

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

FINANCIAL STATEMENTS

June 30, 2017



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

ROSTER OF SCHOOL OFFICIALS

June 30, 2017

BOARD OF EDUCATION

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

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fremont County School District No. RE-3 as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Fremont County School District No. RE-3, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Fremont County School District No. RE-3 as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters (Required Supplementary Information)

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

Other Matters (Other Information)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fremont County School District No. RE-3's basic financial statements. The supplementary information and the auditors integrity report listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



December 5, 2017

Fremont School District RE-3
Cotopaxi Schools
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2017

As management of Fremont School District RE-3, we offer readers of the District's basic financial statements this narrative and analysis of the financial activities of Fremont School District RE-3 for the year ended June 30, 2017. We encourage readers to consider the information presented in conjunction with the accompanying financial statements.

Financial Highlights

- During the year, the District's revenues generated from taxes and other revenues of all governmental programs were \$2,893,988 and expenditures were \$2,700,028. This resulted in a positive net change in Governmental Fund Balances of \$193,960.
- The District had a healthy Governmental Fund Balance of \$1,537,253 on June 30, 2017.
- Factoring in the pension liability, Fremont School District has a Net Position of negative \$577,419.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic statements are comprised of these components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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

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

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

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

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

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

Financial Analysis of the District as a Whole

Net position may serve over time as a useful indicator of a government's financial position. Before the reporting of the net pension liability and related items, the assets of the governmental activities exceed liabilities by \$5,508,018 at June 30, 2017.

The District's net position is negative \$577,419. The negative net position is due to the adoption of GASB Statement No. 68, resulting in a net pension liability of \$9,761,946 representing the District's proportionate share of PERA's net pension liability. This net pension liability is up significantly from last year's net pension liability of \$5,059,243.

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

Net Position	Governmental	
	2017	2016
Assets		
Current Assets	1,839,910	1,660,559
Capital Assets	3,891,939	3,993,937
TOTAL ASSETS	5,731,849	5,654,496
Deferred Outflows of Resources	3,793,710	663,008
Liabilities		
Current Liabilities	223,831	232,420
Noncurrent Liabilities	0	0
Pension-related	9,761,946	5,059,243
TOTAL LIABILITIES	9,985,777	5,291,663
Deferred Inflows of Resources	117,201	161,518
Net Position		
Net Investment in Capital Assets	3,891,939	3,993,937
Restricted	140,000	385,100
Unrestricted	(4,609,358)	(3,514,714)
TOTAL NET POSITION	(577,419)	864,323
Change in Net Position		
Expenses		
Instruction	2,651,285	1,833,355
Supporting	1,447,471	1,042,570
Int & Fees on Long Term Debt	0	7,543
Food Service	230,954	176,649
TOTAL EXPENSES	4,329,710	3,060,117
Revenues		
Program Revenues	274,096	281,879
Property Taxes	1,369,287	1,320,654
Specific Ownership Taxes	209,762	196,132
Equalization	933,683	908,104
Grants not restricted	5,396	58,552
Investment Earnings	8,455	10,719
Miscellaneous	87,289	1,887
TOTAL REVENUES	2,887,968	2,777,927
CHANGE IN NET POSITION	(1,441,742)	(282,190)
NET POSITION, Beginning	864,323	1,146,513
NET POSITION, Ending	(577,419)	864,323

Analyzing the net position before the insertion of the net pension liability and related items, the largest portion of the District's net position (71%) represents its investment in capital assets (e.g. land, buildings, equipment and vehicles). The District uses these capital assets to provide services to its constituents; consequently these assets are not available for future spending.

An additional portion of the District's net position (2%) is subject to external restrictions on how it may be used. The District has \$140,000 restricted in accordance with Article X, Section 20 of the Colorado Constitution known as the TABOR Amendment.

The remaining amount of net position (27%) is available to fund the District's ongoing programs.

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

The District's net position decreased by \$1,441,742, primarily related to the increase in the net pension liability. The District's total non-pension-related net position increased by \$85,942.

