



FINANCIAL REPORT

Year Ended June 30, 2017



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Independent Auditors' Report

Board of Education
Weld County School District RE-3(J)
Keenesburg, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Weld County School District RE-3(J), as of and for the year ended June 30, 2017, and the related notes to the financial statements.

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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States 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 of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Weld County School District RE-3(J) as of June 30, 2017, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States.

Other Matters

Our audit was made for the purpose of forming opinions on the basic financial statements taken as a whole. The combining statements and individual fund financial statements and schedules on pages 42-54 and the Schedule of Expenditures of Federal Awards required by *Title 2 U.S. Code of Federal Regulations Part 200* on page 56 and the Auditors' Integrity Report figures on page 64 are presented for the purposes of additional analysis, and are not a required part of the basic financial statements of Weld County School District RE-3(J). Such information is the responsibility of the management and was derived from and relates 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. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Accounting principles generally accepted in the United States require that management discussion and analysis, the General Fund budgetary comparison schedule, and pension information 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, 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 evidence sufficient to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2017, on our consideration of Weld County School District RE-3(J)'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Anderson & Whitney, P.C.

November 30, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the report provides readers with a narrative overview and analysis of the financial activities of Weld County School District RE-3(J) (the District) for the year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with the basic financial statements to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

- The District's liabilities exceed assets by \$5.9 million at June 30, 2017. This deficit is caused by the Colorado PERA net pension liability of approximately \$65 million which has worsened dramatically in the last year.
- The General Fund balance was \$9.0 million as of June 30, 2017. Of this amount, \$722 thousand is reserved for emergencies.
- The June 30, 2017 General Fund balance is \$2.2 million more than the previous year-end. The total fund balance is 42% of 2017 General Fund operating expenditures plus operating transfers.
- The Debt Service Fund has a fund balance of \$7.3 million as of June 30, 2017. This balance is a debt service reserve.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements contain three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. In addition to the basic statements, this report also contains other supplementary information.

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, 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 District's financial position is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the fiscal 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 future fiscal periods (e.g. uncollected fees).

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 District, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources, as well as on balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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. By doing so, 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 revenue, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures, and changes in fund balances for the General Fund, Capital Reserve Projects Fund, Capital Projects Fund, and Debt Service Fund, all of which are considered to be major funds.

The basic governmental fund financial statements can be found on pages 12 through 15 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for student activities. Fiduciary funds are *not* included in the government-wide financial statements because the resources of these funds are not available to support the District's own operations.

The basic fiduciary fund financial statement can be found on page 16 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 can be found on pages 17 through 36 of this report.

Budgetary Comparisons. The District adopts an annual appropriated budget for all funds. A budgetary comparison schedule has been provided for the General Fund on pages 44 to 47 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of June 30, 2017, liabilities exceed assets by \$5,842,692.

The following table provides a summary of the District's net position:

	2017	2016
June 30	Governmental Activities	Governmental Activities
Assets		
Current and other assets	\$ 78,584,460	\$ 16,006,594
Capital assets	50,504,411	45,197,416
Total assets	129,088,871	61,204,010
Deferred Outflows of Resources	25,286,762	4,336,601
Liabilities		
Current and other liabilities	4,595,396	3,012,121
Long-term liabilities	154,246,418	60,000,339
Total liabilities	158,841,814	63,012,460
Deferred Inflows of Resources	1,376,511	2,459,172
Net Position		
Net investment in capital assets	19,803,279	19,969,207
Restricted	8,103,243	7,363,065
Unrestricted	(33,749,214)	(27,263,293)
Total net position (deficit)	\$ (5,842,692)	\$ 68,979

A significant portion of the District's net position represents an unrestricted net deficit of \$33,749,214 which may be used to meet the District's ongoing obligations to students and patrons.

Another significant portion of the District's net position reflects its investment in capital assets. These assets include land, buildings, and equipment. These capital assets are used to provide services to students; consequently, they are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. The only long-term debt is the bonds issued for construction of District schools. The District has no other long-term debt.

An additional \$8,103,243 of the District's net position represents resources that are subject to external restrictions on how they may be used. Included in this category are the TABOR emergency reserves of \$721,802, \$7,272,713 in reserves for debt service, \$-0- in preschool reserves, and \$108,728 in permanent and non-expendable funds.

The following table indicates the changes in net position:

Years Ended June 30	2017	2016
	Governmental Activities	Governmental Activities
Revenues:		
Program revenues:		
Charges for services	\$ 294,937	\$ 308,282
Operating grants	4,107,193	2,794,102
General revenues:		
Property taxes	21,231,961	22,602,160
State equalization	4,454,767	--
Investment earnings	352,588	21,255
Total revenues	30,441,446	25,725,799
Expenses:		
Instruction	22,641,767	13,759,053
Student services	2,760,746	2,572,263
Administrative services	3,344,963	3,213,403
Pupil transportation	1,038,736	981,851
Operations and maintenance	2,562,976	3,088,661
Interest and costs on long-term debt	4,003,929	1,530,652
Total expenses	36,353,117	25,145,883
Increase (decrease) in net position	\$ (5,911,671)	\$ 579,916

Governmental Activities. Governmental activities decreased the District's net position by \$5,911,671 in 2017. Key elements of this decrease are as follows:

- Total revenues increased about 18% compared to the prior year, primarily due to enrollment growth and higher mill-levy override revenues.
- Expenses increased about 45% from the previous year, due to costs in serving a growing student body as well as \$9 million in additional pension costs from the increasing deficits of Colorado PERA.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As of June 30, 2017, the total fund balances of the District's governmental funds were \$73,989,064. Approximately 7% of this consists of unassigned fund balance, which is available as working capital and for current spending in accordance with the purposes of the specific funds. The remainder of fund balance is reserved or assigned to indicate that it is not available for new spending because it is for the following purposes: (1) a state-constitution mandated emergency reserve (\$721,802); (2) debt service (\$7,272,713); (3) preschool (\$-0-); (4) permanent and non-expendable funds (\$108,728); (5) contingencies (\$2,894,088); and (6) capital outlay (\$57,627,825).

The District has three major governmental funds. These are the General Fund, Capital Projects Fund, and the Debt Service Fund.

1. **General Fund.** This is the primary operating fund of the District. It accounts for the District's core services, such as instruction and student services. The General Fund balance was \$8,979,798 as of June 30, 2017. The 2017 fund balance is \$2,255,651 more than the previous year, primarily from a higher mill-levy overrides and cost controls.
2. **Capital Projects Fund.** The Capital Projects Fund accounts for the receipt and spending of the proceeds of bond proceeds restricted for certain capital purposes. Revenue of \$64 million and expenditures of \$7 million were made from this fund, from the proceeds of bonds.
3. **Debt Service Fund.** This is the fund which receives bond redemption property taxes and made bond payments of \$4,219,428 during the year. The fund balance increased \$719,143 during the year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's budget is prepared according to Colorado statutes. The most significant budgeted fund is the General Fund.

2017 General Fund

	Budget	Actual
Beginning Fund Balance	\$ 6,724,147	\$ 6,724,147
Revenue	22,900,259	23,668,606
Expenditures	(19,868,751)	(20,282,297)
Transfers	(874,686)	(1,130,658)
Ending Fund Balance	\$ 8,880,969	\$ 8,979,798

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The District's investment in capital assets for its governmental type activities as of June 30, 2017 totals \$50.5 million (net of accumulated depreciation). This investment includes all land, buildings, and equipment. The total increase in investment in capital assets for the current year was \$5.3 million or approximately 10%, due to construction in progress funded by the 2016 bond election.

The District implemented the straight-line depreciation method under GASB 34 for its capital assets, except for land which is not depreciated.

Additional information on the District's capital assets can be found in Note 3 of this report.

Long-term Debt. At June 30, 2017, the District had \$79.4 million of bonds and COP's payable, primarily funded from a bond redemption property tax.

Additional information on the District's debt can be found in Note 2.

