537	174,064	404,601
FY 2022	240,191	164,207	404,398
FY 2023	250,250	153,938	404,188
Thereafter	<u>3,550,723</u>	<u>878,634</u>	<u>4,429,357</u>
	<u>\$ 4,705,347</u>	<u>\$ 1,746,971</u>	<u>\$ 6,452,318</u>

**NOTE 10 DEFINED BENEFIT PENSION PLAN**

***General Information about the Pension Plan***

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

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

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

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

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

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

As of December 31, 2017, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to as annual increases in the C.R.S. Benefit

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

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

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

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

	For the Year Ended December 31,	
	2018	2017
Employer Contribution Rate	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) <sup>1</sup>	-1.02%	-1.02%
Amount Apportioned to the SCHDTF <sup>1</sup>	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	5.50%	5.00%
	19.13%	18.63%

<sup>1</sup>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 District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District were \$290,726, for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$11,267,136 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017. The District's proportion of the net pension liability was based on District contributions to the SCHDTF for the calendar year 2017 relative to the total contributions of participating employers to the SCHDTF.

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At December 31, 2017, District's proportion was 0.0348 percent, which was a decrease of 0.0029 percent from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018 the District recognized pension expense of \$1,718,817. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 207,155	\$ -
Changes of assumptions or other inputs	2,876,918	18,256
Net difference between projected and actual earnings on pension plan investments	-	442,471
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	544,715
Contributions subsequent to the measurement date	149,909	-
Total	\$ 3,233,982	\$ 1,005,442

\$149,909 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,		
2019	\$	1,481,977
2020		819,395
2021		(56,281)
2022		(166,459)
2023		-
Thereafter		-

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

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

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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 Employee Mortality Table, adjusted as follows:

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

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

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

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

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

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

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

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

*Discount rate.* The discount rate used to measure the total pension liability was 4.78 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

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

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to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.

- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the projection test indicates the SCHDTF's fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25 percent on pension plan investments was applied to periods through 2041 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System, was applied to periods on and after 2041 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.43 percent, resulting in a discount rate of 4.78 percent.

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

*Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate.* The following presents the proportionate share of the net pension liability calculated using the discount rate of 4.78 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.78 percent) or 1-percentage-point higher (5.78 percent) than the current rate:

	1% Decrease (3.78%)	Current Discount Rate (4.78%)	1% Increase (5.78%)
Proportionate share of the net pension liability	\$ 14,232,309	\$ 11,267,136	\$ 8,850,859

*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.

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

At June 30, 2018, the District reported a liability of \$11,267,136 for its proportionate share of the net pension liability which was measured using the plan provisions in effect as of the pension plan's year-end based on a discount rate of 4.78%. For comparative purposes, the following schedule presents an estimate of what the District proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the SCHDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the SCHDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

Estimated Discount Rate Calculated Using Plan Provisions Required by SB 18-200 (pro forma)	Proportionate Share of the Estimated Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 (pro forma)
7.25%	\$ 5,090,394

Recognizing that the changes in contribution and benefit provisions also affect the determination of the discount rate used to calculate proportionate share of the net pension liability, approximately \$5,259,570 of the estimated reduction is attributable to the use of a 7.25 percent discount rate.

**NOTE 11 OTHER POSTEMPLOYMENT BENEFITS**

***General Information about the OPEB Plan***

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

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

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

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

***PERA Benefit Structure***

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

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

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the District were \$15,739 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$257,367 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2017. The District's proportion of the net OPEB liability was based on District contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF.

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At December 31, 2017, the District proportion was 0.0197 percent, which was a decrease of 0.0016 from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018 the District recognized OPEB expense of \$910. At June 30, 2018, District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,217	\$ -
Changes of assumptions or other inputs	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	4,304
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	17,880
Contributions subsequent to the measurement date	8,029	-
<b>Total</b>	<b>\$ 9,246</b>	<b>\$ 22,184</b>

\$8,029 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	
2019	\$ (4,350)
2020	(4,350)
2021	(4,350)
2022	(4,350)
2023	(3,274)
Thereafter	(295)

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

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 percent in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00 percent

**SOUTH CONEJOS SCHOOL DISTRICT RE-10**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

PERACare Medicare plans	5.00 percent
Medicare Part A premiums	3.00 percent for 2017, gradually rising to 4.25 percent in 2023

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

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

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

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

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

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

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

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

- 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.

