

Weld County School District RE-5J
Milliken, Colorado

Financial Statements

For the Year Ended June 30, 2016

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By Justin L. Smith at 2:00 pm, Nov 17, 2016

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Independent Auditors' Report

Board of Education
Weld County School District RE-5J
Milliken, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Weld County School District RE-5J (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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, the aggregate discretely presented component unit, 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Lauer, Szabo & Associates, P.C.

Sterling, Colorado
October 31, 2016

**Weld County School District RE-5J
Management Discussion and Analysis
For Fiscal Year Ended June 30, 2016**

This section of Johnstown Milliken School District's annual financial report presents its discussion and analysis of the District's financial performance during the year ending June 30, 2016.

Financial Highlights

- The liabilities and deferred inflows of resources of Johnstown Milliken School District exceeded its assets and deferred outflows of resources at the close of the fiscal year by \$19,887,194 (net position - deficit).
- The district's total net position decreased by \$672,275.
- General revenues accounted for \$27,928,682 or 88% of the \$31,689,352 in total revenues. Program specific revenues in the form of charges for services, sales, and grants accounted for \$3,760,670 or 12% of revenues.
- The general fund ending fund balance reached \$3,403,890. The ending fund balance in the general fund increased by \$68,016.

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 provided in the document. The basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements. This report also contains required and other 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:** The majority of the School District's basic services are included here, such as instruction, transportation, maintenance and operations, and administration. Taxes and intergovernmental revenues principally support these activities.

- **Component unit:** The district has a separate charter school-component unit. This “unit” is important because the district is legally accountable for them.

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 four 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, Capital Reserve Capital Projects Fund and the Bond Redemption Fund, which are considered to be major funds. Data for the other governmental funds are combined in a single, aggregated presentation.

The basic governmental fund financial statements can be found on pages 16-19 of 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 20 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 21-49 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 60-72.

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 its investment in 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 assets (liabilities) as of June 30, 2016.

In fiscal year 2015, the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This statement requires the District to recognize a liability for its proportionate share of the net pension liability of PERA's School District Trust Fund, as well as pension expense.

	Governmental Activities		Total Percentage Change
	2016	2015	2015-2016
Current and Other assets	\$ 11,372,204	\$ 11,651,243	-2.39%
Capital assets	27,010,445	26,653,333	1.34%
Total assets	38,382,649	38,304,576	.20%
Deferred outflows of resources	8,082,605	3,921,313	106.12%
Total assets & deferred outflows of resources	\$ 46,465,254	\$ 42,225,889	10.04%
Long term liabilities	\$ 63,351,771	\$ 58,605,593	8.10%
Other liabilities	2,321,846	2,645,716	-12.24%
Total liabilities	65,673,617	61,251,309	7.22%
Deferred inflows of resources	678,831	2,667	25,352.98%
Net investment in capital assets	12,997,749	10,979,991	18.38%
Restricted	5,214,853	5,060,228	3.06%
Unrestricted	(38,099,796)	(35,068,306)	8.64%
Total net position	(19,887,194)	(19,028,087)	4.51%
Total liabilities, deferred inflows of resources and net position	\$ 46,465,254	\$ 42,225,889	10.04%

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

	Governmental Activities		Total Percentage Change
Revenues	2016	2015	2015-2016
Program Revenues			
Charges for services	\$ 780,680	\$ 788,158	-.95%
Operating Grants & Contributions	2,979,990	\$ 2,866,090	3.97%
General Revenues			
Property taxes	9,289,537	\$ 8,818,981	5.34%
State equalization	18,262,319	\$16,842,334	8.43%
Other	376,826	\$ 398,296	-5.39%
Total Revenue	\$31,689,352	\$29,713,859	6.65%
Expenses			
Instruction	18,700,832	\$17,658,025	5.91%
Pupil & Instructional Services	1,066,816	\$ 955,241	11.68%
Administration & Business	2,284,018	\$ 2,066,613	10.52%
Maintenance & Operations	2,589,823	\$ 2,512,919	3.06%
Transportation	1,215,502	\$ 1,152,329	5.48%
Other	6,504,636	\$ 6,319,673	2.93%
Total Expenses	32,361,627	\$30,664,800	5.53%
Change in net position	\$ (672,275)	\$ (950,941)	-29.30%

At year end, the District reported a liability of \$47,894,728 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. At December 31, 2015 the District's proportion was 0.3132%. For the year, the District recognized pension expense of \$5,347,307. Additional information on the School District's proportionate share of the NPL can be found in note H, beginning on page 39, of the basic financial statements.

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 \$6,938 per funded student. In fiscal year 2015-16 the funded pupil count was 3,588.3. 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 \$8,740,266 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 resources. Such information is useful in assessing the School district's financing requirements. In particular, unassigned 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.

At the end of the fiscal year, the School District's governmental funds reported combined ending fund balances of \$8,934,043, a decrease of \$131,921 in comparison with the prior year. The general fund had a fund balance increase of \$68,016.

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 fund balance remained constant as planned, resulting in an ending fund balance of \$3,403,890 which represents a fund balance of approximately 14%; this is considered a reasonable fund balance by the Colorado Department of Education. Of this amount, \$370,589 is planned for the insurance needs of the District (Insurance Reserve) and \$3,033,301 is planned for the General Fund, representing an increase of \$5,142 in ending fund balance.

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 \$27,010,445 (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 majority of expenditures for capital assets was site improvements to Roosevelt High School, generally consisting of ADA compliant restrooms, concession improvements, additional ADA compliant stadium seating, parking, and bus access. Capital asset additions during the current fiscal year include the following:

- Land and improvements \$38,758
- Building and improvements \$1,175,457
- Furniture and equipment \$71,346
- Licensed vehicles \$111,710

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

	Governmental Activities
Land & improvements	1,989,670
Buildings & improvements	24,353,074
Furniture & equipment	270,333
Licensed vehicles	397,368
Total Capital Assets	27,010,445

Additional information on the School District's capital assets can be found in note E, pages 31-32, in the basic financial statements.

Long-Term Debt

At year-end, the School District's long-term debt of \$63,351,771 consisted of the following:

	Governmental Activities
Compensated absences	401,380
Capital lease obligations	4,439,054
Bonds payable	10,265,000
Bond premium	351,609
Net pension liability	47,894,728
Total	63,351,771

Economic Factors

The Weld County School District RE-5J, which includes Knowledge Quest Academy, has experienced growth in the last ten years. This rapid growth has leveled off to a more manageable growth pattern. As of 2015-2016, the new residential developments have been essentially “built-out,” which has resulted in enrollment growth for 2015-16 at 2.2%. Currently, the projected enrollment growth for the District is expected to remain stable until new information for residential growth occurs, based on information from the Towns of Milliken and Johnstown.

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 or need additional information, please contact the Weld County School District RE-5J Administration Office at 110 S Centennial Drive Suite A, Milliken CO 80543.

Separately issued financial statements for the District’s component unit may be obtained by contacting the Knowledge Quest Academy at 705 S. School House Drive, Milliken, Colorado 80543.

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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.

