

Frenchman School District RE-3
Fleming, Colorado

Financial Statements

For the Year Ended June 30, 2016



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Independent Auditors' Report

Board of Education
Frenchman School District RE-3
Fleming, Colorado

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 Frenchman School District RE-3 (the District), 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.

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 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, budgetary comparison information and historical pension 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 required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Lauer, Szabo & Associates, P.C.

Sterling, Colorado
October 10, 2016

**FRENCHMAN SCHOOL DISTRICT RE-3
Management Discussion and Analysis
For Fiscal Year Ended June 30, 2016**

This section of Frenchman School District RE-3 annual financial report presents its discussion and analysis of the District's financial performance during the year ended June 30, 2016.

Financial Highlights

- The liabilities of the Frenchman School District RE-3 exceeded its assets at the close of the most recent fiscal year. Our Net Position as of June 30, 2016 is (\$112,973).
- The district's total net position increased by \$18,125.
- General revenues accounted for \$2,458,701 or 87% of the \$2,813,008 in total revenues. Program specific revenues in the form of charges for services, sales, and grants accounted for \$354,307 or 13% of revenues.
- The general fund ending fund balance reached \$1,136,223. This was an increase of \$130,150 from last year.

Overview of Financial Statements

The discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. A comparison to the prior year's activity is normally provided in the document. The basic financial statements consist of four components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements and, (4) required supplementary information. This report also contains required supplementary information in addition to the basic financial statements.

Government-wide Statements

The Government-wide financial statements are designed to provide readers with information about the School District as a whole using accounting methods similar to those used by private-sector businesses.

The statement of net position includes all of the School District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes.). In the government-wide financial statements, the School District's activities include the following:

- **Governmental activities:** Most of the School District's basic services are included here, such as instruction, transportation, maintenance, operations, and administration. Taxes and intergovernmental revenues principally support these activities.

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 objectives. The fund financial statements provide more detailed information about the School District's operations, focusing on the most significant or "major" funds, not the School District as a whole. The School 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 School District's program.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Thus, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and change in fund balances provide reconciliation to the government-wide financial statements in order to facilitate this comparison between governmental funds and governmental activities.

The School District maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures and change in fund balances for the General Fund and Preschool Fund, which are combined in a single aggregated presentation and is considered to be a major fund. Data for the other two governmental funds are presented separately. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

Fiduciary Funds

Fiduciary funds are used to count for resources held for the benefit of parties outside the school district. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on page 18 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements may be found on pages 19-41 of this report.

Other information

In addition to the basic financial statements, this report also presents other supplementary information concerning the School District’s annual appropriated budgets with comparison statements that demonstrate compliance with budgets. Budgeted amounts may be found on pages 44-64.

Financial Analysis of the School District as a Whole

As noted earlier, net position may serve over time as a useful indicator of the School District’s financial position.

70% of the School District’s assets are capital assets (e.g., land, buildings and equipment). The school District uses these assets to provide instruction and related services to its students.

The following table provides a summary of the district’s net position as of June 30, 2016.

	Governmental Activities		Total Percentage Change
	2016	2015	2015-2016
Current and Other assets	\$1,404,305	\$1,256,128	11.80%
Capital assets	2,972,062	2,983,863	-40%
Total assets	4,376,367	4,239,991	3.22%
Deferred outflows of resources	564,196	204,691	175.63%
Total assets and deferred outflows of resources	\$4,940,563	4,444,682	11.16%
Long term liabilities	\$4,655,358	4,385,334	6.16%
Other liabilities	182,289	178,083	2.36%
Total liabilities	4,837,647	4,563,417	6.01%
Deferred inflows of resources	215,889	12,363	7.42%
Net investment in capital assets	2,779,679	2,759,840	.72%
Restricted	155,147	134,373	15.46%
Unrestricted	(3,047,799)	(3,025,311)	.74%
Total net position	(112,973)	(131,098)	-13.83%
Total liabilities, deferred inflows of resources and net position	\$ 4,940,563	\$ 4,444,682	11.16%

The following table is a summary of the District's change in net position.

Revenues	Governmental Activities		Total Percentage Change
	2016	2015	2015-2016
Revenues			
Program Revenues			
Charges for services	\$ 47,753	\$ 39,558	20.72%
Operating Grants & Contributions	306,554	233,363	31.36%
Property taxes	833,260	471,530	76.71%
State equalization	1,517,764	1,722,360	-11.88%
Other	107,677	89,443	20.39%
Total Revenue	2,813,008	2,556,254	10.04%
Expenses			
Instruction	1,573,003	1,601,623	-1.79%
Pupil & Instructional Services	104,286	100,176	4.10%
Administration & Business	403,065	384,772	4.75%
Maintenance & Operations	268,568	220,848	21.61%
Transportation	159,822	164,703	-2.96%
Other	286,139	259,437	10.29%
Total Expenses	2,794,883	2,731,559	2.32%
Change in net position	\$ 18,125	\$(175,305)	-110.34%

Governmental Activities

The primary source of operating revenue for school districts comes from the School Finance Act of 1994, as amended (SFA). Under the SFA the School District received \$11,896.39 per funded student. In fiscal year 2015-16 the funded pupil count was 187.2. Funding for the SFA comes from property taxes, specific ownership tax and state equalization. The School District receives approximately 66 percent of this funding from state equalization while the remaining amount comes from property taxes and specific ownership tax. The School District's assessed valuation generated \$720,356 in property taxes for fiscal year 2015-2016.

Governmental Funds

The focus of the School 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 School district's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of the School District's net resources available for spending at the end of the fiscal year.

As the end of the fiscal year, the School District's governmental funds reported combined ending fund balances of \$1,206,100, an increase of \$137,976. The general fund had a fund balance increase of \$130,150 while the other governmental funds had a fund balance increase of \$7,826.

General Fund Budget Highlights

The District's budget is prepared according to Colorado law and is based on accounting for transactions under generally accepted accounting principles. The most significant budgeted fund is the General Fund.

The differences that are found between the original budget and final numbers in the 2015-2016 school year are as follows:

- The differences in the revenues increased was due to a difference in reporting the specific ownership tax, property tax and vocational funding increase due to an increase in vocational students and.

The differences that are found between the final budget and the actual expended amounts are as follows:

- \$10,686 increases in actual versus budgeted expenditures that were listed in the 2015-2016 school year. This is approximately .01% of total expenditures.

