

cPa DIXON, WALLER & CO., INC.

FREMONT COUNTY SCHOOL

DISTRICT NUMBER RE-2

FLORENCE, COLORADO

FINANCIAL STATEMENTS

JUNE 30, 2018

DIXON, WALLER & CO., INC.

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FREMONT COUNTY SCHOOL DISTRICT RE-2

FINANCIAL STATEMENTS

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FREMONT COUNTY SCHOOL DISTRICT RE-2
ROSTER OF SCHOOL OFFICIALS
June 30, 2018

BOARD OF EDUCATION

Joe Caruso	President
Greg Dickey	Vice-President
Andy Franklin	Treasurer
Linda Schmidt	Secretary
Brad Knifong	Director

SCHOOL OFFICIALS

Brenda Krage	Superintendent
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FINANCIAL SECTION

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TRINIDAD, COLORADO 81082
(719) 846-9241 FAX (719) 846-3352

INDEPENDENT AUDITOR'S REPORT

**Board of Education
Fremont County School
District Number RE-2
Florence, Colorado 81226**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fremont County School District Number RE-2, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Fremont County School District Number RE-2, as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension and post employment benefits trend data on pages i through vii, and 47 through 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fremont County School District Number RE-2's basic financial statements. The combining and individual fund financial statements, other schedules, and state required schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2018, on our consideration of Fremont County School District Number RE-2's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fremont County School District Number RE-2's internal control over financial reporting and compliance.



November 26, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fremont RE-2 School District Management's Discussion and Analysis

As management of the Fremont RE-2 School District, we offer readers of the District's Comprehensive Annual Financial Report this narrative and analysis of the financial activities of the District for the fiscal year ending June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information provided in the Independent Auditor's report.

Financial Highlights

- The primary government has government-wide net position deficit of (\$5,971,623) at the end of the current fiscal year due to the net pension liability of over \$49 million dollars
- Governmental activities have an unassigned fund balance of over \$8,683,067.

- Fund balance of the District's governmental funds decreased by \$347,206 resulting in an ending fund balance of \$8,683,067. The General Fund balance decreased from a beginning balance of \$6,108,200 to an ending balance of \$5,834,710. There are monies kept in the Non-Restricted Projects Fund (a subset of the General Fund), but are currently not available for the day-to-day operations of the District.
- The District was required to implement GASB 75 resulting in a net other post-employment benefit (OPEB) liability of \$1,125,550. Under GASB 75 the District's proportionate share of the OPEB liability of the Colorado state retirement system Health Care Trust Fund administered by the Public Employees Retirement Association, is recorded as a liability of the District. At implementation beginning equity is restated and deferred inflows, outflows and the net OPEB liability are reported. Beginning net position of governmental activities decreased as a result of this change.
- Upon implementation of GASB 75, the beginning net position of governmental activities decreased \$1,104,334 to \$17,342,171 from \$16,237,837 at the end of the previous fiscal year. Fiscal year 2017 financial information has not been restated because some of the comparable information is not available
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Overview of the Financial Statements

The Management's discussion and analysis is intended to be an introduction into the District's basic financial statements. The prior year's statements are provided for comparison. The Fremont RE-2 School District's basic financial statements are comprised of three components:

- 1) Government-wide financial statements
- 2) Fund financial statements
- 3) Notes to basic financial statements

The Management's Discussion and Analysis also contains other supplemental information.

Government-Wide Financial Statements

The financial statements provided are designed to supply the reader an overview of the District's financial activities similar to those statements used in the private sector. The government-wide statements relate to those activities directly related to the education of the students.

The statement of net assets presents information on all of the District's assets and liabilities. The difference between the two is reported as net assets. Changes in net assets from year-to-year may be used as an indicator of the overall financial position of the District.

The statement of activities presents the current fiscal year revenues and expenses to show how the net assets of the district changed during the year. In the statement of activities, changes in net assets are

recorded when the event occurs. This could mean that information may be reported for revenues and expenses that will result in cash flow differences in future fiscal years.

Governmental activities consolidate all of the following Fremont RE-2 School District funds: general fund, Colorado preschool fund, governmental designated-purpose grants fund, capital reserve fund, insurance reserve fund, general capital projects fund, pupil activity fund, non-restricted projects fund and bond redemption fund. Business-type activities include only the food service fund.

Fund Financial Statements

Fund financial statements are designed to display compliance with finance-related legal requirements. A fund is a grouping of related accounts designed to keep control over resources segregated for specific activities or objectives. The Fremont RE-2 School District, like other governments, uses fund accounting to guarantee and prove compliance. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds

Governmental funds account for the same functions reported as governmental activities in the government-wide financial statements. However, governmental fund financial statements emphasize short-term financial resources and fund balances (spendable resources available at the end of the fiscal year). Such information is used to evaluate the District's short-term financing requirements. Comparison of the governmental funds with the government-wide funds may allow the reader to better understand the long-term impact of the District's near-term financing decisions.

