

cPa DIXON, WALLER & CO., INC.

FREMONT COUNTY SCHOOL

DISTRICT NUMBER RE-2

FLORENCE, COLORADO

FINANCIAL STATEMENTS

JUNE 30, 2016

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DIXON, WALLER & CO., INC.

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FREMONT COUNTY SCHOOL DISTRICT RE-2

FINANCIAL STATEMENTS

JUNE 30, 2016

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**FREMONT COUNTY SCHOOL DISTRICT RE-2
ROSTER OF SCHOOL OFFICIALS
June 30, 2016**

BOARD OF EDUCATION

Tommy Covington	President
Vacant	Vice-President
Joe Caruso	Treasurer
Greg Dickey	Secretary
Vacant	Director
Linda Schmidt	Director
Vacant	Director

SCHOOL OFFICIALS

Rhonda Roberts	Superintendent
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FINANCIAL SECTION

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

INDEPENDENT AUDITOR'S REPORT

**Board of Education
Fremont County School
District Number RE-2
Florence, Colorado 81226**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fremont County School District Number RE-2, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Fremont County School District Number RE-2, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension trend data on pages i through vii, 38 through 42 and 43 through 44 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 Fremont County School District Number RE-2's basic financial statements. The combining and individual fund financial statements, other schedules, and state required schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2016, on our consideration of Fremont County School District Number RE-2's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fremont County School District Number RE-2's internal control over financial reporting and compliance.



December 3, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fremont RE-2 School District Management's Discussion and Analysis

As management of the Fremont RE-2 School District, we offer readers of the District's Comprehensive Annual Financial Report this narrative and analysis of the financial activities of the District for the fiscal year ending June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information provided in the Independent Auditor's report.

Financial Highlights

- ❑ The primary government had a government-wide net position totaling (\$9,662,449) at the end of the current fiscal year.
- ❑ Governmental activities have an unrestricted net position deficit of over 17,188,034.
- ❑ Fund balance of the District's governmental funds increased by \$17,480 resulting in an ending fund balance of \$8,240,398. The General Fund balance decreased from a beginning balance of \$6,056,792 to an ending balance of \$5,440,484 primarily because the insurance lawsuit settlement of over 1.7 million from prior year was expended to make the necessary repairs as stated in the lawsuit. There are monies kept in the Non-Restricted Projects Fund (a subset of the General Fund), but are currently not available for the day-to-day operations of the District. In addition, expenses at the end of 2010-2011, 2011-2012 and 2012-2013 were curtailed because of the state of the economy in Colorado and forecasts regarding changes to the School Finance Act.

Overview of the Financial Statements

The Management's discussion and analysis is intended to be an introduction into the District's basic financial statements. The prior year's statements are provided for comparison. The Fremont RE-2 School District's basic financial statements are comprised of three components:

- 1) Government-wide financial statements
- 2) Fund financial statements
- 3) Notes to basic financial statements

The Management's Discussion and Analysis also contains other supplemental information.

Government-Wide Financial Statements

The financial statements provided are designed to supply the reader an overview of the District's financial activities similar to those statements used in the private sector. The government-wide statements relate to those activities directly related to the education of the students.

The statement of net assets presents information on all of the District's assets and liabilities. The difference between the two is reported as net assets. Changes in net assets from year-to-year may be used as an indicator of the overall financial position of the District.

The statement of activities presents the current fiscal year revenues and expenses to show how the net assets of the district changed during the year. In the statement of activities, changes in net assets are recorded when the event occurs. This could mean that information may be reported for revenues and expenses that will result in cash flow differences in future fiscal years.

Governmental activities consolidate all of the following Fremont RE-2 School District funds: general fund, Colorado preschool fund, governmental designated-purpose grants fund, capital reserve fund, insurance

reserve fund, general capital projects fund, pupil activity fund, non-restricted projects fund and bond redemption fund. Business-type activities include only the food service fund.

Fund Financial Statements

Fund financial statements are designed to display compliance with finance-related legal requirements. A fund is a grouping of related accounts designed to keep control over resources segregated for specific activities or objectives. The Fremont RE-2 School District, like other governments, uses fund accounting to guarantee and prove compliance. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds

Governmental funds account for the same functions reported as governmental activities in the government-wide financial statements. However, governmental fund financial statements emphasize short-term financial resources and fund balances (spendable resources available at the end of the fiscal year). Such information is used to evaluate the District's short-term financing requirements. Comparison of the governmental funds with the government-wide funds may allow the reader to better understand the long-term impact of the District's near-term financing decisions.

Fremont RE-2 School District maintains three different governmental funds called major funds: the General fund (which combines the District's general operating fund, insurance reserve fund, general capital projects fund, non-restricted project fund and Colorado preschool fund), the Bond Redemption Fund and the Designated Purpose Grants fund. They are presented separately in the fund financial statements with the remaining governmental funds (combined into a single aggregated presentation labeled other governmental funds). Other governmental funds, called non-major funds, include the District's Capital Reserve fund and the Pupil Activity fund. Individual fund information for the non-major funds is presented as other supplemental information after the notes section of this report.

The District adopts an annual appropriated budget for each of the individual governmental funds. A budgetary comparison schedule for the general fund is included in the fund financial statements to demonstrate compliance with the adopted budget. The remaining governmental funds budgetary comparisons are reported as other supplemental information and can be found after the notes section of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held by the District for parties outside of the District. Fiduciary funds are not reflected in the government-wide financial statements because these sources of those funds are not available to support Fremont RE-2 School District's direct educational programs. The accounting method used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements

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

Other Information

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

Government-Wide Financial Analysis

Government-Wide Net Position

The assets of the Fremont RE-2 School District are classified as current assets and capital assets. Cash, investments, receivables, inventories and prepaid expenditures are current assets. These assets are available to provide resources for the near-term operations of the District. Capital assets are used in the operations of the District. These assets include land, buildings, equipment and vehicles.

NET POSITION	2016			2015		
	Governmental	Business Type	Total	Governmental	Business Type	Total
	Activities	Activities		Activities	Activities	
ASSETS						
Current and Other Assets	10,129,081	-	10,129,081	10,726,596	-	10,726,596
Capital Assets	15,187,910	-	15,187,910	16,269,449	-	16,269,449
Deferred Outflows	2,461,586	-	2,461,586	1,384,184	-	
Total Assets	<u>27,778,577</u>	<u>-</u>	<u>27,778,577</u>	<u>28,380,229</u>	<u>-</u>	<u>26,996,045</u>
LIABILITIES						
Current and Other Liabilities	28,355,432	-	28,355,432	24,715,975	-	24,715,975
Long Term Liabilities	9,525,000	-	9,525,000	11,723,469	-	11,723,469
Deferred Inflows	560,594	-	560,594	1,312	-	
Total Liabilities	<u>38,441,026</u>	<u>-</u>	<u>38,441,026</u>	<u>36,440,756</u>	<u>-</u>	<u>36,439,444</u>
NET POSITION						
Net Investment in Capital Assets	4,348,994	-	4,348,994	3,208,287	-	3,208,287
Restricted for:						
Tabor Reserve	326,000	-	326,000	366,000	-	366,000
Multi Year Obligations	120,000	-	120,000	237,000	-	237,000
Preschool	-	-	-	-	-	-
Debt	2,577,647	-	2,577,647	2,642,194	-	2,642,194
Food Service	152,944	-	152,944	131,212	-	131,212
Unrestricted	<u>(17,188,034)</u>	<u>-</u>	<u>(17,188,034)</u>	<u>(14,645,220)</u>	<u>-</u>	<u>(14,645,220)</u>
TOTAL NET POSITION	<u>(9,662,449)</u>	<u>-</u>	<u>(9,662,449)</u>	<u>(8,060,527)</u>	<u>-</u>	<u>(8,060,527)</u>

Government-Wide Activities

Governmental activities decreased the net position of the District by \$1,297,134 during the current fiscal year ending June 30, 2016.

Changes in Net Position	2016			2015		
	Governmental Activities	Business Type Activities	Total	Governmental Activities	Business Type Activities	Total
Revenues						
Charges for Services	205,569	-	205,569	288,922	-	288,922
Operating Grants and Contributions	1,762,206	-	1,762,206	1,339,639	-	1,339,639
Capital Grants and Contributions	-	-	-	-	-	-
Property taxes	4,276,123	-	4,276,123	4,241,961	-	4,241,961
Specific Ownership Taxes	384,705	-	384,705	743,841	-	743,841
Equalization	7,698,277	-	7,698,277	7,789,300	-	7,789,300
Earnings on investments	30,035	-	30,035	8,888	-	8,888
Other Revenues	387,791	-	387,791	316,811	-	316,811
Transfers	-	-	-	-	-	-
TOTAL REVENUES	14,744,706	-	14,744,706	14,729,362	-	14,729,362
Expenses						
Instructional services	8,772,971	-	8,772,971	9,129,130	-	9,129,130
Students	406,053	-	406,053	477,643	-	477,643
Instructional staff	97,375	-	97,375	112,514	-	112,514
District administration	701,354	-	701,354	742,295	-	742,295
School administration	756,377	-	756,377	883,021	-	883,021
Business	138,514	-	138,514	135,457	-	135,457
Operation and maintenance of facilities	1,689,764	-	1,689,764	2,088,158	-	2,088,158
Transportation	700,491	-	700,491	840,687	-	840,687
Central	332,198	-	332,198	214,543	-	214,543
Food Service	567,722	-	567,722	573,468	-	573,468
Capital outlay	497,944	-	497,944	674,123	-	674,123
Interest on Long Term Liabilities	241,927	-	241,927	553,055	-	553,055
Issue Costs	132,976	-	132,976	-	-	-
Pension Expense	1,006,174	-	1,006,174	123,412	-	123,412
TOTAL EXPENSES	16,041,840	-	16,041,840	16,547,506	-	16,547,506
Increase (Decrease in Net Position)	(1,297,134)	-	(1,297,134)	(1,818,144)	-	(1,818,144)

Governmental Activities by Major Function

	2016		2015	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instructional services	8,772,971	(7,543,143)	9,129,130	(8,236,233)
Students	406,053	(406,053)	477,643	(477,643)
Instructional staff	97,375	(97,375)	112,514	(112,514)
District administration	701,354	(701,354)	742,295	(742,295)
School administration	756,377	(756,377)	883,021	(883,021)
Business	138,514	(138,514)	135,457	(135,457)
Operation and maintenance of facilities	1,689,764	(1,689,764)	2,088,158	(2,088,158)
Transportation	700,491	(519,367)	840,687	(647,825)
Central	332,198	(332,198)	214,543	(214,543)
Food Service	567,722	(10,899)	573,468	(30,666)
Capital outlay	497,944	(497,944)	674,123	(674,123)
Interest on Long Term Liabilities	241,927	(241,927)	553,055	(553,055)
Issue Costs	132,976	(132,976)	-	-
Pension Expense	1,006,174	(1,006,174)	123,412	(123,412)
Total	<u>16,041,840</u>	<u>(14,074,065)</u>	<u>16,547,506</u>	<u>(14,918,945)</u>