Capital Assets and Debt Administration

Capital Assets

The School Districts investment in capital assets for its governmental activities as of June 30, 2016 amounts to \$2,972,062 (net of accumulated depreciation). This investment in capital assets includes land, buildings, and improvements, equipment, construction in progress, and capital leases all with an original cost greater than \$5,000.

The School District's total capital assets at June 30, 2016 net of accumulated depreciation were as follows:

Additional information on the School District's capital assets can be found in note E to the basic financial statements.

	Governmental Activities
Land	\$ 24,013
Building Improvements	2,737,436
Equipment & Furniture	61,489
Vehicles	149,124
Total Capital Assets	<u>\$ 2,972,062</u>

Long-Term Debt

At year-end, the School District's long-term debt of \$4,655,358 represented its general obligation bonds of \$185,000, related bond premium of \$7,383 and net pension liability of \$4,462,975.

Economic Factors

The economy in our community remains strong. Agriculture commodities are experiencing record high yields and low market prices across the board. The real estate market is steady. Houses that are for sale move quickly. Fleming continues to attract home buyers and people who desire to reside in our school district.

Property valuations for our school district increased from \$24,724,000 to \$37,424,190. The property valuations help determine how much state equalization the district receives from the State of Colorado. The increase in property valuation means an increase in local tax dollars and a decrease in state equalization funding our school.

The Ending Fund Balance in the General Fund increased during the FY 2015-2016 fiscal year by \$130,150. The increase is partially due to the reduction of expenses and the increase in specific ownership taxes and vocational education reimbursement a small rural school grant, additional at risk funding, additional transportation funding from the audit.

The Frenchman District increased staff salaries by granting a step for all certified staff and increased classified salaries for the FY 2015-2016 school year.

The factors that affect next year's budget are declining enrollment numbers, the local economy, fuel prices and the "negative factor" imposed on school districts from the State of Colorado and the Colorado Department of Education. The school district expects additional "Negative Factor" funding in state funding for the 2016-2017 fiscal year.

The 2016-2017 preliminary budgets were established in compliance with the Frenchman School District RE-3 Board of Education's policy manual. The budget for FY 2016-2017 was based on the funded pupil count of 189.8 students. The school district had a membership enrollment 206 students on October 1st.

Contacting the Districts Financial Management

This financial report is designed to provide the District's citizens, taxpayers, parents, investors and creditors with a general overview of the District's finances and to demonstrate the district's accountability for the money it receives. If you have any questions about this report or need additional information, contact Frenchman School District RE-3, 506 N Fremont, Fleming CO. 80728 or 970-265-2111.

Basic Financial Statements

The basic financial statements of the District include the following:

Government-wide financial statements. The government-wide statements display information about the reporting government as a whole, except for its fiduciary activities.

Fund financial statements. The fund financial statements display information about major funds individually and nonmajor funds in the aggregate for governmental and enterprise funds.

Notes to the financial statements. The notes communicate information essential for fair presentation of the financial statements that is not displayed on the face of the financial statements. As such, the notes are an integral part of the basic financial statements.

FRENCHMAN SCHOOL DISTRICT RE-3
Statement of Net Position
June 30, 2016

	<u>Governmental Activities</u>
Assets	
Cash	\$ 541,347
Cash with fiscal agent	60,163
Certificates of deposit	769,373
Receivables	31,213
Inventory	2,209
Capital assets, net of depreciation	<u>2,972,062</u>
Total assets	4,376,367
Deferred outflows of resources	
Pension deferrals	<u>564,196</u>
Total assets and deferred outflows of resources	<u>\$ 4,940,563</u>
Liabilities	
Accounts payable	\$ 2,817
Accrued salaries and benefits	176,296
Unearned revenues	2,436
Accrued interest	740
Noncurrent liabilities	
Due within one year	35,000
Due in more than one year	<u>4,620,358</u>
Total liabilities	4,837,647
Deferred inflows of resources	
Pension deferrals	215,889
Net position	
Net investment in capital assets	2,779,679
Restricted for:	
Emergencies	79,000
Colorado preschool program	8,479
Food service operations	12,799
Debt service	54,869
Unrestricted (deficit)	<u>(3,047,799)</u>
Total net position (deficit)	<u>(112,973)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 4,940,563</u>

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FRENCHMAN SCHOOL DISTRICT RE-3
Statement of Activities
For the Year Ended June 30, 2016

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
Instruction	\$ 1,573,003	\$ 5,550	\$ 141,069	
Supporting services				
Students	72,255		3,500	
Instructional staff	32,031		9,288	
General administration	166,166			
School administration	139,026			
Business services	97,873			
Operations and maintenance	268,568			
Student transportation	159,822		82,056	
Central support services	55,737		19,293	
Food service operations	117,141	42,203	51,348	
Unallocated depreciation *	104,772			
Interest on long-term obligations	8,489			
Total governmental activities	\$ 2,794,883	\$ 47,753	\$ 306,554	\$ -

General revenues

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Specific ownership taxes

Delinquent taxes and interest

State categorical aid

Earnings on investments

Other

Total general revenues

Change in net position

Net position (deficit) at beginning of year

Net position (deficit) at end of year

* This amount excludes depreciation that is included in the direct expenses of the various programs.

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

Net (Expenses)
Revenues and
Change in
Net Position

Net
Governmental
Activities

\$ (1,426,384)

(68,755)

(22,743)

(166,166)

(139,026)

(97,873)

(268,568)

(77,766)

(36,444)

(23,590)

(104,772)

(8,489)

(2,440,576)

720,356

48,595

63,241

1,068

1,517,764

6,136

101,541

2,458,701

18,125

(131,098)

\$ (112,973)