**SOUTH CONEJOS SCHOOL DISTRICT RE-10**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

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

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

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

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

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

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.

**SOUTH CONEJOS SCHOOL DISTRICT RE-10**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

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

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

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

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

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

	<u>1% Decrease in Trend Rates</u>	<u>Current Trend Rates</u>	<u>1% Increase in Trend Rates</u>
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	<u>\$ 250,215</u>	<u>\$ 257,367</u>	<u>\$ 265,821</u>

*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:

**SOUTH CONEJOS SCHOOL DISTRICT RE-10**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

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

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ 289,280	\$ 257,367	\$ 229,994

*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).

**NOTE 12 DEFINED CONTRIBUTION PENSION PLAN**

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

**SOUTH CONEJOS SCHOOL DISTRICT RE-10**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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*Funding Policy* – The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions, employer contributions, and investment earnings. For the year ended June 30, 2018 program members contributed \$2,870 for the Voluntary Investment Program.

**NOTE 13 JOINT VENTURES AND RELATED PARTIES**

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

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

**San Luis Valley Board of Cooperative Educational Services (BOCES)**

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

**NOTE 14 COMMITMENTS AND CONTINGENCIES**

***Grant Programs***

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

***Litigation***

The District is a party to various legal actions normally associated with governmental activities, the aggregate effect of which, in management's and legal counsel's opinion, would not be material to its financial statements.

**NOTE 15 TABOR EMERGENCY RESERVE**

Colorado voters passed an amendment to the State constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local

**SOUTH CONEJOS SCHOOL DISTRICT RE-10**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

governments. The amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the amendment.

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

On November 5, 1996 voters approved a ballot measure authorizing the District to collect, retain and expend all revenues including grants and other funds collected during 1996 and each subsequent year from any source, notwithstanding the limitations of Article X, Section 20 of the Colorado Constitution, effective January 1, 1996, provided, however, that no property tax mill levy be increased at any time nor shall any new tax be imposed without the prior approval of the voters.

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

**NOTE 16 RISK MANAGEMENT**

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

## **SOUTH CONEJOS SCHOOL DISTRICT RE-10**

### **REQUIRED SUPPLEMENTARY INFORMATION**

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

**SOUTH CONEJOS SCHOOL DISTRICT RE-10**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Year Ended June 30, 2018**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
				<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
<b>REVENUES</b>				
Federal Sources	\$ 59,006	\$ 59,006	\$ 34,170	\$ (24,836)
State Sources	2,130,169	2,130,169	2,240,536	110,367
Local Sources	1,000,049	1,000,049	827,186	(172,863)
<b>TOTAL REVENUES</b>	<u>3,189,224</u>	<u>3,189,224</u>	<u>3,101,892</u>	<u>(87,332)</u>
<b>EXPENDITURES</b>				
Instructional Program	1,380,981	1,477,252	1,388,255	88,997
Student Supporting Services	209,932	146,022	176,542	(30,520)
Instructional Staff Supporting Services	21,187	13,267	17,452	(4,185)
General Administration Supporting Services	319,412	336,620	299,120	37,500
School Administration Supporting Services	88,545	207,406	103,561	103,845
Business Supporting Services	-	-	7,211	(7,211)
Operations and Maintenance of Plant Services	274,817	356,234	325,581	30,653
Student Transportation Services	149,830	187,410	136,752	50,658
Central Supporting Services	193,792	253,611	148,056	105,555
Other Supporting Services	20,600	49,402	21,312	28,090
Food Service Operations	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>2,659,096</u>	<u>3,027,224</u>	<u>2,623,842</u>	<u>403,382</u>
Excess (deficiency) of revenues over expenditures	530,128	162,000	478,050	316,050
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers to Other Funds	(242,000)	(242,000)	(141,894)	100,106
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(242,000)</u>	<u>(242,000)</u>	<u>(141,894)</u>	<u>100,106</u>
Net Change in Fund Balance	288,128	(80,000)	336,156	416,156
<b>Fund Balance, Beginning of Year</b>	-	1,339,851	1,385,020	45,169
<b>Fund Balance, End of Year</b>	<u>\$ 288,128</u>	<u>\$ 1,259,851</u>	<u>\$ 1,721,176</u>	<u>\$ 461,325</u>

**Notes to the Required Supplementary Information**

The basis of budgeting is the same as GAAP.

