

**FREMONT COUNTY SCHOOL DISTRICT NO. RE-3
COTOPAXI, COLORADO**

FINANCIAL STATEMENTS

June 30, 2016



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**FREMONT COUNTY SCHOOL DISTRICT NO. RE-3
COTOPAXI, COLORADO**

ROSTER OF SCHOOL OFFICIALS

June 30, 2016

BOARD OF EDUCATION

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Board of Education
Fremont County School District No. RE-3
Cotopaxi, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fremont County School District No. RE-3 as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Fremont County School District No. RE-3, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Fremont County School District No. RE-3 as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters (Required Supplementary Information)

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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 Matters (Other Information)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fremont County School District No. RE-3's basic financial statements. The supplementary information and the auditors integrity report listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 the 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



November 29, 2016

Fremont School District RE-3
Cotopaxi Schools
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2016

As management of Fremont School District RE-3, we offer readers of the District's basic financial statements this narrative and analysis of the financial activities of Fremont School District RE-3 for the year ended June 30, 2016. We encourage readers to consider the information presented in conjunction with the accompanying financial statements.

Financial Highlights

- Over the course of the year, the District paid off all existing long term debt. This consisted of the bond from 1995 used to build the current high school and the lease payments used for our heating system.
- During the year, the District's revenues generated from taxes and other revenues of all governmental programs were \$2,807,015 and expenditures were \$2,919,426. This resulted in a negative net change in Governmental Fund Balances of \$112,411. But this included paying off the \$213,511 of long term debt.
- Factoring in the pension liability, Fremont School District has a Positive Net Position of \$864,323.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic statements are comprised of these components:

1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business.

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

The statement of activities presents information showing how the District's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in the future periods (for example, salaries and benefits earned but unpaid as of yearend).

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objects. The fund financial statements provide more detailed information about the District's operations, focusing on the most significant funds, not the School District as a whole. The District has two kinds of funds: governmental funds, and fiduciary funds.

- Governmental Funds – Most of the District's basic services are included in the governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine the status of financial resources that can be spent in the near future to finance the District's programs. The District maintains three individual governmental funds. They are the General Fund, Food Service Fund, and Bond Redemption Fund. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and change in fund balances provide a reconciliation to the government-wide financial statements in order to facilitate comparison between governmental funds and governmental activities.
- Fiduciary Funds – The District is the trustee, or fiduciary, for various external and internal parties. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the fiduciary activities are reported in a separate agency fund statement of assets and liabilities and a statement of changes in assets and liabilities. We exclude these activities from the District's government-wide financial statements because the assets cannot be used to finance operations.

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

Financial Analysis of the District as a Whole

Net position may serve over time as a useful indicator of a government's financial position. Before the reporting of the net pension liability and related items, the assets of the governmental activities exceed liabilities by \$5,422,076 at June 30, 2016.

The District's net position is \$864,323. The negative unrestricted net position is due primarily to the adoption of GASB Statement No. 68, resulting in a net pension liability of \$5,059,243 representing the District's proportionate share of PERA's net pension liability. This net pension liability is up significantly from last year's net pension liability of \$4,508,988.

Key elements of the changes in net position are as follows:

Analyzing the net position before the insertion of the net pension liability and related items, the largest portion of the District's net position (73%) represents its investment in capital assets (e.g. land, land improvements, buildings, equipment and vehicles), less related debt used to acquire these assets that is still outstanding. The District uses these capital assets to provide services to its constituents; consequently these assets are not available for future spending.

| Net Position | Governmental | |
|---------------------------------------|---------------------|-------------|
| | 2016 | 2015 |
| Assets | | |
| Current Assets | 1,660,559 | 1,788,109 |
| Capital Assets | 3,993,937 | 4,155,954 |
| TOTAL ASSETS | 5,654,496 | 5,944,063 |
| Deferred Outflows of Resources | 663,008 | 256,869 |
| Liabilities | | |
| Current Liabilities | 232,420 | 353,456 |
| Noncurrent Liabilities | 0 | 78,526 |
| Pension-related | 5,059,243 | 4,508,988 |
| TOTAL LIABILITIES | 5,291,663 | 4,940,970 |
| Deferred Inflows of Resources | 161,518 | 113,449 |
| Net Position | | |
| Net Investment in Capital Assets | 3,993,937 | 3,946,201 |
| Restricted | 385,100 | 247,900 |
| Unrestricted | (3,514,714) | (3,047,588) |
| TOTAL NET POSITION | 864,323 | 1,146,513 |
| Change in Net Position | | |
| Expenses | | |
| Instruction | 1,833,355 | 1,586,175 |
| Supporting | 1,042,570 | 1,004,094 |
| Int & Fees on Long Term Debt | 7,543 | 11,972 |
| Food Service | 176,649 | 168,191 |
| TOTAL EXPENSES | 3,060,117 | 2,770,432 |
| Revenues | | |
| Program Revenues | 281,879 | 262,967 |
| Property Taxes | 1,320,654 | 1,279,613 |
| Specific Ownership Taxes | 196,132 | 222,357 |
| Equalization | 908,104 | 966,734 |
| Grants not restricted | 58,552 | 4,462 |
| Investment Earnings | 10,719 | 10,005 |
| Miscellaneous | 1,887 | 9,301 |
| TOTAL REVENUES | 2,777,927 | 2,755,439 |
| CHANGE IN NET POSITION | (282,190) | (14,993) |
| NET POSITION, Beginning | 1,146,513 | 1,161,506 |
| NET POSITION, Ending | 864,323 | 1,146,513 |

An additional portion of the District's net position (7%) are subject to external restrictions on how they may be used. The District has \$140,000 for one of these restrictions, Article X, Section 20 of the Colorado Constitution known as the TABOR Amendment.

The remaining amount of net position (20%) is available to fund the District's ongoing programs.

The Statement of Net Position reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. There are currently no long-term liabilities of the District. The difference between the District's assets and deferred outflows and liabilities and deferred inflows is its net position.

The District's net position decreased by \$282,190. The District's total non-pension-related net position decreased \$90,005.

The District's revenues totaled \$2,777,927. Approximately 55% of the District's revenue comes from property and other taxes, with approximately 33% coming from state equalization.

Analysis of the Funds

Governmental 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, unrestricted fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The General Fund is a major governmental fund. At the end of fiscal year 2016, the District's General Fund reported an ending fund balance of \$1,310,281, an increase of \$694. The unrestricted portion of the General Fund at this time is \$925,181.