FRENCHMAN SCHOOL DISTRICT RE-3
Balance Sheet
Governmental Funds
June 30, 2016

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Cash	\$ 528,548	\$ 12,799	\$ 541,347
Cash with fiscal agent	7,009	53,154	60,163
Certificates of deposit	769,373		769,373
Property taxes receivable	29,284	1,929	31,213
Inventories		2,209	2,209
Total assets	\$ 1,334,214	\$ 70,091	\$ 1,404,305
Liabilities			
Accounts payable	\$ 2,817		\$ 2,817
Accrued salaries and benefits	176,296		176,296
Unearned revenues	2,436		2,436
Total liabilities	181,549	\$ -	181,549
Deferred inflows of resources			
Deferred property tax revenues	16,442	214	16,656
Total deferred inflows of resources	16,442	214	16,656
Fund balance			
Nonspendable inventories			
Restricted for:		2,209	2,209
Emergencies	79,000		79,000
Colorado preschool program	8,479		8,479
Food service operations		12,799	12,799
Debt service		54,869	54,869
Unassigned	1,048,744		1,048,744
Total fund balance	1,136,223	69,877	1,206,100
Total liabilities, deferred inflows of resources and fund balance	\$ 1,334,214	\$ 70,091	\$ 1,404,305

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

FRENCHMAN SCHOOL DISTRICT RE-3

**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2016**

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

Total fund balance - governmental funds	\$ 1,206,100
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	2,972,062
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	16,656
Accrued interest on long-term debt is not due and payable in the current period and therefore is not reported as a liability in the funds.	(740)
Long-term liabilities and related deferred outflows and inflows of resources are not due and payable in the current year and therefore are not reported as liabilities in the funds.	<u>(4,307,051)</u>
Net position of the governmental activities	<u>\$ (112,973)</u>

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

FRENCHMAN SCHOOL DISTRICT RE-3
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2016

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Local sources	\$ 890,358	\$ 92,178	\$ 982,536
Intermediate sources	279		279
State sources	1,719,286	2,135	1,721,421
Federal sources	53,684	49,213	102,897
Total revenues	2,663,607	143,526	2,807,133
Expenditures			
Instruction	1,538,903		1,538,903
Supporting services	985,240	104,764	1,090,004
Debt service			
Principal retirement		30,000	30,000
Interest and fiscal charges		10,250	10,250
Total expenditures	2,524,143	145,014	2,669,157
Excess of revenues over (under) expenditures	139,464	(1,488)	137,976
Other financing sources (uses)			
Transfers in		9,314	9,314
Transfers out	(9,314)		(9,314)
Total other financing sources (uses)	(9,314)	9,314	-
Net change in fund balance	130,150	7,826	137,976
Fund balance at beginning of year	1,006,073	62,051	1,068,124
Fund balance at end of year	\$ 1,136,223	\$ 69,877	\$ 1,206,100

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

FRENCHMAN SCHOOL DISTRICT RE-3
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 - governmental funds	\$ 137,976
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation and amortization exceeded capital outlays in the current period.	(11,801)
In the statement of activities, certain expenses related to the pension liabilities and related deferred outflows and inflows and accrued interest payable, are measured by the amounts incurred or earned during the year. In the governmental funds, however, expenditures for those items are measured by the amount of financial resources used (essentially, the amounts actually paid).	(143,925)
Because some property taxes will not be collected for several months after after the fiscal year ends, they are not considered as "available" revenues in the governmental funds and are, instead, counted as deferred tax revenues. They are, however, recorded as revenues in the statement of activities.	5,875
Repayment of principal on general obligation bonds are expenditures in the governmental funds, but the repayment reduces the long-term liability in the statement of net position.	<u>30,000</u>
Change in net position of governmental activities	<u>\$ 18,125</u>

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

FRENCHMAN SCHOOL DISTRICT RE-3
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	<u>Agency Funds</u>
Assets	
Cash	\$ 53,103
Total assets	<u>\$ 53,103</u>
Liabilities	
Due to student groups	\$ 53,103
Total liabilities	<u>\$ 53,103</u>

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

FRENCHMAN SCHOOL DISTRICT RE-3
Notes to Financial Statements

Note A – Summary of significant accounting policies

This summary of the Frenchman School District RE-3's significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. The policies are considered essential and should be read in conjunction with the accompanying financial statements.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The more significant of the District's accounting policies are described below.

A.1 – Reporting entity

The Frenchman School District RE-3 is a school district governed by an elected five-member board of education. The financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The reporting entity's financial statements should present the funds of the primary government (including its blended component units, which are, in substance, part of the primary government) and provide an overview of the discretely presented component units.

The District has examined other entities that could be included as defined in number 2 and 3 above. Based on these criteria, the District has no component units.

A.2 – Fund accounting

The District uses funds to report its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types." The District does not have any proprietary funds.

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked funds (special revenue funds), and the servicing of general long-term debt (debt service fund). The following is the District's major governmental fund:

FRENCHMAN SCHOOL DISTRICT RE-3
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

General Fund – The General Fund is the operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include local property taxes, specific ownership taxes, and State of Colorado equalization funding, as determined by the School Finance Act of 1994, as amended.

Expenditures include all costs associated with the daily operation of the schools, except for debt service, food service operations and pupil activities.

The following are the District's nonmajor governmental funds:

Food Service Fund – This fund is a special revenue fund used to account for the financial activities associated with the District's food service operations.

Bond Redemption Fund – This fund is a debt service fund used to account for the revenues from a specific tax levy for the purpose of the repayment of debt principal, interest and other fiscal charges.

Fiduciary Funds focus on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The District has the following fiduciary fund:

Pupil Activity Agency Fund – This fund is an agency fund used to record transactions related to school-sponsored pupil organizations and activities.

Note A.3 – Basis of presentation

Government-wide financial statements – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with a brief explanation to better identify the relationship between the government-wide statements and the statements for governmental funds.

FRENCHMAN SCHOOL DISTRICT RE-3
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund financial statements – Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources management focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources, and a statement of revenues, expenditures and changes in fund balance, which reports the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

Fiduciary funds focus on net position and changes in net position and are reported using accounting principles similar to proprietary funds. The District's fiduciary funds are presented in the fiduciary fund financial statements by type. Since by definition these assets are being held for the benefit of a third party and cannot be used to address the activities or obligations of the District, these funds are not incorporated into the government-wide financial statements.

A.4 – Basis of accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

FRENCHMAN SCHOOL DISTRICT RE-3
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

Revenues – exchange and nonexchange transactions – Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. State equalization monies are recognized as revenues during the period in which they are appropriated. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes collected within sixty days after year-end, interest, tuition, grants and student fees.

Deferred outflows/inflows of resources - In addition to assets, the statement of financial position 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 (expenditure) until then.

In addition to liabilities, the statement of financial position 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.