This schedule is presented on the GAAP basis.

**SOUTH CONEJOS SCHOOL DISTRICT RE-10**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**GOVERNMENTAL DESIGNATED PURPOSE FUND**  
**For the Year Ended June 30, 2018**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
				<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
<b>REVENUES</b>				
Federal Sources	\$ 298,830	\$ 190,723	\$ 165,528	\$ (25,195)
<b>TOTAL REVENUES</b>	<u>298,830</u>	<u>190,723</u>	<u>165,528</u>	<u>(25,195)</u>
<b>EXPENDITURES</b>				
Instructional Program	129,829	150,810	137,295	13,515
Student Support Services	9,022	400	15,890	(15,490)
Instructional Support Services	51,076	12,243	24,393	(12,150)
General Administration Support Services	-	27,270	3,971	23,299
<b>TOTAL EXPENDITURES</b>	<u>189,927</u>	<u>190,723</u>	<u>181,549</u>	<u>9,174</u>
Net Change in Fund Balance	108,903	-	(16,021)	(16,021)
<b>Fund Balance, Beginning of Year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance, End of Year</b>	<u>\$ 108,903</u>	<u>\$ -</u>	<u>\$ (16,021)</u>	<u>\$ (16,021)</u>

**Notes to the Required Supplementary Information**

The basis of budgeting is the same as GAAP.

This schedule is presented on the GAAP basis.

**SOUTH CONEJOS SCHOOL DISTRICT RE-10**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**FOOD SERVICE FUND**  
**For the Year Ended June 30, 2018**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE WITH</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		<b>FINAL BUDGET</b>
				<b>POSITIVE</b>
				<b>(NEGATIVE)</b>
<b>REVENUES</b>				
Local Sources	\$ 2,500	\$ 2,698	\$ 17,690	\$ 14,992
State Sources	1,025	1,200	936	(264)
Federal Sources	113,500	116,850	109,186	(7,664)
<b>TOTAL REVENUES</b>	<b>117,025</b>	<b>120,748</b>	<b>127,812</b>	<b>7,064</b>
<b>EXPENDITURES</b>				
Food Service	177,025	190,748	182,824	7,924
<b>TOTAL EXPENDITURES</b>	<b>177,025</b>	<b>190,748</b>	<b>182,824</b>	<b>7,924</b>
Excess (deficiency) of revenues over expenditures	(60,000)	(70,000)	(55,012)	(14,988)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from Other Funds	60,000	70,000	-	70,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>60,000</b>	<b>70,000</b>	<b>-</b>	<b>70,000</b>
Net Change in Fund Balance	-	-	(55,012)	(55,012)
<b>Fund Balance, Beginning of Year</b>	<b>-</b>	<b>1,841</b>	<b>1,841</b>	<b>-</b>
<b>Fund Balance, End of Year</b>	<b>\$ -</b>	<b>\$ 1,841</b>	<b>\$ (53,171)</b>	<b>\$ (55,012)</b>

**Notes to the Required Supplementary Information**

The basis of budgeting is the same as GAAP.  
This schedule is presented on the GAAP basis.