The Bond Redemption Fund's ending fund balance was \$0, down by \$107,900. This fund is restricted for paying off the general obligation bonds. Because these bonds are paid off, this fund will no longer be used by the District.

The Food Service Fund is funded by charges for meals, reimbursements from the federal government for low-income students and transfers from the General Fund. This year the transfer was \$75,000. This fund had an ending fund balance of \$33,012. This is a decrease of \$5,205 from last year.

General Fund Budgetary Highlights

The District budgeted for General Fund expenditures of \$3,668,790 for the year ending June 30, 2016. Actual expenditures approved by the board were \$2,644,555. The lower expenditures were possible because of very conservative spending in all departments.

The operations of the District are funded primarily by tax revenue received under the State School Finance Act based partly on the number of students. Budgeted General Fund revenues were projected at \$2,718,529 and actually came in at \$2,719,523, very close to budget.

The District has spent approximately 59% of expenditures for instruction related activities. The remaining 41% was spent on supporting services, capital outlay, and debt services.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets as of June 30, 2016, amounts to \$3,993,937. This drop from last year's total of \$4,155,954 was due to depreciation expense and selling a couple old vehicles. The District did replace an aging school bus with a used one this year. More information on the District's capital assets can be found in Note 3 of the financial statements.

Long-term debt.

| | June 30, 2015 | June 30, 2016 |
|------------------|---------------|---------------|
| GO Bonds | 105,000 | 0 |
| Equipment Lease | 104,753 | 0 |
| Early Retirement | 3,758 | 0 |
| Total | 213,511 | 0 |

More information on the District's long-term debt can be found in Note 4 to the financial statements.

Economic Factors and Next Year's Budget

The District's current economic position has shown a positive change due to the passing of the mill levy override to be used in the General Fund. The District's budget for Fiscal Year 2017 was built on the State's projection for funding at the student count of 200. The student count came in slightly less but the District has adequate beginning fund balances to make up any difference in revenue. The board and administration of the District are comfortable with the size of the current fund balances and will try to match spending to current revenues.

One of next year's challenges is the ever increasing cost of medical insurance rates and PERA retirement. A new challenge is increases to minimum wage. We will try to keep our current facilities and transportation fleet up to date as well as keeping our wages competitive for the employees.

Our current beginning fund balance is sound, so even with the growing expenses in Fiscal Year 2017 and beyond, management believes that the District is in a sound financial position.

Requests for Information

The financial report is designed to provide a general overview of the 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:

**Fremont School District RE-3
PO Box 385
Cotopaxi, CO 81223**

BASIC FINANCIAL STATEMENTS

FREMONT COUNTY SCHOOL DISTRICT NO. RE-3

STATEMENT OF NET POSITION

June 30, 2016

| | <u>GOVERNMENTAL ACTIVITIES</u> |
|-------------------------------------------------|------------------------------------|
| ASSETS | |
| Cash | \$ 1,537,654 |
| Grants Receivable | 8,767 |
| Taxes Receivable | 108,872 |
| Inventories | 5,266 |
| Capital Assets, Net of Accumulated Depreciation | <u>3,993,937</u> |
| TOTAL ASSETS | <u>5,654,496</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Pensions, Net of Accumulated Amortization | <u>663,008</u> |
| LIABILITIES | |
| Accounts Payable | 16,823 |
| Accrued Salaries and Benefits | 215,597 |
| Noncurrent Liabilities | |
| Net Pension Liability | <u>5,059,243</u> |
| TOTAL LIABILITIES | <u>5,291,663</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Pensions, Net of Accumulated Amortization | <u>161,518</u> |
| NET POSITION | |
| Net Investment in Capital Assets | 3,993,937 |
| Restricted for Multi-Year Obligations | 245,100 |
| Restricted for Emergencies | 140,000 |
| Unrestricted | <u>(3,514,714)</u> |
| TOTAL NET POSITION | <u>\$ 864,323</u> |

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

FREMONT COUNTY SCHOOL DISTRICT NO. RE-3

STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

| <u>FUNCTIONS/PROGRAMS</u> | <u>EXPENSES</u> | <u>PROGRAM REVENUES</u> | | <u>NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION</u> |
|-----------------------------------------------------------------|----------------------------|---------------------------------|---------------------------------------------------|---------------------------------------------------------------------|
| | | <u>CHARGES FOR SERVICES</u> | <u>OPERATING GRANTS AND CONTRIBUTIONS</u> | <u>GOVERNMENTAL ACTIVITIES</u> |
| PRIMARY GOVERNMENT | | | | |
| Governmental Activities | | | | |
| Instruction | \$ 1,833,355 | \$ 12,843 | \$ 114,815 | \$ (1,705,697) |
| Supporting Services | 1,042,570 | - | 66,762 | (975,808) |
| Food Service | 176,649 | 21,192 | 66,267 | (89,190) |
| Interest on Long-Term Debt | <u>7,543</u> | <u>-</u> | <u>-</u> | <u>(7,543)</u> |
| TOTAL GOVERNMENTAL ACTIVITIES | \$ <u>3,060,117</u> | \$ <u>34,035</u> | \$ <u>247,844</u> | <u>(2,778,238)</u> |
| GENERAL REVENUES | | | | |
| Property Taxes | | | | 1,320,654 |
| Specific Ownership Taxes | | | | 196,132 |
| State Equalization | | | | 908,104 |
| Grants and Contributions not Restricted to Specific Programs | | | | 58,552 |
| Investment Income | | | | 10,719 |
| Miscellaneous | | | | <u>1,887</u> |
| TOTAL GENERAL REVENUES | | | | <u>2,496,048</u> |
| CHANGE IN NET POSITION | | | | (282,190) |
| NET POSITION, Beginning | | | | <u>1,146,513</u> |
| NET POSITION, Ending | | | | \$ <u>864,323</u> |