OTHER MATTERS

The following factors are expected to have a significant effect on the District's financial position and results of operations and were taken into account in developing the 2018 budget:

- Several construction projects are underway with the proceeds of the 2016 bond election.
- Expected growth in the District's enrollment causes increased demands in all service areas of the District, especially in instruction and student services.
- The State of Colorado's budget shortfall has led to a number of grant programs being reduced or costs shifted to the District.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Weld County School District RE-3(J) finances for all those with an interest in the District's finances. Questions concerning any of the information provided or for additional financial information should be addressed to the District, P.O. Box 269, Keenesburg, Colorado 80643.

WELD COUNTY SCHOOL DISTRICT RE-3(J)

STATEMENT OF NET POSITION

June 30, 2017	Governmental Activities	Charter School
<u>ASSETS</u>		
Current Assets:		
Cash	\$ 10,892,390	\$ 865,606
Receivables	505,165	23,982
Total Current Assets	11,397,555	889,588
Noncurrent Assets:		
Investments - restricted	67,186,905	1,595,977
Capital assets	78,522,238	2,037,796
Less: Accumulated depreciation	(28,017,827)	(776,129)
Total Noncurrent Assets	117,691,316	2,857,644
TOTAL ASSETS	129,088,871	3,747,232
Deferred Outflows of Resources:		
Pension plan	25,286,762	1,719,403
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts payable	2,755,993	3,595
Accrued salaries and benefits	1,821,768	57,111
Unearned revenue	17,241	-
Current portion of long-term debt	-	34,133
Due to Fiduciary Fund	394	-
Total Current Liabilities	4,595,396	94,839
Noncurrent Liabilities:		
Bonds payable	79,455,090	75,114
Bonds payable - premium	8,873,867	-
Accrued sick leave	414,954	-
Net pension liability	65,502,507	4,466,080
Total Liabilities	158,841,814	4,636,033
Deferred Inflows of Resources:		
Pension plan	1,376,511	20,140
<u>NET POSITION</u>		
Net investment in capital assets	19,803,279	1,152,420
Restricted for:		
Debt service	7,272,713	-
Capital outlay	-	1,592,000
Emergencies	721,802	52,205
Preschool	-	-
Nonexpendable	108,728	-
Unrestricted	(33,749,214)	(1,986,163)
TOTAL NET POSITION (DEFICIT)	\$ (5,842,692)	\$ 810,462

See Accompanying Notes to Financial Statements

WELD COUNTY SCHOOL DISTRICT RE-3(J)

STATEMENT OF ACTIVITIES

Year Ended June 30, 2017	Expenses	Charges for Services
Functions/Programs:		
Governmental activities:		
Instruction	\$ 22,641,767	\$ -
Support services:		
Pupils	822,197	-
Instructional support	1,938,549	-
General administration	2,035,436	-
School administration	1,309,527	-
Operations and maintenance	2,562,976	294,937
Pupil transportation	1,038,736	-
Interest and costs on long-term debt	4,003,929	-
Total Support Services	13,711,350	294,937
TOTAL GOVERNMENTAL ACTIVITIES	\$ 36,353,117	\$ 294,937
Component Unit:		
Charter School	2,174,709	-
General Revenues:		
State equalization		
Property taxes		
Specific ownership tax		
Investment earnings		
Changes in Net Position		
Net Position - Beginning		
NET POSITION - Ending		

See Accompanying Notes to Financial Statements.

Program	Revenues		Net (Expense) Revenue and Changes in Net Position	
	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Charter School
\$	4,107,193	\$ -	\$ (18,534,574)	\$ -
	-	-	(822,197)	-
	-	-	(1,938,549)	-
	-	-	(2,035,436)	-
	-	-	(1,309,527)	-
	-	-	(2,268,039)	-
	-	-	(1,038,736)	-
	-	-	(4,003,929)	-
	-	-	(13,416,413)	-
\$	4,107,193	\$ -	\$ (31,950,987)	\$ -
	203,345	1,646,631		(324,733)
			4,454,767	1,173,222
			19,858,761	318,020
			1,373,200	-
			352,588	6,521
			26,039,316	1,497,763
			(5,911,671)	1,173,030
			68,979	(362,568)
			\$ (5,842,692)	\$ 810,462

WELD COUNTY SCHOOL DISTRICT RE-3(J)

BALANCE SHEET - Governmental Funds

June 30, 2017	General Fund	Debt Service Fund	Capital Reserve Projects Fund	Capital Projects Fund	Other Governmental Funds	Total
ASSETS						
Cash and Investments	\$ 10,067,625	\$ -	\$ 331,579	\$ 60,002,501	\$ 433,055	\$ 70,834,760
Bank Certificates of Deposit	-	-	-	-	60,131	60,131
Investments with Trustee	-	7,184,404	-	-	-	7,184,404
Property Taxes Receivable	40,222	17,447	-	-	-	57,669
Due from Other Funds	813,622	70,862	-	-	48,225	932,709
Other Receivables	276,062	-	-	-	171,434	447,496
TOTAL ASSETS	\$ 11,197,531	\$ 7,272,713	\$ 331,579	\$ 60,002,501	\$ 712,845	\$ 79,517,169
LIABILITIES AND FUND BALANCES						
Accounts Payable	\$ 501,011	\$ -	\$ 220	\$ 2,209,676	\$ 45,086	\$ 2,755,993
Accrued Salaries and Benefits	1,716,722	-	-	-	105,046	1,821,768
Unearned Revenue	-	-	-	-	17,241	17,241
Due to Other Funds	-	-	331,359	165,000	436,744	933,103
Total Liabilities	2,217,733	-	331,579	2,374,676	604,117	5,528,105
Fund Balances:						
Non-spendable	-	-	-	-	108,728	108,728
Restricted:						
Debt service	-	7,272,713	-	-	-	7,272,713
Capital outlay	-	-	-	57,627,825	-	57,627,825
TABOR emergencies	721,802	-	-	-	-	721,802
Preschool	-	-	-	-	-	-
Assigned:						
Capital outlay	-	-	-	-	-	-
Contingencies	2,894,088	-	-	-	-	2,894,088
Unassigned	5,363,908	-	-	-	-	5,363,908
Total Fund Balances	8,979,798	7,272,713	-	57,627,825	108,728	73,989,064
TOTAL LIABILITIES AND FUND BALANCES	\$ 11,197,531	\$ 7,272,713	\$ 331,579	\$ 60,002,501	\$ 712,845	\$ 79,517,169

See Accompanying Notes to Financial Statements.

WELD COUNTY SCHOOL DISTRICT RE-3(J)

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET WITH THE STATEMENT OF NET POSITION

June 30, 2017

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

Total Governmental Funds Fund Balance	\$ 73,989,064
Capital assets used in governmental activities are not financial resources and therefore not reported as net position in governmental funds.	
Cost of capital assets	78,522,238
Accumulated depreciation	(28,017,827)
Deferred inflows and outflows of resources related to pensions	23,910,251
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
Compensated absences - long-term portion	(414,954)
Debt payable	(79,455,090)
Bonds payable - premium	(8,873,867)
Net pension liability	(65,502,507)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	\$ (5,842,692)

See Accompanying Notes to Financial Statements.

WELD COUNTY SCHOOL DISTRICT RE-3(J)

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - Governmental Funds**

Year Ended June 30, 2017	General Fund	Debt Service Fund	Capital Reserve Projects Fund	Capital Projects Fund	Other Governmental Funds	Total
Revenue:						
Local sources	\$17,108,824	\$ 4,655,069	\$ -	\$ -	\$ 275,023	\$ 22,038,916
State sources	6,489,556	-	-	-	60,167	6,549,723
Federal sources	57,223	-	-	-	1,442,996	1,500,219
Other	13,003	12,952	799	325,162	672	352,588
Total Revenue	23,668,606	4,668,021	799	325,162	1,778,858	30,441,446
Expenditures:						
Instruction	11,869,987	-	-	-	672,487	12,542,474
Supporting services	8,092,256	-	-	-	1,111,648	9,203,904
Capital outlay	320,054	-	863,988	6,020,554	-	7,204,596
Debt service	-	3,948,878	267,469	664,814	-	4,881,161
Total Expenditures	20,282,297	3,948,878	1,131,457	6,685,368	1,784,135	33,832,135
Revenue Over (Under) Expenditures	3,386,309	719,143	(1,130,658)	(6,360,206)	(5,277)	(3,390,689)
Other Financing Sources (Uses):						
Operating transfers in (out)	(1,130,658)	-	1,130,658	-	-	-
Proceeds of bonds	-	12,369,182	-	58,620,000	-	70,989,182
Proceeds of bonds premium	-	1,835,533	-	6,959,980	-	8,795,513
Payment to refunding agent	-	(14,204,715)	-	-	-	(14,204,715)
Allocation of bond issue to CCA	-	-	-	(1,592,000)	-	(1,592,000)
Total Other Financing Sources (Uses)	(1,130,658)	-	1,130,658	63,987,980	-	63,987,980
Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	2,255,651	719,143	-	57,627,774	(5,277)	60,597,291
Fund Balances, Beginning of Year	6,724,147	6,553,570	-	51	114,005	13,391,773
Fund Balances, End of Year	\$ 8,979,798	\$ 7,272,713	\$ -	\$ 57,627,825	\$ 108,728	\$ 73,989,064

See Accompanying Notes to Financial Statements.