WELD COUNTY SCHOOL DISTRICT RE-5J
Statement of Net Position
June 30, 2016

	Primary Government	
	Governmental Activities	Component Unit
Assets		
Cash	\$ 7,281,159	\$ 1,245,996
Cash with fiscal agent	3,662,401	5,000
Investments	25,987	
Due from component unit	30,088	
Due from primary government		25,417
Receivables	372,569	3,205
Capital assets, net of depreciation	27,010,445	4,442,359
Total assets	38,382,649	5,721,977
Deferred outflows of resources		
Deferred charges on refundings of bonds	1,042,968	48,277
Pension deferrals	7,039,637	870,866
Total deferred outflows of resources	8,082,605	919,143
Total assets and deferred outflows of resources	\$ 46,465,254	\$ 6,641,120
Liabilities		
Accounts payable	\$ 92,630	\$ 7,501
Due to primary government		30,088
Due to component unit	25,417	
Accrued salaries and benefits	2,106,191	84,680
Unearned revenues		14,672
Accrued interest	97,608	2,362
Noncurrent liabilities		
Due within one year	1,780,003	
Due in more than one year	61,571,768	8,561,823
Total liabilities	65,673,617	8,701,126
Deferred inflows of resources		
Pension deferrals	678,831	54,522
Net position		
Net investment in capital assets	12,997,749	
Restricted for:		
Emergencies	827,000	90,000
Multi-year obligations	484,870	
Land dedication	108,428	
Debt service	3,586,452	1,000
Food service operations	208,103	
Unrestricted (deficit)	(38,099,796)	(2,205,528)
Total net position (deficit)	(19,887,194)	(2,114,528)
Total liabilities, deferred inflows of resources and net position	\$ 46,465,254	\$ 6,641,120

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

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WELD COUNTY SCHOOL DISTRICT RE-5J
Statement of Activities
For the Year Ended June 30, 2016

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and	Grants and
			Contributions	Contributions
Governmental activities				
Instruction	\$ 18,700,832	\$ 91,243	\$ 1,877,979	
Supporting services				
Students	696,609			
Instructional staff	370,207		89,932	
General administration	510,433			
School administration	1,343,967			
Business services	429,618	35,630		
Operations and maintenance	2,589,823			
Student transportation	1,215,502		209,353	
Central support services	980,293	20,000		
Food service operations	1,440,684	633,807	802,726	
Payments to component unit	2,704,522			
Unallocated depreciation *	848,751			
Interest and fiscal charges	530,386			
Total governmental activities/primary government	\$ 32,361,627	\$ 780,680	\$ 2,979,990	\$ -
Component unit				
Knowledge Quest Academy	\$ 3,424,736	\$ 527,666	\$ 131,776	\$ -

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

Unrestricted grants and contributions

Earnings on investments

Other

Receipts from primary government

Total general revenues

Change in net position

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

Net position (deficit) at beginning of year, as restated

Prior period adjustment

Net position (deficit) at beginning of year, as restated

Net position (deficit) at end of year

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

Primary Government	
Net (Expenses) Revenues and Changes in Net Position	
Governmental Activities	Component Unit
\$(16,731,610)	
(696,609)	
(280,275)	
(510,433)	
(1,343,967)	
(393,988)	
(2,589,823)	
(1,006,149)	
(960,293)	
(4,151)	
(2,704,522)	
(848,751)	
(530,386)	
(28,600,957)	
	\$ (2,765,294)
6,957,824	
1,782,442	
550,242	
(971)	
18,262,319	
175,127	
1,691	1,850
200,008	191,194
	2,704,522
27,928,682	2,897,566
(672,275)	132,272
(19,028,087)	(2,433,632)
(186,832)	186,832
(19,214,919)	(2,246,800)
<u>\$(19,887,194)</u>	<u>\$ (2,114,528)</u>

WELD COUNTY SCHOOL DISTRICT RE-5J
Balance Sheet
Governmental Funds
June 30, 2016

	General Fund	Bond Redemption Fund	Capital Reserve Capital Projects Fund	Other Governmental Fund	Total Governmental Funds
Assets					
Cash	\$ 5,330,598		\$ 1,730,574	\$ 219,987	\$ 7,281,159
Cash with fiscal agent	113,446	\$ 3,548,955			3,662,401
Investments	25,987				25,987
Property taxes receivable	282,958	52,000			334,958
Due from other funds		14,246			14,246
Due from charter school	30,088				30,088
Grants receivable	25,132				25,132
Other receivable	2,978		9,492	9	12,479
Total assets	\$ 5,811,187	\$ 3,615,201	\$ 1,740,066	\$ 219,996	\$ 11,386,450
Liabilities					
Accounts payable	\$ 84,925		\$ 4,468	\$ 3,237	\$ 92,630
Due to other funds	14,246				14,246
Due to charter school	25,417				25,417
Accrued salaries and benefits	2,097,535			8,656	2,106,191
Total liabilities	2,222,123	\$ -	4,468	11,893	2,238,484
Deferred inflows of resources					
Deferred property tax revenues	185,174	28,749			213,923
Total deferred inflows of resources	185,174	28,749	-	-	213,923
Fund balance					
Restricted for:					
Emergencies	827,000				827,000
Multi-year obligations	484,870				484,870
Land dedication			108,428		108,428
Debt service		3,586,452			3,586,452
Food service operations				208,103	208,103
Committed to capital projects			1,627,170		1,627,170
Assigned to risk-related activities	370,589				370,589
Unassigned	1,721,431				1,721,431
Total fund balance	3,403,890	3,586,452	1,735,598	208,103	8,934,043
Total liabilities, deferred inflows of resources and fund balance	\$ 5,811,187	\$ 3,615,201	\$ 1,740,066	\$ 219,996	\$ 11,386,450

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

WELD COUNTY SCHOOL DISTRICT RE-5J**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 are different because:

Total fund balance - governmental funds	\$ 8,934,043
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.	27,010,445
Certain receivables will be collected in the next fiscal year, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as unearned revenues in the funds.	213,923
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.	(97,608)
Long-term liabilities and related deferred inflows and outflows of resources, including bonds payable, capital lease obligations, compensated absences and net pension liability are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	<u>(55,947,997)</u>
Net position (deficit) of the governmental activities	<u><u>\$ (19,887,194)</u></u>

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

WELD COUNTY SCHOOL DISTRICT RE-5J
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2016