**SOUTH CONEJOS SCHOOL DISTRICT RE-10  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE  
 OF THE NET PENSION LIABILITY  
 PERA SCHEDULE PENSION PLAN  
 For the Years Ended June 30,**

	2018	2017	2016	2015	2014
District's proportion of the net pension liability	0.0348434583%	0.0377331817%	0.0391960844%	0.0423292687%	0.0432666900%
District's proportionate share of the net pension liability (asset)	\$ 11,267,136	\$ 11,234,627	\$ 5,994,764	\$ 5,737,038	\$ 5,518,655
District's covered payroll	\$ 1,607,291	\$ 1,693,533	\$ 1,708,157	\$ 1,773,292	\$ 1,744,216
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	701%	663%	351%	324%	316%
Plan fiduciary net position as a percentage of the total pension liability	44.0%	43.1%	59.2%	62.8%	64.1%

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

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

**Notes to Required Supplementary Information:**

See Note 10 in the accompanying Notes to the Basic Financial Statements for changes to assumptions or other inputs used.

**SOUTH CONEJOS SCHOOL DISTRICT RE-10  
SCHEDULE OF DISTRICT CONTRIBUTIONS**

**PERA SCHDTF PENSION PLAN**

**For the Years Ended June 30,**

	2018	2017	2016	2015	2014
Contractually required contribution	\$ 290,726	\$ 308,541	\$ 301,153	\$ 290,878	\$ 286,878
Contributions in relation to the contractually required contribution	(290,726)	(308,541)	(301,153)	(290,878)	(286,878)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	1,543,005	1,678,342	1,697,751	1,722,369	1,792,860
Contributions as a percentage of covered payroll	18.84%	18.38%	17.74%	16.89%	16.00%

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

**Notes to Required Supplementary Information:**

See Note 10 in the accompanying Notes to the Basic Financial Statements for changes to assumptions or other inputs used.

**SOUTH CONEJOS SCHOOL DISTRICT RE-10**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE**  
**OF THE NET PENSION LIABILITY**  
**PERA HEALTHCARE TRUST FUND**

For the Years Ended June 30,

	2018	2017
District's proportion of the net OPEB liability	0.0197979648%	0.0214479993%
District's proportionate share of the net OPEB liability (asset)	\$ 257,367	\$ 278,081
District's covered payroll	\$ 1,607,291	\$ 1,693,533
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	16%	16%
Plan fiduciary net position as a percentage of the total OPEB liability	17.53%	20.00%

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

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

**Notes to Required Supplementary Information:**

There have not been any changes in assumptions or other inputs.

**SOUTH CONEJOS SCHOOL DISTRICT RE-10  
 SCHEDULE OF DISTRICT CONTRIBUTIONS  
 PERA HEALTHCARE TRUST FUND**

**For the Years Ended June 30,**

	2018	2017	2016	2015
Contractually required contribution	\$ 15,739	\$ 17,119	\$ 17,317	\$ 17,568
Contributions in relation to the contractually required contribution	(15,739)	(17,119)	(17,317)	(17,568)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 1,543,005	\$ 1,678,342	\$ 1,697,751	\$ 1,722,353
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%	1.02%

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

**Notes to Required Supplementary Information:**

There have not been any changes in assumptions or other inputs.

# **SOUTH CONEJOS SCHOOL DISTRICT RE-10**

## **SUPPLEMENTARY INFORMATION**

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

**SOUTH CONEJOS SCHOOL DISTRICT RE-10  
NONMAJOR GOVERNMENTAL FUNDS**

**SPECIAL REVENUE FUNDS**

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

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

**CAPITAL PROJECTS FUND**

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

**SOUTH CONEJOS SCHOOL DISTRICT RE-10**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2018**

	SPECIAL REVENUE		TOTAL NONMAJOR GOVERNMENTAL
	FUND		
	PUPIL ACTIVITY FUND	CAPITAL RESERVE CAPITAL PROJECTS FUND	
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 121,614	\$ 7,202	\$ 128,816
Inventory	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 121,614</b>	<b>\$ 7,202</b>	<b>\$ 128,816</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ -	\$ -	\$ -
Accrued Salaries and Benefits	-	-	-
Due to Other Funds	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE</b>			
Committed Fund Balance			
Pupil Activity	121,614	-	121,614
Capital Projects	-	7,202	7,202
Unassigned	-	-	-
<b>TOTAL FUND BALANCE</b>	<b>121,614</b>	<b>7,202</b>	<b>128,816</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 121,614</b>	<b>\$ 7,202</b>	<b>\$ 128,816</b>