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

FREMONT COUNTY SCHOOL DISTRICT NO. RE-3

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

| | <u>GENERAL</u> | <u>BOND REDEMPTION</u> | <u>NONMAJOR FOOD SERVICE</u> | <u>TOTAL</u> |
|--------------------------------------------------------------------------------|---------------------|----------------------------|--------------------------------------|---------------------|
| ASSETS | | | | |
| Cash | \$ 1,503,780 | \$ - | \$ 33,874 | \$ 1,537,654 |
| Grants Receivable | 2,666 | - | 6,101 | 8,767 |
| Taxes Receivable | 108,872 | - | - | 108,872 |
| Inventories | <u>-</u> | <u>-</u> | <u>5,266</u> | <u>5,266</u> |
| TOTAL ASSETS | <u>\$ 1,615,318</u> | <u>\$ -</u> | <u>\$ 45,241</u> | <u>\$ 1,660,559</u> |
| LIABILITIES | | | | |
| Accounts Payable | \$ 16,823 | \$ - | \$ - | \$ 16,823 |
| Accrued Salaries and Benefits | <u>203,368</u> | <u>-</u> | <u>12,229</u> | <u>215,597</u> |
| TOTAL LIABILITIES | <u>220,191</u> | <u>-</u> | <u>12,229</u> | <u>232,420</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Property Taxes | <u>84,846</u> | <u>-</u> | <u>-</u> | <u>84,846</u> |
| FUND BALANCES | | | | |
| Nonspendable Inventories | - | - | 5,266 | 5,266 |
| Restricted for Multi-Year Obligations | 245,100 | - | - | 245,100 |
| Restricted for Emergencies | 140,000 | - | - | 140,000 |
| Assigned to Food Service | - | - | 27,746 | 27,746 |
| Unassigned | <u>925,181</u> | <u>-</u> | <u>-</u> | <u>925,181</u> |
| TOTAL FUND BALANCES | <u>1,310,281</u> | <u>-</u> | <u>33,012</u> | <u>1,343,293</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | <u>\$ 1,615,318</u> | <u>\$ -</u> | <u>\$ 45,241</u> | <u>\$ 1,660,559</u> |

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:

| | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|
| Total Fund Balances of Governmental Funds | \$ 1,343,293 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. | 3,993,937 |
| Long-term assets are not available to pay current year expenditures and, therefore, are deferred in governmental funds. This amount represents property taxes not available as current financial resources. | 84,846 |
| Long-term liabilities and related items, including net pension liability (\$5,059,243), pension-related deferred outflows of resources \$663,008, and pension-related deferred inflows of resources (\$161,518) are not due and payable in the current year and, therefore, are not reported in governmental funds. | <u>(4,557,753)</u> |
| Total Net Position of Governmental Activities | <u>\$ 864,323</u> |

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

FREMONT COUNTY SCHOOL DISTRICT NO. RE-3

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
 Year Ended June 30, 2016

| | <u>GENERAL</u> | <u>BOND REDEMPTION</u> | <u>NONMAJOR FOOD SERVICE</u> | <u>TOTAL</u> |
|-----------------------------------------------------|----------------------|----------------------------|--------------------------------------|----------------------|
| REVENUES | | | | |
| Local Sources | \$ 1,585,221 | \$ 31 | \$ 21,194 | \$ 1,606,446 |
| State Sources | 1,029,029 | - | 2,336 | 1,031,365 |
| Federal Sources | <u>105,273</u> | <u>-</u> | <u>63,931</u> | <u>169,204</u> |
| TOTAL REVENUES | <u>2,719,523</u> | <u>31</u> | <u>87,461</u> | <u>2,807,015</u> |
| EXPENDITURES | | | | |
| Instruction | 1,548,936 | - | - | 1,548,936 |
| Supporting Services | 985,528 | - | - | 985,528 |
| Food Service | - | - | 167,666 | 167,666 |
| Debt Service | | | | |
| Principal | 104,753 | 105,000 | - | 209,753 |
| Interest and Fiscal Charges | <u>5,338</u> | <u>2,205</u> | <u>-</u> | <u>7,543</u> |
| TOTAL EXPENDITURES | <u>2,644,555</u> | <u>107,205</u> | <u>167,666</u> | <u>2,919,426</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>74,968</u> | <u>(107,174)</u> | <u>(80,205)</u> | <u>(112,411)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | 726 | - | 75,000 | 75,726 |
| Transfers Out | <u>(75,000)</u> | <u>(726)</u> | <u>-</u> | <u>(75,726)</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(74,274)</u> | <u>(726)</u> | <u>75,000</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCES | 694 | (107,900) | (5,205) | (112,411) |
| FUND BALANCES, Beginning | <u>1,309,587</u> | <u>107,900</u> | <u>38,217</u> | <u>1,455,704</u> |
| FUND BALANCES, Ending | <u>\$ 1,310,281</u> | <u>\$ -</u> | <u>\$ 33,012</u> | <u>\$ 1,343,293</u> |

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

FREMONT COUNTY SCHOOL DISTRICT NO. RE-3

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

| | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| Net Change in Fund Balances of Governmental Funds | \$ (112,411) |
| Capital outlays to purchase or construct capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized in the statement of net position and are allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation expense (\$199,517) exceeded capital outlay \$37,500 in the current year. | (162,017) |
| Revenues that do not provide current financial resources are deferred in governmental funds, but are recognized in the government-wide financial statements. This amount represents the change in property taxes not available as current financial resources. | (29,088) |
| Repayment of debt principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position and does not affect the statement of activities. | 209,753 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This amount represents the change in early retirement benefits \$3,758, net pension liability (\$550,255), pension-related deferred outflows of resources \$406,139, and pension-related deferred inflows of resources (\$48,069) in the current year. | <u>(188,427)</u> |
| Change in Net Position of Governmental Activities | <u>\$ (282,190)</u> |

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

FREMONT COUNTY SCHOOL DISTRICT NO. RE-3

STATEMENT OF ASSETS AND LIABILITIES

AGENCY FUND

June 30, 2016

| | <u>STUDENT ACTIVITIES</u> |
|-----------------------|-------------------------------|
| ASSETS | |
| Cash | \$ <u>51,652</u> |
| TOTAL ASSETS | \$ <u><u>51,652</u></u> |
| LIABILITIES | |
| Due to Student Groups | \$ <u>51,652</u> |
| TOTAL LIABILITIES | \$ <u><u>51,652</u></u> |

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Fremont County School District No. RE-3 (the “District”) conform to generally accepted accounting principles as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the District’s more significant policies.

Reporting Entity

The financial reporting entity consists of the District, organizations for which the District is financially accountable, and organizations that raise and hold economic resources for the direct benefit of the District. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the District. Legally separate organizations for which the District is financially accountable are considered part of the reporting entity. Financial accountability exists if the District appoints a voting majority of the organization’s governing board and is able to impose its will on the organization, or if there is a potential for the organization to provide benefits to, or impose financial burdens on, the District.