	General Fund	Bond Redemption Fund	Capital Reserve Capital Projects Fund	Other Governmental Fund	Total Governmental Funds
Revenues					
Local sources	\$ 7,682,159	\$ 1,765,840	\$ 188,999	\$ 638,071	\$ 10,275,069
Intermediate sources	21,229				21,229
State sources	19,519,395			30,146	19,549,541
Federal sources	920,188			772,580	1,692,768
Total revenues	28,142,971	1,765,840	188,999	1,440,797	31,538,607
Expenditures					
Instruction	16,553,257				16,553,257
Supporting services	7,299,564			1,439,414	8,738,978
Capital outlay			1,456,732		1,456,732
Debt service					
Principal retirement	288,591	1,390,000	367,938		2,046,529
Interest and fiscal charges	13,021	332,375	137,224		482,620
Debt issuance costs			3,000		3,000
Total expenditures	24,154,433	1,722,375	1,964,894	1,439,414	29,281,116
Excess of revenues over (under) expenditures	3,988,538	43,465	(1,775,895)	1,383	2,257,491
Other financing sources (uses)					
Capital lease proceeds			315,110		315,110
Transfers in			1,216,000		1,216,000
Transfers out	(1,216,000)				(1,216,000)
Payments to charter school	(2,704,522)				(2,704,522)
Total other financing sources (uses)	(3,920,522)	-	1,531,110	-	(2,389,412)
Net change in fund balance	68,016	43,465	(244,785)	1,383	(131,921)
Fund balance at beginning of year	3,335,874	3,542,987	1,980,383	206,720	9,065,964
Fund balance at end of year	\$ 3,403,890	\$ 3,586,452	\$ 1,735,598	\$ 208,103	\$ 8,934,043

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

WELD COUNTY SCHOOL DISTRICT RE-5J**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
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	\$ (131,921)
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 capital outlays exceeded depreciation in the current period.	357,112
Because some property taxes will not be collected for several months 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.	155,009
In the statement of activities, certain expenses related to the pension liabilities and related deferred inflows and outflows, compensated absences and accrued interest payable, are measured by the amounts incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	(2,713,122)
The capital lease proceeds are reported as revenue in the governmental funds, however, they are reported as a long-term liability in the statement of activities.	(315,110)
Bonds issued at a premium provide current financial resources to governmental funds, but increase long-term liabilities in the statement of net position.	(70,900)
Repayment of principal on general obligation bonds and capital lease obligations are expenditures in the governmental funds, but the repayment reduces the long-term debt liability in the statement of net position.	<u>2,046,657</u>
Change in net position of governmental activities	<u>\$ (672,275)</u>

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

WELD COUNTY SCHOOL DISTRICT RE-5J
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	<u>Agency Funds</u>
Assets	
Cash	<u>\$ 362,442</u>
Total assets	<u><u>\$ 362,442</u></u>
Liabilities	
Due to student groups	<u>\$ 362,442</u>
Total liabilities	<u><u>\$ 362,442</u></u>

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

WELD COUNTY SCHOOL DISTRICT RE-5J
Notes to Financial Statements

Note A – Summary of significant accounting policies

This summary of the Weld County School District RE-5J'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 Weld County School District RE-5J 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 Knowledge Quest Academy (a charter school) is included in the District's basic financial statements using discrete presentation. The charter school is a public school authorized by the State of Colorado under a separate charter to provide alternatives for parents, pupils and teachers. The school has a separate governing board but is fiscally dependent on the District for the majority of funding. Separate financial statements for the charter school are available at the District administration office in Milliken, Colorado.

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.

WELD COUNTY SCHOOL DISTRICT RE-5J
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

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 are the District's major governmental funds:

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 certain capital outlay expenditures, risk-related transactions, debt service, food service operations and pupil activities.

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.

Capital Reserve Capital Projects Fund – This fund is a capital projects fund used to account for and report financial resources that have been designated for capital outlays acquisition or construction of major capital facilities and other capital assets.

The following is the District's nonmajor governmental fund:

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.

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 one agency fund, the Pupil Activity Fund.

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

WELD COUNTY SCHOOL DISTRICT RE-5J
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

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.

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.

WELD COUNTY SCHOOL DISTRICT RE-5J
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

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.

Revenues – exchange and non-exchange 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.

WELD COUNTY SCHOOL DISTRICT RE-5J
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

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.

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.

WELD COUNTY SCHOOL DISTRICT RE-5J
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

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 nonoperating 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.

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	5-25 years
Licensed vehicles	5-10 years

WELD COUNTY SCHOOL DISTRICT RE-5J
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

A.9 – Compensated absences

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation 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 vacation leave benefits are paid to employees upon termination of employment.

All full-time employees receive up to ten days sick leave each year (5 days for employees with less than two years of service), which can be accumulated up to eighty days. At the end of each school year, accumulated sick leave days beyond eighty are reimbursed at a rate of 50% of the current rate of pay for substitutes. Employees retiring from the school district with an accumulated sick leave balance and who are eligible for PERA benefits shall be paid at the same rate. Employees with less than eighty days are entitled to no benefit whatsoever.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account "accrued compensated absences" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

The amount recorded as liabilities for all applicable compensated absences include salary-related payments associated with the payment of compensated absences, using the rates in effect at the balance sheet date.

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. However, the noncurrent portion of compensated absences and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial 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 and amounts deferred upon refunding are amortized over the life of the bonds using the straight-line method.

WELD COUNTY SCHOOL DISTRICT RE-5J
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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).

WELD COUNTY SCHOOL DISTRICT RE-5J
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

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.

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.

WELD COUNTY SCHOOL DISTRICT RE-5J
Notes to Financial Statements

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.

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 \$7,749,439, of which \$288,333 was insured and \$7,461,106 was collateralized with securities held by the pledging institution's trust department or agent in the District's name. As of year-end, the Charter School had total deposits of \$1,258,864, of which \$261,344 was insured and \$997,520 was collateralized with securities held by the pledging institution's trust department or agent in the Charter School'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 United States 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

WELD COUNTY SCHOOL DISTRICT RE-5J
Notes to Financial Statements

Note B – Cash and investments (Continued)

At year-end, the District had the following investments. The investment in Colotrust (a local government investment pool) is maintained in the General Fund.

Investment type	Fair value	<u>Investment maturities (in years)</u>		
		Less than 1	1-5	6-10
Investment in Colotrust	\$ 25,987	\$ 25,987	\$ -	\$ -

Credit risk – State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the highest rating from at least one nationally recognized rating agency at the time of purchase. The District has no investment policy that would further limit its investment choices. At year-end, the District's investment in Colotrust was rated AAA by Standard and Poor's.

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

Cash	\$ 7,643,601
Investment in Colotrust	<u>25,987</u>
Total	<u>\$ 7,669,588</u>
<u>Statement of net position</u>	
Cash	\$ 7,281,159
Investments	<u>25,987</u>
Subtotal	7,307,146
<u>Statement of fiduciary net position</u>	
Cash	<u>362,442</u>
Total	<u>\$ 7,669,588</u>

WELD COUNTY SCHOOL DISTRICT RE-5J
Notes to Financial Statements

Note C – Receivables

Receivables at year-end consist of the following:

	<u>Primary Government</u>	
	<u>Governmental Activities</u>	<u>Charter School</u>
Property taxes receivable	\$ 334,958	\$ -
Grants receivable	25,132	-
Other receivable	<u>12,479</u>	<u>3,205</u>
Total	<u>\$ 372,569</u>	<u>\$ 3,205</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. The Counties of Weld and Larimer bill and collect property taxes for all taxing entities within the Counties. The tax receipts collected by the counties are remitted to the District in the subsequent month.