FRENCHMAN SCHOOL DISTRICT RE-3
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

Unearned revenue – Unearned revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to meeting eligibility requirements. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed and the revenue is recognized.

Expenditures – The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

A.5 – Encumbrances

Encumbrance accounting is utilized by the District to record purchase orders, contracts and other commitments for the expenditure of monies to assure effective budgetary control and accountability. Encumbrances outstanding at year-end are canceled and reappropriated in the ensuing year’s budget.

A.6 – Short-term interfund receivables/payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as internal balances on the government-wide statement of net position, and are classified as due from other funds or due to other funds on the balance sheet.

A.7 – Inventories

Food Service Fund – Purchased inventories are stated at cost as determined by the first-in, first-out method. Commodity inventories are stated at the United States Department of Agriculture’s assigned values, which approximate fair value, at the date of receipt. Expenditures for food items are recorded when consumed. The federal government donates surplus commodities to the national school lunch program. Commodity distributions used by the District are recorded as revenues at the date of their consumption.

A.8 – Capital assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

FRENCHMAN SCHOOL DISTRICT RE-3
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

All capital assets with a unit cost greater than \$5,000 are capitalized at cost (or estimated historical cost, if actual cost is not available) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair value on the date received. Infrastructure assets, consisting of certain improvements other than buildings (such as parking facilities, sidewalks, landscaping and lighting systems) are capitalized along with other capital assets. Improvements to assets are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not.

All reported capital assets are depreciated with the exception of land costs. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities</u>
Land and improvements	0-20 years
Buildings and improvements	20-50 years
Furniture and equipment	5-20 years
Licensed vehicles	5-10 years

A.9 – Compensated absences

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Sick leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. Accumulated sick leave benefits are paid to employees upon termination of employment.

No liability is reported in the financial statements due to the immateriality of the amount involved.

A.10 – Accrued liabilities and long-term obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. Bonds payable and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due. Bond premiums are amortized over the life of the bonds using the straight-line method.

FRENCHMAN SCHOOL DISTRICT RE-3
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

A.11 – Fund balance

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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 listed below.

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

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.

Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the board of education (the District's highest level of decision-making authority),

Assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and

Unassigned fund balance is the residual classification for the District's general fund and includes all spendable amounts not contained in the other classifications.

Committed fund balance is established by a formal passage of a resolution. This is typically done through the adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the board of education through adoption or amendment of the budget as intended for specific purpose (such as purchase of fixed assets, construction, debt service or for other purposes).

When both restricted and unrestricted resources are available in governmental funds, the District applies expenditures against restricted fund balance first, and followed by committed fund balance, assigned fund balance and unassigned fund balance.

FRENCHMAN SCHOOL DISTRICT RE-3
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

A.12 – Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are liabilities imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

A.13 – Interfund transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. In general, the effect of interfund activity has been eliminated from the government-wide financial statements.

A.14 – Extraordinary and special items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the board of education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the year.

Note B – Cash and investments

Cash and deposits

Colorado State statutes govern the District's deposit of cash. The Public Deposit Protection Act (PDPA) for banks and savings and loans requires state regulators to certify eligible depositories for public deposits. The PDPA require eligible depositories with public deposits in excess of federal insurance levels to create a single institution collateral pool of defined eligible assets. Eligible collateral includes obligations of the United States, obligations of the State of Colorado or Colorado local governments and obligations secured by first lien mortgages on real property located in the state. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group and not held in any individual government's name. The fair value of the assets in the pool must be at least equal to 102% of the aggregate uninsured deposits.

FRENCHMAN SCHOOL DISTRICT RE-3
Notes to Financial Statements

Note B – Cash and investments (Continued)

Custodial credit risk – deposits – Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of year-end, the District had total deposits of \$1,535,985, of which \$250,000 was insured and \$1,285,985 was collateralized with securities held by the pledging institution’s trust department or agent in the District’s name.

Investments

Authorized investments – Investment policies are governed by Colorado State Statutes and the District’s own investment policies and procedures. Investments of the District may include:

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

At year-end, the District had only investments in certificates of deposit.

The following table provides a reconciliation of cash, cash with fiscal agent, and investments on the statement of net position:

Cash	\$ 594,450
Cash with fiscal agent	60,163
Investments in certificates of deposit	<u>769,373</u>
Total	<u>\$ 1,423,986</u>
 <u>Statement of net position</u>	
Cash	\$ 541,347
Cash with fiscal agent	60,163
Investments in certificates of deposit	<u>769,373</u>
Subtotal	1,370,883
 <u>Statement of fiduciary net position</u>	
Cash	<u>53,103</u>
Total	<u>\$ 1,423,986</u>

FRENCHMAN SCHOOL DISTRICT RE-3
Notes to Financial Statements

Note C – Receivables

Receivables at year-end consist of the following:

	<u>Governmental Receivables</u>
Property taxes receivable	<u>\$ 31,213</u>

Property taxes are levied on December 15th and attach as a lien on property the following January 1st. They are payable in full by April 30th or are due in two equal installments on February 28th and June 15th. Logan County bills and collects property taxes for all taxing entities within the County. The tax receipts collected by the County are remitted to the District in the subsequent month.

Note D – Interfund transactions

The following is a summary of interfund borrowings transfers for the year as presented in the fund financial statements:

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Governmental funds</u>		
General fund	\$ -	\$ 9,314
Other governmental funds	<u>9,314</u>	<u>-</u>
Total	<u>\$ 9,314</u>	<u>\$ 9,314</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. The District transferred \$9,314 from the General Fund to the Other Governmental Funds to subsidize the costs of maintaining the District's food service operations.