Based on the application of this criteria, the District does not include additional organizations in its reporting entity.

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 nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges for interfund services that are reasonably equivalent to the services provided. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported in a single column.

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

Separate financial statements are provided for the governmental funds and the fiduciary fund, even though the latter is excluded from the District’s government-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current year.

Taxes, intergovernmental revenues, grants, and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

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

In the fund financial statements, the District reports the following major funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those accounted for in another fund.

The *Bond Redemption Fund* accounts for property taxes restricted for payment of the District's general obligation bonds.

Additionally, the District reports the following fund type:

The *Agency Fund* is used to account for each school's student and fundraising activities. The District holds all resources in a purely custodial capacity.

Assets, Liabilities and Fund Balances/Net Position

Cash - The District pools cash resources of its various funds in order to facilitate the management of cash.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Balances/Net Position (Continued)

Receivables - All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Property taxes levied in the current year but not collected at year end are reported as property taxes receivable and are reported net of an allowance for uncollectible taxes.

Inventories - Inventories are valued at the lower of cost or market, using the first-in, first-out method. Donated commodities, received at no cost under a program supported by the federal government, are valued at acquisition cost.

Capital Assets - Capital assets, which include property and equipment, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the acquisition value on the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Property and equipment is depreciated using the straight-line method over the following estimated useful lives.

| | |
|----------------------------|----------------|
| Buildings and Improvements | 20 to 50 years |
| Transportation Vehicles | 10 years |
| Equipment | 5 to 15 years |

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, are reported as liabilities in the financial statements.

Vacation, Sick Leave, and Other Compensated Absences - District employees are entitled to certain compensated absences based on their length of employment. Compensated absences do not vest or accumulate and are recorded as expenditures when used. Liabilities for compensated absences are not reflected in the financial statements since no payments are made at termination except in the case of retirement.

Early Retirement Benefits - Beginning July 1, 2012, District employees with at least 15 years of service at retirement will be reimbursed for any accumulated sick leave up to 45 days at 30% of their salary. Payment will be made on November 25th following retirement. A long-term liability is reported in the government-wide financial statements for the benefits approved by the Board of Education and earned and accepted by the employees.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Balances/Net Position (Continued)

Long-Term Debt - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Debt premiums and discounts are deferred and amortized over the life of the debt using the straight-line method.

In the fund financial statements, governmental funds recognize the face amount of debt issued as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Issuance costs, whether or not withheld from the debt proceeds, are reported as current expenses or expenditures.

Pensions - The District participates in the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan 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 and deductions from the SDTF's fiduciary net position have been determined using the economic resources measurement focus and the accrual basis of accounting, the same basis of accounting used by the SDTF. 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.

Deferred Inflows of Resources - Property taxes earned but not available as current financial resources are reported as deferred inflows of resources in the governmental fund financial statements.

Net Position/Fund Balances - In the government-wide and fund financial statements, net position and fund balances are restricted when constraints placed on the use of resources are externally imposed. The Board of Education is authorized to establish a fund balance commitment through passage of a resolution, and may assign fund balances to a specific purpose through an informal action.

The District has not established a formal policy for its use of restricted and unrestricted fund balances. However, if both restricted and unrestricted fund balances are available for a specific purpose, the District uses restricted fund balance first, followed by committed, assigned, and unassigned balances.

Property Tax Revenues

Property taxes attach as an enforceable lien on property on January 1, are levied the following December, and are collected in the subsequent calendar year. Taxes are payable in full by April 30, or in two installments on February 28 and June 15. When taxes become delinquent, the property is sold at the tax sale in November.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 2: CASH AND INVESTMENTS

At June 30, 2016, the District's cash consisted of the following:

| | |
|------------|----------------------------|
| Petty Cash | \$ 8,260 |
| Deposits | <u>1,581,046</u> |
| Total | <u>\$ 1,589,306</u> |

Cash and investments are reported in the financial statements as follows:

| | |
|-------------------------|----------------------------|
| Governmental Activities | \$ 1,537,654 |
| Agency Fund | <u>51,652</u> |
| Total | <u>\$ 1,589,306</u> |

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2016, the District had bank deposits of \$1,194,323 collateralized with securities held by the financial institutions' agents but not in the District's name.

Investments

The District is required to comply with State statutes which specify investment instruments meeting defined rating, maturity, and concentration risk criteria in which local governments may invest, which include the following. State statutes do not address custodial risk.

- Obligations of the United States and certain U.S. Agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

Interest Rate Risk - State statutes generally limit the maturity of investment securities to five years from the date of purchase, unless the governing board authorizes the investment for a period in excess of five years.

FREMONT COUNTY SCHOOL DISTRICT NO. RE-3

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments (Continued)

Credit Risk - State statutes limit most investments to those with certain ratings from nationally recognized statistical rating organizations, depending on the type of investments.

Concentration of Credit Risk - State statutes do not limit the amount the District may invest in one issuer of investment securities, except for corporate securities.

The District had no investments at June 30, 2016.

NOTE 3: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016, is summarized below.

| | <u>Balances</u> 6/30/15 | <u>Additions</u> | <u>Deletions</u> | <u>Balances</u> 6/30/16 |
|----------------------------------------------|----------------------------|---------------------|------------------|----------------------------|
| Governmental Activities | | | | |
| Capital Assets, Not Being Depreciated | | | | |
| Land | \$ 47,609 | \$ - | \$ - | \$ 47,609 |
| Total Capital Assets, Not Being Depreciated | <u>47,609</u> | <u>-</u> | <u>-</u> | <u>47,609</u> |
| Capital Assets, Being Depreciated | | | | |
| Buildings and Improvements | 6,962,536 | - | - | 6,962,536 |
| Vehicles and Equipment | <u>772,453</u> | <u>37,500</u> | <u>56,315</u> | <u>753,638</u> |
| Total Capital Assets, Being Depreciated | <u>7,734,989</u> | <u>37,500</u> | <u>56,315</u> | <u>7,716,174</u> |
| Less Accumulated Depreciation | | | | |
| Buildings and Improvements | (3,028,493) | (168,066) | - | (3,196,559) |
| Vehicles and Equipment | <u>(598,151)</u> | <u>(31,451)</u> | <u>(56,315)</u> | <u>(573,287)</u> |
| Total Accumulated Depreciation | <u>(3,626,644)</u> | <u>(199,517)</u> | <u>(56,315)</u> | <u>(3,769,846)</u> |
| Total Capital Assets, Being Depreciated, Net | <u>4,108,345</u> | <u>(162,017)</u> | <u>-</u> | <u>3,946,328</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 4,155,954</u> | <u>\$ (162,017)</u> | <u>\$ -</u> | <u>\$ 3,993,937</u> |