The District's revenues totaled \$2,887,968. Approximately 55% of the District's revenue comes from property and other taxes, with approximately 32% coming from state equalization.

Analysis of the Funds

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

The General Fund is a major governmental fund. At the end of fiscal year 2017, the District's General Fund reported an ending fund balance of \$1,501,176, an increase of \$190,895. The unrestricted portion of the General Fund balance at this time is \$1,361,176.

The Food Service Fund is funded by charges for meals, reimbursements from the federal government for low-income students and transfers from the General Fund. This year the transfer was \$84,000. This fund had an ending fund balance of \$36,077. This is an increase of \$3,065 from last year.

General Fund Budgetary Highlights

The District budgeted for General Fund expenditures of \$3,408,444 for the year ending June 30, 2017. Actual expenditures were \$2,534,420. The lower expenditures were possible because of very conservative spending in all departments.

The operations of the District are funded primarily by tax revenue received under the State School Finance Act based partly on the number of students. Budgeted General Fund revenues were projected at \$2,652,444 and actually came in at \$2,809,315.

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

Capital Asset and Debt Administration

Capital assets. The District replaced a walk-in freezer and two boilers this year at a cost of \$100,148. This cost was partially offset by insurance money. The District's investment in capital assets as of June 30, 2017, amounts to \$3,891,939. This drop from last year's total of \$3,993,937 was due to depreciation expense. More information on the District's capital assets can be found in Note 3 of the financial statements.

Long-term debt. The District currently has no long term debt.

Economic Factors and Next Year's Budget

The District had planned to use a lot of the increase in the General Fund fund balance to purchase a bus. The transaction for the bus did not actually take place until July of 2017. Therefore the increase in the fund balance from this year will be spent in the next fiscal year.

We also have received a BEST Grant which the District will have to match. This will also be funded with some of the existing beginning fund balance.

One of next year's challenges is an increase in medical insurance rates of up to 18% and PERA rates increasing by another .5%. Another challenge is more increases to the minimum wage affecting several of our positions.

Our current beginning fund balance is sound, so even with the growing expenses in Fiscal Year 2018 and beyond, management believes that the District is in a sound financial position.

Requests for Information

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

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

BASIC FINANCIAL STATEMENTS

FREMONT COUNTY SCHOOL DISTRICT NO. RE-3

STATEMENT OF NET POSITION

June 30, 2017

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS	
Cash	\$ 1,717,721
Taxes Receivable	116,072
Inventories	6,117
Capital Assets, Net of Accumulated Depreciation	<u>3,891,939</u>
 TOTAL ASSETS	 <u>5,731,849</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pensions, Net of Accumulated Amortization	<u>3,793,710</u>
LIABILITIES	
Accounts Payable	8,131
Accrued Salaries and Benefits	215,700
Noncurrent Liabilities	
Net Pension Liability	<u>9,761,946</u>
 TOTAL LIABILITIES	 <u>9,985,777</u>
DEFERRED INFLOWS OF RESOURCES	
Pensions, Net of Accumulated Amortization	<u>117,201</u>
NET POSITION	
Net Investment in Capital Assets	3,891,939
Restricted for Emergencies	140,000
Unrestricted	<u>(4,609,358)</u>
 TOTAL NET POSITION	 <u>\$ (577,419)</u>

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

FREMONT COUNTY SCHOOL DISTRICT NO. RE-3

STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		NET (EXPENSE)
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	REVENUE AND CHANGE IN NET POSITION
				GOVERNMENTAL ACTIVITIES
PRIMARY GOVERNMENT				
Governmental Activities				
Instruction	\$ 2,651,285	\$ 12,958	\$ 114,456	\$ (2,523,871)
Supporting Services	1,447,471	-	62,011	(1,385,460)
Food Service	230,954	20,729	63,942	(146,283)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 4,329,710	\$ 33,687	\$ 240,409	(4,055,614)
GENERAL REVENUES				
Property Taxes				1,369,287
Specific Ownership Taxes				209,762
State Equalization				933,683
Grants and Contributions not Restricted to Specific Programs				5,396
Investment Income				8,455
Miscellaneous				87,289
TOTAL GENERAL REVENUES				2,613,872
CHANGE IN NET POSITION				(1,441,742)
NET POSITION, Beginning				864,323
NET POSITION, Ending				\$ (577,419)