Note D – Interfund transactions

The following is a summary of interfund borrowings and 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	\$ -	\$ 1,216,000
Capital Reserve Capital Projects Fund	<u>1,216,000</u>	<u>-</u>
Total	<u>\$ 1,216,000</u>	<u>\$ 1,216,000</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 funds in the amount of \$1,216,000 from the General Fund to the Capital Reserve Capital Projects Fund in order to set aside funds for capital acquisitions.

WELD COUNTY SCHOOL DISTRICT RE-5J
Notes to Financial Statements

Note E – Capital assets

Capital asset activity for the year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 1,055,411	\$ -	\$ -	\$ 1,055,411
Construction in progress	<u>347,348</u>	<u>-</u>	<u>(347,348)</u>	<u>-</u>
Total capital assets, not being depreciated	1,402,759	-	(347,348)	1,055,411
Capital assets, being depreciated:				
Land improvements	2,211,160	38,758	-	2,249,918
Buildings and improvements	37,066,645	1,175,457	347,348	38,589,450
Furniture and equipment	1,948,194	71,346	-	2,019,540
Licensed vehicles	<u>1,846,550</u>	<u>111,710</u>	<u>-</u>	<u>1,958,260</u>
Total capital assets, being depreciated	<u>43,072,549</u>	<u>1,397,271</u>	<u>347,348</u>	<u>44,817,168</u>
Total capital assets	44,475,308	1,397,271	-	45,872,579
Less accumulated depreciation for:				
Land improvements	(1,234,410)	(81,249)	-	(1,315,659)
Buildings and improvements	(13,450,665)	(785,711)	-	(14,236,376)
Furniture and equipment	(1,638,367)	(110,840)	-	(1,749,207)
Licensed vehicles	<u>(1,498,533)</u>	<u>(62,359)</u>	<u>-</u>	<u>(1,560,892)</u>
Total accumulated depreciation	<u>(17,821,975)</u>	<u>(1,040,159)</u>	<u>-</u>	<u>(18,862,134)</u>
Governmental activities capital assets, net	<u>\$ 26,653,333</u>	<u>\$ 357,112</u>	<u>\$ -</u>	<u>\$ 27,010,445</u>

WELD COUNTY SCHOOL DISTRICT RE-5J
Notes to Financial Statements

Note E – Capital assets (Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Ending Balance</u>
Charter school				
Capital assets, not being depreciated:				
Land	\$ 260,000	\$ -	\$ -	\$ 260,000
Capital assets, being depreciated:				
Buildings and improvements	4,942,886	163,715	-	5,106,601
Equipment	<u>132,800</u>	<u>-</u>	<u>-</u>	<u>132,800</u>
Total capital assets, being depreciated	<u>5,075,686</u>	<u>163,715</u>	<u>-</u>	<u>5,239,401</u>
Total capital assets	5,335,686	163,715	-	5,499,401
Less accumulated depreciation for:				
Buildings and improvements	(863,636)	(101,041)	-	(964,677)
Equipment	<u>(82,210)</u>	<u>(10,155)</u>	<u>-</u>	<u>(92,365)</u>
Total accumulated depreciation	<u>(945,846)</u>	<u>(111,196)</u>	<u>-</u>	<u>(1,057,042)</u>
Capital assets, net	<u>\$ 4,389,840</u>	<u>\$ 52,519</u>	<u>\$ -</u>	<u>\$ 4,442,359</u>

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

Governmental activities

Instruction	\$ 19,426
Operations and maintenance	30,543
Student transportation	102,481
Central support services	18,270
Food service operations	20,688
Unallocated	<u>848,751</u>

Total 1,040,159

Charter school

111,196

Total depreciation expense \$ 1,151,355

WELD COUNTY SCHOOL DISTRICT RE-5J
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 \$2,106,191 for the District and \$84,680 for the Charter School. 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 Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Due within one year</u>
Governmental activities					
Compensated absences	\$ 416,166	\$ -	\$ (14,786)	\$ 401,380	\$ -
Capital lease obligation	4,780,601	315,110	(656,657)	4,439,054	525,003
Bonds payable	11,655,000	-	(1,390,000)	10,265,000	1,255,000
Bond premium	399,268	-	(47,659)	351,609	-
Net pension liability	<u>41,354,558</u>	<u>6,540,170</u>	<u>-</u>	<u>47,894,728</u>	<u>-</u>
Total	<u>\$58,605,593</u>	<u>\$ 6,855,280</u>	<u>\$ (2,109,102)</u>	<u>\$ 63,351,771</u>	<u>\$ 1,780,003</u>

Payments on the capital lease obligations are made in the Capital Reserve Capital Projects Fund and the General Fund, while payments on the bond are made in the Bond Redemption Fund. The compensated absences and net pension liability attributable to the governmental activities will be liquidated primarily by the General Fund. The District believes that the current portion of compensated absences is negligible and is therefore not reported.

Capital lease obligations

Refinancing of current obligations – In November 2004, the District entered into an agreement with Norwest Investment Services, Inc. to refinance two existing capital lease obligations. The agreement called for a lease term of one year with annual renewal options. Annual payments ranging from \$146,525 to \$269,500 are due on July 15th of each year, with a final payment due in fiscal year 2017. The average interest rate over the lease term is 4.10%. The capital lease obligation is secured by the early childhood learning center and agricultural facility, as well as the District administration building. The District has capitalized \$1,836,653 of assets under this capital lease.

WELD COUNTY SCHOOL DISTRICT RE-5J
Notes to Financial Statements

Note G – Long-term debt (Continued)

Facility renovation obligation and refinancing of current obligation – In February 2014, the District entered into an agreement with NBH Capital Finance, a division of NBH Bank, N.A., to finance the costs of improvements to Pioneer Ridge Elementary and refinance one existing capital lease obligation. The agreement called for a lease term of one year with annual renewal options. Semi-annual payments of \$98,276 are due on July 15th and January 15th of each year, with a final payment due in fiscal year 2029. The average interest rate over the lease term is 3.36%. The District has capitalized \$1,921,388 of assets under this capital lease.

Transportation vehicle lease obligation – In July 2014, the District entered into an agreement with First National Bank of Omaha to purchase two 2013 Thomas school buses. The agreement called for a lease term of six years with annual renewal options. Annual payments of \$32,339 are due on September 15th of each year, with a final payment due in fiscal year 2020. The average interest rate over the lease term is 2.50%. The District has capitalized \$181,800 of assets under this capital lease.

Technology lease obligation – In July 2014, the District entered into an agreement with Apple, Inc. to purchase technology equipment. The agreement called for a lease term of four years. Annual payments of \$121,378 are due on July 25th of each year, with a final payment due in fiscal year 2019. The average interest rate over the lease term is 2.50%. The District has not capitalized any assets under this capital lease as none of the assets acquired met the District's capitalization threshold.

Facility renovation obligation – In May 2016, the District entered into an agreement with NBH Capital Finance, a division of NBH Bank, N.A., to finance the costs of improvements to Roosevelt High School. The agreement called for a lease term of one year with annual renewal options. Semi-annual payments of \$54,934 are due on November 1st and May 1st of each year, with a final payment due in fiscal year 2035. The average interest rate over the lease term is 3.30%. The District has capitalized \$347,348 of assets under this capital lease.