Depreciation expense was charged to the programs of the District as follows:

| | |
|-------------------------|-------------------|
| Governmental Activities | |
| Instruction | \$ 161,828 |
| Supporting Services | 36,717 |
| Food Service | <u>972</u> |
| Total | <u>\$ 199,517</u> |

FREMONT COUNTY SCHOOL DISTRICT NO. RE-3

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 4: LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2016, were as follows:

| | Balances <u>6/30/15</u> | <u>Additions</u> | <u>Payments</u> | Balances <u>6/30/16</u> | Due Within <u>One Year</u> |
|------------------|----------------------------|------------------|-------------------|----------------------------|-------------------------------|
| 2007 GO Bonds | \$ 105,000 | \$ - | \$ 105,000 | \$ - | \$ - |
| Equipment Lease | 104,753 | - | 104,753 | - | - |
| Early Retirement | <u>3,758</u> | <u>-</u> | <u>3,758</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 213,511</u> | <u>\$ -</u> | <u>\$ 213,511</u> | <u>\$ -</u> | <u>\$ -</u> |

General Obligation Bonds

\$800,000 General Obligation Refunding Bonds, Series 2007, were issued to refund the outstanding General Obligation Improvement Bonds, Series 1995, which were issued to finance renovations and additions to the District's facilities. Principal payments were due annually on December 1, through 2015. Interest accrued at 4.2% per annum and was payable semi-annually on December 1 and June 1. During the year ended June 30, 2016, the bonds were paid in full.

Equipment Lease

On November 1, 2006, the District entered into a lease purchase agreement for boiler, furnace, and ventilation equipment. The agreement required quarterly lease payments of \$7,633, including principal and interest, through March 1, 2019. During the year ended June 30, 2016, the lease was paid in full.

Early Retirement

The early retirement benefits were liquidated with revenues of the General Fund.

NOTE 5: INTERFUND TRANSFERS

During the year ended June 30, 2016, the General Fund subsidized the operations of the Food Service Fund through a transfer of \$75,000. The general obligation bonds were paid in full and all remaining cash in the Bond Redemption Fund was transferred to the General Fund, in the amount of \$726.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 6: JOINTLY GOVERNED ORGANIZATION

South Central Colorado Board of Cooperative Educational Services

The District, in conjunction with other surrounding districts, created the South Central Colorado Board of Cooperative Educational Services (BOCES). The BOCES is an organization that provides member districts educational services at a shared lower cost. The BOCES governing board is comprised of one member from each participating district. During the year ended June 30, 2016, the District contributed \$39,243 to the BOCES. Financial statements for the BOCES can be obtained from the BOCES administrative offices at 323 South Purcell Boulevard, Pueblo, Colorado 81007.

NOTE 7: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The District participates in the Colorado School Districts Self Insurance Pool for all risks of loss except workers compensation, for which it utilizes a commercial insurance carrier.

Colorado School Districts Self Insurance Pool

The Colorado School Districts Self Insurance Pool (CSDSIP) operates as a self-insurance pool comprised of various school districts and other related public educational entities within the State of Colorado. The CSDSIP is administered by a governing board. The District pays an annual premium to the CSDSIP for various types of property and liability insurance coverage. The CSDSIP's agreement provides that the CSDSIP will be self-sustaining through member premiums and will reinsure through a duly authorized insurer. The reinsurance covers claims against the CSDSIP in excess of specific claim amounts and in the aggregate in an amount and at limits determined by the CSDSIP to be adequate to protect the solvency of the CSDSIP.

NOTE 8: DEFINED BENEFIT PENSION PLAN

General Information

Plan Description - The District contributes to the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). All employees of the District participate in the SDTF. Title 24, Article 51 of the Colorado Revised Statutes (CRS) assigns the authority to establish and amend plan provisions to the State Legislature. PERA issues a publicly available financial report that includes information on the SDTF. That report may be obtained at www.copera.org/investments/pera-financial-reports.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 8: DEFINED BENEFIT PENSION PLAN (Continued)

General Information (Continued)

Benefits Provided - The SDTF provides retirement, disability, and survivor benefits to plan participants or their beneficiaries. Retirement benefits are determined by the amount of service credit earned or purchased, highest average salary, the benefit structure in place, the benefit option selected at retirement, and age at retirement. The retirement benefit is the greater of the a) highest average salary multiplied by 2.5% and then multiplied by years of service credit, or b) the value of the participant's contribution account plus an equal match on the retirement date, annualized into a monthly amount based on life expectancy and other actuarial factors. In no case can the benefit amount exceed the highest average salary or the amount allowed by applicable federal regulations.

Retirees who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs) as established by State statutes. Retirees who began employment before January 1, 2007, receive an annual increase of 2%, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2% or the average consumer price index for the prior calendar year. Retirees that began employment after January 1, 2007, receive an annual increase of the lesser of 2% or the average consumer price index for the prior calendar year, with certain limitations.

Disability benefits are available for plan participants once they reach five years of earned service credit and meet the definition of a disability. The disability benefit amount is based on the retirement benefit formula described previously, considering a minimum of twenty years of service credit.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure in place, and the qualified survivor receiving the benefits.

Contributions - The District and eligible employees are required to contribute to the SDTF at rates established by Title 24, Article 51, Part 4 of the CRS. These contribution requirements are established and may be amended by the State Legislature. The contribution rate for employees is 8% of covered salaries. The District's contribution rate for calendar years 2015 and 2016 was 18.35% and 19.15% of covered salaries, respectively. However, a portion of the District's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 9). The District's contributions to the SDTF for the year ended June 30, 2016, were \$274,421, equal to the required contributions.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 8: DEFINED BENEFIT PENSION PLAN (Continued)