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

FREMONT COUNTY SCHOOL DISTRICT NO. RE-3

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2017

	GENERAL	NONMAJOR FOOD SERVICE	TOTAL
ASSETS			
Cash	\$ 1,675,459	\$ 42,262	\$ 1,717,721
Taxes Receivable	116,072	-	116,072
Inventories	-	6,117	6,117
TOTAL ASSETS	\$ 1,791,531	\$ 48,379	\$ 1,839,910
 LIABILITIES			
Accounts Payable	\$ 8,131	\$ -	\$ 8,131
Accrued Salaries and Benefits	203,398	12,302	215,700
TOTAL LIABILITIES	211,529	12,302	223,831
 DEFERRED INFLOWS OF RESOURCES			
Property Taxes	78,826	-	78,826
 FUND BALANCES			
Nonspendable Inventories	-	6,117	6,117
Restricted for Emergencies	140,000	-	140,000
Assigned to Food Service	-	29,960	29,960
Unassigned	1,361,176	-	1,361,176
TOTAL FUND BALANCES	1,501,176	36,077	1,537,253
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 1,791,531	\$ 48,379	\$ 1,839,910

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

Total Fund Balances of Governmental Funds	\$ 1,537,253
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	3,891,939
Long-term assets are not available to pay current year expenditures and, therefore, are deferred in governmental funds. This amount represents property taxes not available as current financial resources.	78,826
Long-term liabilities and related items, including net pension liability (\$9,761,946), pension-related deferred outflows of resources \$3,793,710, and pension-related deferred inflows of resources (\$117,201) are not due and payable in the current year and, therefore, are not reported in governmental funds.	(6,085,437)
Total Net Position of Governmental Activities	\$ (577,419)

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

FREMONT COUNTY SCHOOL DISTRICT NO. RE-3

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
 Year Ended June 30, 2017

	GENERAL	NONMAJOR FOOD SERVICE	TOTAL
REVENUES			
Local Sources	\$ 1,699,349	\$ 20,731	\$ 1,720,080
State Sources	1,005,424	2,211	1,007,635
Federal Sources	104,542	61,731	166,273
 TOTAL REVENUES	 2,809,315	 84,673	 2,893,988
EXPENDITURES			
Instruction	1,497,969	-	1,497,969
Supporting Services	1,036,451	-	1,036,451
Food Service	-	165,608	165,608
 TOTAL EXPENDITURES	 2,534,420	 165,608	 2,700,028
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 274,895	 (80,935)	 193,960
OTHER FINANCING SOURCES (USES)			
Transfers In	-	84,000	84,000
Transfers Out	(84,000)	-	(84,000)
 TOTAL OTHER FINANCING SOURCES (USES)	 (84,000)	 84,000	 -
 NET CHANGE IN FUND BALANCES	 190,895	 3,065	 193,960
FUND BALANCES, Beginning	1,310,281	33,012	1,343,293
FUND BALANCES, Ending	\$ 1,501,176	\$ 36,077	\$ 1,537,253

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

Net Change in Fund Balances of Governmental Funds	\$ 193,960
Capital outlays to purchase or construct capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized in the statement of net position and are allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation expense (\$202,146) exceeded capital outlay \$100,148 in the current year.	(101,998)
Revenues that do not provide current financial resources are deferred in governmental funds, but are recognized in the government-wide financial statements. This amount represents the change in property taxes not available as current financial resources.	(6,020)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This amount represents the change in net pension liability (\$4,702,703), pension-related deferred outflows of resources \$3,130,702, and pension-related deferred inflows of resources \$44,317 in the current year.	(1,527,684)
Change in Net Position of Governmental Activities	\$ (1,441,742)

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

FREMONT COUNTY SCHOOL DISTRICT NO. RE-3

STATEMENT OF ASSETS AND LIABILITIES

AGENCY FUND

June 30, 2017

	<u>STUDENT ACTIVITIES</u>
ASSETS	
Cash	<u>\$ 47,180</u>
TOTAL ASSETS	<u><u>\$ 47,180</u></u>
LIABILITIES	
Due to Student Groups	<u>\$ 47,180</u>
TOTAL LIABILITIES	<u><u>\$ 47,180</u></u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges for interfund services that are reasonably equivalent to the services provided. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported in a single column.