Transportation vehicle lease obligation – In July 2015, the District entered into an agreement with First National Bank of Omaha to purchase a 2013 Thomas school bus. The agreement called for a lease term of six years with annual renewal options. Annual payments of \$19,974 are due on September 15th of each year, with a final payment due in fiscal year 2021. The average interest rate over the lease term is 2.75%. The District has capitalized \$110,710 of assets under this capital lease.

WELD COUNTY SCHOOL DISTRICT RE-5J
Notes to Financial Statements

Note G – Long-term debt (Continued)

Transportation vehicle lease obligation – In May 2016, the District entered into an agreement with First National Bank of Omaha to purchase a 2015 Thomas school bus. The agreement called for a lease term of six years with annual renewal options. Annual payments of \$36,625 are due on September 15th of each year, with a final payment due in fiscal year 2022. The average interest rate over the lease term is 2.788%. The District will capitalize \$203,400 of assets under this capital lease in fiscal year 2017 when the bus will be acquired.

The following is a schedule by years of future minimum lease payments under the capital leases above, together with the present value of the net minimum lease payments at year-end:

<u>Year ended June 30,</u>	<u>Debt service requirement</u>
2017	\$ 663,261
2018	516,736
2019	516,736
2020	395,358
2021	363,019
2022-2026	1,568,725
2027-2031	1,040,721
2032-2035	<u>439,474</u>
Total minimum lease payments	5,504,030
Less amount representing interest	<u>1,064,976</u>
Present value of future net minimum lease payments	<u>\$ 4,439,054</u>

Bonds payable

General obligation bonds payable consist of the following individual issues:

\$5,205,000 general obligation refunding bonds, dated November 15, 2005, due in annual installments beginning in fiscal year 2009 ranging from \$150,000 to \$925,000; varying annual interest rates ranging from 3.50% to 5.00%, payable semi-annually on May 15 th and November 15 th .	245,000
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WELD COUNTY SCHOOL DISTRICT RE-5J
Notes to Financial Statements

Note G – Long-term debt (Continued)

\$7,765,000 general obligation refunding bonds, dated October 19, 2011, due in annual installments beginning in fiscal year 2012 ranging from zero to \$605,000; varying annual interest rates ranging from 2.00% to 4.00%, payable semi-annually on May 15th and November 15th. 6,825,000

\$4,455,000 general obligation refunding bonds, dated September 10, 2013, due in annual installments beginning in fiscal year 2016 ranging from \$80,000 to \$665,000; varying annual interest rates ranging from 2.00% to 3.00%, payable semi-annually on May 15th and November 15th. 3,195,000

Total general obligation bonds \$ 10,265,000

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	\$ 1,255,000	\$ 296,519	\$ 1,551,519
2018	1,030,000	270,406	1,300,406
2019	1,050,000	248,075	1,298,075
2020	1,075,000	222,050	1,297,050
2021	1,105,000	189,875	1,294,875
2022-2026	2,455,000	651,688	3,106,688
2027-2030	2,295,000	128,137	2,477,137
Totals	\$ 10,265,000	\$ 2,006,750	\$ 12,325,750

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Due within one year</u>
Charter school					
Bonds payable	\$ 5,175,000	\$ 4,715,000	\$ (5,175,000)	\$ 4,715,000	\$ -
Net pension liability	3,079,264	767,559	-	3,846,823	-
Totals	\$ 8,254,264	\$ 5,482,559	\$ (5,175,000)	\$ 8,561,823	\$ -

WELD COUNTY SCHOOL DISTRICT RE-5J
Notes to Financial Statements

Note G – Long-term debt (Continued)

Bonds payable

In August 2005, the Colorado Educational and Cultural Facilities Authority (CECFA) issued \$5,840,000 in Charter School Revenue Bonds, Series 2005, bearing interest at a rate of 6.50% with a final payment due May 1, 2036. The proceeds of the bonds were loaned to the KQA Building Corporation under a lease agreement to construct the Charter School's school facility. The Charter School is obligated under a lease agreement to make monthly lease payments to the KQA Building Corporation for use of the building. The KQA Building Corporation is required to make semi-annual payments to the Trustee for payment of the bonds. The CECFA issued \$4,715,000 in Charter School Refunding Revenue Bonds, Series 2016, due in annual installments beginning in fiscal year 2018 ranging from \$175,000 to \$310,000 bearing interest at a rate of 2.990%, payable semi-annually on January 1st and July 1st.

The following schedule represents the Charter School'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	\$ -	\$ 74,797	\$ 74,797
2018	175,000	140,262	315,262
2019	180,000	134,881	314,881
2020	185,000	129,347	314,347
2021	190,000	124,009	314,009
2022-2026	1,045,000	526,802	1,571,802
2027-2031	1,220,000	355,500	1,575,500
2032-2036	1,410,000	156,372	1,566,372
2037	<u>310,000</u>	<u>4,686</u>	<u>314,686</u>
Totals	<u>\$ 4,715,000</u>	<u>\$ 1,646,656</u>	<u>\$ 6,361,656</u>

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.

WELD COUNTY SCHOOL DISTRICT RE-5J
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

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.

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.

WELD COUNTY SCHOOL DISTRICT RE-5J
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

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.

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:

WELD COUNTY SCHOOL DISTRICT RE-5J
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

	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	4.00%	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 to the SCHDTF	<u>17.33%</u>	<u>18.13%</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 and the Charter School were \$2,597,656 and \$212,021, respectively, 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 and Charter School reported liabilities of \$47,894,728 and \$3,846,823, respectively, for their 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.

At December 31, 2015, the District's proportion was 0.3132 percent, which was an increase of 0.0080 percent from its proportion measured as of December 31, 2014. At December 31, 2015, the Charter School's proportion was 0.0251 percent, which was an increase of 0.0024 percent from its proportion measured as of December 31, 2014.

WELD COUNTY SCHOOL DISTRICT RE-5J
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

For the year ended June 30, 2016, the District and Charter School recognized pension expense of \$5,347,307 and \$561,324, respectively. At year-end, the District and Charter School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Primary Government</u>			
	<u>Governmental Activities</u>		<u>Charter School</u>	
	<u>Deferred Outflows of Additions</u>	<u>Deferred Inflows of Reductions</u>	<u>Deferred Outflows of Balances</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 632,456	\$ 1,995	\$ 50,798	\$ 160
Changes of assumptions or other inputs	-	676,836	-	54,362
Net difference between projected and actual earnings on pension plan investments	4,072,395	-	327,088	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	998,363	-	383,580	-
Contributions subsequent to the measurement date	<u>1,336,423</u>	<u>-</u>	<u>109,400</u>	<u>-</u>
Totals	<u>\$ 7,039,637</u>	<u>\$ 678,831</u>	<u>\$ 870,866</u>	<u>\$ 54,522</u>

\$1,336,423 and \$109,400, reported as deferred outflows of resources related to pensions for the District and the Charter School, respectively, 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>Primary Government</u>	
<u>Year ended June 30,</u>	<u>Governmental Activities</u>	<u>Charter School</u>
2017	\$ 1,487,161	\$ 261,651
2018	1,447,175	235,453
2019	1,254,956	142,768
2020	<u>835,091</u>	<u>67,072</u>
Totals	<u>\$ 5,024,383</u>	<u>\$ 706,944</u>

WELD COUNTY SCHOOL DISTRICT RE-5J
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.