FRENCHMAN SCHOOL DISTRICT RE-3
Notes to Financial Statements

Note E – Capital assets

Capital asset activity for the year was as follows:

	<u>Beginning Balance</u>	<u>Additions/ Adjustments</u>	<u>Deletions/ Transfers</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 24,013	\$ -	\$ -	\$ 24,013
Total capital assets, not being depreciated	24,013	-	-	24,013
Capital assets, being depreciated:				
Buildings and improvements	4,872,914	65,552	-	4,938,466
Licensed vehicles	628,086	67,250	-	695,336
Furniture and equipment	<u>156,919</u>	<u>-</u>	<u>-</u>	<u>156,919</u>
Total capital assets, being depreciated	<u>5,657,919</u>	<u>132,802</u>	<u>-</u>	<u>5,790,721</u>
Total capital assets	5,681,932	132,802	-	5,814,734
Less accumulated depreciation for:				
Buildings and improvements	(2,096,258)	(104,772)	-	(2,201,030)
Licensed vehicles	(517,799)	(28,413)	-	(546,212)
Furniture and equipment	<u>(84,012)</u>	<u>(11,418)</u>	<u>-</u>	<u>(95,430)</u>
Total accumulated depreciation	<u>(2,698,069)</u>	<u>(144,603)</u>	<u>-</u>	<u>(2,842,672)</u>
Governmental activities capital assets, net	<u>\$ 2,983,863</u>	<u>\$ (11,801)</u>	<u>\$ -</u>	<u>\$ 2,972,062</u>

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

Governmental activities	
Instruction	\$ 1,918
Operations and maintenance	7,546
Student transportation	24,842
Central support services	3,834
Food service operations	1,691
Unallocated	<u>104,772</u>
Total	<u>\$ 144,603</u>

FRENCHMAN SCHOOL DISTRICT RE-3
Notes to Financial Statements

Note F – Accrued salaries and benefits

Salaries and 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 not paid at year-end are estimated to be \$175,883. Accordingly, this accrued compensation is reflected as a liability in the accompanying financial statements.

Note G – Long-term debt

The following is a summary of the changes in long-term debt for the year:

	<u>Beginning</u> <u>Balances</u>	<u>Additions/</u> <u>Adjustments</u>	<u>Reductions/</u> <u>Adjustments</u>	<u>Ending</u> <u>Balances</u>	<u>Due within</u> <u>one year</u>
Governmental activities					
Bonds payable	\$ 215,000	\$ -	\$ (30,000)	\$ 185,000	\$ 35,000
Bond premium	9,024	-	(1,641)	7,383	-
Net pension liability	4,161,310	301,665	-	4,462,975	-
Total	<u>\$ 4,385,334</u>	<u>\$ 301,665</u>	<u>\$ (31,641)</u>	<u>\$ 4,655,358</u>	<u>\$ 35,000</u>

The net pension liability attributable to the governmental activities will be liquidated primarily by the General Fund, while payments on the bond are made in the Bond Redemption Fund.

Bonds payable

The District issued \$425,000 in general obligation bonds dated December 27, 2005 to finance a portion of a substantial renovation to the roof at the school. The bonds are due in annual installments ranging from \$19,311 to \$40,000, with semi-annual interest payments at a rate of 4.80%.

The following schedule represents the District's debt service requirements to maturity for all outstanding bonded indebtedness:

<u>Year ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 35,000	\$ 8,040	\$ 43,040
2018	35,000	6,360	41,360
2019	35,000	4,680	39,680
2020	40,000	2,880	42,880
2021	40,000	960	40,960
Totals	<u>\$ 185,000</u>	<u>\$ 22,920</u>	<u>\$ 207,920</u>

FRENCHMAN SCHOOL DISTRICT RE-3
Notes to Financial Statements

Note H – Defined benefit pension plan

Summary of significant accounting policies

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

General information about the pension plan

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

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. Section 24-51-602, 604, 1713, and 1714.

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

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

FRENCHMAN SCHOOL DISTRICT RE-3
Notes to Financial Statements

Note H – Defined benefit 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% of PERA's Annual Increase Reserve (AIR) for the SCHDTF.

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

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

FRENCHMAN SCHOOL DISTRICT RE-3
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

Contributions. Eligible employees and the District are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. Section 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. Section 24-51-208(1)(f)	<u>(1.02)%</u>	<u>(1.02)%</u>
Amount apportioned to the SCHDTF	9.13%	9.13%
Amortization equalization disbursement (AED) as specified in C.R.S. Section 24-51-411	4.20%	4.50%
Supplemental amortization equalization disbursement (SAED) as specified in C.R.S. Section 24-51-411	<u>4.00%</u>	<u>4.50%</u>
Total employer contribution rate to the SCHDTF	<u><u>17.33%</u></u>	<u><u>18.13%</u></u>

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District were \$239,108 for the year ended.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

At year-end, the District reported a liability of \$4,462,975 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 District's proportion of the net pension liability was based on the District's contributions to the SCHDTF for the calendar year 2015 relative to the total contributions of participating employers to the SCHDTF.

FRENCHMAN SCHOOL DISTRICT RE-3
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

At December 31, 2015, the District's proportion was 0.0292 percent, which was a decrease of 0.0015 percent from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$385,794. At year-end, 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>
Difference between expected and actual experience	\$ 58,934	\$ 186
Changes of assumptions or other inputs	-	63,070
Net difference between projected and actual earnings on pension plan investments	379,479	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	152,633
Contributions subsequent to the measurement date	<u>125,783</u>	<u>-</u>
Total	<u>\$ 564,196</u>	<u>\$ 215,889</u>

\$125,783 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 subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2017	\$ 39,718
2018	40,884
2019	64,107
2020	<u>77,815</u>
Totals	<u>\$ 222,524</u>

FRENCHMAN SCHOOL DISTRICT RE-3
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

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

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 valuation are as follows:

- 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.

FRENCHMAN SCHOOL DISTRICT RE-3
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

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 November 15, 2013 adoption of the long-term expected real rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<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>100.00%</u>	

FRENCHMAN SCHOOL DISTRICT RE-3
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

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 projects year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.90%.
- 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 estimate future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits 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

FRENCHMAN SCHOOL DISTRICT RE-3
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

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 District’s proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 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-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$ 5,785,320	\$ 4,462,975	\$ 3,363,031

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.

Payables to the pension plan

The District did not report any payables to the pension plan at year-end.

FRENCHMAN SCHOOL DISTRICT RE-3
Notes to Financial Statements

Note I – Defined contribution pension plan

Voluntary Investment Program

Plan description. Employees of the District that are also members of the SCHDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report of 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. The District does not offer matching contributions to its employees. Employees are immediately vested in their own contributions and investment earnings. For the year ended June 30, 2016, program members contributed \$3,178 for the Voluntary Investment Program.

Note J – Other postemployment benefits

Health Care Trust Fund

Plan description. The District contributed 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 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 District 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 District 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 fiscal years ended June 30, 2016, 2015 and 2014, the District's contributions to the HCTF were \$13,043, \$13,044 and \$13,010, respectively, equal to their required contributions for each year.