Fremont RE-2 School District maintains three different governmental funds called major funds: the General fund (which combines the District's general operating fund, insurance reserve fund, general capital projects fund, non-restricted project fund and Colorado preschool fund), the Bond Redemption Fund and the Designated Purpose Grants fund. They are presented separately in the fund financial statements with the remaining governmental funds (combined into a single aggregated presentation labeled other governmental funds). Other governmental funds, called non-major funds, include the District's Capital Reserve fund and the Pupil Activity fund. Individual fund information for the non-major funds is presented as other supplemental information after the notes section of this report.

The District adopts an annual appropriated budget for each of the individual governmental funds. A budgetary comparison schedule for the general fund is included in the fund financial statements to demonstrate compliance with the adopted budget. The remaining governmental funds budgetary comparisons are reported as other supplemental information and can be found after the notes section of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held by the District for parties outside of the District. Fiduciary funds are not reflected in the government-wide financial statements because these sources of those funds are not available to support Fremont RE-2 School District's direct educational programs. The accounting method used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to understanding the data supplied in the government-wide and fund financial statements.

Other Information

In addition to the financial statements and accompanying notes, this report also contains other supplemental information concerning the District's non-major governmental funds. The combining statements of the non-major governmental funds are presented after the notes to the financial statements.

Government-Wide Financial Analysis

Government-Wide Net Position

The assets of the Fremont RE-2 School District are classified as current assets and capital assets. Cash, investments, receivables, inventories and prepaid expenditures are current assets. These assets are available to provide resources for the near-term operations of the District. Capital assets are used in the operations of the District. These assets include land, buildings, equipment and vehicles.

**Fremont RE-2 School District
Net Position**

	Net Position	
	Governmental Activities	
	FY 17	FY 18
ASSETS		
Current and Other Assets	10,735,710	10,492,460
Capital Assets	13,800,949	12,391,760
Total Assets	<u>24,536,659</u>	<u>22,884,220</u>
Deferred Outflows	<u>17,914,464</u>	<u>15,462,970</u>
LIABILITIES		
Current and Other Liabilities	1,758,902	1,710,089
Long Term Liabilities	56,042,495	59,277,853
Total Liabilities	<u>57,801,397</u>	<u>60,987,942</u>
Deferred Inflows	<u>887,563</u>	<u>3,601,734</u>
NET POSITION		
Net Investment in Capital Assets	4,240,076	4,412,044
Restricted for:		
Tabor Reserve	353,000	371,700
Debt Service	2,647,259	2,591,110
Food Service	207,554	183,335
Preschool	-	21,119
Unrestricted	<u>(23,685,726)</u>	<u>(33,550,931)</u>
	<u>(16,237,837)</u>	<u>(25,971,623)</u>

Government-Wide Activities

Governmental activities decreased the net assets of the District by \$8,900,315 during the current fiscal year ending June 30, 2018.

	Changes in Net Position	
	Governmental Activities	
	FY 17	FY 18
	<hr/>	<hr/>
Revenues		
Charges for Services	246,054	235,320
Operating Grants and Contributions	2,077,057	2,042,038
Capital Grants and Contributions	-	-
Property taxes	4,266,627	4,196,638
Specific Ownership Taxes	654,130	727,365
Equalization	7,699,195	7,813,128
Earnings on investments	56,843	100,153
Other Revenues	168,998	128,480
Transfers	-	-
	<hr/>	<hr/>
TOTAL REVENUES	15,168,904	15,243,122
	<hr/>	<hr/>
Expenses		
Instructional services	8,564,012	8,726,994
Supporting services:		
Students	512,356	635,144
Instructional staff	67,666	87,715
District administration	588,647	536,671
School administration	783,162	817,943
Business	149,214	164,204
Operation and maintenance of facilities	1,806,546	1,820,253
Transportation	781,573	881,761
Central	281,933	414,488
Facility	-	-
Food Service	661,219	763,468
Capital outlay	91,954	96,400
Interest and Fees	286,118	240,696
Issue Costs	-	-
Pension and OPEB Expense	7,169,892	8,686,837
	<hr/>	<hr/>
TOTAL EXPENSES	21,744,292	23,872,574
	<hr/>	<hr/>
Increase (Decrease in Net Position)	(6,575,388)	(8,629,452)