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

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

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

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

Additionally, the District reports the following fund type:

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

Assets, Liabilities and Fund Balances/Net Position

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Inventories - Food Service Fund inventories are recorded as an asset when purchased and as an expenditure when consumed. Inventories are valued using the first-in, first-out method, and consist of purchased and donated commodities. Purchased inventories are recorded at cost. Donated inventories, received at no cost under a program supported by the federal government, are valued at the cost furnished by the federal government.

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

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

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

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

Accrued Salaries and Benefits - Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve month period from September to August, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, are reported as liabilities in the financial statements.

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

Property Tax Revenues

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

NOTE 2: CASH AND INVESTMENTS

At June 30, 2017, the District's cash consisted of the following:

Petty Cash	\$ 1,409
Deposits	<u>1,763,492</u>
Total	<u>\$ 1,764,901</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 2: CASH AND INVESTMENTS (Continued)

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

Governmental Activities	\$ 1,717,721
Agency Fund	<u>47,180</u>
Total	<u>\$ 1,764,901</u>

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2017, the District had bank deposits of \$1,415,722 collateralized with securities held by the financial institutions' agents but not in the District's name.

Investments

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

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

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

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

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

The District had no investments at June 30, 2017.

FREMONT COUNTY SCHOOL DISTRICT NO. RE-3

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 3: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, is summarized below.

	<u>Balances</u> 6/30/16	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> 6/30/17
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 47,609	\$ -	\$ -	\$ 47,609
Total Capital Assets, Not Being Depreciated	<u>47,609</u>	<u>-</u>	<u>-</u>	<u>47,609</u>
Capital Assets, Being Depreciated				
Buildings and Improvements	6,962,536	-	-	6,962,536
Vehicles and Equipment	<u>753,638</u>	<u>100,148</u>	<u>-</u>	<u>853,786</u>
Total Capital Assets, Being Depreciated	<u>7,716,174</u>	<u>100,148</u>	<u>-</u>	<u>7,816,322</u>
Less Accumulated Depreciation				
Buildings and Improvements	(3,196,559)	(168,066)	-	(3,364,625)
Vehicles and Equipment	<u>(573,287)</u>	<u>(34,080)</u>	<u>-</u>	<u>(607,367)</u>
Total Accumulated Depreciation	<u>(3,769,846)</u>	<u>(202,146)</u>	<u>-</u>	<u>(3,971,992)</u>
Total Capital Assets, Being Depreciated, Net	<u>3,946,328</u>	<u>(101,998)</u>	<u>-</u>	<u>3,844,330</u>
Governmental Activities Capital Assets, Net	<u>\$ 3,993,937</u>	<u>\$ (101,998)</u>	<u>\$ -</u>	<u>\$ 3,891,939</u>

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

Governmental Activities	
Instruction	\$ 161,828
Supporting Services	38,912
Food Service	<u>1,406</u>
Total	<u>\$ 202,146</u>

NOTE 4: INTERFUND TRANSFERS

During the year ended June 30, 2017, the General Fund subsidized the operations of the Food Service Fund through a transfer of \$84,000.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 5: JOINTLY GOVERNED ORGANIZATION

South Central Colorado Board of Cooperative Educational Services

The District, in conjunction with other surrounding districts, created the South Central Colorado Board of Cooperative Educational Services (BOCES). The BOCES is an organization that provides member districts educational services at a shared lower cost. The BOCES is an organization that provides member districts educational services at a shared lower cost. The BOCES governing board is comprised of one member from each participating district. During the year ended June 30, 2017, the District contributed \$39,191 to the BOCES. Financial statements for the BOCES are available at the BOCES administrative offices at 323 South Purcell Boulevard, Pueblo, Colorado 81007.