Capital Assets (Net of Depreciation)

	Business			Business		
	Governmental <u>2015-16</u>	Type <u>2015-16</u>	Total <u>2015-16</u>	Governmental <u>2014-2015</u>	Type <u>2014-2015</u>	Total <u>2014-2015</u>
Land & Sites	1,007,850	-	1,007,850	1,015,941	-	1,015,941
Construction in Progress	397,080	-	397,080	-	-	-
Buildings & Improvements	13,247,128	-	13,247,128	14,591,404	-	14,591,404
Equipment & Vehicles	519,927	-	519,927	613,548	-	613,548
Food Service	15,925	-	15,925	48,556	-	48,556
Total Capital Assets	<u>15,187,910</u>	<u>-</u>	<u>15,187,910</u>	<u>16,269,449</u>	<u>-</u>	<u>16,269,449</u>

CHANGES IN LONG TERM DEBT

	Balance <u>7/1/2015</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>6/30/2016</u>
Vehicle Lease	101,162		47,246	53,916
G.O. Bond Series 2006	8,850,000		8,850,000	-
G.O. Bond Series 2011	4,110,000		1,240,000	2,870,000
G.O. Bond Series 2015		7,915,000		7,915,000
Totals	<u>13,061,162</u>	<u>7,915,000</u>	<u>10,137,246</u>	<u>10,838,916</u>

Business-Type Activities

Food service activities of the District have been included with the Governmental Fund Activities per state requirement for the 2015-2016 fiscal year.

Financial Analysis of the Government Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of Fremont RE-2 School District's net resources available for spending at the end of the fiscal year.

The combined general fund is the major governmental fund of Fremont RE-2 School District. The combined general fund under GASB 34 reporting requirements includes the general fund, non-restricted projects fund, the insurance reserve fund, the general capital projects fund, the Colorado preschool fund, and the food service fund. As of June 30, 2016, the combined general fund shows an ending fund balance of \$5,440,484 down from the combined fund balance of \$6,056,792 for the prior year.

General Fund Budgetary Highlights

Fremont RE-2 School District began budget development for the 2015-2016 fiscal year in April 2015 with preliminary analysis of salary requirements related to teacher negotiations. After reviewing enrollment projections and the most current revenue assumptions, the Superintendent and her senior staff prepared a preliminary budget by prioritizing the needs expressed in the hearings' process. Teacher, administrative, and classified employees' salary increases were put into effect as stated in the District's Negotiated Agreement. It was decided to give the staff one step increases. The preliminary budget was presented to the Board of Education in May 2015. Adoption of the 2015-2016 District budget occurred in June of 2015 with a Final Budget adopted in January of 2016.

Capital Assets and Debt Administration

The District's investment in capital assets for its business-type activities has been combined with the general fixed assets as of July 1, 2016. The amount capitalized has decreased dramatically due to funding.. The District spent over \$18,000,000 on the construction of a new high school. The investments were made

possible due to the passage of a \$22,000,000 bond in November 2003. The Bond Redemption schedule is not to exceed \$1,920,000 per year for the 20 years from 2004-2023. During the 2006-2007 fiscal year, \$9,465,000 in 2004 General Obligations Bonds were refinanced to take advantage of lower interest rates on longer term bonds. The refinancing provided the district a present value savings of \$384,582, which translates into a projected Net Future Value Savings of \$607,345. Additionally in 2015 the District refinanced the 2006 G.O. Bonds for an accumulative savings of over \$1,000,000. Additional information on the District's capital assets can be found in this report.

Long Term Liabilities

The District has a long term debt liability which is not due or payable during this period. The District's portion of the net pension obligation for PERA is reported on the statement of net position and not as a liability in the funds. The amount obligated to PERA is \$24,302,722.

Economic Factors and Next Year's Budgets

The General Fund fund balance demonstrates that the District is financially stable. The District continues to be in a situation of declining enrollment but has made the necessary adjustments to keep expenditures in line with revenues. In light of the current economy in the State of Colorado, and the fact that the majority of the District's revenue is flow through money from State Equalization, the District along with the Eastern Fremont Education Association and the Classified Association agreed to fund incremental raises and raises to the base were added for the 2015-2016 school year.

It is our opinion that the District's revenue stream for the General Fund will continue to drop drastically over the next several years. The District continues to be in a state of declining enrollment and over the past few years Amendment 23 has helped stabilize the revenue stream. Amendment 23 guarantees that K-12 funding will be increased at a rate of the Denver-Boulder CPI plus 1%. In past years, inflation increased so funding has stayed level with declining enrollment (stable revenues). For the budget year 2014-2015, the inflation rate is 1.9%, but is expected to remain the same in 2015-2016. The CPI for 2015-2016 was a negative percentage (deflation) of 2.1%. In spite of Amendment 23, state funding for schools has continued to decline.

As a result of the prolonged economic conditions that exist in the state, the State of Colorado has been unable to fully fund school districts beginning with school year 2009-2010. The actual funded Total Program for school districts has declined 8.26% from the high in 2009-2010. The continued gap in funding has created a projected negative factor of 12.795% for the 2014-2015 school year. The cuts for Fremont RE-2 School District are down for 2015-16 school year and a projected cut between \$175,000 and \$500,000 for the 2016-17 school year. The future negotiations between District and the Associations will be important to the financial stability of the District. The other governmental funds should not be affected by the economy as they are all tied to property tax revenues generated by mill levies.

Requests for Information

This financial report is designed to provide a general overview of the Fremont RE-2 School District's finances for all those with an interest in the District. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Jacque Corsentino, Director of Business Services
Fremont RE-2 School District
403 W. 5th Street
Florence, Colorado 81226

BASIC FINANCIAL STATEMENTS

FREMONT COUNTY SCHOOL DISTRICT RE-2
STATEMENT OF NET POSITION
June 30, 2016

	<u>Governmental</u>	
	<u>Activities</u>	<u>Total</u>
<u>ASSETS</u>		
Cash and Investments	9,435,520	9,435,520
Accounts Receivable	8,381	8,381
Accrued Revenue	208,596	208,596
Property Taxes Receivable	466,500	466,500
Inventories	4,640	4,640
Capital Assets	37,994,217	37,994,217
Accumulated Depreciation	(22,806,307)	(22,806,307)
Unamortized Bond Discount	5,444	5,444
<u>Total Assets</u>	<u>25,316,991</u>	<u>26,996,045</u>
<u>DEFERRED OUTFLOW OF RESOURCES</u>		
District Contributions Subsequent to Pension Measurement Date	629,556	629,556
Pension Outflows – Plan Level	2,387,063	2,387,063
Pension Outflows – Employer Level	-	-
Deferred Refunding	444,967	444,967
<u>Total Deferred Outflow of Resources</u>	<u>3,461,586</u>	<u>3,461,586</u>
<u>LIABILITIES</u>		
Accounts Payable	266,344	266,344
Accrued Salaries	1,187,363	1,187,363
Accrued Interest Payable	30,200	30,200
Compensated Absences	290,115	290,115
Unearned Revenues	17,532	17,532
Net Pension Liability	24,302,722	24,302,722
Unamortized Bond Premium	947,240	947,240
Debt – Current	1,313,916	1,313,916
Debt – Long Term	9,525,000	9,525,000
<u>Total Liabilities</u>	<u>37,880,432</u>	<u>37,880,432</u>
<u>DEFERRED INFLOW OF RESOURCES</u>		
Pension Inflows – Plan Level	344,452	344,452
Pension Inflows – Employer Level	216,142	216,142
<u>Total Deferred Inflow of Resources</u>	<u>560,594</u>	<u>560,594</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	4,348,994	4,348,994
Restricted for:		
TABOR Reserve	326,000	326,000
Multi Year Obligation	120,000	120,000
Debt Service	2,577,647	2,577,647
Food Service	148,304	148,304
Unrestricted	(17,183,394)	(17,183,394)
<u>TOTAL NET POSITION</u>	<u>(9,662,449)</u>	<u>(9,662,449)</u>

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

FREMONT COUNTY SCHOOL DISTRICT RE-2
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

		<u>Net (Expenses) Revenue and Changes in Net Position</u>			
		<u>Program Revenues</u>		<u>Primary Government</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants & Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
					<u>Total</u>
<u>FUNCTIONS</u>					
Instructional Services	8,772,971	38,933	1,190,895	-	(7,543,143)
Supporting Services:					
Students	406,053	-	-	-	(406,053)
Instructional Staff	97,375	-	-	-	(97,375)
District Administration	701,354	-	-	-	(701,354)
School Administration	756,377	-	-	-	(756,377)
Business	138,514	-	-	-	(138,514)
Operation & Maintenance of Facilities	1,689,764	-	-	-	(1,689,764)
Transportation	747,737	-	181,124	-	(566,613)
Central	332,198	-	-	-	(332,198)
Facility	-	-	-	-	-
Food Service	567,722	166,636	390,187	-	(10,899)
Capital Outlay	447,634	-	-	-	(447,634)
Interest and Fees	244,991	-	-	-	(244,991)
Issue Costs	132,976	-	-	-	(132,976)
Pension Expense	<u>1,006,174</u>	-	-	-	<u>(1,006,174)</u>
Total Governmental Activities	<u>16,041,840</u>	<u>205,569</u>	<u>1,762,206</u>	<u>-</u>	<u>(14,074,065)</u>
Total School District	<u>16,041,840</u>	<u>205,569</u>	<u>1,762,206</u>	<u>-</u>	<u>(14,074,065)</u>
General Revenues					
Property Taxes Levied for General Purpose		4,276,123			4,276,123
Specific Ownership Taxes		384,705			384,705
Equalization		7,698,277			7,698,277
Earnings on Investments		30,035			30,035
Other Revenues		<u>387,791</u>			<u>387,791</u>
Total General Revenues		<u>12,776,931</u>			<u>12,776,931</u>
Change in Net Position		<u>(1,297,134)</u>			<u>(1,297,134)</u>
Net Position, Beginning		<u>(8,060,527)</u>			<u>(8,060,527)</u>
Prior Period Adjustment		<u>(304,788)</u>			<u>(304,788)</u>
Net Position, Ending		<u>(9,662,449)</u>			<u>(9,662,449)</u>