	Total Cost of Service		Net Cost of Service	
	FY 17	FY 18	FY 17	FY 18
Instructional services	8,564,012	8,726,994	(7,123,593)	(7,386,100)
Supporting services:				
Students	512,356	635,144	(512,356)	(635,144)
Instructional staff	67,666	87,715	(67,666)	(87,715)
District administration	588,647	536,671	(588,647)	(536,671)
School administration	783,162	817,943	(783,162)	(817,943)
Business	149,214	164,204	(149,214)	(164,204)
Operation and maintenance of facilities	1,806,546	1,820,253	(1,806,546)	(1,819,053)
Transportation	781,573	881,761	(596,132)	(698,224)
Central	281,933	414,488	(281,933)	(414,488)
Facility	-	-	-	-
Food Service	661,219	763,468	36,032	(11,741)
Capital outlay	91,954	96,400	(91,954)	(96,400)
Interest and Fees	286,118	240,696	(286,118)	(240,696)
Issue Costs	-	-	-	-
Pension and OPEB Expense	7,169,892	8,686,837	(7,169,892)	(8,686,837)
Total	21,744,292	23,872,574	(19,421,181)	(21,595,216)

Capital Assets (Net of Depreciation)	Governmental <u>2017-2018</u>	Governmental <u>2016-2017</u>
Land & Sites	1,007,850	1,007,850
Buildings & Improvements	11,230,440	12,297,186
Equipment & Vehicles	415,481	479,178
Food Service	8,852	16,735
Total Capital Assets	12,662,623	13,800,949

Business-Type Activities

Business-type activities of the District's accounts have been combined with the General Fund Activities per state requirement for the 2017-2018 fiscal year.

Financial Analysis of the Government Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of Fremont RE-2 School District's net resources available for spending at the end of the fiscal year.

The combined general fund is the major governmental fund of Fremont RE-2 School District. The combined general fund under GASB 34 reporting requirements includes the general fund, non-restricted projects fund, the insurance reserve fund, the general capital projects fund, the Colorado preschool fund, and the food service fund. As of June 30, 2018, the combined general fund shows an ending fund balance of \$5,834,710 down from the combined fund balance of \$6,108,200 for the prior year.

General Fund Budgetary Highlights

Fremont RE-2 School District began budget development for the 2017-2018 fiscal year in April 2017 with preliminary analysis of salary requirements related to teacher negotiations. After reviewing enrollment projections and the most current revenue assumptions, the Superintendent and her senior staff prepared a preliminary budget by prioritizing the needs expressed in the hearings' process. Teacher, administrative, and classified employees' salary increases were put into effect as stated in the District's Negotiated Agreement. It was decided to give step increases to all employees who were eligible. The preliminary budget was presented to the Board of Education in May 2017. Adoption of the 2017-2018 District budget occurred in June of 2017 with a Final Budget adopted in December of 2017.

Capital Assets and Debt Administration

The District's investment in capital assets for its business-type activities has been combined with the general fixed assets as of July 1, 2018. The amount capitalized has decreased dramatically due to funding.. The District spent over \$18,000,000 on the construction of a new high school. The investments were made possible due to the passage of a \$22,000,000 bond in November 2003. The Bond Redemption schedule is not to exceed \$1,920,000 per year for the 20 years from 2004-2023. During the 2006-2007 fiscal year, \$9,465,000 in 2004 General Obligations Bonds were refinanced to take advantage of lower interest rates on longer term bonds. The refinancing provided the district a present value savings of \$384,582, which translates into a projected Net Future Value Savings of \$607,345. Additionally in 2015 the District refinanced the 2006 G.O. Bonds for an accumulative savings of over \$1,000,000. Additional information on the District's capital assets can be found in this report.

Long Term Liabilities

The District has a long term debt liability which is not due or payable during this period. The District's portion of the net pension obligation for PERA is reported on the statement of net position and not as a liability in the funds. The amount obligated to PERA is \$49,288,879.

Economic Factors and Next Year's Budgets

The General Fund fund balance demonstrates that the District is financially stable. The District continues to be in a situation of declining enrollment but has made the necessary adjustments to keep expenditures in line with revenues. In light of the current economy in the State of Colorado, and the fact that the majority of the District's revenue is flow through money from State Equalization, the District along with the Eastern Fremont Education Association and the Classified Association agreed to fund incremental raises for the 2017-2018 school year.

It is our opinion that the District's revenue stream for the General Fund will continue to drop drastically over the next several years. The District continues to be in a state of declining enrollment and over the past few years Amendment 23 has helped stabilize the revenue stream. Amendment 23 guarantees that K-12 funding will be increased at a rate of the Denver-Boulder CPI plus 1%. In past years, inflation increased so funding has stayed level with declining enrollment (stable revenues). For the budget year 2016-2017, the inflation rate is 1.9%, but is expected to remain the same in 2017-18. The CPI for 2017-2018 was a negative percentage (deflation) of 2.1%. In spite of Amendment 23, state funding for schools has continued to decline.