NOTE 6: RISK MANAGEMENT

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

Colorado School Districts Self Insurance Pool

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

NOTE 7: DEFINED BENEFIT PENSION PLAN

General Information

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

General Information (Continued)

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

Retirees may elect to withdraw their contributions upon termination of employment, and may be eligible to receive a matching amount if five years of service credit is earned and certain other criteria is met. Retirees who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs) as established by State statutes. Retirees who began employment before January 1, 2007, receive an annual increase of 2%, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2% or the average consumer price index for the prior calendar year. Retirees that began employment after January 1, 2007, receive an annual increase of the lesser of 2% or the average consumer price index for the prior calendar year, with certain limitations.

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

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

Contributions - The District and eligible employees are required to contribute to the SDTF at rates established by Title 24, Article 51, Part 4 of the CRS. These contribution requirements are established and may be amended by the State Legislature. The contribution rate for employees is 8% of covered salaries. The District's contribution rate for calendar years 2016 and 2017 was 19.15% and 19.65% of covered salaries, respectively. However, a portion of the District's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 8). The District's contributions to the SDTF for the year ended June 30, 2017, were \$291,981, equal to the required contributions.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

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

At June 30, 2017, the District reported a net pension liability of \$9,761,946, representing its proportionate share of the net pension liability of the SDTF. The net pension liability was measured at December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016.

The District's proportion of the net pension liability was based on the District's contributions to the SDTF for the calendar year ended December 31, 2016, relative to the contributions of all participating employers. At December 31, 2016, the District's proportion was 0.0327869607%, which was a decrease of 0.0002923241% from its proportion measured at December 31, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$1,803,141. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 122,406	\$ 87
Changes of assumptions and other inputs	3,167,548	44,414
Net difference between projected and actual earnings on plan investments	329,508	-
Changes in proportion	-	72,700
Contributions subsequent to the measurement date	<u>174,248</u>	<u>-</u>
Total	<u>\$ 3,793,710</u>	<u>\$ 117,201</u>

District contributions subsequent to the measurement date of \$174,248 will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,

2018	\$ 1,381,439
2019	1,414,027
2020	703,539
2021	<u>3,256</u>
Total	<u>\$ 3,502,261</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

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

Actuarial Assumptions - The actuarial valuation as of December 31, 2015, determined the total pension liability using the following actuarial assumptions and other inputs. On November 18, 2016, PERA's governing board adopted revised economic and demographic assumptions, which were effective on December 31, 2016, and which were reflected in the roll-forward calculation of the total pension liability from December 31, 2015, to December 31, 2016, as follows:

	<u>Assumptions</u>	<u>Revised Assumptions</u>
Price inflation	2.8%	2.4%
Real wage growth	1.1%	1.1%
Wage inflation	3.9%	3.5%
Salary increases, including wage inflation	3.9% - 10.1%	3.5% - 9.7%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.5%	7.25%
Discount rate	7.5%	5.26%
Future post-retirement benefit increases:		
Hired prior to 1/1/07	2%	2%
Hired after 12/31/06	ad hoc	ad hoc

Mortality rates were based on the RP-2000 Combined Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with males set back one year, and females set back two years. Active member mortality was adjusted to 55 percent of the base rate for males and 40 percent for females. For disabled retirees, the RP-2000 Disabled Retiree Mortality Table was used, set back two years.

The actuarial assumptions used in the December 31, 2015, valuation were based on the results of an actuarial experience study for the period January 1, 2008, through December 31, 2011, adopted by PERA's governing board on November 13, 2012, and an economic assumption study adopted by PERA's governing board on November 15, 2013, and January 17, 2014.