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

At June 30, 2016, the District reported a net pension liability of \$5,059,243, representing its proportionate share of the net pension liability of the SDTF. The net pension liability was measured at 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. Changes in assumptions and other inputs since the prior measurement date did not significantly affect the total pension liability. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The District's proportion of the net pension liability was based on the District's contributions to the SDTF for the calendar year ended December 31, 2015, relative to the contributions of all participating employers. At December 31, 2015, the District's proportion was 0.0330792848%, which was a decrease of 0.0001891355% from its proportion measured at December 31, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$454,416. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--------------------------------------------------------------------------|-----------------------------------------------|----------------------------------------------|
| Differences between expected and actual experience | \$ 66,808 | \$ 212 |
| Changes of assumptions and other inputs | - | 71,496 |
| Net difference between projected and actual earnings on plan investments | 430,620 | - |
| Changes in proportion | - | 89,810 |
| Contributions subsequent to the measurement date | <u>165,580</u> | <u>-</u> |
| Total | <u>\$ 663,008</u> | <u>\$ 161,518</u> |

District contributions subsequent to the measurement date of \$165,580 will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,

| | |
|-------|--------------------------|
| 2017 | \$ 63,300 |
| 2018 | 75,905 |
| 2019 | 108,493 |
| 2020 | <u>88,212</u> |
| Total | <u>\$ 335,910</u> |

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 8: DEFINED BENEFIT PENSION PLAN (Continued)

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

Actuarial Assumptions - The actuarial valuation as of December 31, 2014, determined the total pension liability using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

| | |
|-------------------------------------------------------------------------------------------------|--------------|
| Price inflation | 2.8% |
| Real wage growth | 1.1% |
| Wage inflation | 3.9% |
| Salary increases, including wage inflation | 3.9% - 10.1% |
| Long-term investment rate of return, net of plan investment expenses, including price inflation | 7.5% |
| Future post-retirement benefit increases: | |
| Hired prior to 1/1/07 | 2% |
| Hired after 12/31/06 | ad hoc |

Mortality rates were based on the RP-2000 Combined Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with males set back one year, and females set back two 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 governing board on November 13, 2012, and an economic assumption study adopted by PERA's governing board on November 15, 2013, and January 17, 2014.

The long-term expected rate of return on 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.

The most recent analysis of the long-term expected rate of return was presented to the PERA governing board on November 15, 2013, and included the target allocation and best estimates of geometric real rates of return for each major asset class, as follows:

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 8: DEFINED BENEFIT PENSION PLAN (Continued)

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

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>10 Year Expected Geometric Real Rate of Return</u> |
|---------------------------------|--------------------------|-------------------------------------------------------|
| 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 Government/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 | <u><u>100.00%</u></u> | |

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and the employer contributions will be made at the rates specified in State statutes, which currently require annual increases, to a total of 20.15% of covered salaries for the year ended December 31, 2018. When the actuarially determined funding ratio reaches 103%, the employer contribution rate will decrease .5% each year, to a minimum of 10.15%. Based on those assumptions, the SDTF's fiduciary net position was projected to be available to make all projected future benefit payments to current participants. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability. In addition, the discount rate did not change from the prior measurement date.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as the District's proportionate share of the net pension liability if it were calculated using a discount that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate, as follows:

| | <u>1% Decrease (6.5%)</u> | <u>Current Discount Rate (7.5%)</u> | <u>1% Increase (8.5%)</u> |
|--------------------------------------------------|-------------------------------|---------------------------------------------|-------------------------------|
| Proportionate share of the net pension liability | <u>\$ 6,558,258</u> | <u>\$ 5,059,243</u> | <u>\$ 3,812,343</u> |

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 8: DEFINED BENEFIT PENSION PLAN (Continued)

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

Pension Plan Fiduciary Net Position - Detailed information about the SDTF's fiduciary net position is available in PERA's separately issued financial report, which may be obtained at www.copera.org/investments/pera-financial-reports.

NOTE 9: POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description - The District contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer postemployment healthcare plan administered by PERA. The HCTF provides a health care premium subsidy to PERA benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the CRS, as amended, assigns the authority to establish the HCTF benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the HCTF. That report may be obtained as described previously.

Funding Policy - The District is required to contribute at a rate of 1.02% of covered salaries for all PERA participants. No employee contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208 of the CRS, as amended. The District's apportionment to the HCTF for the years ended June 30, 2016, 2015 and 2014 was \$14,928, \$14,415 and \$14,180, respectively, equal to the required amounts for each year.

NOTE 10: COMMITMENTS AND CONTINGENCIES

Claims and Judgments

The District participates in a number of federal and state programs that are funded by grants received from other governmental entities. 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. At June 30, 2016, significant amounts of grant expenditures have not been audited but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the District.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 10: COMMITMENTS AND CONTINGENCIES (Continued)

Tabor Amendment

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution which limits state and local government taxing powers and imposes spending limitations. On November 14, 1997, the District's electorate authorized the District to collect, retain and expend all revenues and other funds collected during 1996 and each subsequent year from any source, notwithstanding the limitations of the Amendment. The Amendment is subject to many interpretations, but management believes the District is in substantial compliance with its requirements.

The Amendment requires the District to establish a reserve for emergencies, representing 3% of qualifying expenditures. At June 30, 2016, the District's reserve was reported as restricted fund balance in the General Fund, in the amount of \$140,000.

REQUIRED SUPPLEMENTARY INFORMATION

FREMONT COUNTY SCHOOL DISTRICT NO. RE-3

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AND CONTRIBUTIONS

PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO SCHOOL DIVISION TRUST FUND

June 30, 2016

| | <u>12/31/15</u> | <u>12/31/14</u> | <u>12/31/13</u> |
|------------------------------------------------------------------------------------------------------------|------------------|------------------|------------------|
| PROPORTIONATE SHARE OF THE NET PENSION LIABILITY | | | |
| District's Proportion of the Net Pension Liability | 0.0330792848% | 0.0332684203% | 0.0344836738% |
| District's Proportionate Share of the Net Pension Liability | \$ 5,059,243 | \$ 4,508,988 | \$ 4,398,383 |
| District's Covered-Employee Payroll | \$ 1,441,588 | \$ 1,393,707 | \$ 1,390,147 |
| District's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll | 351% | 324% | 316% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 59% | 63% | 64% |
| | | | |
| | <u>6/30/16</u> | <u>6/30/15</u> | <u>6/30/14</u> |
| DISTRICT CONTRIBUTIONS | | | |
| Statutorily Required Contribution | \$ 259,493 | \$ 238,594 | \$ 222,123 |
| Contributions in Relation to the Statutorily Required Contribution | <u>(259,493)</u> | <u>(238,594)</u> | <u>(222,123)</u> |
| Contribution Deficiency (Excess) | \$ <u>-</u> | \$ <u>-</u> | \$ <u>-</u> |
| District's Covered-Employee Payroll | \$ 1,463,531 | \$ 1,413,247 | \$ 1,390,217 |
| Contributions as a Percentage of Covered-Employee Payroll | 17.73% | 16.88% | 15.98% |

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years it is available.