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.

WELD COUNTY SCHOOL DISTRICT RE-5J
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

- 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>	

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:

WELD COUNTY SCHOOL DISTRICT RE-5J
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

- 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 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.

WELD COUNTY SCHOOL DISTRICT RE-5J
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

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:

Current	1% Decrease (6.50%)	Discount (7.50%)	1% Increase (8.50%)
Governmental Activities			
Proportionate share of the net pension liability	\$ 62,085,565	\$ 47,894,728	\$ 36,090,599
Charter School			
Proportionate share of the net pension liability	\$ 4,986,607	\$ 3,846,823	\$ 2,898,736

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 and Charter School did not report any payables to the pension plan at year-end.

Note I – Defined contribution pension plan

Voluntary Investment Program

Plan description. Employees of the District and Charter School 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.

WELD COUNTY SCHOOL DISTRICT RE-5J
Notes to Financial Statements

Note I – Defined contribution pension plan (Continued)

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 and Charter School do not offer matching contributions to their employees. Employees are immediately vested in their own contributions and investment earnings. For the year, program member contributions from the District and the Charter School were \$78,765 and \$12,630, respectively, for the Voluntary Investment Program.

Note J – Other postemployment benefits

Health Care Trust Fund

Plan description. The District and Charter School 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 and Charter School are 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 and Charter School 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 \$141,290, \$135,408 and \$148,253, respectively, equal to their required contributions for each year. For the fiscal years ended June 30, 2016, 2015 and 2014, the Charter School's contributions to the HCTF were \$11,531, \$10,665 and \$8,892, respectively, equal to their required contributions for each year.

WELD COUNTY SCHOOL DISTRICT RE-5J
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 defined property and liability coverages through self-insurance and excess insurance purchased from commercial companies. The District pays an annual contribution to the Pool for its insurance coverages. The District's contribution for the year was \$157,301. The District continues to carry commercial insurance for all other 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. On November 4, 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 \$827,000 for the emergency reserve.

WELD COUNTY SCHOOL DISTRICT RE-5J
Notes to Financial Statements

Note L – Commitments and contingencies (Continued)

The Charter School believes that the District's ballot issue extends to release the Charter School from the spending limits imposed by TABOR. The Charter School believes that it is in compliance with the requirements of TABOR. However, the Charter School has made certain interpretations of TABOR's language in order to determine its compliance. The Charter School has reserved funds in the amount of \$90,000 for the emergency reserve.

Note M – Prior-year defeasance of debt

In prior years, the District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At year-end, \$17,515,000 of bonds outstanding are considered defeased.

Note N – Prior period restatement

In fiscal year 2015, The District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This statement requires the District to recognize a liability for its proportionate share of the net pension liability of PERA's School Division Trust Fund, as well as pension expense, and to report deferred outflows of resources and deferred inflows of resources related to pensions for its proportionate shares of collective pension expense and collective deferred outflows of resources and deferred inflows of resources related to pensions. Adjustments have been made in order to correctly report the change in proportion amounts of the District and the Charter School. Accordingly, the District and Charter School have decreased and increased the beginning net position of their governmental activities by \$186,832, respectively.

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

WELD COUNTY SCHOOL DISTRICT RE-5J
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	\$ 7,780,363	\$ 7,722,650	\$ 7,682,159	\$ (40,491)
Intermediate sources			21,229	21,229
State sources	19,070,467	19,015,463	19,519,395	503,932
Federal sources	803,650	856,115	920,188	64,073
Total revenues	27,654,480	27,594,228	28,142,971	548,743
Expenditures				
Instruction	17,221,311	17,153,211	16,553,257	599,954
Supporting services	7,169,169	7,210,287	7,299,564	(89,277)
Debt service				
Principal retirement			288,591	(288,591)
Interest and fiscal charges			13,021	(13,021)
Appropriated reserves	3,000,000	3,063,610		3,063,610
Total expenditures	27,390,480	27,427,108	24,154,433	3,272,675
Excess of revenues over expenditures	264,000	167,120	3,988,538	3,821,418
Other financing uses				
Transfers out	(561,000)	(561,000)	(1,216,000)	(655,000)
Payments to charter school	(2,768,000)	(2,671,120)	(2,704,522)	(33,402)
Total other financing uses	(3,329,000)	(3,232,120)	(3,920,522)	(688,402)
Net change in fund balance	\$ (3,065,000)	\$ (3,065,000)	68,016	\$ 3,133,016
Fund balance at beginning of year			3,335,874	
Fund balance at end of year			\$ 3,403,890	

WELD COUNTY SCHOOL DISTRICT RE-5J
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	0.3131542225%	0.3051240537%
District's proportionate share of the net pension liability	\$ 47,894,728	\$ 41,354,558
District's covered-employee payroll	\$ 13,851,915	\$ 13,275,337
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	345.76%	311.51%
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.

WELD COUNTY SCHOOL DISTRICT RE-5J
Schedule of District Contributions ¹
June 30, 2016

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 2,597,656	\$ 2,377,513
Contributions in relation to the contractually required contribution	<u>(2,597,656)</u>	<u>(2,377,513)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 13,851,915	\$ 13,275,337
Contributions as a percentage of covered-employee payroll	18.75%	17.91%

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.

WELD COUNTY SCHOOL DISTRICT RE-5J
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.

WELD COUNTY SCHOOL DISTRICT RE-5J
General Fund
Budgetary Comparison Schedule - Revenues
For the Year Ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues				
Local sources				
Property taxes	\$ 7,034,694	\$ 6,986,046	\$ 6,821,366	\$ (164,680)
Specific ownership taxes	502,669	493,604	549,661	56,057
Delinquent taxes and interest			4,540	4,540
Abatements			(5,325)	(5,325)
Earnings on investments			94	94
Charter school revenue	91,000	91,000	85,630	(5,370)
Other local revenue	152,000	152,000	226,193	74,193
Total local sources	7,780,363	7,722,650	7,682,159	(40,491)
Intermediate sources			21,229	21,229
State sources				
Equalization	18,096,077	17,833,340	18,262,319	428,979
Vocational education	24,731	24,731	20,699	(4,032)
ECEA	504,884	622,253	626,811	4,558
ELPA professional development		54,135	53,632	(503)
English language proficiency	25,147	36,376	36,032	(344)
Gifted and talented	53,300	53,300	61,002	7,702
Transportation	167,000	192,000	209,353	17,353
Expelled and at risk students	35,104	35,104	37,267	2,163
READ act	164,224	164,224	194,763	30,539
State grants to libraries			4,000	4,000
Additional at-risk funding			13,517	13,517
Total state sources	19,070,467	19,015,463	19,519,395	503,932
Federal sources				
Title I	210,115	235,118	235,116	(2)
Title II	52,750	52,750	52,592	(158)
Title III	16,170	16,170	16,171	1
IDEA part B	512,615	540,077	584,909	44,832
IDEA preschool			15,228	15,228
Services within the BOCES	12,000	12,000	16,172	4,172
Total federal sources	803,650	856,115	920,188	64,073
Total revenues	\$ 27,654,480	\$ 27,594,228	\$ 28,142,971	\$ 548,743