As a result of a 2016 experience analysis, revised economic and demographic actuarial assumptions were adopted by PERA's governing board on November 18, 2016, to more closely reflect PERA's actual experience. The revised assumptions reflected in the roll-forward of the total pension liability included healthy mortality assumptions for active members using the RP-2014 White Collar Employee Mortality Table. The mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates. For disabled retirees, the mortality assumption was changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

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

The long-term expected rate of return on plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

The most recent analysis of the long-term expected rate of return was adopted by PERA's governing board on November 18, 2016, and included the target allocation and best estimates of geometric real rates of return for each major asset class, as follows:

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

Discount Rate - The discount rate used to measure the total pension liability was 5.26%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and the employer contributions will be made at the rates specified in State statutes, which currently require annual increases, to a total of 20.15% of covered salaries for the year ended December 31, 2018. When the actuarially determined funding ratio reaches 103%, the employer contribution rate will decrease 0.5% each year, to a minimum of 10.15%.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

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

Based on the assumptions described previously, the SDTF’s fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate, defined as the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index, was used in the determination of the discount rate. The long-term expected rate of return of 7.25% on plan investments was applied to all periods through 2041, and the municipal bond index rate was applied to periods after 2041 to develop the discount rate. On the measurement date of December 31, 2016, the municipal bond index rate was 3.86%, resulting in a discount rate of 5.26%. The discount rate at the prior measurement date was 7.5%.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 5.26%, as well as the District’s proportionate share of the net pension liability if it were calculated using a discount rate that is one percentage point lower (4.26%) or one percentage point higher (6.26%) than the current rate, as follows:

	1% Decrease <u>(4.26%)</u>	Current Discount Rate (5.26%)	1% Increase <u>(6.26%)</u>
Proportionate share of the net pension liability	<u>\$ 12,275,333</u>	<u>\$ 9,761,946</u>	<u>\$ 7,714,883</u>

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

NOTE 8: POSTEMPLOYMENT HEALTHCARE BENEFITS

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

Funding Policy - The District is required to contribute at a rate of 1.02% of covered salaries for all PERA participants. No employee contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208 of the CRS, as amended. The District’s apportionment to the HCTF for the years ended June 30, 2017, 2016 and 2015 was \$15,348, \$14,928 and \$14,415, respectively, equal to the required amounts for each year.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 9: COMMITMENTS AND CONTINGENCIES

Claims and Judgments

The District participates in a number of federal and state programs that are funded by grants received from other governmental entities. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. At June 30, 2017, significant amounts of grant expenditures have not been audited but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the District.

Tabor Amendment

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

The Amendment requires the District to establish a reserve for emergencies, representing 3% of qualifying expenditures. At June 30, 2017, the District's reserve was reported as restricted fund balance in the General Fund, in the amount of \$140,000.

REQUIRED SUPPLEMENTARY INFORMATION

FREMONT COUNTY SCHOOL DISTRICT NO. RE-3

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

PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO SCHOOL DIVISION TRUST FUND

June 30, 2017

	<u>12/31/16</u>	<u>12/31/15</u>	<u>12/31/14</u>	<u>12/31/13</u>
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY				
District's Proportion of the Net Pension Liability	0.0327869607%	0.0330792848%	0.0332684203%	0.0344836738%
District's Proportionate Share of the Net Pension Liability	\$ 9,761,946	\$ 5,059,243	\$ 4,508,988	\$ 4,398,383
District's Covered Payroll	\$ 1,471,537	\$ 1,441,588	\$ 1,393,707	\$ 1,390,147
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	663%	351%	324%	316%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	43%	59%	63%	64%
	<u>6/30/17</u>	<u>6/30/16</u>	<u>6/30/15</u>	<u>6/30/14</u>
DISTRICT CONTRIBUTIONS				
Statutorily Required Contribution	\$ 276,633	\$ 259,493	\$ 238,594	\$ 222,123
Contributions in Relation to the Statutorily Required Contribution	<u>(276,633)</u>	<u>(259,493)</u>	<u>(238,594)</u>	<u>(222,123)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 1,504,707	\$ 1,463,531	\$ 1,413,247	\$ 1,390,217
Contributions as a Percentage of Covered Payroll	18.38%	17.73%	16.88%	15.98%

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

See the accompanying Independent Auditors' Report.