WELD COUNTY SCHOOL DISTRICT RE-3(J)

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES WITH THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

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

Total net change in governmental funds fund balances	\$60,597,291
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 depreciation expense in the statement of activities:	
Capital Outlay	6,692,677
Depreciation Expense	(1,385,682)
Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balances. In the government-wide statements, however, issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities.	(65,545,080)
Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term debt in the statement of net position and does not affect the statement of activities	2,434,333
Increase in accrued leave	(17,654)
The governmental funds report District pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned, net of employee contributions, is reported as pension expense	(8,687,556)
Change in Net Position of Governmental Activities	\$ (5,911,671)

See Accompanying Notes to Financial Statements.

**WELD COUNTY SCHOOL DISTRICT RE-3(J)
STUDENT ACTIVITY FUND**

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2017	Agency Fund
<u>ASSETS</u>	
Cash	\$ 535,644
Due From Other Funds	394
Accounts Receivable	-
TOTAL ASSETS	\$ 536,038
<u>LIABILITIES</u>	
Accounts Payable	\$ 394
Funds Held for Student Activities:	
Weld Central Senior High	419,021
Weld Central Middle School	48,710
Hudson Academy	18,934
Hoff Elementary	21,844
Lochbuie Elementary	27,135
	\$ 536,038

See Accompanying Notes to Financial Statements.

WELD COUNTY SCHOOL DISTRICT RE-3(J)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies:

The accounting and reporting policies of the Weld County School District RE-3(J) (the District) conform to generally accepted accounting principles. The following summary of significant accounting policies is presented to assist the reader in evaluating the District's financial statements.

Reporting Entity:

The financial report of the District includes all of the integral parts of the District's operations. The District has determined that it has no fiscal accountability for any other agency which would require it to be in the reporting entity, except for the Cardinal Community Academy.

In September 1999, the District entered into an agreement with the Cardinal Community Academy to operate a charter school. The School receives 100% of the applicable per-pupil funding from the District, less applicable administrative charges. Funded enrollment for the 2016-2017 school year was approximately 164 pupils.

The District passed through \$1,173,222 in per pupil funding, \$318,020 in mill levy override, and \$100,206 in other State and Federal grants for a total of \$1,591,448 in other instructional expenditures. Administrative costs of \$52,979 were withheld by the District. The charter school is included in these financial statements as a discretely presented component unit.

Basis of Presentation:

Government-wide Financial Statements:

The District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information. The government-wide focus is more on the sustainability of the District as an entity and the change in aggregate financial position resulting from activities of the fiscal period.

The statement of net position and the statement of activities display information about the District as a whole. The government-wide statement of net position is presented on a consolidated basis. These statements include the financial activities of the primary government, except for fiduciary activities. For the most part, the effect of interfund activity has been removed from these statements.

WELD COUNTY SCHOOL DISTRICT RE-3(J)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies - Continued:

Basis of Presentation - Continued:

Government-wide Financial Statements - Continued:

The government-wide statement of activities reflects both the direct expenses and net cost of each function of the District's governmental activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges paid by the recipient for the goods or services offered by the program. Grants and contributions that are restricted to meeting the operational requirements of a particular program are included in operating grants and contributions. Grants and contributions that are restricted to capital requirements of a particular program are included in capital grants and contributions. Revenues which are not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each government function is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

The financial transactions of the District are recorded in individual funds. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Separate statements for each fund category – governmental, proprietary, and fiduciary - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. Any remaining governmental funds would be aggregated and presented as non-major funds.

The District reports the following major funds:

General Fund:

The General Fund is the general operating fund of the District and accounts for all financial resources of the District that are not properly accounted for in other funds.

It is used to account for the instructional and support services programs of the District. The revenue of the fund consists primarily of local property taxes and state equalization aid.

Capital Projects Fund:

The Capital Projects Fund accounts for the receipt and spending of the proceeds of bonds and other sources for capital projects.

Debt Service Fund:

The Debt Service Fund accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest.

WELD COUNTY SCHOOL DISTRICT RE-3(J)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies - Continued:

Additionally, the District reports a Fiduciary Fund:

Agency Fund:

The Agency Fund consists of funds held by the District as custodian or fiscal agent for students.

Fixed Assets and Long-Term Obligations:

The accounting and reporting treatment applied to the fixed assets and long-term obligations are determined by its measurement focus as discussed above.

Fixed Assets:

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Only fixed assets with a unit cost of more than \$5,000 are added to capital assets.

Depreciation has been provided using the straight-line method over the estimated useful lives as follows:

Buildings	50 years
Equipment	5-15 years
Vehicles	10 years
Land and Building Improvements	20 years

Long-Term Obligations:

Accrued sick leave for the governmental funds is accounted for in the government-wide financial statements. Sick leave is earned when vested, and is recorded as expenditure in the applicable fund when paid. Effective May 22, 2013, a licensed employee who has accumulated 50 or more days is paid at a rate of the current substitute rate per day of accumulated leave upon termination or retirement. Eligible administrative and classified staff members with 50 or more days are paid at one half their current daily salary. If the employee has fewer than 50 days of accumulated sick leave, no sick leave is paid upon retirement or termination. At June 30, 2017, the liability for accumulated sick leave approximated \$414,954. Long-term liabilities expected to be financed from the proprietary fund would be accounted for in the proprietary fund.

WELD COUNTY SCHOOL DISTRICT RE-3(J)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies - Continued:

Measurement Focus:

Governmental-wide Statements:

The governmental-wide statements are reported using the economic resources measurement focus. The governmental-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include per pupil revenue, grants and donations. Revenue from per pupil revenue is recognized in the fiscal year for which the funding is provided. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Under the terms of grant agreements, the District funds certain programs by a combination of specific grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the district's policy to first apply grant resources (restricted net position) to such programs and then general revenues (unrestricted net position).

Fund Financial Statements:

Basis of Accounting:

Basis of accounting refers to when revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The governmental funds utilize the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both measurable and available as net current assets. Revenues that are susceptible to accrual, that is, are measurable and available to finance the District's operations, consist primarily of interest. Grant revenues are recognized to the extent of eligible expenditures incurred. Expenditures are generally recognized when the related fund liability is incurred.

Property Taxes:

Property taxes are levied in November and attach as an enforceable lien on property as of January 1 of the following year. Taxes are payable in two installments on March 1 and June 15, or in full on April 30. The District uses the Adams and Weld County Treasurers to bill and collect its property taxes. All uncollected taxes are reflected as taxes receivable and deferred revenue as of June 30, 2017. An allowance for uncollectible taxes is not provided as the uncollectible amounts were determined to be immaterial.

WELD COUNTY SCHOOL DISTRICT RE-3(J)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies - Continued:

Property Taxes – Continued:

The original January 1, 2017 levy for the General Fund of the District was 10.912 mills, plus a 4.610 mill override, or approximately \$15.2 million, and 4.774 mills or approximately \$4.6 million in the Debt Service Fund.

Budget:

An annual budget and appropriation resolution is adopted by the Board of Education. The budget is prepared on a basis consistent with generally accepted accounting principles for all funds, except that a budget is also prepared for the student activity agency fund. The fund level of classification is the level at which expenditures may not legally exceed appropriations. All annual appropriations lapse at year end.