See the accompanying Independent Auditors' Report.

FREMONT COUNTY SCHOOL DISTRICT NO. RE-3

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2016

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE Positive (Negative) |
|-----------------------------------------------------|--------------------|--------------------|---------------------|------------------------------------|
| REVENUES | | | | |
| Local Sources | | | | |
| Property Taxes | \$ 1,261,262 | \$ 1,261,262 | \$ 1,349,742 | \$ 88,480 |
| Specific Ownership Taxes | 180,753 | 180,753 | 196,132 | 15,379 |
| Tuition | 7,000 | 7,000 | 12,843 | 5,843 |
| Investment Income | 7,000 | 7,000 | 10,686 | 3,686 |
| BOCES Reimbursement | 6,200 | 6,200 | 13,931 | 7,731 |
| Miscellaneous | - | - | 1,887 | 1,887 |
| Total Local Sources | <u>1,462,215</u> | <u>1,462,215</u> | <u>1,585,221</u> | <u>123,006</u> |
| State Sources | | | | |
| State Equalization | 1,051,599 | 1,051,599 | 908,104 | (143,495) |
| Transportation | 48,000 | 48,000 | 56,790 | 8,790 |
| Grants | - | 53,199 | 64,135 | 10,936 |
| Total State Sources | <u>1,099,599</u> | <u>1,152,798</u> | <u>1,029,029</u> | <u>(123,769)</u> |
| Federal Sources | | | | |
| Grants | 103,516 | 103,516 | 105,273 | 1,757 |
| TOTAL REVENUES | <u>2,665,330</u> | <u>2,718,529</u> | <u>2,719,523</u> | <u>994</u> |
| EXPENDITURES | | | | |
| Instruction | 1,505,382 | 1,558,581 | 1,548,936 | 9,645 |
| Supporting Services | | | | |
| Students | 52,081 | 52,081 | 48,432 | 3,649 |
| Instructional Staff | 8,455 | 8,455 | 12,152 | (3,697) |
| General Administration | 191,668 | 191,668 | 183,667 | 8,001 |
| School Administration | 94,460 | 124,904 | 140,420 | (15,516) |
| Business Services | 63,763 | 63,763 | 63,307 | 456 |
| Operations and Maintenance | 285,436 | 285,436 | 272,336 | 13,100 |
| Student Transportation | 371,539 | 371,539 | 248,345 | 123,194 |
| Central Support | 21,530 | 21,530 | 16,824 | 4,706 |
| Community Services | 300 | 300 | 45 | 255 |
| Debt Service | | | | |
| Principal | 30,533 | 110,091 | 104,753 | 5,338 |
| Interest | - | - | 5,338 | (5,338) |
| Reserves | 960,000 | 880,442 | - | 880,442 |
| TOTAL EXPENDITURES | <u>3,585,147</u> | <u>3,668,790</u> | <u>2,644,555</u> | <u>1,024,235</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>(919,817)</u> | <u>(950,261)</u> | <u>74,968</u> | <u>1,025,229</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | - | - | 726 | 726 |
| Transfers Out | (75,000) | (75,000) | (75,000) | - |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(75,000)</u> | <u>(75,000)</u> | <u>(74,274)</u> | <u>726</u> |
| NET CHANGE IN FUND BALANCE | <u>(994,817)</u> | <u>(1,025,261)</u> | <u>694</u> | <u>1,025,955</u> |
| FUND BALANCE, Beginning | <u>1,232,744</u> | <u>1,309,587</u> | <u>1,309,587</u> | <u>-</u> |
| FUND BALANCE, Ending | <u>\$ 237,927</u> | <u>\$ 284,326</u> | <u>\$ 1,310,281</u> | <u>\$ 1,025,955</u> |

See the accompanying Independent Auditors' Report.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2016

NOTE 1: SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND CONTRIBUTIONS

The Public Employees' Retirement Association of Colorado School Division Trust Fund's net pension liability and associated amounts are measured annually at December 31, based on an actuarial valuation as of the previous December 31. The District's contributions and related ratios represent cash contributions and any related accruals that coincide with the District's fiscal year ending on June 30.

Changes in Assumptions and Other Inputs

For the year ended June 30, 2016, the total pension liability was determined by an actuarial valuation as of December 31, 2014. The following programming and methodology changes were made since the prior actuarial valuation as of December 31, 2013.

- 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.
- 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.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual appropriated budgets are adopted for all funds except the agency fund. Budgets are adopted on a basis consistent with generally accepted accounting principles, except the Food Service Fund which utilizes a non-GAAP budgetary basis whereby donated commodities are not budgeted.

The District adheres to the following procedures in establishing the budgetary information reflected in the financial statements.

- By May 31, management submits to the Board of Education a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted by the Board of Education to obtain taxpayer comments.
- Prior to June 30, the budget is adopted by formal resolution.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2016

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Budgetary Information (Continued)

- Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures of any fund must be approved by the Board of Education.
- All appropriations lapse at fiscal year end.

SUPPLEMENTARY INFORMATION

FREMONT COUNTY SCHOOL DISTRICT NO. RE-3

BUDGETARY COMPARISON SCHEDULE
BOND REDEMPTION FUND
 Year Ended June 30, 2016

| | <u>ORIGINAL AND FINAL BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE Positive (Negative)</u> |
|-------------------------------------------------|------------------------------------------|----------------|---------------------------------------------|
| REVENUES | | | |
| Local Sources | | | |
| Investment Income | \$ - | \$ 31 | \$ 31 |
| TOTAL REVENUES | <u>-</u> | <u>31</u> | <u>31</u> |
| EXPENDITURES | | | |
| Debt Service | | | |
| Principal | 107,205 | 105,000 | 2,205 |
| Interest and Fiscal Charges | <u>2,205</u> | <u>2,205</u> | <u>-</u> |
| TOTAL EXPENDITURES | <u>109,410</u> | <u>107,205</u> | <u>2,205</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (109,410) | (107,174) | 2,236 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers Out | <u>(688)</u> | <u>(726)</u> | <u>(38)</u> |
| NET CHANGE IN FUND BALANCE | (110,098) | (107,900) | 2,198 |
| FUND BALANCE, Beginning | <u>110,098</u> | <u>107,900</u> | <u>(2,198)</u> |
| FUND BALANCE, Ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

See the accompanying Independent Auditors' Report.