FREMONT COUNTY SCHOOL DISTRICT NO. RE-3

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2017

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES			
Local Sources			
Property Taxes	\$ 1,340,500	\$ 1,375,307	\$ 34,807
Specific Ownership Taxes	222,000	209,762	(12,238)
Tuition	10,000	12,958	2,958
Investment Income	8,000	8,453	453
BOCES Reimbursement	-	5,580	5,580
Miscellaneous	-	87,289	87,289
Total Local Sources	<u>1,580,500</u>	<u>1,699,349</u>	<u>118,849</u>
State Sources			
State Equalization	910,428	933,683	23,255
Transportation	51,000	52,478	1,478
Grants	6,200	19,263	13,063
Total State Sources	<u>967,628</u>	<u>1,005,424</u>	<u>37,796</u>
Federal Sources			
Grants	<u>104,316</u>	<u>104,542</u>	<u>226</u>
TOTAL REVENUES	<u>2,652,444</u>	<u>2,809,315</u>	<u>156,871</u>
EXPENDITURES			
Instruction	1,515,756	1,497,969	17,787
Supporting Services			
Students	83,167	49,530	33,637
Instructional Staff	9,078	11,906	(2,828)
General Administration	196,949	192,277	4,672
School Administration	126,947	94,102	32,845
Business Services	65,754	65,036	718
Operations and Maintenance	281,393	369,636	(88,243)
Student Transportation	268,570	234,983	33,587
Central Support	20,530	18,937	1,593
Community Services	300	44	256
Reserves	<u>840,000</u>	<u>-</u>	<u>840,000</u>
TOTAL EXPENDITURES	<u>3,408,444</u>	<u>2,534,420</u>	<u>874,024</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(756,000)	274,895	1,030,895
OTHER FINANCING SOURCES (USES)			
Transfers Out	<u>(84,000)</u>	<u>(84,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(840,000)	190,895	1,030,895
FUND BALANCE, Beginning	<u>1,232,929</u>	<u>1,310,281</u>	<u>77,352</u>
FUND BALANCE, Ending	<u>\$ 392,929</u>	<u>\$ 1,501,176</u>	<u>\$ 1,108,247</u>

See the accompanying Independent Auditors' Report.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2017

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

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

Changes in Assumptions and Other Inputs

For the year ended June 30, 2017, the total pension liability was determined by an actuarial valuation as of December 31, 2015. In addition, the following revised economic and demographic assumptions were effective as of December 31, 2016, and were reflected in the roll-forward procedures to determine the total pension liability at December 31, 2016.

- Investment rate of return assumption decreased from 7.5% per year, compounded annually, net of investment expenses, to 7.25%.
- Price inflation assumption decreased from 2.8% per year to 2.4%.
- Real rate of investment return assumption increased from 4.7% per year, net of investment expenses, to 4.85%.
- Wage inflation assumption decreased from 3.9% per year to 3.5%.
- Healthy and disabled mortality assumptions are based on the RP-2014 Mortality Tables, updated from the RP-2000 Mortality Tables.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual appropriated budgets are adopted for all funds except the agency fund. Budgets are adopted on a basis consistent with generally accepted accounting principles, except the Food Service Fund which utilizes a non-GAAP budgetary basis whereby donated commodities are not budgeted. The District adheres to the following procedures to establish the budgetary information reflected in the financial statements.

- By May 31, management submits to the Board of Education a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted by the Board of Education to obtain taxpayer comments.
- Prior to June 30, the budget is adopted by formal resolution.
- Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures of any fund must be approved by the Board of Education.
- All appropriations lapse at fiscal year end.