The Superintendent is authorized to transfer budgeted amounts within departments of each fund. Any revisions that alter the total appropriation for each department must be approved by the Board of Education through a supplemental appropriation ordinance. There were no supplemental appropriations in the year ended June 30, 2017. The District over-expended budgetary appropriations in the Debt Service and Capital Projects funds, which may be a violation of State law.

Interfund Transactions:

Any amounts due to or from other funds at year end represent timing differences for payment reimbursements and are cleared promptly.

Employee Vacation Leave:

Some employees receive noncumulative vacation leave. No accrual or liability is made as vacation leave accrues July 1 each year and the amount outstanding at year end is lost if not used by June 30 the following year.

Fund Equity:

In the fund financial statements, governmental funds report restrictions of fund balance for amounts that are legally restricted by law or outside parties for use for a specific purpose.

Restrictions for the District are recorded up to the maximum equity available in the fund balance and consist of:

Restricted for Debt Service:

These restrictions are established for amounts set aside for payments of principal and interest on the bonds payable. Recorded amounts at June 30, 2017 are \$7,272,713.

WELD COUNTY SCHOOL DISTRICT RE-3(J)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies - Continued:

Fund Equity – Continued:

Restricted for Emergencies:

These restrictions are established to comply with TABOR. Recorded TABOR emergency reserves at June 30, 2017 are \$721,802.

Restricted for Preschool:

These restrictions are established to comply with the Colorado Preschool and Kindergarten Act. Recorded amounts at June 30, 2017 are \$-0-.

Assigned fund balances are amounts the District intends to use for a specific purpose. Intent can be expressed by the Board of Education or by an official to which the Board delegates the authority. Restricted funds are considered to be spent first, followed by assigned and unassigned, for an expenditure for which any could be used.

Net Position:

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

Deferred Outflows and 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 future periods and so will not be recognized as an outflow of resources (expense/expenditures) until then. The District has one item that qualifies for reporting in this category: changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

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 future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of item that qualified for reporting in this category: changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

WELD COUNTY SCHOOL DISTRICT RE-3(J)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies - Continued:

Pensions:

Weld County School District RE-3(J) 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.

Implementation of GASB Statement No. 68 and GASB Statement No. 71:

As of July 1, 2014, the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of these standards requires governments calculate and report the costs and obligations associated with pensions in their basic financial statements. Employers are required to recognize pension amounts for all benefits provided through the plan which include the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense.

NOTE 2 - Changes in Long-Term Debt:

	Balance, 6/30/16	Additions	Deletions	Balance, 6/30/17	Due Within One Year
2006 Refunding Bonds	\$ 7,064,990	\$ --	\$ 7,064,990	\$ --	\$ --
2006 Refunding Bonds Premium	486,511	--	486,511	--	--
2007 Refunding Bonds	7,055,000	--	7,055,000	--	--
2012 Refunding Bonds	7,270,000	--	2,005,000	5,265,000	2,045,000
2012 Refunding Bonds Premium	156,708	--	78,354	78,354	--
2013 COP's	3,185,000	--	145,000	3,040,000	145,000
2016 Refunding Bonds	--	12,530,000	--	12,530,000	--
2016 Refunding Bonds Premium	--	1,835,533	--	1,835,533	--
2016 G.O. Bond	--	58,620,000	--	58,620,000	520,000
2016 G. O. Bonds Premium	--	6,959,980	--	6,959,980	--
Accrued compensated absences	397,300	17,654	--	414,954	--
	\$25,615,509	\$79,963,167	\$16,834,855	\$88,743,821	\$2,710,000

WELD COUNTY SCHOOL DISTRICT RE-3(J)

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - Changes in Long-Term Debt – Continued:

In December 2016, the District issued \$58,620,000 of general obligation bonds at 3-5% interest, payable through 2036 to construct or renovate several schools.

In August 2016, the District advance refunded the 2006 and 2007 refunding bond issues. The District issued \$12,530,000 of general obligation refunding bonds at 2-4% interest through 2024 to provide resources to purchase U.S. governmental securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from long-term debt. The refunding provides a savings in total debt service of \$1,869,191 and an accounting gain of \$55,978.

In August 2012, the District advance refunded the 2004 and most of 2005 bond issues. The District issued \$9,605,000 of general obligation refunding bonds at 2% through 2019 to provide resources to purchase U.S. governmental securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from long-term debt. The District has a total of \$7,590,000 of defeased debt.

In June 2013, the District issued certificates of participation (COP's) in the amount of \$3,605,000, to finance the purchase of land and water rights. Annual payments are required through 2033 at interest rates ranging from 2.0 to 4.5%. The COP's are collateralized by the property.

Bond payments are made through the Debt Service Fund. A summary of annual requirements to amortize debt outstanding is as follows:

Year Ending June 30	Principal	Interest	Total
2018	\$ 2,710,000	\$ 3,394,319	\$ 6,104,319
2019	2,865,000	3,335,494	6,200,494
2020	2,940,000	3,034,394	5,974,394
2021	2,030,000	3,219,131	5,249,131
2022	2,095,000	3,142,531	5,237,531
2023-2027	17,585,000	13,722,425	31,307,425
2028-2032	22,195,000	9,555,125	31,750,125
2033-2036	27,035,000	3,489,475	30,524,475
Totals	\$ 79,455,000	\$ 42,892,894	\$ 122,347,894

WELD COUNTY SCHOOL DISTRICT RE-3(J)

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - Changes in Long-Term Debt - Continued:

Cardinal Community Academy's long-term debt is as follows:

June 30	2017
Note payable to a bank in monthly installments of \$3,361, with balance due in January 2020, interest at 6.5%, collateralized by property	\$ 109,247

Changes in Cardinal Community Academy's long-term debt were as follows:

	Balance, 7/1/16	Additions	Deletions	Balance, 6/30/17
Notes Payable	\$ 141,464	\$ --	\$ 32,217	\$ 109,247

Future maturities of long-term debt are as follows:

Years Ending June 30	Annual Maturities
2018	\$ 34,133
2019	36,443
2020	38,671
Total	\$ 109,247

NOTE 3 - Changes in Capital Assets:

	Balance, 6/30/16	Additions	Deletions	Balance, 6/30/17
Land and Improvements	\$ 2,606,285	\$ --	\$ --	\$ 2,606,285
Water Certificates	1,987,855	--	--	1,987,855
Buildings and Improvements	58,427,465	--	--	58,427,465
Equipment	4,988,766	171,534	--	5,160,300
Transportation Equipment	3,790,290	371,473	--	4,161,763
Construction in Progress	28,900	6,149,670	--	6,178,570
	71,829,561	6,692,677	--	78,522,238
Less Accumulated Depreciation:				
Land and improvements	644,207	28,047	--	672,254
Buildings and improvements	18,623,004	1,140,244	--	19,763,248
Equipment	4,233,122	69,027	--	4,302,149
Transportation equipment	3,131,812	148,364	--	3,280,176
	26,632,145	1,385,682	--	28,017,827
Total Capital Assets	\$45,197,416	\$ 5,306,995	\$ --	\$ 50,504,411

WELD COUNTY SCHOOL DISTRICT RE-3(J)

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - Changes in Capital Assets – Continued:

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

Instruction	\$ 1,237,318
Transportation	148,364

Changes in Cardinal Community Academy's capital assets are as follows:

	Balance, 6/30/16	Additions	Deletions	Balance, 6/30/17
Land and Improvements	\$ 115,780	\$ --	\$ --	\$ 115,780
Building and Improvements	1,172,170	2,500	8,568	1,166,102
Furniture and Equipment	346,745	72,150	20,598	398,297
Construction in Progress	--	357,617	--	357,617
	1,634,695	432,267	29,166	2,037,796
Less: Accumulated depreciation	748,162	57,133	29,166	776,129
Capital Assets, Net	\$ 856,533	\$ 375,134	\$ --	\$ 1,261,667

NOTE 4 - Cash and Investments:

The District's bank accounts and certificates of deposit at year end were entirely covered by federal depository insurance or by collateral held by the District's custodial bank under provisions of the Colorado Public Deposit Protection Act.