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WELD COUNTY SCHOOL DISTRICT RE-5J
General Fund
Budgetary Comparison Schedule - Expenditures
For the Year Ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Expenditures				
Instruction				
Salaries	\$ 11,350,751	\$ 11,279,047	\$ 11,345,694	\$ (66,647)
Employee benefits	3,910,156	3,891,161	3,795,780	95,381
Purchased services	777,484	795,708	664,374	131,334
Supplies and materials	1,182,920	1,187,295	747,409	439,886
Total instruction	17,221,311	17,153,211	16,553,257	599,954
Supporting services				
Students				
Salaries	473,268	474,601	443,920	30,681
Employee benefits	166,844	167,113	161,205	5,908
Purchased services	1,800	1,800	669	1,131
Supplies and materials	9,275	9,275	7,166	2,109
Total students	651,187	652,789	612,960	39,829
Instructional staff				
Salaries	205,720	202,672	197,694	4,978
Employee benefits	91,796	91,180	86,897	4,283
Purchased services	1,000	1,000	41,646	(40,646)
Supplies and materials	8,000	8,000	6,718	1,282
Total instructional staff	306,516	302,852	332,955	(30,103)
General administration				
Salaries	230,698	230,698	238,466	(7,768)
Employee benefits	70,082	70,082	72,663	(2,581)
Purchased services	90,000	90,000	66,847	23,153
Supplies and materials	64,000	64,000	87,384	(23,384)
Other	2,400	2,400	138	2,262
Total general administration	457,180	457,180	465,498	(8,318)

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
School administration				
Salaries	846,282	846,283	851,581	(5,298)
Employee benefits	304,451	304,552	301,936	2,616
Purchased services	5,250	5,250	6,658	(1,408)
Supplies and materials	21,900	21,900	23,325	(1,425)
Total school administration	1,177,883	1,177,985	1,183,500	(5,515)
Business services				
Salaries	233,150	233,150	254,952	(21,802)
Employee benefits	80,496	80,496	76,029	4,467
Purchased services	30,000	30,000	37,376	(7,376)
Supplies and materials	2,000	2,000	14,284	(12,284)
Other	400	400	(1,065)	1,465
Total business services	346,046	346,046	381,576	(35,530)
Operations and maintenance				
Salaries	640,028	640,028	657,311	(17,283)
Employee benefits	309,003	309,003	300,206	8,797
Purchased services	600,500	1,100,000	659,619	440,381
Supplies and materials	804,500	305,000	729,579	(424,579)
Total operations and maintenance	2,354,031	2,354,031	2,346,715	7,316
Student transportation				
Salaries	467,708	467,708	481,921	(14,213)
Employee benefits	136,865	136,865	136,981	(116)
Purchased services	301,800	301,800	225,912	75,888
Supplies and materials	96,400	96,400	177,397	(80,997)
Total student transportation	1,002,773	1,002,773	1,022,211	(19,438)

(continued)

WELD COUNTY SCHOOL DISTRICT RE-5J
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	71,300	88,560	77,008	11,552
Employee benefits	22,753	30,414	26,343	4,071
Purchased services	712,500	730,657	757,820	(27,163)
Supplies and materials	45,000	45,000	66,986	(21,986)
Total central support services	851,553	894,631	928,157	(33,526)
Food service operations				
Purchased services	22,000	22,000	25,992	(3,992)
Total food service operations	22,000	22,000	25,992	(3,992)
Total supporting services	7,169,169	7,210,287	7,299,564	(89,277)
Debt service				
Principal retirement			288,591	(288,591)
Interest and fiscal charges			13,021	(13,021)
Total debt service	-	-	301,612	(301,612)
Appropriated reserves	3,000,000	3,063,610		3,063,610
Total expenditures	<u>\$ 27,390,480</u>	<u>\$ 27,427,108</u>	<u>\$ 24,154,433</u>	<u>\$ 3,272,675</u>

Budgetary Comparison Schedule - Nonmajor Governmental Fund

The District reports the following nonmajor special revenue fund:

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.

WELD COUNTY SCHOOL DISTRICT RE-5J
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	\$ 790,000	\$ 790,000	\$ 638,071	\$ (151,929)
State sources			30,146	30,146
Federal sources	815,000	815,000	772,580	(42,420)
Total revenues	1,605,000	1,605,000	1,440,797	(164,203)
Food service operations				
Salaries	55,500	55,500	43,587	11,913
Employee benefits	19,500	19,500	24,492	(4,992)
Purchased services	1,400,000	1,400,000	703,364	696,636
Supplies and materials	100,000	100,000	604,484	(504,484)
Property			63,487	(63,487)
Other	20,000	20,000		20,000
Appropriated reserves	298,000	298,000		298,000
Total expenditures	1,893,000	1,893,000	1,439,414	453,586
Excess of revenues over (under) expenditures	\$ (288,000)	\$ (288,000)	1,383	\$ 289,383
Fund balance at beginning of year			206,720	
Fund balance at end of year			\$ 208,103	

Budgetary Comparison Schedule - Debt Service Fund

The District reports the following major debt service fund:

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.

WELD COUNTY SCHOOL DISTRICT RE-5J
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				
Local sources				
Property taxes	\$ 1,741,500	\$ 1,741,500	\$ 1,763,891	\$ 22,391
Specific ownership tax			581	581
Delinquent taxes and interest			1,195	1,195
Abatements			(1,381)	(1,381)
Interest on investments			1,554	1,554
Total revenues	1,741,500	1,741,500	1,765,840	24,340
Expenditures				
Debt service				
Principal	1,390,000	1,390,000	1,390,000	-
Interest and fiscal charges	351,500	351,500	332,375	19,125
Appropriated reserves	3,000,000	3,000,000		3,000,000
Total expenditures	4,741,500	4,741,500	1,722,375	3,019,125
Excess of revenues over (under) expenditures	(3,000,000)	(3,000,000)	43,465	3,043,465
Fund balance at beginning of year			3,542,987	
Fund balance at end of year			\$ 3,586,452	

Budgetary Comparison Schedule - Capital Projects Fund

The District reports the following major capital projects fund:

Capital Projects Fund – These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

- Capital Reserve Capital Projects Fund – This fund was established to account for and report financial resources that have been designated for capital outlays acquisition or construction of major capital facilities and other capital assets.