FREMONT COUNTY SCHOOL DISTRICT NO. RE-3

BUDGETARY COMPARISON SCHEDULE

FOOD SERVICE FUND

Year Ended June 30, 2016

| | ORIGINAL AND FINAL BUDGET | ACTUAL | VARIANCE Positive (Negative) |
|-------------------------------------------------|---------------------------------|-------------------------|------------------------------------|
| REVENUES | | | |
| Local Sources | | | |
| Charges for Services | \$ 17,000 | \$ 19,800 | \$ 2,800 |
| Investment Income | 3 | 2 | (1) |
| Miscellaneous | 1,400 | 1,392 | (8) |
| State Sources | | | |
| Grants | 2,100 | 2,336 | 236 |
| Federal Sources | | | |
| Grants | 63,000 | 56,970 | (6,030) |
| | <u>83,503</u> | <u>80,500</u> | <u>(3,003)</u> |
| TOTAL REVENUES | | | |
| EXPENDITURES | | | |
| Salaries | 62,960 | 64,739 | (1,779) |
| Benefits | 24,605 | 29,911 | (5,306) |
| Purchased Services | 570 | 358 | 212 |
| Supplies and Materials | 70,368 | 65,697 | 4,671 |
| Reserves | 43,891 | - | 43,891 |
| | <u>202,394</u> | <u>160,705</u> | <u>41,689</u> |
| TOTAL EXPENDITURES | | | |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (118,891) | (80,205) | 38,686 |
| OTHER FINANCING SOURCES | | | |
| Transfers In | 75,000 | 75,000 | - |
| | <u>75,000</u> | <u>75,000</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCE, Budgetary Basis | \$ <u>(43,891)</u> | (5,205) | \$ <u>38,686</u> |
| ADJUSTMENTS TO GAAP BASIS | | | |
| Donated Commodities Received | | 6,961 | |
| Donated Commodities Used | | <u>(6,961)</u> | |
| NET CHANGE IN FUND BALANCE, GAAP Basis | | (5,205) | |
| FUND BALANCE, Beginning | | <u>38,217</u> | |
| FUND BALANCE, Ending | | \$ <u><u>33,012</u></u> | |

See the accompanying Independent Auditors' Report.

FREMONT COUNTY SCHOOL DISTRICT NO. RE-3

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUND

Year Ended June 30, 2016

| | <u>BALANCES</u> 6/30/15 | <u>ADDITIONS</u> | <u>DEDUCTIONS</u> | <u>BALANCES</u> 6/30/16 |
|-----------------------|----------------------------|-------------------|-------------------|----------------------------|
| ASSETS | | | | |
| Cash | \$ <u>41,588</u> | \$ <u>150,700</u> | \$ <u>140,636</u> | \$ <u>51,652</u> |
| LIABILITIES | | | | |
| Due to Student Groups | \$ <u>41,588</u> | \$ <u>150,700</u> | \$ <u>140,636</u> | \$ <u>51,652</u> |

See the accompanying Independent Auditors' Report.

STATE COMPLIANCE



Colorado Department of Education

Auditors Integrity Report

District: 1160 - COTOPAXI RE-3
 Fiscal Year 2015-16
 Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

| Fund Type & Number | Governmental | 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 |
|--------------------|------------------------------------------------------|------------------------------------------|---|--------------------------------------------|---|-------------------------------------------|---|-------------------------------------------------------|
| 10 | General Fund | 1,309,589 | | 2,645,249 | | 2,644,557 | | 1,310,281 |
| 18 | Risk Mgmt Sub-Fund of General Fund | 0 | | 0 | | 0 | | 0 |
| 19 | Colorado Preschool Program Fund | 0 | | 0 | | 0 | | 0 |
| | Sub- Total | 1,309,589 | | 2,645,249 | | 2,644,557 | | 1,310,281 |
| 11 | Charter School Fund | 0 | | 0 | | 0 | | 0 |
| 20.26-29 | Special Revenue Fund | 0 | | 0 | | 0 | | 0 |
| 21 | Food Service Spec Revenue Fund | 38,216 | | 162,462 | | 167,666 | | 33,011 |
| 22 | Govt Designated-Purpose Grants Fund | 0 | | 0 | | 0 | | 0 |
| 23 | Pupil Activity Special Revenue Fund | 0 | | 0 | | 0 | | 0 |
| 24 | Full Day Kindergarten Mill Levy Override | 0 | | 0 | | 0 | | 0 |
| 25 | Transportation Fund | 0 | | 0 | | 0 | | 0 |
| 31 | Bond Redemption Fund | 107,900 | | -695 | | 107,205 | | 0 |
| 39 | Certificate of Participation (COP) Debt Service Fund | 0 | | 0 | | 0 | | 0 |
| 41 | Building Fund | 0 | | 0 | | 0 | | 0 |
| 42 | Special Building Fund | 0 | | 0 | | 0 | | 0 |
| 43 | Capital Reserve Capital Projects Fund | 0 | | 0 | | 0 | | 0 |
| | Totals | 1,455,705 | | 2,807,016 | | 2,919,428 | | 1,343,293 |
| 50 | Other Enterprise Funds | 0 | | 0 | | 0 | | 0 |
| 64 (63) | Risk-Related Activity Fund | 0 | | 0 | | 0 | | 0 |
| 60.65-69 | Other Internal Service Funds | 0 | | 0 | | 0 | | 0 |
| | Totals | 0 | | 0 | | 0 | | 0 |
| | Fiduciary | | | | | | | |
| 70 | Other Trust and Agency Funds | 0 | | 0 | | 0 | | 0 |
| 72 | Private Purpose Trust Fund | 0 | | 0 | | 0 | | 0 |
| 73 | Agency Fund | 0 | | 0 | | 0 | | 0 |
| 74 | Pupil Activity Agency Fund | 41,589 | | 150,700 | | 140,636 | | 51,653 |
| 79 | GASB 34:Permanent Fund | 0 | | 0 | | 0 | | 0 |
| 85 | Foundations | 0 | | 0 | | 0 | | 0 |
| | Totals | 41,589 | | 150,700 | | 140,636 | | 51,653 |

FINAL

*If you have a prior period adjustment in any fund (Balance Sheet 6880), the amount of your priorperiod adjustment is added into both your ending and beginning fund balances on this report.
 11/29/16 9:20 AM