The Colorado Public Deposit Protection Act requires financial institutions to pledge collateral having a market value of at least 102% of the aggregate public deposits not insured by federal depository insurance. Eligible collateral includes municipal bonds, U.S. government securities, mortgages and deeds of trust.

Cash resources of the General Fund and Food Service Fund are combined and deposited into an interest-bearing checking account. All interest earned on the pooled account is credited to the General Fund.

State statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. agencies, obligations of the State of Colorado or of any county, District, and certain towns and cities therein, notes or bonds secured by insured mortgages or trust deeds, obligations of national mortgage associations, and certain repurchase agreements.

The District does not have an investment policy beyond the restrictions in State statutes.

Colorado Revised Statutes limit investment maturities to five years or less from the date of purchase. This limit on investment maturities is a means of limiting exposure to fair values arising from increasing interest rates.

WELD COUNTY SCHOOL DISTRICT RE-3(J)

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - Cash and Investments – Continued:

At June 30, 2017, the General Fund held \$60,020,203 in COLOTRUST, a 2a-7 like local government investment pool. The investment pool is routinely monitored by the Colorado Division of Securities with regard to operations and investments. Investments are valued at amortized cost with each share valued at \$1.00. The investment is rated AAAM by Standard & Poor's. The appropriate fair value is \$60,020,203.

At June 30, 2017, the Debt Service Fund held debt service tax proceeds of \$7,184,404 in the Federated Treasury Obligation Fund. This investment cannot be categorized since it is not evidenced by specific securities. The investment is rated AAA by Standard & Poor's. The approximate fair value is \$7,184,404.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1 Quoted prices in active markets for identical assets or liabilities
- Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statement of net position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31:

Description	Fair Value Measurements at Reporting Date Using		
	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>June 30, 2017</u>			
ColoTrust	\$ --	\$ 60,020,203	\$ --
Federal Treasury Obligation Fund	--	7,184,404	--

WELD COUNTY SCHOOL DISTRICT RE-3(J)

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - Accrued Salaries:

Salaries of certain personnel are paid over a twelve-month period from September to August, but are earned during a School year of approximately nine to eleven months. The salaries and benefits earned, but unpaid, as of June 30, 2017, are estimated to be \$414,954.

NOTE 6 - Commitments and Contingencies:

In 1992 the Colorado voters approved the "Taxpayer's Bill of Rights" (TABOR). TABOR requires voter approval for any new tax, tax rate increase, mill levy increase, or new debt. In November 1998, the electors of the District voted to supercede TABOR and to collect, retain, and expend the full proceeds of all taxes, fees, and other revenue without increasing or adding taxes of any kind.

Included in the accompanying financial statements are restrictions of fund balances for TABOR reserves, which will not constitute TABOR spending when utilized. TABOR reserves include an emergency reserve. The District believes it is in compliance with the requirements of TABOR.

NOTE 7 - PERA:

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.

Plan description: Eligible employees of the District are provided with pensions through the School Division Trust Fund - 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.

WELD COUNTY SCHOOL DISTRICT RE-3(J)

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – PERA – Continued:

Benefits provided: PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 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.

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 the 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, 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 receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's annual increase reserve for the SCHDTF.

WELD COUNTY SCHOOL DISTRICT RE-3(J)

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – PERA – Continued:

Contributions: Eligible employees and the District are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq.* Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized as follows:

Years Ended December 31	2017	2016
Employer contribution rate as a percentage of salary	10.15%	10.15%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02)	(1.02)
Amount Apportioned to the SCHDTF	9.13	9.13
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	4.50	4.50
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.00	4.50
Total Employer Contribution Rate to the SCHDTF	18.63%	18.13%

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District were \$1,970,185 for the year ended June 30, 2017.

At June 30, 2017, the District reported a liability of \$65,502,507 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, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016. The District proportion of the net pension liability was based on the District contributions to the SCHDTF for the calendar year 2016 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2016, the District's proportion was .22 percent, which is approximately the same as the .22 percent measured as of December 31, 2015.

WELD COUNTY SCHOOL DISTRICT RE-3(J)

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – PERA – Continued:

For the year ended June 30, 2017, the District recognized pension expense of \$12,504,098. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

June 30, 2017	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 818,882	\$ 576
Net difference between projected and actual earnings on pension plan investments	2,190,267	--
Changes in assumptions	21,254,198	295,383
Changes in proportion and differences between contributions recognized and proportionate share of contributions	--	1,080,552
Contributions subsequent to the measurement date	1,023,415	--
Total	\$ 25,286,762	\$ 1,376,511

Deferred outflows of resources related to pensions of \$1,023,415, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30	Amount
2018	\$ 8,824,640
2019	9,284,198
2020	4,756,151
2021	21,847
	\$ 22,886,836

WELD COUNTY SCHOOL DISTRICT RE-3(J)

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – PERA – Continued:

Actuarial assumptions: The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Price inflation	2.8 percent
Real wage growth	1.1 percent
Wage inflation	3.9 percent
Salary increases, including wage inflation	3.9 – 10.1 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.5 percent
Future post-retirement benefit increases: PERA Benefit Structure hired prior to 1/1/07 (automatic)	2.0 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, 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 Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analysis were outlined in presentations to PERA's Board on October 28, 2016. As a result of the October 28, 2016 actuarial assumptions workshop and the November 18, 2016 PERA Board meeting, the economic assumptions changed, effective December 31, 2016, as follows:

- Investment rate of return assumption decreased from 7.5 percent per year, compounded annually, net of investment expenses to 7.25 percent per year, compounded annually, net of investment expenses.
- Price inflation assumption decreased from 2.8 percent per year to 2.4 percent per year.
- Real rate of investment return assumption increased from 4.7 percent per year, net of investment expenses, to 4.85 percent per year, net of investment expenses.

WELD COUNTY SCHOOL DISTRICT RE-3(J)

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – PERA – Continued:

- Wage inflation assumption decreased from 3.9 percent per year to 3.5 percent per year.

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

As of the most recent analysis of the long-term expected rate of return, presented to the PERA Board on November 18, 2016, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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%	

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 7.5 percent.

Discount rate. The discount rate used to measure the total pension liability was 5.26 percent. The projection of cash flows used to determine the discount rate applied to 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-3(J)

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – PERA – Continued:

- Updated economic and demographic actuarial assumptions adopted by PERA's Board on November 18, 2016.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

WELD COUNTY SCHOOL DISTRICT RE-3(J)

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – PERA – Continued:

Based on the above assumptions and methods, the projection test indicates the SCHDTF’s fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25 percent on pension plan investments was applied to periods through 2041 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System, was applied to periods on and after 2041 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.86 percent, resulting in a discount rate of 5.26 percent.

As of the prior measurement date, the projection test indicated the SCHDTF’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long-term expected rate of return on plan investments of 7.50 percent was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination did not use a municipal bond index rate and the discount rate was 7.50 percent, 2.24 percent higher compared to the current measurement date.

Sensitivity of the District 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 5.26 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 (4.26 percent) or 1-percentage-point higher (6.26 percent) than the current rate:

	1% Decrease (4.26%)	Current Discount Rate (5.26%)	1% Increase (6.26%)
June 30, 2017			
Proportionate share of the net pension liability	\$ 82,367,298	\$ 65,502,507	\$ 51,766,746

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.

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

WELD COUNTY SCHOOL DISTRICT RE-3(J)

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – PERA – Continued:

The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions, employer contributions and investment earnings.

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

The District is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2017, June 30, 2016, and June 30, 2015 the District contributions to the HCTF were \$104,380, \$100,236, and \$102,087, respectively, equal to their required contributions for each year.

NOTE 8 - 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 entered into the Colorado School Districts Self Insurance Pool in 1985. The Pool was established by the Colorado Association of District Boards (CASB) to provide insurance coverage's to participants in the areas of general liability, automobile liability, auto physical damage, auto personal injury protection, real and personal property, crime, and other coverages.

The District's share in the Pool is estimated to be less than 1%.