FRENCHMAN SCHOOL DISTRICT RE-3
Notes to Financial Statements

Note K – Risk management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participates in the Colorado School Districts Self-Insurance Pool (the Pool). The Pool's objectives are to provide member school districts with defined property and liability coverages through self-insurance and excess insurance purchased from commercial companies. The District makes an annual contribution to the Pool for its insurance coverages. The District's contribution for the year was \$29,585. The District continues to carry commercial insurance for all risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage or the deductible in any of the past three fiscal years. There has been no significant reduction in insurance coverage from the prior year in any of the major categories of risk.

Note L – Commitments and contingencies

Federal and state funding

The District receives revenues from various federal and state grant programs which are subject to final review and approval by the grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

TABOR Amendment

In November 1992, Colorado voters passed an amendment, commonly known as the Taxpayer's Bill of Rights (TABOR), to the State Constitution (Article X, Section 20) which limits the revenue raising and spending abilities of state and local governments. The limits on property taxes, revenue, and "fiscal year spending" include allowable annual increases tied to inflation and local growth in student enrollment. Fiscal year spending as defined by the amendment excludes spending from certain revenue and financing sources such as federal funds, gifts, property sales, fund transfers, damage awards, and fund reserves (balances). The amendment requires voter approval for any increase in mill levy or tax rates, new taxes, or creation of multi-year debt. Revenue earned in excess of the "spending limit" must be refunded or approved to be retained by the District under specified voting requirements by the entire electorate. In November, 1997, the voters of the District approved a ballot initiative permitting the District to retain, appropriate, and utilize, by retention for reserve, carryover fund balance, or expenditure, the full proceeds and revenues received from every source whatsoever, without limitation, in this fiscal year and all subsequent fiscal years notwithstanding any limitation of Article X, Section 20 of the Colorado Constitution. TABOR is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of TABOR. However, the District has made certain interpretations of TABOR's language in order to determine its compliance. The District has reserved funds in the General Fund in the amount of \$79,000 for the emergency reserve.

FRENCHMAN SCHOOL DISTRICT RE-3
Notes to Financial Statements

Note L – Commitments and contingencies (Continued)

Budget law

Expenditures in the Pupil Activity Fund exceeded appropriations by \$781 and may be in violation of Colorado Local Government Budget Laws.

Note M – Joint venture

The District participates in the Northeast Colorado Board of Cooperative Educational Services (BOCES). This joint venture does not meet the criteria for inclusion within the reporting entity because the BOCES is:

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

The District has one member on the board. This board has final authority for all budgeting and financing of the joint venture.

Separate financial statements of the BOCES are available by contacting their administrative office in Haxtun, Colorado.

For the year, the District's financial contribution to the BOCES was \$36,758.

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Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Governmental Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule – General Fund
- Schedule of the District's Proportionate Share of the Net Pension Liability
- Schedule of District Contributions

FRENCHMAN SCHOOL DISTRICT RE-3
General Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources	\$ 465,629	\$ 828,731	\$ 890,358	\$ 61,627
Intermediate sources	464	279	279	-
State sources	1,900,539	1,699,797	1,719,286	19,489
Federal sources	56,657	53,634	53,684	50
Total revenues	2,423,289	2,582,441	2,663,607	81,166
Expenditures				
Instruction	1,517,458	1,528,497	1,538,903	(10,406)
Supporting services	881,747	974,405	985,240	(10,835)
Reserve for contingency	942,099	999,835		999,835
Total expenditures	3,341,304	3,502,737	2,524,143	978,594
Excess of revenues over (under) expenditures	(918,015)	(920,296)	139,464	1,059,760
Other financing uses				
Transfers out	(28,000)	(20,000)	(9,314)	10,686
Total other financing uses	(28,000)	(20,000)	(9,314)	10,686
Net change in fund balance	\$ (946,015)	\$ (940,296)	130,150	\$ 1,070,446
Fund balance at beginning of year			1,006,073	
Fund balance at end of year			\$ 1,136,223	

FRENCHMAN SCHOOL DISTRICT RE-3
Schedule of the District's Proportionate Share of the Net Pension Liability ¹
June 30, 2016

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.0291806539%	0.0307031620%
District's proportionate share of the net pension liability	\$ 4,462,975	\$ 4,161,310
District's covered-employee payroll	\$ 1,278,745	\$ 1,278,851
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	349.01%	325.39%
Plan fiduciary net position as a percentage of the total pension liability	59.20%	62.84%

¹ Information is not available prior to the current year. In future reports, additional years will be added until 10 years of historical data are presented.

FRENCHMAN SCHOOL DISTRICT RE-3
Schedule of District Contributions ¹
June 30, 2016

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 239,108	\$ 228,082
Contributions in relation to the contractually required contribution	<u>(239,108)</u>	<u>(228,082)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,278,745	\$ 1,278,851
Contributions as a percentage of covered-employee payroll	18.70%	17.83%

¹ Information is not available prior to the current year. In future reports, additional years will be added until 10 years of historical data are presented.

FRENCHMAN SCHOOL DISTRICT RE-3
Notes to the Required Supplementary Information

Note A – Budgetary data

The District adheres to the following procedures in compliance with Colorado Revised Statutes, establishing the budgetary data in the financial statements:

1. Budgets are required by state law for all funds. Prior to May 31, the superintendent of schools 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.
2. Public hearings are conducted by the board of education to obtain taxpayer comments.
3. Prior to June 30, the budget is adopted by formal resolution.
4. Prior to January 31, the board of education submits its adopted annual budget to the department of education.
5. Expenditures may not legally exceed appropriations at the fund level. Authorization to transfer budgeted amounts between departments within any fund and reallocation of budget line items within any department in the General Fund rests with the superintendent of schools. Revisions that alter the total expenditures of any fund must be approved by the board of education.
6. Budgets for all funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
7. Budgeted amounts reported in the accompanying financial statements are as originally adopted and as amended by the board of education throughout the year. After budget approval, the District board of education may approve supplemental appropriations if an occurrence, condition, or need exists which was not known at the time the budget was adopted. Supplemental appropriations were made during the year.
8. Appropriations lapse at year-end.