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

**FREMONT COUNTY SCHOOL DISTRICT RE-2
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016**

	<u>General</u>	<u>Bond</u>	<u>Designated Purpose Grants</u>
<u>ASSETS</u>			
Cash and Investments	6,364,173	2,558,371	196,926
Accounts Receivable	8,381	-	-
Accrued Revenue	-	-	208,596
Due From Other Funds	338,754	-	-
Property Taxes Receivable	279,000	187,500	-
Inventories	-	-	-
<u>Total Assets</u>	<u>6,990,308</u>	<u>2,745,871</u>	<u>405,522</u>
<u>LIABILITIES</u>			
Accounts Payable	193,421	-	65,875
Accrued Salaries	1,091,400	-	72,444
Due To Other Funds	-	5,224	265,674
Other Payables	-	-	-
Unearned Revenues	16,003	-	1,529
<u>Total Liabilities</u>	<u>1,300,824</u>	<u>5,224</u>	<u>405,522</u>
<u>DEFERRED INFLOW OF RESOURCES</u>			
Property Taxes	<u>249,000</u>	<u>163,000</u>	<u>-</u>
<u>FUND BALANCES:</u>			
Nonspendable:			
Inventories	-	-	-
Restricted for:			
Emergencies	326,000	-	-
Multi Year Obligations	120,000	-	-
Preschool	-	-	-
Debt Service	-	2,577,647	-
Food Service	-	-	-
Committed for:			
Capital Outlay	3,346,700	-	-
Insurance	10,673	-	-
Assigned for:			
Pupil Activities	-	-	-
Capital Outlay	-	-	-
Unassigned	1,637,111	-	-
<u>Total Fund Balances</u>	<u>5,440,484</u>	<u>2,577,647</u>	<u>-</u>
<u>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u>			
	<u>6,990,308</u>	<u>2,745,871</u>	<u>405,522</u>

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

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
316,050	9,435,520
-	8,381
-	208,596
-	338,754
-	466,500
<u>4,640</u>	<u>4,640</u>
<u>320,690</u>	<u>10,462,391</u>
2,042	261,338
23,519	1,187,363
67,856	338,754
5,006	5,006
-	<u>17,532</u>
<u>98,423</u>	<u>1,809,993</u>
<u>-</u>	<u>412,000</u>
4,640	4,640
-	326,000
-	120,000
-	-
-	2,577,647
148,304	148,304
-	3,346,700
-	10,673
69,323	69,323
-	-
-	<u>1,637,111</u>
<u>222,267</u>	<u>8,240,398</u>
<u>320,690</u>	<u>10,462,391</u>

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

**FREMONT COUNTY SCHOOL DISTRICT RE-2
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO STATEMENT OF NET POSITION
June 30, 2016**

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

TOTAL FUND BALANCE – GOVERNMENTAL FUNDS	8,240,398
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$37,994,217 and the accumulated depreciation is \$22,806,307.	15,187,910
Property tax revenues is recognized when earned (claim to resources established) rather than when “available”. All of the deferred property tax revenue is not available in the fund financial statements.	412,000
Compensated absences are not reported as a liability in the funds.	(290,115)
Long term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(10,838,916)
Accrued interest on long term debt is not reported in the funds.	(30,200)
Unamortized bond premium is not reported in the funds.	(947,240)
Unamortized bond discount is not reported in the funds.	5,444
Deferred Refunding is not reported in the funds.	444,967
The District’s portion of the net pension obligation for PERA is reported on the statement of net position is not reported as a liability in the funds.	(24,302,722)
Deferred flows for contributions made toward the net pension obligation from December 31, 2015 until June 30, 2016 is not reported in the funds.	629,556
Net deferred pension flows – Plan Level	2,042,611
Net deferred pension flows – Employer Level	<u>(216,142)</u>
<u>TOTAL NET POSITION – GOVERNMENTAL ACTIVITIES</u>	<u>(9,662,449)</u>

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

**FREMONT COUNTY SCHOOL DISTRICT RE-2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016**

	<u>General</u>	<u>Bond</u>	<u>Designated Purpose Grants</u>
<u>REVENUES</u>			
Property Taxes	2,544,688	1,636,710	-
Specific Ownership Taxes	629,921	-	-
Earnings on Investments	18,280	11,755	-
Other Local Sources	138,161	4,414	-
State Aid	8,325,927	-	-
Federal Aid	-	-	744,369
Total Revenues	<u>11,656,977</u>	<u>1,652,879</u>	<u>744,369</u>
<u>EXPENDITURES</u>			
Current:			
Instructional Services	6,506,375	-	744,369
Supporting Services:			
Students	398,109	-	-
Instructional Staff	85,577	-	-
District Administration	701,354	-	-
School Administration	750,687	-	-
Business	138,068	-	-
Operation & Maintenance of Facilities	1,669,853	-	-
Transportation	659,477	-	-
Central	332,198	-	-
Facility	-	-	-
Food Service	-	-	-
Debt Service:			
Principal	47,246	1,290,000	-
Interest and Fees	3,064	255,348	-
Capital Outlay	891,277	-	-
Total Expenditures	<u>12,183,285</u>	<u>1,545,348</u>	<u>744,369</u>
<u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u>	<u>(526,308)</u>	<u>107,531</u>	<u>-</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers	(90,000)	-	-
Proceeds from Debt	-	8,932,976	-
Payment to Refunded Bond Escrow Agent	-	(8,972,078)	-
Issue Cost	-	(132,976)	-
Total Other Financing Sources (Uses)	<u>(90,000)</u>	<u>(172,078)</u>	<u>-</u>
<u>NET CHANGE IN FUND BALANCES</u>	<u>(616,308)</u>	<u>(64,547)</u>	<u>-</u>
<u>FUND BALANCES, Beginning</u>	<u>6,056,792</u>	<u>2,642,194</u>	<u>-</u>
<u>FUND BALANCES, Ending</u>	<u>5,440,484</u>	<u>2,577,647</u>	<u>-</u>

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

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
-	4,181,398
-	629,921
-	30,035
205,569	348,144
10,367	8,336,294
<u>379,820</u>	<u>1,124,189</u>
<u>595,756</u>	<u>14,649,981</u>
133,185	7,383,929
-	398,109
-	85,577
-	701,354
-	750,687
-	138,068
-	1,669,853
-	659,477
-	332,198
-	-
535,091	535,091
-	1,337,246
-	258,412
-	891,277
<u>668,276</u>	<u>15,141,278</u>
<u>(72,520)</u>	<u>(491,297)</u>
90,000	-
-	8,932,976
-	(8,972,078)
-	(132,976)
<u>90,000</u>	<u>(172,078)</u>
17,480	(663,375)
<u>204,787</u>	<u>8,903,773</u>
<u>222,267</u>	<u>8,240,398</u>

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

FREMONT COUNTY SCHOOL DISTRICT RE-2
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, 2016

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

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS **(663,375)**

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital Outlays more than \$5,000	443,643	
Depreciation Expense	<u>(1,525,182)</u>	(1,081,539)

Property tax revenues received prior to the year for which they are being levied or are not “available” at year end are reported as deferred revenue in the governmental funds. They are, however recorded as revenues in the statement of activities. Deferred property tax revenues decreased this year. 94,725

In the statement of activities compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amount paid). During the year, compensated absences increased by this amount. (30,540)

The governmental funds report debt proceeds as an other financing source, while repayment of debt principal is reported as an expenditure. The effect of premiums, discounts and deferred refunding amounts are recognized when the debt is issued in governmental funds, whereas these amounts are deferred and amortized in the statement of activities. Interest expense is recognized as it accrues in the statement of activities regardless of when it is due. The net effect of these differences follows:

Proceeds from Debt		(8,932,976)
Principal Payment		1,337,246
Interest Expense		6,425
Deferred Refunding Amount		(101,287)
Bond Discount		(5,333)
Bond Premium		113,616
Payment to Escrow Agent for Advance Refunding		8,972,078

The statement of activities reports net pension obligation which is not reported in the fund financial statements.

Change in Net Pension Obligation		(2,732,935)
Deferred Flows from Net Pension Obligations		<u>1,726,761</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **(1,297,134)**

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

FREMONT COUNTY SCHOOL DISTRICT RE-2
STATEMENT OF FIDUCIARY NET POSITION
TRUST AND AGENCY FUNDS
June 30, 2016

	<u>Scholarship Trust Fund</u>	<u>Student Activities Fund</u>
<u>ASSETS</u>		
Cash and Investments	2,001,690	217,250
Due From Other Funds	-	-
Accrued Interest	-	-
Deposits Held by Others	-	-
<u>Total Assets</u>	<u>2,001,690</u>	<u>217,250</u>
<u>LIABILITIES</u>		
Due To Student Groups	-	217,250
Other	-	-
<u>Total Liabilities</u>	<u>-</u>	<u>217,250</u>
<u>NET POSITION</u>		
Restricted for Scholarship	<u>2,001,690</u>	

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

FREMONT COUNTY SCHOOL DISTRICT RE-2
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
BUDGET AND ACTUAL
TRUST FUNDS
For the Year Ended June 30, 2016

	<u>Budget</u>	<u>Scholarship Trust Fund</u>	<u>Variance- Favorable (Unfavorable)</u>
<u>ADDITIONS</u>			
Other Local	-	-	-
Earnings on Investments	111,000	113,231	2,231
Unrealized Gain on Investments	-	-	-
<u>Total Additions</u>	<u>111,000</u>	<u>113,231</u>	<u>2,231</u>
<u>DEDUCTIONS</u>			
Scholarships	202,500	128,375	74,125
Fees	30,000	20,481	9,519
Unrealized Loss on Investments	80,000	12,416	67,584
Contingency	<u>1,848,231</u>	-	<u>1,848,231</u>
<u>Total Deductions</u>	<u>2,160,731</u>	<u>161,272</u>	<u>1,999,459</u>
<u>NET DECREASE</u>	(2,049,731)	(48,041)	
<u>NET POSITION – BEGINNING OF YEAR</u>	<u>2,049,731</u>	<u>2,049,731</u>	
<u>NET POSITION – END OF YEAR</u>	<u>-</u>	<u>2,001,690</u>	

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

NOTES TO BASIC FINANCIAL STATEMENTS

FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Fremont County School District RE-2 (District) conform with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

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

The District is the lowest level of government, which is considered to be financially accountable over all activities related to public school education in Fremont County School District RE-2. The District receives funding from local, state, and federal government sources and must comply with requirements of these funding source entities. The Board of Education members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

A. Reporting Entity

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

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

FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

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

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

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

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

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

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

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

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

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

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

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

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

FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

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

D. Fund Accounting

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

• **Major Governmental Funds**

1. **General Fund** – the general operating fund of the District; used to account for all resources that are not required legally or by sound financial management to be accounted for in another fund.
2. **Bond Redemption Debt Service Fund** – used to account for the accumulation of resources for, and the payment of, long term general obligation debt principal, interest, and related costs.
3. **Governmental Designated – Purpose Grants Fund** – this fund is provided to maintain a separate accounting for federal and state grant funded programs which normally have a different fiscal period than that of the District.