The District continues to carry commercial insurance for other risks of loss, including workers' compensation, employee fidelity, and director liability. Settled claims have not exceeded this coverage in any of the past three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

WELD COUNTY SCHOOL DISTRICT RE-3(J)**BUDGETARY COMPARISON SCHEDULE**

Year Ended June 30, 2017	General Fund			
	Actual	Original Budget	Final Budget	Variance
Revenue:				
Local sources	\$ 17,108,824	\$ 15,133,891	\$ 17,174,272	\$ (65,448)
State sources	6,489,556	4,459,832	5,725,131	764,425
Federal sources	57,223	-	-	57,223
Other	13,003	825	856	12,147
Total Revenue	23,668,606	19,594,548	22,900,259	768,347
Expenditures:				
Instruction	11,869,987	11,096,688	12,098,809	228,822
Supporting services	8,092,256	5,023,424	8,396,264	304,008
Capital outlay	320,054	464,500	546,479	226,425
Appropriated reserves	-	-	-	-
Total Expenditures	20,282,297	16,584,612	21,041,552	759,255
Revenue Over (Under) Expenditures	3,386,309	3,009,936	1,858,707	1,527,602
Other Financing Sources (Uses):				
Operating transfers in (out)	(1,130,658)	(614,469)	(874,686)	(255,972)
Total Other Financing Sources (Uses)	(1,130,658)	(614,469)	(874,686)	(255,972)
Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	2,255,651	2,395,467	984,021	1,271,630
Fund Balance, Beginning of Year	6,724,147	6,724,147	6,724,147	-
Fund Balance, End of Year	\$ 8,979,798	\$ 9,119,614	\$ 7,708,168	\$ 1,271,630

WELD COUNTY SCHOOL DISTRICT RE-3(J)

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30	Statutorily Required Contributions	Contributions Made	Covered Payroll	% of Covered Payroll
2017	\$ 1,970,185	\$ 1,970,185	\$10,234,727	19.2%
2016	1,842,571	1,842,581	9,826,954	18.8%
2015	1,716,404	1,716,404	9,353,702	18.0%

Until a full 10-year trend is compiled, the District will present information for those years for which information is available.

WELD COUNTY SCHOOL DISTRICT RE-3(J)

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY

Year Ended June 30	Cumulative Proportion of Net Pension Liability	Cumulative Proportionate Share	Covered Payroll	% of Covered Payroll	Plan Net Position as a % of Net Pension Liability
2017*	0.22%	\$ 65,502,507	\$ 10,234,727	640%	43.1%
2016	0.22%	34,782,130	9,826,954	353%	59.2%
2015	0.24%	32,602,605	9,353,702	287%	62.8%

Until a full 10-year trend is compiled, the District will present information for those years for which information is available.

* Significant changes in assumptions made by Colorado PERA.

OTHER SUPPLEMENTARY INFORMATION

**WELD COUNTY SCHOOL DISTRICT RE-3(J)
CAPITAL RESERVE PROJECTS FUND**

Schedule of Revenue Compared with Budget

Year Ended June 30, 2017	Actual	Budget	Variance
Other:			
Interest	\$ 799	\$ 1,100	\$ (301)
Other local revenue	-	-	-
Total Revenue	\$ 799	\$ 1,100	\$ (301)

Schedule of Expenditures Compared with Budget

Year Ended June 30, 2017	Actual	Budget	Variance
Supporting Services	\$ -	\$ -	\$ -
Capital Outlay:			
Land and improvements	-	-	-
Buildings	129,464	-	129,464
Equipment and vehicles	734,524	874,686	(140,162)
Expenditures:			
Debt Service:			
Principal payments	145,000	145,000	-
Interest on COP's	122,469	120,469	2,000
Total Expenditures	\$1,131,457	\$1,140,155	\$ (8,698)

Schedule of Operating Transfers Compared with Budget

Year Ended June 30, 2017	Actual	Budget	Variance
Operating Transfers In:			
General Fund	\$1,130,658	\$ 874,686	\$ 255,972

**WELD COUNTY SCHOOL DISTRICT RE-3(J)
CAPITAL PROJECTS FUND**

Schedule of Revenue Compared with Budget

Year Ended June 30, 2017	Actual	Budget	Variance
Other:			
Interest	\$ 325,162	\$ 250,000	\$ 75,162
Proceeds from bond issuance	65,579,980	65,579,980	-
Total Revenue and Other Financing Sources	\$ 65,905,142	\$ 65,829,980	\$ 75,162

Schedule of Expenditures Compared with Budget

Year Ended June 30, 2017	Actual	Budget	Variance
Supporting Services	\$ -	\$ -	\$ -
Capital Outlay:			
Land and improvements	3,212,094	1,639,941	1,572,153
Buildings	2,808,460	1,965,906	842,554
Equipment and vehicles	-	-	-
Appropriated Reserve	-	-	-
Expenditures:			
Other	1,592,000	1,592,000	-
Debt issuance costs	664,814	546,151	118,663
Total Expenditures	\$ 8,277,368	\$ 5,743,998	\$ 2,533,370

WELD COUNTY SCHOOL DISTRICT RE-3(J)
GENERAL FUND

Schedule of Revenue Compared with Budget

Year Ended June 30, 2017	Actual	Final Budget	Variance
Local Sources:			
Property taxes, current	\$ 15,201,657	\$ 15,151,785	\$ 49,872
Delinquent taxes	2,035	3,500	(1,465)
Specific ownership taxes	1,373,200	1,282,478	90,722
Other	531,932	736,509	(204,577)
Total Local Sources	17,108,824	17,174,272	(65,448)
State Sources:			
Vocational education	18,364	106,670	(88,306)
State equalization	4,454,767	4,454,822	(55)
Transportation	294,937	278,221	16,716
Other grants	1,721,488	885,418	836,070
Total State Sources	6,489,556	5,725,131	764,425
Federal Sources	57,223	-	57,223
Other:			
Interest	13,003	856	12,147
Total Revenue	\$ 23,668,606	\$ 22,900,259	\$ 768,347

WELD COUNTY SCHOOL DISTRICT RE-3(J)
GENERAL FUND

Schedule of Expenditures Compared with Budget

Year Ended June 30, 2017	Actual	Final Budget	Variance
Instruction:			
Current operating:			
Salaries	\$ 6,584,577	\$ 6,482,218	\$ (102,359)
Employee benefits	2,466,245	2,548,513	82,268
Purchased services	791,939	810,030	18,091
Supplies and materials	797,039	1,048,812	251,773
Other	1,230,187	1,180,236	(49,951)
Capital outlay	28,423	29,000	577
Total Instruction	11,898,410	12,098,809	200,399
Supporting Services:			
Pupils:			
Current operating:			
Salaries	501,328	505,743	4,415
Employee benefits	210,978	228,668	17,690
Purchased services	96,713	126,863	30,150
Supplies and materials	13,178	12,600	(578)
Other	-	-	-
Capital outlay	-	-	-
Total Pupils	822,197	873,874	51,677
Instructional support:			
Current operating:			
Salaries	401,304	409,059	7,755
Employee benefits	168,287	160,288	(7,999)
Purchased services	211,515	276,800	65,285
Supplies and materials	42,776	266,901	224,125
Other	3,019	1,750	(1,269)
Capital outlay	-	500	500
Total Instructional Staff	826,901	1,115,298	288,397
General administration:			
Current operating:			
Salaries	546,236	754,620	208,384
Employee benefits	180,253	205,481	25,228
Purchased services	610,619	603,582	(7,037)
Supplies and materials	99,207	81,350	(17,857)
Other	11,010	25,500	14,490
Capital outlay	285,851	494,879	209,028
Total General Administration	1,733,176	2,165,412	432,236

Continued on next page.