WELD COUNTY SCHOOL DISTRICT RE-5J
Capital Reserve Capital Projects Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues				
Local sources				
Earnings on investments			\$ 43	\$ 43
Other local revenues			13,829	13,829
Contributions	\$ 100,000	\$ 100,000	175,127	75,127
Total revenues	100,000	100,000	188,999	88,999
Expenditures				
Capital outlay				
Purchased services			155,157	(155,157)
Supplies and materials	150,000	150,000	10,635	139,365
Property	1,570,000	1,570,000	1,290,940	279,060
Debt service				
Principal	686,000	686,000	367,938	318,062
Interest and fiscal charges			137,224	(137,224)
Debt issuance costs			3,000	(3,000)
Total expenditures	2,406,000	2,406,000	1,964,894	441,106
Excess of revenues under expenditures	(2,306,000)	(2,306,000)	(1,775,895)	530,105
Other financing sources				
Transfers in	561,000	561,000	1,216,000	655,000
Capital lease proceeds			315,110	315,110
Total other financing sources	561,000	561,000	1,531,110	970,110
Net change in fund balance	\$ (1,745,000)	\$ (1,745,000)	(244,785)	\$ 1,500,215
Fund balance at beginning of year			1,980,383	
Fund balance at end of year			\$ 1,735,598	

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.

WELD COUNTY SCHOOL DISTRICT RE-5J
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	\$ 875,000	\$ 875,000	\$ 817,243	\$ (57,757)
Deductions				
Pupil activity expenditures	875,000	875,000	732,368	142,632
Total deductions	875,000	875,000	732,368	142,632
Excess of additions over deductions	<u>\$ -</u>	<u>\$ -</u>	84,875	<u>\$ 84,875</u>
Due to student groups at beginning of year			<u>277,567</u>	
Due to student groups at end of year			<u>\$ 362,442</u>	

Single Audit Section

The Single Audit Section contains the following:

- Schedule of Expenditures of Federal Awards
- Notes to Schedule of Expenditures of Federal Awards
- Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
- Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance
- Schedule of Findings and Questioned Costs

WELD COUNTY SCHOOL DISTRICT RE-5J
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Federal Grantor / Pass-through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Education</u>			
Pass-through programs from:			
Colorado Department of Education:			
English Language Acquisition Grants	84.365	4365	\$ 16,171
Improving Teacher Quality State Grants	84.367	4367	52,592
Title I Grants to Local Educational Agencies	84.010	4010	235,116
Total U.S. Department of Education			303,879
<u>Child Nutrition Cluster</u>			
U.S. Department of Agriculture:			
Pass-through programs from:			
Colorado Department of Human Services:	10.555	4555	110,005
Donated Commodities			
Colorado Department of Education:			
School Breakfast Program	10.553	4553	144,042
National School Lunch Program	10.555	4555	518,533
Total Child Nutrition Cluster			772,580
<u>Special Education Cluster (IDEA)</u>			
U. S. Department of Education:			
Pass-through programs from:			
Colorado Department of Education:			
Special Education - Grants to States	84.027	4027	584,909
Special Education - Preschool Grants	84.173	4173	15,228
Total Special Education Cluster			600,137
Total expenditures of federal awards			\$ 1,676,596

See accompanying Notes to Schedule of Expenditures of Federal Awards.

WELD COUNTY SCHOOL DISTRICT RE-5J
Notes to Schedule of Expenditures of Federal Awards

Note A – Basis of presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Weld County School District RE-5J and is presented on the modified accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CRF) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note B – Nonmonetary assistance

Federal nonmonetary assistance is reported in the schedule at the fair value of the items received and disbursed during the year. The District received nonmonetary assistance for the year as follows:

CFDA No. 10.555	National School Lunch Program	\$ <u>110,005</u>
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Note C – Indirect Cost Rate

The District did not elect to use the 10% de minimis indirect cost rate.

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**Independent Auditors' Report on Internal Control over
Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

Board of Education
Weld County School District RE-5J
Milliken, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Weld County School District RE-5J (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, and have issued our report thereon dated October 31, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Lauer, Szabo & Associates, P.C.

Sterling, Colorado
October 31, 2016



**Independent Auditors' Report on Compliance for
Each Major Program and on Internal Control over
Compliance Required by the Uniform Guidance**

Board of Education
Weld County School District RE-5J
Milliken, Colorado

Report on Compliance for Each Major Federal Program

We have audited Weld County School District RE-5J's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

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

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

Lauer, Szabo & Associates, P.C.

Sterling, Colorado
October 31, 2016

WELD COUNTY SCHOOL DISTRICT RE-5J
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

Summary of auditors' results

1. The auditors' report expresses an unmodified opinion on the basic financial statements of the Weld County School District RE-5J (the District).
2. No significant deficiencies relating to the audit of the basic financial statements are reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the basic financial statements of the District were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditors' report on compliance for the major federal award programs for the District expresses an unmodified opinion on all major federal programs.
6. The audit did not disclose any findings relative to the major federal award programs of the District.
7. The program tested as major was:

Child Nutrition Cluster	CFDA Nos. 10.553 and 10.555
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8. The threshold for distinguishing Type A and B programs was \$750,000.
9. The District did qualify as a low-risk auditee.

Findings – Financial statement audit

We noted no findings that are required to be reported under *Government Auditing Standards*.

Findings and Questioned Costs

We noted no findings or questioned costs that are required to be reported in accordance with the Uniform Guidance.

Prior year findings

There were no findings or questioned costs reported for the year ended June 30, 2015.

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**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
Weld County School District RE-5J
Milliken, Colorado

We have audited the financial statements of the Weld County School District RE-5J (the District) as of and for the year ended June 30, 2016, and our report thereon dated October 31, 2016, which expressed an unmodified opinion on those financial statements, appears on pages 1-3. 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 31, 2016

Colorado Department of Education
Auditors Integrity Report
District: 3110 - JOHNSTOWN-MILLIKEN RE-5J
Fiscal Year 2015-16
Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance	0001-0999 Total Expenditures & Other Uses	1000 - 5999 Total Revenues & Other Sources	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental				
10 General Fund	3,031,301	31,522,304	33,527,166	3,031,301
18 Risk Mgmt Sub-Fund of General Fund	379,589	237,126	390,000	379,589
19 Colorado Preschool Program Fund	0	395,282	395,282	0
Sub-Total	3,403,890	34,154,433	34,222,448	3,403,890
11 Charter School Fund	1,141,677	3,650,276	3,165,299	1,141,677
2026-29 Special Revenue Fund	1,090	5,282,353	4,644,806	1,090
21 Food Service Special Revenue Fund	208,103	1,475,413	1,440,757	208,103
22 Govt Designated Jobable Grants Fund	0	0	0	0
23 Pupil Activity Special Revenue Fund	0	0	0	0
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	3,586,452	3,723,375	1,765,840	3,586,452
39 Certificates 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	1,735,598	1,564,354	1,721,109	1,735,598
Totals	10,676,721	37,223,945	36,959,103	10,676,721
Proprietary				
50 Other Enterprise Fund	0	0	0	0
54 (53) Risk-Related Activity Fund	0	0	0	0
50/55-59 Other Internal Service Funds	0	0	0	0
Totals	0	0	0	0
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	373,697	780,796	665,246	373,697
79 GASB 34 Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
Totals	373,697	780,796	665,246	373,697
FINAL				

*If you have a prior period adjustment in any fund (Balance Sheet 5880), the amount of your prior period adjustment is added into both your ending and beginning fund balances on this report.