Additionally, the District reports the following fund type:

Trust and Agency Funds

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

Scholarship Trust Fund – this fund is used to award scholarships to student of the District.

E. Cash and Investments

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

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

F. Receivables

Property taxes levied in 2015 but uncollected in 2016 are identified as property taxes receivable. Amounts of property taxes that are not available at June 30, 2016 are recorded as deferred inflows, and are presented net of an allowance for uncollectible taxes. Program grants are recorded as receivables and revenues at the time reimbursable project costs are incurred.

FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

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

G. Inventories

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

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

H. Capital Assets

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

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

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

I. Long-Term Obligations

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

**FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Constitutional Amendment

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

On November 5, 1996 the registered voters approved a ballot resolution authorizing Fremont County School District RE-2 to collect, retain and expend all revenues from any source provided that no property tax mill levy be increased or any new tax be imposed.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future years. TABOR requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be three percent or more of fiscal year spending (excluding bonded debt service). As of June 30, 2016 the District reserved \$326,000 for this purpose.

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

K. Property Taxes

Under Colorado law, all property taxes are due and payable in the year following the year levied. The 2015 property tax calendar for Fremont County was as follows:

Levy Date	December 15, 2015
Lien Date	January 1, 2016
Tax Bills Mailed	January 1, 2016
First Installment Due	February 28, 2016
Second Installment Due	June 15, 2016
If Paid in Full, Due	April 30, 2016
Tax Sale – 2014 Delinquent Property Taxes	October 25, 2015

L. Accumulated Sick Leave

Compensated absences are made up of accumulated sick leave reported as non-current liabilities in the government-wide financial statements. As of June 30, 2016, the District has recorded an estimated liability of \$290,115 relating to accrued sick leave payable.

A summary of changes in compensated absences is as follows:

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>
Accumulated Sick Leave	<u>259,575</u>	<u>30,540</u>	<u> -</u>	<u>290,115</u>

FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

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

M. Use of Estimates

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

N. GASB Statement No. 54

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

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

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

Fund Balance Classification Policies and Procedures

Committed Fund Balance Policy:

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

Assigned Fund Balance Policy:

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

FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. GASB Statement No. 54 (Continued)

Order of Fund Balance Spending Policy

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

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

Fund Balance Classification by Fund:

	<u>General</u> <u>Fund</u>	<u>Bond</u> <u>Fund</u>	<u>Food</u> <u>Service</u>	<u>Pupil</u> <u>Activities</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<u>Nonspendable:</u>					
Inventories	-	-	4,640	-	4,640
<u>Restricted:</u>					
Emergencies	326,000	-	-	-	326,000
Multi Year Obligations	120,000	-	-	-	120,000
Debt Service	-	2,577,647	-	-	2,577,647
Food Service	-	-	148,304	-	148,304
<u>Committed:</u>					
Capital Outlay	3,346,700	-	-	-	3,346,700
Insurance	10,673	-	-	-	10,673
<u>Assigned:</u>					
Pupil Activities	-	-	-	69,323	69,323
<u>Unassigned</u>	<u>1,637,111</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,637,111</u>
<u>Total Fund Balances</u>	<u>5,440,484</u>	<u>2,577,647</u>	<u>152,944</u>	<u>69,323</u>	<u>8,240,398</u>

O. Deferred Outflows / Inflows of Resources

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

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

FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 2 RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

	Items Eliminated	
	Transfers To Other Funds	Transfers From Other Funds
General Fund	90,000	-
Pupil Activity	-	90,000
	90,000	90,000

	Items Eliminated	
	Interfund Receivables	Interfund Payables
General Fund	338,754	-
Designated Grants	-	265,674
Bond Fund	-	5,224
Food Service	-	67,856
	338,754	338,754

FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 3 **BUDGETARY INFORMATION**

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

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

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

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

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

NOTE 4 **CASH AND INVESTMENTS**

Deposits

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

FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 4 **CASH AND INVESTMENTS (Continued)**

Deposits (Continued)

At June 30, 2016, the District's bank balance and corresponding carrying balance were as follows:

	<u>Carrying Balance</u>	<u>Bank Balance</u>
Insured (FDIC)	500,000	500,000
Uninsured, Collateralized under the Public Deposit Protection Act of the State of Colorado	1,289,020	1,528,207
Cash with County Treasurer	130,880	-
Cash with Fiscal Agent	2,527,554	-
Cash on Hand	900	-
<u>Total Cash and Deposits</u>	<u>4,448,354</u>	<u>2,028,207</u>

As presented above, deposits with a bank balance of \$1,528,207 and a carrying balance of \$1,289,020, as of June 30, 2016 are uninsured, are exposed to custodial risk, and are collateralized with securities held by the pledging financial institution.

Investments

At June 30, 2016, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
COLO TRUST Plus	Under 60 Day Avg.	5,217,082
Raymond James Investment	-	1,989,024

Interest Rate Risk – The District does not have a formal investment policy that limits investment maturities for managing possible fair value losses due to increasing interest rates.

Credit Risk – State Law limits the type of investments allowable. The investment in COLOTRUST Plus were rated AAA by Standard and Poor's.

Investments Held by Fiduciary Scholarship Trust Fund – The scholarship trust fund has various investments held by Raymond James which are subject to market fluctuations and have been marked to market at 6/30/16. An unrealized loss of \$12,416 was recorded at year end. These investments are insured under SPIC up to \$500,000. The District is not responsible for the investment of these funds.

Concentration of Credit Risk – the District has no policy restricting the amount that can be invested in any issuer.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of June 30, 2016:

- ColoTrust Investment Pool of \$5,217,082 is valued using quoted market prices (Level 1 inputs)
- Raymond James Investment of \$1,989,024 is valued using quoted market prices (Level 1 inputs)

FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 5 **CAPITAL ASSETS**

A summary of changes in capital assets is as follows:

Governmental Activities

	<u>Balance</u> <u>July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2016</u>
<u>Capital Assets Not Being</u>				
<u>Depreciated</u>				
Land	1,007,850	-	-	1,007,850
Construction In Progress	<u>8,091</u>	<u>388,989</u>	-	<u>397,080</u>
<u>Total Capital Assets Not Being</u>				
<u>Depreciated</u>	<u>1,015,941</u>	<u>388,989</u>	-	<u>1,404,930</u>
<u>Capital Assets Being</u>				
<u>Depreciated</u>				
Buildings & Site Improvements	32,751,804	27,195	-	32,778,999
Equipment & Vehicles	3,313,816	27,459	-	3,341,275
Food Service	<u>469,013</u>	-	-	<u>469,013</u>
<u>Total Capital Assets Being</u>				
<u>Depreciated</u>	<u>36,534,633</u>	<u>54,654</u>	-	<u>36,589,287</u>
<u>Less Accumulated</u>				
<u>Depreciation for:</u>				
Building & Site Improvements	18,160,400	1,371,471	-	19,531,871
Equipment & Vehicles	2,700,268	121,080	-	2,821,348
Food Service	<u>420,457</u>	<u>32,631</u>	-	<u>453,088</u>
<u>Total Accumulated Depreciation</u>	<u>21,281,125</u>	<u>1,525,182</u>	-	<u>22,806,307</u>
<u>Total Capital Assets Being</u>				
<u>Depreciated, Net</u>	<u>15,253,508</u>	<u>(1,470,528)</u>	-	<u>13,782,980</u>
<u>Governmental Activities Capital</u>				
<u>Assets, Net</u>	<u>16,269,449</u>	<u>(1,081,539)</u>	-	<u>15,187,910</u>

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

Governmental Activities:

Instruction	1,358,502
Student Support	7,944
Instructional Support	11,798
School Administration	5,690
Business Support Services	446
Operations and Maintenance	19,911
Transportation	88,260
Food Service	<u>32,631</u>
<u>Total Depreciation Expense –Governmental Activities</u>	<u>1,525,182</u>

FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 6 **PENSION PLAN**

Defined Benefit Pension Plan

Summary of Significant Accounting Policies

Pensions. Fremont County School District RE-2 participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

Plan description. Eligible employees of the Fremont County School District RE-2 are provided with pensions through the School Division Trust Fund (SCHDTF) - a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investment/pera-financial-reports.

Benefits provided. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s), under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. 24-51-601, 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.

FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 6 **PENSION PLAN (Continued)**

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

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

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

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

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

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

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

**FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016**

NOTE 6 PENSION PLAN (Continued)

Contributions. Eligible employees and Fremont County School District RE-2 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, 2015	For the Year Ended December 31, 2016
Employer Contribution Rate	10.15 %	10.15 %
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. 24-51-208 (1) (f)	(1.02)%	(1.02)%
Amount Apportioned to the SCHDTF	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. 24-51-411	4.20%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. 24-51-411	4.00%	4.50%
Total Employer Contribution Rate to the SCHDTF	17.33%	18.13%

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the Fremont County School District RE-2 is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from Fremont County School District RE-2 were \$1,226,519 for the year ended June 30, 2016.