WELD COUNTY SCHOOL DISTRICT RE-3(J)
GENERAL FUND

Schedule of Expenditures Compared with Budget - Continued

Year Ended June 30, 2017	Actual	Final Budget	Variance
Supporting Services - Continued:			
School administration:			
Current operating:			
Salaries	\$ 924,597	\$ 968,507	\$ 43,910
Employee benefits	350,434	359,681	9,247
Purchased services	14,970	12,775	(2,195)
Supplies and materials	10,889	10,000	(889)
Other	8,405	600	(7,805)
Capital outlay	232	2,100	1,868
Total School Administration	1,309,527	1,353,663	44,136
Operations and maintenance:			
Current operating:			
Salaries	696,155	617,238	(78,917)
Employee benefits	278,764	290,159	11,395
Purchased services	570,261	459,680	(110,581)
Supplies and materials	944,275	853,201	(91,074)
Other	10,000	500	(9,500)
Capital outlay	-	15,000	15,000
Total Operations and Maintenance	2,499,455	2,235,778	(263,677)
Pupil transportation:			
Current operating:			
Salaries	440,270	431,811	(8,459)
Employee benefits	160,279	156,571	(3,708)
Purchased services	30,989	23,813	(7,176)
Supplies and materials	252,137	234,500	(17,637)
Other	1,148	450	(698)
Capital outlay	5,548	5,000	(548)
Total Pupil Transportation	890,371	852,145	(38,226)
Other Supporting Services:			
Current operating:			
Insurance	302,260	346,573	44,313
Total Supporting Services	8,383,887	8,942,743	558,856
Appropriated Reserves	-	-	-
Total Expenditures	\$ 20,282,297	\$ 21,041,552	\$ 759,255

WELD COUNTY SCHOOL DISTRICT RE-3(J)
GENERAL FUND

Schedule of Operating Transfers Compared to Budget

Year Ended June 30, 2017	Actual	Final Budget	Variance
Operating Transfers Out: Capital Projects Fund	\$1,130,658	\$ 874,686	\$ (255,972)
Total Transfers	\$1,130,658	\$ 874,686	\$ (255,972)

WELD COUNTY SCHOOL DISTRICT RE-3(J)
DEBT SERVICE FUND

Schedule of Revenue Compared with Budget

Year Ended June 30, 2017	Actual	Final Budget	Variance
Revenue:			
Local Sources:			
Property taxes, current	\$ 4,655,069	\$ 4,660,135	\$ (5,066)
Other revenue	-	-	-
Total Local Sources	4,655,069	4,660,135	(5,066)
Other:			
Interest	12,952	500	12,452
Proceeds of refunding bonds	14,635,248	14,365,533	269,715
Total Revenue and Financing Sources	\$ 19,303,269	\$ 19,026,168	\$ 277,101

Schedule of Expenditures Compared with Budget

Year Ended June 30, 2017	Actual	Budget	Variance
Expenditures:			
Debt Service:			
Payment to refunded bond escrow	\$ 14,204,715	\$ 13,935,000	\$ (269,715)
Principal payments	2,155,000	2,155,000	-
Interest on bonds	2,064,428	2,061,427	(3,001)
Debt issuance costs	159,983	165,818	5,835
Total Expenditures and Financing Uses	\$ 18,584,126	\$ 18,317,245	\$ (266,881)

**WELD COUNTY SCHOOL DISTRICT RE-3(J)
NONMAJOR GOVERNMENTAL FUNDS**

COMBINING BALANCE SHEET

June 30, 2017	Designated Grants Fund	Permanent Fund	Food Service Fund	Total
ASSETS				
Cash	\$ -	\$ 14,572	\$ 418,483	\$ 433,055
Investments and Bank CD's	-	60,131	-	60,131
Due From Other Funds	48,225	-	-	48,225
Other Receivables	97,351	-	74,083	171,434
TOTAL ASSETS	\$ 145,576	\$ 74,703	\$ 492,566	\$ 712,845
LIABILITIES				
Accounts Payable	\$ 44,703	\$ -	\$ 383	\$ 45,086
Accrued Salaries and Benefits	89,842	-	15,204	105,046
Unearned Revenue	11,031	-	6,210	17,241
Due To Other Funds	-	-	436,744	436,744
Total Liabilities	145,576	-	458,541	604,117
FUND BALANCES				
Nonspendable	-	74,703	34,025	108,728
Assigned: Capital Outlay	-	-	-	-
Total Fund Balances	-	74,703	34,025	108,728
TOTAL LIABILITIES AND FUND BALANCE	\$ 145,576	\$ 74,703	\$ 492,566	\$ 712,845

WELD COUNTY SCHOOL DISTRICT RE-3(J)
NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES

Year Ended June 30, 2017	Designated Grants Fund	Permanent Fund	Food Service Fund	Total
Revenue:				
Interest	\$ -	\$ 530	\$ 142	\$ 672
Local sources	6,835	-	268,188	275,023
State sources	1,434	-	58,733	60,167
Federal sources	701,839	-	741,157	1,442,996
Total Revenue	710,108	530	1,068,220	1,778,858
Expenditures:				
Instruction	672,487	-	-	672,487
Supporting services	37,621	-	1,074,027	1,111,648
Capital outlay	-	-	-	-
Non-capital outlay	-	-	-	-
Total Expenditures	710,108	-	1,074,027	1,784,135
Revenue (Under) Over Expenditures	-	530	(5,807)	(5,277)
Other Financing Sources (Uses):				
Operating transfers in (out)	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Fund Balances, Beginning of Year	-	74,173	39,832	114,005
Fund Balances, End of Year	\$ -	\$ 74,703	\$ 34,025	\$ 108,728

WELD COUNTY SCHOOL DISTRICT RE-3(J)
NONMAJOR FUNDS
DESIGNATED GRANTS FUND

Schedule of Revenue Compared with Budget

Year Ended June 30, 2017	Actual	Budget	Variance
Revenue:			
Local sources	\$ 6,835	\$ 6,055	\$ 780
State sources	1,434	-	-
Federal sources	701,839	711,333	(9,494)
Total Revenue	\$ 710,108	\$ 717,388	\$ (8,714)

Schedule of Expenditures Compared with Budget

Year Ended June 30, 2017	Actual	Budget	Variance
Instruction	\$ 672,487	\$ 644,663	\$ (27,824)
Supporting Services	37,621	72,725	35,104
Capital Outlay:			
Equipment	-	-	-
Total Expenditures	\$ 710,108	\$ 717,388	\$ 35,104

WELD COUNTY SCHOOL DISTRICT RE-3(J)
NONMAJOR FUNDS
PERMANENT FUND

Schedule of Revenue Compared with Budget

Year Ended June 30, 2017	Actual	Budget	Variance
Miscellaneous Revenue:			
Interest	\$ 530	\$ 500	\$ 30
Total Revenue	\$ 530	\$ 500	\$ 30

Schedule of Expenditures Compared with Budget

Year Ended June 30, 2017	Actual	Budget	Variance
Supporting Services:			
Other	\$ -	\$ -	\$ -
Total Expenditures	\$ -	\$ -	\$ -

WELD COUNTY SCHOOL DISTRICT RE-3(J)
NONMAJOR FUNDS
FOOD SERVICE FUND

Schedule of Revenue Compared with Budget

Year Ended June 30, 2017	Actual	Budget	Variance
Operating Revenue:			
Food and milk sales	\$ 268,188	\$ 336,280	\$ (68,092)
Nonoperating Revenue:			
Federal and state grants	741,157	795,149	(53,992)
U.S.D.A. commodities	58,733	76,309	(17,576)
Interest	142	100	42
Total Revenue	\$ 1,068,220	\$1,207,838	\$ (139,618)

Schedule of Expenses Compared with Budget

Year Ended June 30, 2017	Actual	Budget	Variance
Operating Expenses:			
Salaries and benefits	\$ 137,208	\$ 137,253	\$ 45
Supplies (contractors)	936,819	1,050,585	113,766
Capital Outlay:			
Equipment	-	20,000	20,000
Total Expenses	\$ 1,074,027	\$1,207,838	\$ 133,811

WELD COUNTY SCHOOL DISTRICT RE-3(J)
AGENCY FUND
STUDENT ACTIVITIES FUND

Schedule of Additions Compared with Budget

Year Ended June 30, 2017	Actual	Budget	Variance
Student Activities	\$ 614,747	\$ 780,000	\$ (165,253)
Total Additions	\$ 614,747	\$ 780,000	\$ (165,253)

Schedule of Deductions Compared with Budget

Year Ended June 30, 2017	Actual	Budget	Variance
Total Deductions	\$ 536,798	\$ 780,000	\$ 243,202