**SOUTH CONEJOS SCHOOL DISTRICT RE-10**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2018**

	<b>SPECIAL REVENUE</b>		
	<b>FUND</b>		
	<b>PUPIL ACTIVITY</b>	<b>CAPITAL RESERVE</b>	<b>TOTAL</b>
	<b>FUND</b>	<b>PROJECTS</b>	<b>NONMAJOR</b>
	<b>FUND</b>	<b>FUND</b>	<b>GOVERNMENTAL</b>
<b>REVENUES</b>			
Federal Sources	\$ -	\$ -	\$ -
State Sources	-	-	-
Local Sources	43,310	-	43,310
<b>TOTAL REVENUES</b>	<b>43,310</b>	<b>-</b>	<b>43,310</b>
<b>EXPENDITURES</b>			
Instructional Program	59,391	-	59,391
Facilities Acquisition and Construction	-	141,894	141,894
<b>TOTAL EXPENDITURES</b>	<b>59,391</b>	<b>141,894</b>	<b>201,285</b>
Excess (deficiency) of revenues over expenditures	(16,081)	(141,894)	(157,975)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from Other Funds	-	141,894	141,894
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>141,894</b>	<b>141,894</b>
Excess (deficiency) of revenues over expenditures and other sources (uses)	(16,081)	-	(16,081)
<b>Fund Balance, Beginning of Year</b>	<b>137,695</b>	<b>7,202</b>	<b>144,897</b>
<b>Fund Balance, End of Year</b>	<b>\$ 121,614</b>	<b>\$ 7,202</b>	<b>\$ 128,816</b>

**SOUTH CONEJOS SCHOOL DISTRICT RE-10**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**PUPIL ACTIVITY FUND**  
**For the Year Ended June 30, 2018**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE WITH</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		<b>FINAL BUDGET</b>
				<b>POSITIVE</b>
				<b>(NEGATIVE)</b>
<b>REVENUES</b>				
Local Sources	80,400	80,400	43,310	(37,090)
<b>TOTAL REVENUES</b>	<b>80,400</b>	<b>80,400</b>	<b>43,310</b>	<b>(37,090)</b>
<b>EXPENDITURES</b>				
Instructional Program	84,000	80,400	59,391	21,009
<b>TOTAL EXPENDITURES</b>	<b>84,000</b>	<b>80,400</b>	<b>59,391</b>	<b>21,009</b>
Net Change in Fund Balance	(3,600)	-	(16,081)	(16,081)
<b>Fund Balance, Beginning of Year</b>	<b>-</b>	<b>137,695</b>	<b>137,695</b>	<b>-</b>
<b>Fund Balance, End of Year</b>	<b>\$ (3,600)</b>	<b>\$ 137,695</b>	<b>\$ 121,614</b>	<b>\$ (16,081)</b>

**SOUTH CONEJOS SCHOOL DISTRICT RE-10**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**CAPITAL RESERVE CAPITAL PROJECTS FUND**  
**For the Year Ended June 30, 2018**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
				<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
<b>REVENUES</b>				
Local Sources	\$ 2,525	\$ -	\$ -	\$ -
<b>TOTAL REVENUES</b>	<u>2,525</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES</b>				
Facilities Acquisition and Construction	27,525	179,201	141,894	37,307
<b>TOTAL EXPENDITURES</b>	<u>27,525</u>	<u>179,201</u>	<u>141,894</u>	<u>37,307</u>
Excess (deficiency) of revenues over expenditures	<u>(25,000)</u>	<u>(179,201)</u>	<u>(141,894)</u>	<u>(37,307)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from Other Funds	25,000	172,000	141,894	30,106
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>25,000</u>	<u>172,000</u>	<u>141,894</u>	<u>30,106</u>
Net Change in Fund Balance	-	(7,201)	-	7,201
<b>Fund Balance, Beginning of Year</b>	<u>-</u>	<u>7,201</u>	<u>7,202</u>	<u>1</u>
<b>Fund Balance, End of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,202</u>	<u>\$ 7,202</u>