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

At June 30, 2016, the Fremont County School District RE-2 reported a liability of \$24,302,722 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The Fremont County School District RE-2 proportion of the net pension liability was based on Fremont County School District RE-2 contributions to the SCHDTF for the calendar year 2015 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2015, the Fremont County School District RE-2 proportion was 0.1589 percent, which was a decrease of 0.0002 from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016, the Fremont County School District RE-2 recognized pension expense of \$1,006,174. At June 30, 2016, the Fremont County School District RE-2 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 6 **PENSION PLAN (Continued)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	320,920	(1,012)
Changes of assumptions or other inputs	2,066,143	0
Net difference between projected and actual earnings on pension plan investments	0	(343,440)
Changes in proportion and differences between contributions recognized and proportionate share of contributions	0	(216,142)
Contributions subsequent to the measurement date	629,556	N/A
Total	3,016,619	(560,594)

\$629,556 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, 2016. 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, 2016	
2017	416,296
2018	450,341
2019	536,156
2020	423,676
2021	-
Thereafter	-

Actuarial assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Actuarial Cost Method	Entry Age
Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage Inflation	3.90 percent
Salary increases, including wage inflation	3.90 – 10.10 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50 percent
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 6 **PENSION PLAN (Continued)**

Mortality rates were based on the RP-2000 combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

Changes to assumptions or other inputs since the December 31, 2013 actuarial valuations are as follows:

- **The following programming changes were made:**
 - **Valuation of the full survivor benefit without any reduction for possible remarriage.**
 - **Reflection of the employer match on separation benefits for all eligible years.**
 - **Reflection of one year of service eligibility for survivor annuity benefit.**
 - **Refinement of the 18 month annual increase timing.**
 - **Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.**

- **The following methodology changes were made:**
 - **Recognition of merit salary increases in the first projection year.**
 - **Elimination of the assumption that 35% of future disabled members elect to receive a refund.**
 - **Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.**
 - **Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year.**

The SCHDTF's long-term expected rate of return on pension plan investments was determined using 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 analysis of the long-term expected rate of return, presented to the PERA Board on November 15, 2013, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 6 **PENSION PLAN (Continued)**

Asset Class	Target Allocation	10 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	26.76%	5.00%
U.S. Equity – Small Cap	4.40%	5.19%
Non U.S. Equity – Developed	22.06%	5.29%
Non U.S. Equity – Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov't/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	100.00%	

***In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.50%.**

Discount rate. The discount rate used to measure the total pension liability was 7.50 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 increase annually at a rate of 3.9%.**
- **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, 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.**

**FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016**

NOTE 6 PENSION PLAN (Continued)

- The AIR balance was excluded from the initial fiduciary net position, as, per statute. AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.

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

Based on the above actuarial cost method and assumptions, the SCHDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

Sensitivity of the Fremont County School District RE-2 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 7.50 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-percent-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	31,503,431	24,302,722	18,313,076

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.

FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 6 **PENSION PLAN (Continued)**

Defined Contribution Pension Plan

Voluntary Investment Program

Plan Description – Employees of the Fremont County School District RE-2 that are also members of the SCHDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA, Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees, PERA issues a publicly available comprehensive annual financial report for the Plan. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy – The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions and investment earnings. For the year ended June 30, 2016, program members contributed \$58,905.

Other Post-Employment Benefits

Health Care Trust Fund

Plan Description – The Fremont County School District RE-2 contributes to the Health Care Trust Fund (“HCTF”), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy – The Fremont County School District RE-2 is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the Fremont County School District RE-2 are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2016, 2015 and 2014, the Fremont County School District RE-2 contributions to the HCTF were \$70,555, \$69,713 and \$66,540, respectively equal to their required contributions for each year.

FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 7 **RISK MANAGEMENT**

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

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

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

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

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

The District's share in the Pool is not determinable from current information, but is estimated to be less than 1%. The District's share, if calculated, would not be material to the Pool's financial information at June 30, 2016.

An audited summary of the Colorado School District's Pool financial information at December 31, 2015 (latest information available) follows:

Total Assets	<u>46,958,320</u>
Total Liabilities	<u>22,633,311</u>
Total Equity	<u>24,325,009</u>
Revenue	13,432,892
Underwriting Expenses	<u>16,484,758</u>
Underwriting Gain (Loss)	(3,051,866)
Net Investment Income	663,509
Other Income	-
Net Income (Loss) Before Dividend	<u>(2,388,357)</u>
Dividend	-
Net Income	<u>(2,388,357)</u>
Transfer of Capital Contributions	-
Change in Non Admitted Assets	<u>95,339</u>
Capital Contributions from Members	-
Unassigned Surplus	<u>24,325,009</u>

FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 9 **LITIGATION**

None.

NOTE 10 **SUMMARY DISCLOSURE OF SIGNIFICANT COMMITMENTS AND CONTINGENCIES**

Claims and Judgments - The District participates in a number of federal, state and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2016, significant amounts of grant expenditures have not been audited by the grantor but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual government funds or the overall financial position of the District.

NOTE 11 **JOINT VENTURES**

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

The District has one member on the Board. The Board has final authority for all budgeting and financing of the joint venture. The District's share of the joint venture is not determinable at June 30, 2016. The joint venture summary audited financial information as of June 30, 2015 is as follows:

Assets and Deferred Outflows	<u>15,062,699</u>
Liabilities and Deferred Inflows	17,031,264
Net Position	<u>(1,968,565)</u>
	<u>15,062,699</u>
Revenues	11,417,428
Expenses	<u>11,914,954</u>
Changes in Net Position	<u>(497,526)</u>

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

**FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016**

NOTE 12 LONG-TERM DEBT

The following is a summary of the transactions in the school district's long-term debt:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Current</u> <u>Portion</u>
Vehicle Lease	101,162	-	47,246	53,916	53,916
G.O. Bonds Series 2006	8,850,000	-	8,850,000	-	-
G.O. Bonds Series 2011	4,110,000	-	1,240,000	2,870,000	1,260,000
G.O. Bonds Series 2015	-	7,915,000	-	7,915,000	-
Deferred Refunding	(348,820)	(418,305)	(322,158)	(444,967)	(107,018)
	<u>12,712,342</u>	<u>7,496,695</u>	<u>9,815,088</u>	<u>10,393,949</u>	<u>1,206,898</u>

General Obligation Refunding Series 2011

On October 27, 2011, the District issued \$5,455,000 in General Obligation Refunding Bonds with an average interest rate of 2.28% to advance refund \$5,035,000 of outstanding 2004 General Obligation Bonds bearing interest rates ranging from 5.00% to 5.25%. Refunding proceeds of \$6,381,994 were deposited with an escrow agent to provide debt service payments of \$5,035,000 in principal and \$1,346,994 in interest on the 2004 Series Bonds. As result, that portion of 2004 Bonds is considered to be defeased and the liability for the issue has been removed from the financial statements. The defeased debt balance at June 30, 2016 was \$3,865,000.

The District completed the advance refunding to reduce the total debt service payments over the next 8 years by \$347,057 and to obtain an economic gain (difference between the present value of the old and new debt service payments) of \$228,249.

As a result of the difference between the reacquisition price and the carrying amount of the old debt (including unamortized issue costs and unamortized premium), a deferred refunding was recorded in the amount of \$378,770. It is being amortized against interest costs of the refunding issue.

General Obligation Refunding Series 2015

On October 21, 2015, the District issued \$7,915,000 in General Obligation Refunding Bonds with an average interest rate of 3.79% to advance refund \$8,800,000 of outstanding 2006 General Obligation Bonds bearing interest rates ranging from 3.75% to 4.00%. Refunding proceeds of \$8,972,078 were deposited with an escrow agent to provide debt service payments of \$8,800,000 in principal and \$2,125,965 in interest on the 2006 Series Bonds. As result, that portion of 2006 Bonds is considered to be defeased and the liability for the issue has been removed from the financial statements. The defeased debt balance at June 30, 2016 was \$8,800,000.

The District completed the advance refunding to reduce the total debt service payments over the next 8 years by \$1,278,185 and to obtain an economic gain (difference between the present value of the old and new debt service payments) of \$1,031,176.

As a result of the difference between the reacquisition price and the carrying amount of the old debt a deferred refunding was recorded in the amount of \$418,305. It will be amortized against interest costs of the refunding issue.

FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 12 **LONG-TERM DEBT (Continued)**

General Obligation Refunding Series 2015 (Continued)

Below is a schedule of debt service requirements to maturity:

2015 Refunding Issue

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2016	-	319,698
2017	-	293,600
2018	940,000	293,600
2019	1,310,000	265,400
2020	1,360,000	213,000
2021	1,385,000	172,200
2022	1,455,000	116,800
2023	<u>1,465,000</u>	<u>58,600</u>
Total	<u>7,915,000</u>	<u>1,732,898</u>

2011 Refunding Issue

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2017	1,260,000	54,425
2018	1,285,000	24,187
2019	<u>325,000</u>	<u>4,063</u>
Total	<u>2,870,000</u>	<u>82,675</u>

Capital Leases

Lease Purchase Vehicles

During the fiscal year ended June 30, 2016 the District executed a lease purchase agreement of \$143,169 to purchase 3 vehicles. The lease purchase agreement is for a period of 36 months with interest at a rate of 3.23% per annum and a monthly payment of \$4,192.53.

Annual debt service requirements to maturity for the lease purchase agreements are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual Payment</u>
2017	50,310	1,022	51,332
2018	3,606	9	<u>3,615</u>
			54,947
			<u>(1,031)</u>
			<u>53,916</u>

FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 13 **INTERFUND BALANCES**

Interfund Balances

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
<u>Major Funds</u>		
General Fund	338,754	-
Bond Fund	-	5,224
<u>Non Major Governmental Funds</u>		
Designated Grants Fund	-	265,674
Food Service Fund	-	<u>67,856</u>
	<u>338,754</u>	<u>338,754</u>

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

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

<u>Transfers</u>	<u>Transfer In</u>	<u>Transfer Out</u>
<u>Major Governmental Fund</u>		
General Fund	-	90,000
<u>Nonmajor Governmental Funds</u>		
Pupil Activities Fund	<u>90,000</u>	-
	<u>90,000</u>	<u>90,000</u>

These transfers were to assist with operations.

NOTE 14 **ACCRUED SALARIES AND BENEFITS**

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve month period from September to August, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, as of June 30, 2016, are estimated to be \$1,187,363 and will be paid during the 2016-2017 fiscal year. Accordingly, the accrued compensation is reflected as a liability in the accompanying financial statements.

NOTE 15 **PRIOR PERIOD CORRECTION**

A prior period correction to net position of \$304,788 was recorded to reflect an employer level pension flow for the change in the employer's allocation percentage on collective net pension liability that was not recorded at June 30, 2015.

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISONS

General Fund

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

Special Revenue Fund

Designated Grants Fund – used to account for federal and state grant programs.