SUPPLEMENTARY INFORMATION

FREMONT COUNTY SCHOOL DISTRICT NO. RE-3

BUDGETARY COMPARISON SCHEDULE

FOOD SERVICE FUND

Year Ended June 30, 2017

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES			
Local Sources			
Charges for Services	\$ 17,000	\$ 16,424	\$ (576)
Investment Income	3	2	(1)
Miscellaneous	1,400	4,305	2,905
State Sources			
Grants	2,100	2,211	111
Federal Sources			
Grants	63,000	53,922	(9,078)
 TOTAL REVENUES	 83,503	 76,864	 (6,639)
EXPENDITURES			
Salaries	65,171	64,475	696
Benefits	31,347	30,833	514
Supplies and Materials	70,415	62,491	7,924
 TOTAL EXPENDITURES	 166,933	 157,799	 9,134
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 (83,430)	 (80,935)	 2,495
OTHER FINANCING SOURCES			
Transfers In	84,000	84,000	-
 NET CHANGE IN FUND BALANCE, Budgetary Basis	 \$ 570	 3,065	 \$ 2,495
ADJUSTMENTS TO GAAP BASIS			
Donated Commodities Received		7,809	
Donated Commodities Used		(7,809)	
 NET CHANGE IN FUND BALANCE, GAAP Basis		 3,065	
FUND BALANCE, Beginning		33,012	
FUND BALANCE, Ending		\$ 36,077	

See the accompanying Independent Auditors' Report.

FREMONT COUNTY SCHOOL DISTRICT NO. RE-3

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUND

Year Ended June 30, 2017

	<u>BALANCES</u> 6/30/16	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCES</u> 6/30/17
Student Activities				
ASSETS				
Cash	<u>\$ 51,652</u>	<u>\$ 164,100</u>	<u>\$ 168,572</u>	<u>\$ 47,180</u>
LIABILITIES				
Due to Student Groups	<u>\$ 51,652</u>	<u>\$ 164,100</u>	<u>\$ 168,572</u>	<u>\$ 47,180</u>

See the accompanying Independent Auditors' Report.

STATE COMPLIANCE



Colorado Department of Education

Auditors Integrity Report
 District: 1160 - COTOPAXI RE-3
 Fiscal Year 2016-17
 Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Governmental	Beq Fund Balance & Prior Per Adj (6880*)	+	1000 - 5999 Total Revenues & Other Sources	-	0001-0999 Total Expenditures & Other Uses	=	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
10	General Fund		1,310,281	2,725,316		2,534,422		1,501,175
18	Risk Mgmt Sub-Fund of General Fund		0	0		0		0
19	Colorado Preschool Program Fund		0	0		0		0
	Sub- Total		1,310,281	2,725,316		2,534,422		1,501,175
11	Charter School Fund		0	0		0		0
20.26-29	Special Revenue Fund		0	0		0		0
06	Supplemental Cap Const, Tech, Main, Fund		0	0		0		0
21	Food Service Spec Revenue Fund		33,011	168,672		165,607		36,076
22	Govt Designated-Purpose Grants Fund		0	0		0		0
23	Pupil Activity Special Revenue Fund		0	0		0		0
24	Full Day Kindergarten Mill Levy Override		0	0		0		0
25	Transportation Fund		0	0		0		0
31	Bond Redemption Fund		0	0		0		0
39	Certificate of Participation (COP) Debt Service Fund		0	0		0		0
41	Building Fund		0	0		0		0
42	Special Building Fund		0	0		0		0
43	Capital Reserve Capital Projects Fund		0	0		0		0
46	Supplemental Cap Const, Tech, Main Fund		0	0		0		0
	Totals		1,343,293	2,893,987		2,700,029		1,537,251
	Proprietary		0	0		0		0
50	Other Enterprise Funds		0	0		0		0
64 (63)	Risk-Related Activity Fund		0	0		0		0
60.65-69	Other Internal Service Funds		0	0		0		0
	Totals		0	0		0		0
	Fiduciary		0	0		0		0
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		51,653	164,099		168,572		47,180
79	GASB 34: Permanent Fund		0	0		0		0
85	Foundations		0	0		0		0
	Totals		51,653	164,099		168,572		47,180
	FINAL							

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