CARDINAL COMMUNITY ACADEMY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year Ended June 30, 2017	Actual	Original Budget	Amended Budget	Variance
Revenue:				
Weld County School District RE-3(J) PPR	\$ 1,173,222	\$ 1,167,843	\$ 1,172,800	\$ 422
Mill Levy override	318,020	86,941	300,097	17,923
Colorado Department of Education grants	100,206	58,705	68,705	31,501
Contributions, interest, and other	164,291	166,368	164,368	(77)
RE-3J shared bond proceeds	1,592,000	-	1,592,000	-
Total Revenue	3,347,739	1,479,857	3,297,970	49,769
Expenditures:				
Current:				
Instruction:				
Teachers' salaries	484,560	491,815	488,228	3,668
Substitute teachers	9,760	10,000	15,000	5,240
Teachers aides	64,489	87,319	54,654	(9,835)
After school staff	6,225	7,920	7,920	1,695
Supplemental contracts	7,140	16,500	16,500	9,360
Incentives	54,823	2,800	54,822	(1)
PERA contributions	104,029	111,444	118,962	14,933
Other benefits	61,418	59,254	65,102	3,684
Special education	86,430	63,000	87,840	1,410
Educational equipment & furniture	71,735	10,500	74,000	2,265
Instructional materials & supplies	40,311	33,000	40,000	(311)
Total Instruction	990,920	893,552	1,023,028	32,108
Supporting Services:				
RE-3(J) administrative withholding	52,979	56,000	65,000	12,021
Director salary	67,047	67,047	67,047	-
Office staff salary	57,836	56,467	56,467	(1,369)
Staff development	9,159	15,000	10,000	841
Accountability/evaluation	3,407	2,700	4,200	793
PERA contributions	26,155	27,861	29,740	3,585
Other benefits	-	14,445	-	-
Custodian	17,087	17,087	17,087	-
Utilities	35,851	48,000	48,000	12,149
Telephone	2,432	5,000	5,000	2,568
Office supplies	5,890	8,500	8,500	2,610
Building expense	20,530	20,000	35,000	14,470
Insurance	18,443	19,000	19,000	557
Equipment rentals	5,970	6,500	6,500	530
Water/wastewater	8,788	11,000	10,000	1,212
Contracted services	43,285	14,500	14,500	(28,785)
Fundraising expense	55,764	75,000	75,000	19,236
PTO expense	30,775	75,000	75,000	44,225
Miscellaneous expense	2,687	4,200	115,000	112,313
Total Supporting Services	464,085	543,307	661,041	196,956
Capital Outlay	359,686	-	500,000	140,314
Debt service (principal)	32,217	29,022	22,638	(9,579)
Interest expense	8,116	11,311	17,695	9,579
Total Expenditures	1,855,024	1,477,192	2,224,402	369,378
Revenue Over (Under) Expenditures	1,492,715	2,665	1,073,568	419,147
Fund Balance, Beginning of Year	932,144	932,144	932,144	-
Fund Balance, End of Year	\$ 2,424,859	\$ 934,809	\$ 2,005,712	\$ 419,147

WELD COUNTY SCHOOL DISTRICT RE-3(J)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2017

<u>Agency/Program Grant Title</u>	<u>Pass-Through Identification Number</u>	<u>CFDA Number</u>	<u>Expenditures</u>
<u>Department of Agriculture</u>			
Passed Through CDHHS:			
Food Distribution		10.555	\$ 58,733
Passed Through Colorado Department of Education:			
National School Lunch Program	4555	10.555	423,131
School Breakfast Program	4553	10.553	287,316
Summer Food Service Program for Children	4559	10.559	8,903
<u>Department of Education</u>			
Passed Through Colorado Department of Education:			
Title I Grants to Local Education Agencies	4010	84.010	209,152
Title III Part A ELA	4365	84.365	24,978
Title II Part A Teacher Quality	4367	84.367	50,829
Title III Part A Set Aside	7365	84.365	1,247
Race to the Top	5412	84.412	1,548
Total Federal Assistance			\$ 1,065,837

Note: Schedule is prepared on the modified accrual basis of accounting except for the food distribution commodities received which are at fair value. The District does not have any significant subrecipients or indirect cost recovery.

WELD COUNTY SCHOOL DISTRICT RE-3(J)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2017

SUMMARY OF AUDITORS' RESULTS

Financial Statements:

- * Type of report issued on financial statements Unmodified
- * Internal control over financial reporting:
 - Material weaknesses identified? No
 - Significant deficiencies identified that are not considered to be material weaknesses? None reported
- * Noncompliance material to financial statements noted? No

Federal Awards:

- * Internal control over major program:
 - Material weaknesses identified? No
 - Significant deficiencies identified that are not considered to be material weaknesses? None reported
- * Type of auditor's report on compliance for major program Unmodified
- * Audit findings disclosed None under 2 CFR 200.516(a)

- * Major programs
Child Nutrition Cluster
(10.553, 10.555 and 10.559)

- * Dollar threshold between Type A and Type B programs \$750,000
- * Low-risk auditee Yes

FINDINGS RELATED TO FINANCIAL STATEMENTS

- * **None**

FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

- * **None**

PRIOR YEAR FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

* **Finding 2016-001**

10.553, 10.555 and 10.559 Child Nutrition Cluster

(Passed Through Colorado Department of Education)

Criteria: *Eligibility* – The District is required to determine the eligibility status of student applicants before awarding or denying benefits.

Condition: We noted two instances in which the application status from the *Format* system indicates direct certification. In one instance the student's name could not be located on the direct certification report. In the other instance, *Infinite Campus* indicates the student is homeless, however an approved homeless form cannot be located.

Context: We tested a total of 25 student applications specifically for eligibility and also looked at eligibility for the 12 student applications that were part of the verification process.

Effect: Supporting documentation is unavailable to support the meal status for two students.

Cause: Direct certification status from *Format* is not accurately reflecting what is included in the direct certification report.

Questioned Costs: None.

Recommendation: We recommend implementing review controls to ensure application status is more accurately reflected in *Format*.

Management Response: Agree

Corrective Actions:

Contact Person: Lisa Clark, Director of Finance

Corrective Action Planned: The District will emphasize these controls.

Status: Resolved



Independent Auditors' Report on Compliance for Each Major Federal Program and
Internal Control Over Compliance in Accordance with Uniform Guidance

Board of Education
Weld County School District RE-3(J)
Keenesburg, Colorado

Report on Compliance for Each Major Federal Program

We have audited the compliance of Weld County School District RE-3(J) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2017. Weld County School District RE-3(J)'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's 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; 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 Major Each Federal Program

In our opinion, Weld County School District RE-3(J) complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2017.

Internal Control Over Compliance

The management of the Weld County School District RE-3(J) is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Weld County School District RE-3(J)'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 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 combination of deficiencies, in internal control over compliance with a type of compliance requirement of 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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.

Anderson & Whitney, P.C.

November 30, 2017



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-3(J)
Keenesburg, 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, each major fund, and the aggregate remaining fund information of Weld County School District RE-3(J), 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, and have issued our report thereon dated November 30, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Weld County School District RE-3(J)'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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.

Anderson & Whitney, P.C.

November 30, 2017



Colorado Department of Education
Auditors Integrity Report
 District: 3090 - WELD COUNTY SCHOOL DISTRICT RE-3J
 Fiscal Year 2016-17
 Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental	+		-	=
10 General Fund	6,659,068	20,636,221	18,365,844	8,929,446
18 Risk Mgmt Sub-Fund of General Fund	0	368,984	318,632	50,353
19 Colorado Preschool Program Fund	65,079	368,838	433,917	0
Sub- Total	6,724,147	21,374,043	19,118,392	8,979,798
11 Charter School Fund	932,143	3,347,739	1,855,024	2,424,858
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	39,834	1,068,220	1,074,027	34,027
22 Govt Designated-Purpose Grants Fund	0	710,108	710,108	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	6,553,570	19,239,308	18,520,164	7,272,714
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	52	65,240,329	7,612,555	57,627,825
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	0	1,131,457	1,131,457	0
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
Totals	14,249,747	112,111,204	50,021,728	76,339,223
Proprietary				
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	0	0	0	0
Totals	0	0	0	0
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	457,695	614,747	536,798	535,644
79 GASB 34:Permanent Fund	74,173	530	0	74,703
85 Foundations	0	0	0	0
Totals	531,869	615,277	536,798	610,347

FINAL