PENSION TREND DATA

**FREMONT COUNTY SCHOOL DISTRICT RE-2
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
For the Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
<u>Local Sources</u>				
Property Taxes	2,154,206	2,129,206	2,544,688	415,482
Specific Ownership Taxes	621,453	622,056	629,921	7,865
Earnings on Investments	8,500	9,000	18,282	9,282
Delinquent Taxes & Interest	-	-	6,954	6,954
Other	114,000	123,500	131,205	7,705
<u>State Sources</u>				
Equalization	7,601,964	7,601,964	7,698,277	96,313
Transportation	175,000	190,000	181,124	(8,876)
Vocational Education	61,000	75,000	83,641	8,641
Special Education	50,000	50,000	261,275	211,275
Other	112,000	121,093	101,610	(19,483)
<u>Federal Sources</u>				
Other	15,000	15,000	-	(15,000)
<u>TOTAL REVENUES</u>	<u>10,913,123</u>	<u>10,936,819</u>	<u>11,656,977</u>	<u>720,158</u>
<u>EXPENDITURES</u>				
<u>Instruction</u>				
<u>Regular Programs</u>				
Salaries	4,700,927	4,655,736	4,584,926	70,810
Employee Benefits	1,399,161	1,421,413	1,268,820	152,593
Purchased Services – Professional	100,500	79,500	55,351	24,149
Purchased Services - Property	19,500	19,500	48,932	(29,432)
Purchased Services – Other	357,891	477,891	329,183	148,708
Supplies and Materials	177,356	166,856	139,642	27,214
Property	110,576	98,576	79,521	19,055
Other Objects	9,758	-	-	-
<u>Total Instruction</u>	<u>6,875,669</u>	<u>6,919,472</u>	<u>6,506,375</u>	<u>413,097</u>

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

**FREMONT COUNTY SCHOOL DISTRICT RE-2
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
For the Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>SUPPORTING SERVICES</u>				
<u>Student Supporting Services</u>				
Salaries	302,790	285,015	300,878	(15,863)
Employee Benefits	81,013	78,251	87,586	(9,335)
Purchased Services - Professional	-	-	-	-
Purchased Services - Property	-	-	-	-
Purchased Services - Other	-	-	-	-
Supplies and Materials	15,800	15,800	9,645	6,155
Property	1,500	1,500	-	1,500
Other Objects	2,000	2,000	-	2,000
<u>Total Student Services</u>	<u>403,103</u>	<u>382,566</u>	<u>398,109</u>	<u>(15,543)</u>
<u>Instructional Staff</u>				
Salaries	43,617	54,292	47,486	6,806
Employee Benefits	19,738	19,982	17,484	2,498
Purchased Services - Professional	8,500	8,750	5,470	3,280
Purchased Services - Property	-	-	-	-
Purchased Services - Other	1,000	1,000	-	1,000
Supplies and Materials	6,050	10,050	8,340	1,710
Property	10,000	10,000	6,797	3,203
Other Objects	-	-	-	-
<u>Total Instructional Staff</u>	<u>88,905</u>	<u>104,074</u>	<u>85,577</u>	<u>18,497</u>
<u>General Administration</u>				
Salaries	280,883	282,383	267,377	15,006
Employee Benefits	73,948	73,948	63,057	10,891
Purchased Services – Professional	-	100,000	103,034	(3,034)
Purchased Services – Property	-	-	-	-
Purchased Services – Other	232,180	267,180	267,886	(706)
Supplies and Materials	-	-	-	-
Property	-	-	-	-
Other Objects	-	500	-	500
<u>Total General Administration</u>	<u>587,011</u>	<u>724,011</u>	<u>701,354</u>	<u>22,657</u>

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

**FREMONT COUNTY SCHOOL DISTRICT RE-2
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
For the Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>School Administration</u>				
<u>Office of the Principal</u>				
Salaries	608,246	622,736	582,631	40,105
Employee Benefits	173,624	179,400	157,141	22,259
Purchased Services – Professional	-	-	-	-
Purchased Services – Property	4,550	4,550	5,913	(1,363)
Purchased Services – Other	-	-	-	-
Supplies and Materials	9,000	9,000	4,581	4,419
Property	2,000	2,000	421	1,579
Other Objects	-	-	-	-
<u>Total School Administration</u>	<u>797,420</u>	<u>817,686</u>	<u>750,687</u>	<u>66,999</u>
<u>Business Services</u>				
Salaries	70,475	65,475	60,928	4,547
Employee Benefits	20,892	20,892	18,115	2,777
Purchased Services – Professional	6,000	2,500	1,527	973
Purchased Services - Property	57,500	45,000	55,994	(10,994)
Purchased Services - Other	-	-	-	-
Supplies and Materials	12,000	12,000	1,504	10,496
Property	5,000	1,000	-	1,000
Other Objects	-	-	-	-
<u>Total Business Services</u>	<u>171,867</u>	<u>146,867</u>	<u>138,068</u>	<u>8,799</u>
<u>Operations and Maintenance</u>				
Salaries	480,967	480,967	467,057	13,910
Employee Benefits	155,755	155,755	143,693	12,062
Purchased Services – Professional	132,000	132,000	86,957	45,043
Purchased Services - Property	211,250	212,250	190,708	21,542
Purchased Services - Other	45,000	57,000	93,304	(36,304)
Supplies and Materials	698,750	722,250	687,211	35,039
Property	2,750	750	-	750
Other Objects	<u>2,876,451</u>	<u>2,876,451</u>	<u>923</u>	<u>2,875,528</u>
<u>Total Operations and Maintenance</u>	<u>4,602,923</u>	<u>4,637,423</u>	<u>1,669,853</u>	<u>2,967,570</u>

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

**FREMONT COUNTY SCHOOL DISTRICT RE-2
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
For the Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Student Transportation</u>				
Salaries	433,787	443,787	410,245	33,542
Employee Benefits	130,530	124,530	107,982	16,548
Purchased Services – Property	20,500	20,500	18,332	2,168
Purchased Services – Other	7,000	4,500	5,115	(615)
Supplies and Materials	162,500	159,500	115,867	43,633
Property	2,000	2,000	1,936	64
<u>Total Student Transportation</u>	<u>756,317</u>	<u>754,817</u>	<u>659,477</u>	<u>95,340</u>
<u>Central Support</u>				
Salaries	123,227	161,227	135,260	25,967
Employee Benefits	32,352	43,464	31,593	11,871
Purchased Services – Professional	-	-	-	-
Purchased Services – Property	20,000	20,000	16,700	3,300
Purchased Services – Other	5,000	5,000	17,613	(12,613)
Property	162,000	105,000	131,032	(26,032)
<u>Total Central Support</u>	<u>342,579</u>	<u>334,691</u>	<u>332,198</u>	<u>2,493</u>
<u>Facility</u>				
Property	1,332,713	1,332,713	891,277	441,436
<u>Total Facility</u>	<u>1,332,713</u>	<u>1,332,713</u>	<u>891,277</u>	<u>441,436</u>
<u>Total Supporting Services</u>	<u>9,082,838</u>	<u>9,234,848</u>	<u>5,626,600</u>	<u>3,608,248</u>
<u>Debt Service</u>				
Principal Retirement	-	-	47,246	(47,246)
Interest and Fiscal Charges	-	-	3,064	(3,064)
<u>Total Debt Service</u>	<u>-</u>	<u>-</u>	<u>50,310</u>	<u>(50,310)</u>
<u>Appropriated Reserves</u>	<u>874,945</u>	<u>765,936</u>	<u>-</u>	<u>765,936</u>
<u>TOTAL EXPENDITURES</u>	<u>16,833,452</u>	<u>16,920,256</u>	<u>12,183,285</u>	<u>4,736,971</u>
<u>REVENUES OVER (UNDER) EXPENDITURES</u>	<u>(5,920,329)</u>	<u>(5,983,437)</u>	<u>(526,308)</u>	
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers	(90,000)	(90,000)	(90,000)	-
<u>Total Other Financing Sources (Uses)</u>	<u>(90,000)</u>	<u>(90,000)</u>	<u>(90,000)</u>	<u>-</u>
<u>REVENUES OVER (UNDER) EXPENDITURES AND OTHER SOURCES (USES)</u>	<u>(6,010,329)</u>	<u>(6,073,437)</u>	<u>(616,308)</u>	
<u>FUND BALANCE, July 1</u>	<u>6,010,329</u>	<u>6,073,437</u>	<u>6,056,792</u>	
<u>FUND BALANCE, June 30</u>	<u>-</u>	<u>-</u>	<u>5,440,484</u>	

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

**FREMONT COUNTY SCHOOL DISTRICT RE-2
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
DESIGNATED PURPOSE GRANTS
MAJOR SPECIAL REVENUE FUND
For the Year Ended June 30, 2016**

	<u>Budget</u>	<u>Actual</u>	Variance- Favorable (Unfavorable)
<u>REVENUES</u>			
Local Sources	-	-	-
State Sources	-	-	-
Federal Sources	<u>833,500</u>	<u>744,369</u>	<u>(89,131)</u>
<u>Total Revenues</u>	<u>833,500</u>	<u>744,369</u>	<u>(89,131)</u>
<u>EXPENDITURES:</u>			
Salaries	516,577	458,516	58,061
Employee Benefits	143,843	124,507	19,336
Purchased Services – Professional	70,872	51,655	19,217
Purchased Services – Property	-	-	-
Purchased Services – Other	14,299	8,697	5,602
Supplies and Materials	87,909	100,994	(13,085)
Property	-	-	-
Other Objects	-	-	-
<u>Total Expenditures</u>	<u>833,500</u>	<u>744,369</u>	<u>89,131</u>
<u>REVENUES OVER (UNDER) EXPENDITURES</u>	<u>-</u>	<u>-</u>	
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers	-	-	-
<u>Total Other Financing Sources (Uses)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)</u>	<u>-</u>	<u>-</u>	
<u>FUND BALANCE, July 1</u>	<u>-</u>	<u>-</u>	
<u>FUND BALANCE, June 30</u>	<u>-</u>	<u>-</u>	

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

FREMONT COUNTY SCHOOL DISTRICT NUMBER RE-2
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
For The Last 10 Fiscal Years (As Available)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
District's proportion of the net pension liability (asset)	0.1589%	0.1591%	0.1624%	-	-	-	-	-	-	-
District's proportionate share of the net pension liability (asset)	\$24,302,722	\$21,569,787	\$20,716,850	-	-	-	-	-	-	-
District's covered-employee payroll	\$6,917,132	\$6,834,583	\$6,666,810	-	-	-	-	-	-	-
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	351%	316%	311%	-	-	-	-	-	-	-
Plan fiduciary net position as a percentage of the total pension liability	59.2%	62.80%	64.06%	-	-	-	-	-	-	-

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

FREMONT COUNTY SCHOOL DISTRICT NUMBER RE-2
SCHEDULE OF DISTRICT CONTRIBUTIONS
For The Last 10 Fiscal Years (As Available)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually required contributions	\$ 1,226,519	\$ 1,152,971	\$1,094,181	\$ 999,654	-	-	-	-	-	-
Contributions in relation to the contractually required contributions	<u>\$ (1,226,519)</u>	<u>\$ (1,152,971)</u>	<u>\$1,094,181</u>	<u>\$ (999,654)</u>	-	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	-	-	-	-	-	-
District's covered-employee payroll	\$ 6,917,133	\$ 6,834,583	\$6,666,810	\$6,628,145	-	-	-	-	-	-
Contributions as a percentage of covered-employee payroll	17.73%	16.87%	16.41%	15.08%	-	-	-	-	-	-

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

COMBINING AND INDIVIDUAL FUND STATEMENTS AND OTHER SCHEDULES

Combining Balance Sheet – NonMajor Governmental Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – NonMajor Governmental Funds

Bond Redemption Debt Service Fund – Major Fund

Bond Redemption Debt Service Fund – Use to account for the accumulation of resources for, and the payment of , long-term general obligation debt principal, interest, and related costs.