**SOUTH CONEJOS SCHOOL DISTRICT RE-10**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**BOND REDEMPTION FUND**  
**For the Year Ended June 30, 2018**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE WITH</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		<b>FINAL BUDGET</b>
				<b>POSITIVE</b>
				<b>(NEGATIVE)</b>
<b>REVENUES</b>				
State Sources	\$ -	\$ -	\$ -	\$ -
Local Sources	80,505	507,822	505,282	(2,540)
<b>TOTAL REVENUES</b>	<b>80,505</b>	<b>507,822</b>	<b>505,282</b>	<b>(2,540)</b>
<b>EXPENDITURES</b>				
General Administration Support Services	-	-	750	(750)
Debt Service	-	507,822	405,160	102,662
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>507,822</b>	<b>405,910</b>	<b>101,912</b>
Net Change in Fund Balance	80,505	-	99,372	99,372
<b>Fund Balance, Beginning of Year</b>	<b>-</b>	<b>426,231</b>	<b>426,231</b>	<b>-</b>
<b>Fund Balance, End of Year</b>	<b>\$ 80,505</b>	<b>\$ 426,231</b>	<b>\$ 525,603</b>	<b>\$ 99,372</b>

**SOUTH CONEJOS SCHOOL DISTRICT RE-10**

**CDE COMPLIANCE SECTION**

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



**Wall,  
Smith,  
Bateman Inc.**

To the Board of Education  
South Conejos School District RE-10  
Antonito, Colorado

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South Conejos School District RE-10 (the District), as of and for the year ended June 30, 2018, which collectively comprise the District's basic financial statements as listed in the table of contents and have issued our report thereon dated February 05, 2020.

In connection with our audit, three items came to our attention that caused us to believe that the District failed to comply with the Colorado Department of Education Financial Policies and Procedures Manual insofar as it relates to accounting matters.

- The District did not post all required financial information on-line, in a downloadable format, for free public access in accordance with the "Public School Finance Transparency Act."
- The District did not file the 2018 audit report with the Colorado Office of the State Auditor by the deadline of December 31, 2018. This may be a violation of Colorado Revised Statute 29-1-606.

However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

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

*Wall, Smith, Bateman Inc.*

Wall, Smith, Bateman Inc.

February 05, 2020

**Certified Public Accountants**

3001 Adcock Circle, PO Box 809, Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 | [www.wsbcpa.com](http://www.wsbcpa.com)



**Colorado Department of Education**  
**Auditors Integrity Report**

District: 0580 - South Conejos RE-10

Fiscal Year 2017-18

Colorado School District/BOCES

**Revenues, Expenditures, & Fund Balance by Fund**

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6, 1000-5999 Total Revenues and Other Sources	+	2,959,998	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
<b>Governmental</b>					
10 General Fund	1,385,019		2,623,842	1,721,175	1,721,175
18 Risk Mgmt Sub-Fund of General Fund	0		0	0	0
19 Colorado Preschool Program Fund	0		0	0	0
<b>Sub- Total</b>	<b>1,385,019</b>	<b>2,959,998</b>	<b>2,623,842</b>	<b>1,721,175</b>	<b>1,721,175</b>
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	1,841		127,812	182,824	-53,171
22 Govt Designated-Purpose Grants Fund	0		165,528	181,550	-16,022
23 Pupil Activity Special Revenue Fund	137,695		43,310	59,381	121,614
24 Full Day Kindergarten Mill Levy Override	0		0	0	0
25 Transportation Fund	0		0	0	0
31 Bond Redemption Fund	428,231		505,281	405,910	525,602
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	7,202		141,894	141,894	7,202
46 Supplemental Cap Const, Tech, Main Fund	0		0	0	0
<b>Totals</b>	<b>1,957,987</b>	<b>3,943,823</b>	<b>3,595,411</b>	<b>2,306,400</b>	<b>2,306,400</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>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	0		0	0	0
79 GASB 34-Permanent Fund	0		0	0	0
85 Foundations	0		0	0	0
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>FINAL</b>					

\*if you have a prior period adjustment in any fund (Balance Sheet 6880), the amount of your priorperiod adjustment is added into both your ending and beginning fund balances on this report.