Note B – Factors affecting trends in amounts reported in the pension schedules

Information about factors that significantly affect trends in the amounts reported in the Schedule of the District's Proportionate Share of the Net Pension Liability and the Schedule of District Contributions is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

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Other Supplementary Information

Other supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

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Budgetary Comparison Schedule – General Fund

The General Fund accounts for all transactions of the District not required to be accounted for in other funds. This fund represents an accounting of the District's ordinary operations financed primarily from property and specific ownership taxes and state aid. It is the most significant fund in relation to the District's overall operations. The schedules of revenues and expenditures are included to provide a greater level of detail to the reader of the financial statements.

FRENCHMAN SCHOOL DISTRICT RE-3
General Fund
Budgetary Comparison Schedule - Revenues
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources				
Property taxes	\$ 380,303	\$ 667,548	\$ 713,359	\$ 45,811
Specific ownership taxes	34,051	54,504	63,241	8,737
Delinquent taxes and interest			965	965
Earnings on investments	4,800	5,800	5,981	181
Other local revenue	46,475	100,879	106,812	5,933
Total local sources	465,629	828,731	890,358	61,627
Intermediate sources	464	279	279	-
State sources				
Equalization	1,792,045	1,517,764	1,517,764	-
Hold harmless funding	19,214	20,229	20,229	-
Vocational education	28,358	33,088	44,117	11,029
Transportation	27,080	31,831	32,925	1,094
ELPA professional development			191	191
English language proficiency			129	129
READ act		905	906	1
State grants to libraries		7,000	7,000	-
School CPR and AED training			7,365	7,365
Small rural schools funding		49,131	49,131	-
Additional at-risk funding		1,037	1,037	-
Services within the BOCES	33,842	38,812	38,492	(320)
Total state sources	1,900,539	1,699,797	1,719,286	19,489
Federal sources				
REAP	17,000	19,293	19,293	-
Services within the BOCES	39,657	34,341	34,391	50
Total federal sources	56,657	53,634	53,684	50
Total revenues	\$ 2,423,289	\$ 2,582,441	\$ 2,663,607	\$ 81,166

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FRENCHMAN SCHOOL DISTRICT RE-3
General Fund
Budgetary Comparison Schedule - Expenditures
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Expenditures				
Instruction				
Salaries	\$ 887,014	\$ 880,300	\$ 890,861	\$ (10,561)
Employee benefits	299,943	276,838	276,941	(103)
Purchased services	258,485	226,004	227,644	(1,640)
Supplies and materials	61,301	66,578	66,571	7
Property		65,843	65,552	291
Other	10,715	12,934	11,334	1,600
Total instruction	1,517,458	1,528,497	1,538,903	(10,406)
Supporting services				
Students				
Salaries	51,053	51,053	48,695	2,358
Employee benefits	17,638	17,638	14,897	2,741
Purchased services	3,500	3,500	3,321	179
Total students	72,191	72,191	66,913	5,278
Instructional staff				
Salaries	9,372	7,314	7,885	(571)
Employee benefits	1,893	1,457	1,572	(115)
Purchased services	6,800	10,272	7,273	2,999
Supplies and materials	10,800	12,148	14,436	(2,288)
Total instructional staff	28,865	31,191	31,166	25
General administration				
Salaries	90,500	90,500	90,500	-
Employee benefits	27,028	26,779	26,779	-
Purchased services	30,900	37,464	26,069	11,395
Supplies and materials	3,000		6,977	(6,977)
Property	3,800			-
Other	1,300	1,163	5,913	(4,750)
Total general administration	156,528	155,906	156,238	(332)

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
School administration				
Salaries	106,397	102,652	92,278	10,374
Employee benefits	28,361	27,430	27,392	38
Purchased services	(3,296)	(4,612)	7,399	(12,011)
Supplies and materials	2,000	1,833	1,833	-
Other	650			-
Total school administration	134,112	127,303	128,902	(1,599)
Business services				
Salaries	54,553	54,553	54,553	-
Employee benefits	18,142	18,322	18,322	-
Purchased services	20,600	16,425	16,659	(234)
Supplies and materials	2,800	2,302	2,354	(52)
Total business services	96,095	91,602	91,888	(286)
Operations and maintenance				
Salaries	69,268	59,628	56,704	2,924
Employee benefits	16,584	15,341	15,340	1
Purchased services	24,037	84,222	115,568	(31,346)
Supplies and materials	54,800	63,890	67,190	(3,300)
Other	29,585	28,599		28,599
Total operations and maintenance	194,274	251,680	254,802	(3,122)
Student transportation				
Salaries	68,262	71,422	69,464	1,958
Employee benefits	21,480	22,134	21,697	437
Purchased services			19,904	(19,904)
Supplies and materials	16,020	18,822	16,294	2,528
Property	23,600	15,869	67,250	(51,381)
Other		67,250		67,250
Total student transportation	129,362	195,497	194,609	888

(continued)

FRENCHMAN SCHOOL DISTRICT RE-3
General Fund
Budgetary Comparison Schedule - Expenditures
For the Year Ended June 30, 2016

(continued)	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Central support services				
Salaries	7,021	17,385	17,013	372
Employee benefits	1,528	3,526	3,527	(1)
Purchased services	49,471	16,463	19,414	(2,951)
Supplies and materials	12,300	10,083	7,625	2,458
Other		1,578	2,457	(879)
Total central support services	70,320	49,035	50,036	(1,001)
Food service operations				
Purchased services			2,498	(2,498)
Property			8,188	(8,188)
Total food service operations	-	-	10,686	(10,686)
Total supporting services	881,747	974,405	985,240	(10,835)
Reserve for contingency	942,099	999,835		999,835
Total expenditures	<u>\$ 3,341,304</u>	<u>\$ 3,502,737</u>	<u>\$ 2,524,143</u>	<u>\$ 978,594</u>

Budgetary Comparison Schedules - Nonmajor Governmental Funds

The District reports the following nonmajor governmental funds:

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

- Food Service Fund – This fund is used to record financial transactions related to the District's food service operations.

Debt Service Fund – These funds account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

- Bond Redemption Fund – This fund is a debt service fund used to account for the revenues from a specific tax levy for the purpose of the repayment of debt principal, interest and other fiscal charges.