NON MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Pupil Activities - This fund accounts for financial transactions of all schools in the District through individual school activity accounts.

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

Pupil Activity Agency Fund

Student Activity – Agency Fund – This fund is used to account for amounts held in a fiduciary capacity for various student clubs and organizations.

**FREMONT COUNTY SCHOOL DISTRICT RE-2
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2016**

	<u>Pupil Activities</u>	<u>Food Service</u>	<u>Total Non-Major Governmental Funds</u>
<u>ASSETS</u>			
Cash and Investments	69,323	246,727	316,050
Accounts Receivable	-	-	-
Accrued Revenue	-	-	-
Due From Other Funds	-	-	-
Property Taxes Receivable	-	-	-
Inventories	-	4,640	4,640
<u>Total Assets</u>	<u>69,323</u>	<u>251,367</u>	<u>320,690</u>
<u>LIABILITIES & FUND BALANCES</u>			
Liabilities:			
Accounts Payable	-	2,042	2,042
Accrued Salaries	-	23,519	23,519
Due To Other Funds	-	67,856	67,856
Other Payables	-	5,006	5,006
Unearned Revenue:			
Local Sources	-	-	-
Property Taxes	-	-	-
Other Governments	-	-	-
<u>Total Liabilities</u>	<u>-</u>	<u>98,423</u>	<u>98,423</u>
<u>Fund Balances</u>			
Nonspendable			
Inventories	-	4,640	4,640
Restricted			
Food Service	-	148,304	148,304
Assigned			
Student Activities	69,323	-	69,323
Unassigned	-	-	-
<u>Total Fund Balances</u>	<u>69,323</u>	<u>152,944</u>	<u>222,267</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>69,323</u>	<u>251,367</u>	<u>320,690</u>

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

**FREMONT COUNTY SCHOOL DISTRICT RE-2
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2016**

	<u>Pupil Activities</u>	<u>Food Service</u>	<u>Total Non-Major Governmental Funds</u>
<u>REVENUES</u>			
Other Local Sources	38,933	166,636	205,569
State Aid	-	10,367	10,367
Federal Aid	-	<u>379,820</u>	<u>379,820</u>
Total Revenues	<u>38,933</u>	<u>556,823</u>	<u>595,756</u>
<u>EXPENDITURES</u>			
Current			
Instructional Services	133,185	-	133,185
Supporting Services:			
Students	-	-	-
Instructional Staff	-	-	-
District Administration	-	-	-
School Administration	-	-	-
Business	-	-	-
Operation & Maintenance of Facilities	-	-	-
Transportation	-	-	-
Central	-	-	-
Food Service	-	535,091	535,091
Debt Service:			
Principal	-	-	-
Interest and Fees	-	-	-
Capital Outlay	-	-	-
Total Expenditures	<u>133,185</u>	<u>535,091</u>	<u>668,276</u>
<u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u>	<u>(94,252)</u>	<u>21,732</u>	<u>(72,520)</u>
<u>OTHER FINANCING SOURCE (USES)</u>			
Transfers	90,000	-	90,000
Proceeds from Debt	-	-	-
Total Other Financing Sources (Uses)	<u>90,000</u>	<u>-</u>	<u>90,000</u>
<u>NET CHANGE IN FUND BALANCES</u>	<u>(4,252)</u>	<u>21,732</u>	<u>17,480</u>
<u>FUND BALANCES – Beginning</u>	<u>73,575</u>	<u>131,212</u>	<u>204,787</u>
<u>FUND BALANCES – Ending</u>	<u>69,323</u>	<u>152,944</u>	<u>222,267</u>

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

FREMONT COUNTY SCHOOL DISTRICT RE-2
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (GAAP BASIS)
PUPIL ACTIVITIES
For the Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
<u>REVENUES</u>			
Local Sources	150,000	38,933	(111,067)
State Sources	-	-	-
Federal Sources	-	-	-
<u>Total Revenues</u>	<u>150,000</u>	<u>38,933</u>	<u>(111,067)</u>
<u>EXPENDITURES:</u>			
Activity Expenditures	<u>313,575</u>	<u>133,185</u>	<u>180,390</u>
<u>Total Expenditures</u>	<u>313,575</u>	<u>133,185</u>	<u>180,390</u>
<u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u>	(163,575)	(94,252)	
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers	<u>90,000</u>	<u>90,000</u>	<u>-</u>
<u>Total Other Financing Sources (Uses)</u>	<u>90,000</u>	<u>90,000</u>	<u>-</u>
<u>NET CHANGE IN FUND BALANCES</u>	(73,575)	(4,252)	
<u>FUND BALANCES, Beginning</u>	<u>73,575</u>	<u>73,575</u>	
<u>FUND BALANCES, Ending</u>	<u>-</u>	<u>69,323</u>	

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

**FREMONT COUNTY SCHOOL DISTRICT RE-2
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (GAAP BASIS)
BOND REDEMPTION FUND
MAJOR DEBT SERVICE FUND
For the Year Ended June 30, 2016**

	<u>Budget</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
<u>REVENUES</u>			
Property Taxes	1,705,000	1,636,710	(68,290)
Specific Ownership Taxes	10,000	-	(10,000)
Earnings on Investments	2,100	11,755	9,655
Other Local Sources	<u>4,000</u>	<u>4,414</u>	<u>414</u>
<u>Total Revenues</u>	<u>1,721,100</u>	<u>1,652,879</u>	<u>(68,221)</u>
<u>EXPENDITURES:</u>			
Debt Service:			
Principal Retirement	1,490,000	1,290,000	200,000
Interest and Fiscal Charges	442,056	255,348	186,708
Other	-	-	-
Contingency	<u>3,133,685</u>	<u>-</u>	<u>3,133,685</u>
<u>Total Expenditures</u>	<u>5,065,741</u>	<u>1,545,348</u>	<u>3,520,393</u>
<u>REVENUES OVER (UNDER) EXPENDITURES</u>	(3,347,141)	(25,445)	
<u>OTHER FINANCING SOURCES (USES)</u>			
Proceeds From Debt	1,031,176	8,932,976	7,901,800
Issue Costs	2,500	132,976	(130,476)
Payment to Refunded Bond Escrow Agent	<u>(49,000)</u>	<u>(8,972,078)</u>	<u>(8,923,078)</u>
<u>Total Other Financing Sources (Uses)</u>	<u>984,676</u>	<u>93,874</u>	<u>(1,151,754)</u>
<u>NET CHANGE IN FUND BALANCES</u>	(2,364,965)	(64,547)	
<u>FUND BALANCES, July 1</u>	<u>2,364,965</u>	<u>2,642,194</u>	
<u>FUND BALANCES, June 30</u>	<u>-</u>	<u>2,577,647</u>	

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

**FREMONT COUNTY SCHOOL DISTRICT RE-2
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOOD SERVICE – SPECIAL REVENUE FUND
For the Year Ended June 30, 2016**

	<u>Budget</u>	<u>Actual</u>	Variance- Favorable (Unfavorable)
<u>REVENUES</u>			
<u>Local Sources</u>			
Food Sales	136,700	166,636	29,936
Earnings on Investments	-	-	-
Other	-	-	-
<u>State Sources</u>			
School Lunches	7,000	10,367	3,367
<u>Federal Sources</u>			
School Lunches	370,000	363,354	(6,646)
Commodities	<u>25,000</u>	<u>16,466</u>	<u>(8,534)</u>
<u>Total Revenues</u>	<u>538,700</u>	<u>556,823</u>	<u>18,123</u>
<u>EXPENDITURES</u>			
Salaries	162,881	153,008	9,873
Employee Benefits	55,777	53,146	2,631
Purchased Services – Professional	-	42	(42)
Purchased Services – Property	15,000	15,493	(493)
Purchased Services - Other	-	748	(748)
Supplies and Materials	347,500	296,189	51,311
Capital Outlay	15,000	-	15,000
Other	-	-	-
Commodities	-	<u>16,466</u>	<u>(16,466)</u>
<u>Total Expenditures</u>	<u>596,158</u>	<u>535,092</u>	<u>61,066</u>
<u>REVENUES OVER (UNDER) EXPENDITURES</u>	(57,458)	21,731	
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers	-	-	-
<u>REVENUES AND SOURCES OVER (UNDER) EXPENDITURES AND USES</u>	(57,458)	21,731	
<u>FUND BALANCE, Beginning</u>	<u>57,458</u>	<u>131,213</u>	
<u>FUND BALANCE, Ending</u>	<u>-</u>	<u>152,944</u>	

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

**FREMONT COUNTY SCHOOL DISTRICT RE-2
SCHEDULE OF ACTIVITIES – BUDGET AND ACTUAL
PUPIL ACTIVITY - AGENCY FUND
For the Year Ended June 30, 2016**

	<u>Budget</u>	<u>Actual</u>	Variance- Favorable (Unfavorable)
<u>ADDITIONS</u>			
Earnings on Investments	-	-	-
Other Local Sources	<u>400,000</u>	<u>333,094</u>	<u>(66,906)</u>
<u>Total Additions</u>	<u>400,000</u>	<u>333,094</u>	<u>(66,906)</u>
<u>DEDUCTIONS</u>			
Activity Expenditures	450,000	300,342	149,658
Transfer to Special Revenue Activity	-	-	-
Contingency	<u>134,498</u>	<u>-</u>	<u>134,498</u>
<u>Total Deductions</u>	<u>584,498</u>	<u>300,342</u>	<u>284,156</u>
 Net Increase (Decrease) in Deposits Held for Others	 (184,498)	 32,752	
Deposits Held for Others – Beginning of Year	<u>184,498</u>	<u>184,498</u>	
Deposits Held for Others – End of Year	<u>-</u>	<u>217,250</u>	

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

STATE REQUIRED SCHEDULES

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

Bolded Balance Sheet



Colorado Department of Education
Auditors Integrity Report
 District 1150 - FREMONT RE-2
 Fiscal Year 2015-16
 Colorado School District/BOCES

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental				
10 General Fund	6,055,678	11,096,233	11,722,100	5,423,811
18 Risk Mgmt Sub-Fund of General Fund	1,115	252,615	243,057	10,673
19 Colorado Preschool Program Fund	0	218,128	218,128	0
Sub-Total	6,056,793	11,566,977	12,183,286	5,440,484
11 Charter School Fund	0	0	0	0
20,26-29 Special Revenue Fund	0	0	0	0
21 Food Service Spec Revenue Fund	131,212	556,823	555,092	152,944
22 Govt Designated-Purpose Grants Fund	0	744,369	744,369	0
23 Pupil Activity Special Revenue Fund	73,575	128,933	133,185	68,322
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	2,642,194	10,585,854	10,650,402	2,577,647
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	0	0	0	0
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	0	0	0	0
Totals	8,902,775	21,502,956	24,242,334	8,240,137
Proprietary				
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0	0
80,65-69 Other Internal Service Funds	0	0	0	0
Totals	0	0	0	0
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	2,049,731	113,231	161,272	2,001,690
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	184,498	333,094	300,342	217,250
79 GASB 34 Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
Totals	2,234,229	446,315	461,614	2,218,940

FINAL

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



Colorado Department of Education
Bolded Balance Sheet Report
 District 1150 - FREMONT RE-2
 Fiscal Year 2015-16
 Colorado School District/BOCES

	Governmental						Proprietary						Fiduciary	
	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Food Service Special Revenue Fund 21	Special Revenue Funds 20, 22-29	Debt Service Funds 30-39	Capital Projects Funds 40-49	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals	
ASSETS														
Cash and Investments (8100-8104,8111)	6,249,465	0	14,645	246,727	266,248	2,527,554	0	0	0	371,036	0	9,675,676		
Cash with Fiscal Agent (8105)	100,063	0	0	0	0	30,817	0	0	0	0	0	130,879		
Other Investment Accounts (8112-8115)	0	0	0	0	0	0	0	0	0	1,847,904	0	1,847,904		
Taxes Receivable (8121,8122)	279,000	0	0	0	0	187,500	0	0	0	0	0	466,500		
Interfund Loans Receivable (8131,8132)	840,149	0	0	0	0	0	0	0	0	0	0	840,149		
Grants Accounts Receivable (8142)	8,381	0	0	0	208,596	0	0	0	0	0	0	216,977		
Other Receivables (8151-8154,8161)	0	0	0	0	0	0	0	0	0	0	0	0		
Inventories (8171,8172,8173)	0	0	0	4,640	0	0	0	0	0	0	0	4,640		
Machinery and Equipment (8241,8242,8251)	0	0	0	0	0	0	0	0	0	0	0	0		
Total Assets	7,477,059	0	14,645	251,367	974,844	2,745,871	0	0	0	2,218,940	0	13,182,725		

	Governmental					Proprietary					Fiduciary	
	General Funds 10-12-18	Charter School Fund 11	Preschool Fund 19	Food Service Special Revenue Fund 21	Special Revenue Funds 20, 22-29	Debt Service Funds 30-39	Capital Projects Funds 40-49	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85
LIABILITIES & FUND EQUITY												
LIABILITIES												
Interfund Payables (7401, 7402)	500,955	0	441	67,856	265,673	5,224	0	0	0	0	0	840,149
Other Payables (7421-7423)	193,420	0	0	2,042	65,875	0	0	0	0	0	0	261,337
Accrued Expenses (7461)	1,077,196	0	14,204	23,519	72,444	0	0	0	0	0	0	1,187,363
Unearned Revenue (7481)	16,003	0	0	5,006	0	0	0	0	0	0	0	21,009
Grants Deferred Revenue (7482)	0	0	0	0	1,529	0	0	0	0	0	0	1,529
Other Current Liabilities (7491, 7492, 7499)	0	0	0	0	0	0	0	0	0	0	0	0
Compensated Absences (7541)	0	0	0	0	0	0	0	0	0	0	0	0
Deferred Inflow (7800)	249,000	0	0	0	0	163,000	0	0	0	0	0	412,000
Total Liabilities	2,036,575	0	14,645	98,422	405,521	168,224	0	0	0	0	0	2,723,988

Governmental Proprietary Fiduciary

FUND EQUITY	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Food Service Special Revenue Fund 21	Special Revenue Funds 20, 22-29	Debt Service Funds 30-39	Capital Projects Funds 40-49	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
Non-spendable Fund Balance 6710	0	0	0	4,640	0	0	0	0	0	0	0	0	4,640
Restricted Fund Balance 6720	0	0	0	148,304	0	2,577,647	0	0	0	0	2,001,690	0	4,727,641
TABOR 3% Emergency Reserve 6721	326,000	0	0	0	0	0	0	0	0	0	0	0	326,000
TABOR Multi-Year 6722	120,000	0	0	0	0	0	0	0	0	0	0	0	120,000
District Emergency Reserve (letter of credit or real estate) 6723	0	0	0	0	0	0	0	0	0	0	0	0	0
Colorado Preschool Program (CPP) Reserve 6724	0	0	0	0	0	0	0	0	0	0	0	0	0
Full-Day Kindergarten Reserve 6725	0	0	0	0	0	0	0	0	0	0	0	0	0
Risk-Related / Restricted Capital Reserve 6726	0	0	0	0	0	0	0	0	0	0	0	0	0
BEST Capital Reserve 6727	0	0	0	0	0	0	0	0	0	0	0	0	0
Committed Fund Balance 6750	3,357,373	0	0	0	0	0	0	0	0	0	0	0	3,357,373
Assigned Fund Balance 6760	0	0	0	0	69,322	0	0	0	0	0	0	0	69,322
Unassigned Fund Balance 6770	1,637,111	0	0	0	0	0	0	0	0	0	217,250	0	1,854,361
Invested in Capital Assets, Net of Related Debt 6790	0	0	0	0	0	0	0	0	0	0	0	0	0
Restricted Net Assets 6791	0	0	0	0	0	0	0	0	0	0	0	0	0
Unrestricted Net Assets 6792	0	0	0	0	0	0	0	0	0	0	0	0	0
Prior Period Adjustment 6880	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Fund Equity	5,440,484	0	0	152,944	69,322	2,577,647	0	0	0	0	2,218,940	0	10,459,337

General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Food Service Special Revenue Fund 21	Special Revenue Funds 20, 22-29	Debt Service Funds 30-39	Capital Projects Funds 40-49	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
7,477,059	0	14,645	251,366	474,844	2,745,871	0	0	0	0	2,218,940	0	13,182,725
Total Liabilities & Fund Equity												

General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Food Service Special Revenue Fund 21	Special Revenue Funds 20, 22-29	Debt Service Funds 30-39	Capital Projects Funds 40-49	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	
7,477,059	0	14,645	251,366	474,844	2,745,871	0	0	0	0	2,218,940	0	
Do Assets=Liability+Fund Equity												
Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

SINGLE AUDIT SECTION

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**Board of Education
Fremont County School District RE-2
Florence, CO 81226**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Fremont County School District RE-2 as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Fremont County School District RE-2's basic financial statements, and have issued our report thereon dated December 3, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Fremont County School District RE-2's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fremont County School District RE-2's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fremont County School District RE-2's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fremont County School District RE-2's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



December 3, 2016

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

**Board of Education
Fremont County School District Number RE-2
Florence, Colorado 81226**

Report on Compliance for Each Major Federal Program

We have audited Fremont County School District RE-2's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Fremont County School District RE-2's major federal programs for the year ended June 30, 2016. Fremont County School District RE-2's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Fremont County School District RE-2's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Fremont County School District RE-2's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Fremont County School District RE-2's compliance.

Opinion on Each Major Federal Program

In our opinion, Fremont County School District RE-2 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of Fremont County School District RE-2 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Fremont County School District RE-2's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Fremont County School District RE-2's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



December 3, 2016

**FREMONT COUNTY SCHOOL DISTRICT NUMBER RE-2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016**

SECTION I - SUMMARY OF AUDITOR'S RESULTS:

FINANCIAL STATEMENTS

Auditor's Report

An unqualified report has been issued on the financial statements of Fremont County School District Number RE-2.

Internal Control Over Financial Reporting

No significant deficiencies or material weaknesses were identified.

Noncompliance Material to Financial Statements

No instances of noncompliance in amounts material to the financial statements of Fremont County School District Number RE-2 were disclosed by the audit.

FEDERAL AWARDS

Internal Control Over Major Programs

No significant deficiencies or material weaknesses were identified.

Auditor's Reportable on Compliance for Major Programs

An unqualified report has been issued on Fremont County School District Number RE-2 compliance for major programs.

Audit Findings

No findings requiring disclosure in accordance with 2 CFR Section 200.516(a) were disclosed by the audit.

Major Programs

Child Nutrition Cluster

Dollar Threshold to Distinguish Type A and Type B Programs

\$750,000.

Qualification as low-risk auditee

The District qualifies as a low-risk auditee for fiscal year 2015/2016.

**FREMONT COUNTY SCHOOL DISTRICT NUMBER RE-2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016**

(Continued)

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

**FREMONT COUNTY SCHOOL DISTRICT NUMBER RE-2
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2016**

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>State Code</u>	<u>Expenditures</u>
<u>U.S. Department of Education</u>			
Passed through Colorado Department of Education			
Title I, ECEA Education Handicapped Children	84.010	4010	465,053
Title II Part A-Prof. Development	84.367	4367	109,833
Title VI B Rural	84.358	7358	24,175
Passed through Colorado Community College & Occ. Ed.			
Allocated Vocational Education	84.048	4048	<u>19,262</u>
<u>Total U.S. Department of Education</u>			<u>618,323</u>
<u>U.S. Department of Agriculture</u>			
Child Nutrition Cluster			
Passed through Colorado Department of Education			
National School Breakfast Program	10.553	4553	64,282
National School Lunch Program	10.555	4555	299,072
Pass through Colorado Department of Human Services			
Food Distribution (Commodities)	10.555	4555	<u>16,465</u>
<u>Total Child Nutrition Cluster</u>			<u>379,819</u>
<u>Total Department of Agriculture</u>			<u>379,819</u>
<u>TOTAL EXPENDITURES OF FEDERAL AWARDS</u>			<u>998,142</u>

The accompanying notes are an integral part of this schedule

FREMONT COUNTY SCHOOL DISTRICT NUMBER RE-2
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2016

NOTE 1 **Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Fremont County School District Number RE-2 and is presented on the modified accrual basis of accounting. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general purpose financial statements.

NOTE 2 **INDIRECT COST RATES**

All grants being charged indirect cost have been received through the Colorado Department of Education. The Department calculates an allowable indirect cost rate for individual sub-recipients and mandates that the rate be used as the maximum for the recovery of indirect cost. The District has recovered indirect cost from grant funds at an amount no greater than that allowed by the Colorado Department of Education and has not elected to use the 10% de minimis indirect cost rate allowed by Uniform Guidance.

NOTE 3 **Food Distribution**

Non-monetary assistance is reported in the schedule at the fair market value of commodities received.