FRENCHMAN SCHOOL DISTRICT RE-3
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2016

	Food Service Fund	Bond Redemption Fund	Totals
Assets			
Cash	\$ 12,799		\$ 12,799
Cash with fiscal agent		\$ 53,154	53,154
Property taxes receivable		1,929	1,929
Inventories	2,209		2,209
Total assets	\$ 15,008	\$ 55,083	\$ 70,091
Liabilities	\$ -	\$ -	\$ -
Deferred inflows of resources			
Deferred property tax revenues		214	214
Total deferred inflows of resources	-	214	214
Fund balance			
Nonspendable inventories	2,209		2,209
Restricted for food service operations	12,799		12,799
Restricted for debt service		54,869	54,869
Total fund balance	15,008	54,869	69,877
Total liabilities, deferred inflows of resources and fund balance	\$ 15,008	\$ 55,083	\$ 70,091

FRENCHMAN SCHOOL DISTRICT RE-3
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2016

	Food Service Fund	Bond Redemption Fund	Totals
Revenues			
Local sources	\$ 42,269	\$ 49,909	\$ 92,178
State sources	2,135		2,135
Federal sources	49,213		49,213
Total revenues	93,617	49,909	143,526
Expenditures			
Supporting services	104,764		104,764
Debt service			
Principal retirement		30,000	30,000
Interest and fiscal charges		10,250	10,250
Total expenditures	104,764	40,250	145,014
Excess of revenues over (under) expenditures	(11,147)	9,659	(1,488)
Other financing sources			
Transfers in	9,314		9,314
Net change in fund balances	(1,833)	9,659	7,826
Fund balance at beginning of year	16,841	45,210	62,051
Fund balance at end of year	\$ 15,008	\$ 54,869	\$ 69,877

FRENCHMAN SCHOOL DISTRICT RE-3
Food Service Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources	\$ 26,646	\$ 42,440	\$ 42,269	\$ (171)
State sources	695	696	2,135	1,439
Federal sources	35,486	49,654	49,213	(441)
Total revenues	62,827	92,790	93,617	827
Food service operations				
Purchased services	58,130	63,517	58,932	4,585
Supplies and materials	31,098	45,137	45,832	(695)
Property	2,872	10,888		10,888
Appropriated reserves	7,989	90		90
Total expenditures	100,089	119,632	104,764	14,868
Excess of revenues over (under) expenditures	(37,262)	(26,842)	(11,147)	15,695
Other financing sources				
Transfers in	25,000	20,000	9,314	(10,686)
Net change in fund balance	<u>\$ (12,262)</u>	<u>\$ (6,842)</u>	(1,833)	<u>\$ 5,009</u>
Fund balance at beginning of year			16,841	
Fund balance at end of year			<u>\$ 15,008</u>	

FRENCHMAN SCHOOL DISTRICT RE-3
Bond Redemption Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Property taxes	\$ 42,040	\$ 42,168	\$ 49,717	\$ 7,549
Delinquent taxes and interest			103	103
Interest on investments			89	89
Total revenues	42,040	42,168	49,909	7,741
Expenditures				
Debt service				
Principal	30,000	30,000	30,000	-
Interest and fiscal charges	12,540	13,690	10,250	3,440
Appropriated reserves	43,426	44,910		44,910
Total expenditures	85,966	88,600	40,250	48,350
Excess of revenues over (under) expenditures	\$ (43,926)	\$ (46,432)	9,659	\$ 56,091
Fund balance at beginning of year			45,210	
Fund balance at end of year			\$ 54,869	

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Budgetary Comparison Schedule – Fiduciary Fund

These funds focus on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds.

Agency funds – These funds are used to report resources held by the District in a purely custodial capacity (assets equal liabilities). These funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

- Pupil Activity Fund – This fund is used to record transactions related to school-sponsored pupil organizations and activities. These activities are self-supporting and do not receive any direct or indirect support within the fund.

FRENCHMAN SCHOOL DISTRICT RE-3
Pupil Activity Agency Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Additions				
Fundraising and other events	\$ 112,000	\$ 120,000	\$ 127,897	\$ 7,897
Deductions				
Pupil activity expenditures	112,000	120,000	120,781	(781)
Excess of additions over deductions	<u>\$ -</u>	<u>\$ -</u>	7,116	<u>\$ 7,116</u>
Due to student groups at beginning of year			<u>45,987</u>	
Due to student groups at end of year			<u>\$ 53,103</u>	

**Colorado Department of Education
Supplementary Schedule**

Auditors' integrity report – This fiscal-year report is required by the Colorado Department of Education to maintain statewide consistency in financial reporting. This report is also used to gather financial data that could affect future state funding.

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Independent Auditors' Report on Auditors' Integrity Report

Board of Education
Frenchman School District RE-3
Fleming, Colorado

We have audited the financial statements of the Frenchman School District RE-3 (the District) as of and for the year ended June 30, 2016, and our report thereon dated October 10, 2016, which expressed an unmodified opinion on those financial statements, appears on pages 1-2. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Auditors' Integrity Report is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Lauer, Szabo & Associates, P.C.

Sterling, Colorado
October 10, 2016

Colorado Department of Education
Auditors Integrity Report
 District: 1850 - FRENCHMAN RE-3
 Fiscal Year 2015-16
 Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental				
09 General Fund	1,003,935	2,395,210	2,471,401	1,127,744
08 Debt Mgmt Sub-Fund of General Fund	0	0	0	0
18 Colorado Technical Program Fund	2,138	59,084	52,742	8,479
Sub-Total	1,006,073	2,654,294	2,524,143	1,136,223
11 Charter School Fund	0	0	0	0
20-26-29 Special Revenue Fund	0	0	0	0
21 Fruit Service Spec Revenue Fund	316,841	102,932	164,064	15,008
22 Govt Participation-Purpose Grants Fund	0	0	0	0
23 Pupil Activity Special Revenue Fund	0	0	0	0
24 Full Day Kindergarten Mill Levy Growth	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	45,270	100,505	40,250	94,869
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
Total	1,968,173	2,807,135	2,688,198	1,296,100
Proprietary				
00 Other Enterprise Funds	0	0	0	0
64 (63) Milk-Related Activity Fund	0	0	0	0
60-65-(0) Other Internal School Funds	0	0	0	0
Total	0	0	0	0
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	45,937	127,107	(128,337)	64,707
79 Cash & Investments Fund	0	0	0	0
85 Foundations	0	0	0	0
Total	45,937	127,107	(128,337)	64,707
FINAL				50,105

*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.