As a result of the prolonged economic conditions that exist in the state, the State of Colorado has been unable to fully fund school districts beginning with school year 2009-2010. The actual funded Total Program for school districts has declined 8.26% from the high in 2009-2010. The continued gap in funding has created a projected negative factor of 12.795% for the 2015-2016 school year. The district was not required to make any cuts for the current 2017-2018 school year. The future negotiations between District and the Associations will be important to the financial stability of the District. The other governmental funds should not be affected by the economy as they are all tied to property tax revenues generated by mill levies.

Requests for Information

This financial report is designed to provide a general overview of the Fremont RE-2 School District's finances for all those with an interest in the District. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Jacque Corsentino, Director of Business Services
Fremont RE-2 School District
403 W. 5th Street
Florence, Colorado 81226

BASIC FINANCIAL STATEMENTS

FREMONT COUNTY SCHOOL DISTRICT RE-2
STATEMENT OF NET POSITION
June 30, 2018

	<u>Governmental Activities</u>	<u>Total</u>
<u>ASSETS</u>		
Cash and Equivalents	9,492,659	9,492,659
Accounts Receivable	185,691	185,691
Accrued Revenue	216,432	216,432
Property Taxes Receivable	577,050	577,050
Inventories	20,361	20,361
Capital Assets	38,495,644	38,495,644
Accumulated Depreciation	(25,833,021)	(25,833,021)
Unamortized Bond Discount	267	267
<u>Total Assets</u>	<u>23,155,083</u>	<u>23,155,083</u>
<u>DEFERRED OUTFLOW OF RESOURCES</u>		
Pensions	15,165,902	15,165,902
Other Post Employment Benefits	42,501	42,501
Deferred Refunding	254,567	254,567
<u>Total Deferred Outflow of Resources</u>	<u>15,462,970</u>	<u>15,462,970</u>
<u>LIABILITIES</u>		
Accounts Payable	87,343	87,343
Accrued Salaries	1,217,500	1,217,500
Accrued Interest Payable	25,177	25,177
Compensated Absences	323,086	323,086
Unearned Revenues	56,983	56,983
Unamortized Bond Premium	612,845	612,845
Debt - Within 1 Year	1,275,579	1,275,579
Debt - More than 1 Year	6,975,000	6,975,000
Net Pension Liability	49,288,879	49,288,879
Net OPEB Liability	1,125,550	1,125,550
<u>Total Liabilities</u>	<u>60,987,942</u>	<u>60,987,942</u>
<u>DEFERRED INFLOW OF RESOURCES</u>		
Pensions	3,575,872	3,575,872
Other Post Employment Benefits	25,862	25,862
<u>Total Deferred Inflow of Resources</u>	<u>3,601,734</u>	<u>3,601,734</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	4,412,044	4,412,044
Restricted for:		
Tabor Reserve	371,700	371,700
Preschool	21,119	21,119
Debt Service	2,591,110	2,591,110
Food Service	183,335	183,335
Unrestricted	(33,550,931)	(33,550,931)
<u>TOTAL NET POSITION</u>	<u>(25,971,623)</u>	<u>(25,971,623)</u>

The accompanying notes are an integral part of the financial statements

FREMONT COUNTY SCHOOL DISTRICT RE-2
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

	Program Revenues			Net (Expenses) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government	
				Governmental Activities	Total
FUNCTIONS					
Instructional Services	8,726,994	58,601	1,282,293	(7,386,100)	(7,386,100)
Supporting Services:					
Students	635,144	-	-	(635,144)	(635,144)
Instructional Staff	87,715	-	-	(87,715)	(87,715)
District Administration	536,671	-	-	(536,671)	(536,671)
School Administration	817,943	-	-	(817,943)	(817,943)
Business	164,204	-	-	(164,204)	(164,204)
Operation and Maintenance of Facilities	1,820,253	1,200	-	(1,819,053)	(1,819,053)
Transportation	881,761	-	183,537	(698,224)	(698,224)
Central Facility	414,488	-	-	(414,488)	(414,488)
Food Service	-	-	-	-	-
Capital outlay	763,468	175,519	576,208	(11,741)	(11,741)
Interest and Fees	96,400	-	-	(96,400)	(96,400)
Pension and OPEB Expense	240,696	-	-	(240,696)	(240,696)
Total Governmental Activities	8,686,837	-	-	(8,686,837)	(8,686,837)
Total School District	23,872,574	235,320	2,042,038	(21,595,216)	(21,595,216)
	23,872,574	235,320	2,042,038	(21,595,216)	(21,595,216)
General Revenues					
Property Taxes Levied for General Purposes				4,196,638	4,196,638
Specific Ownership Taxes				727,365	727,365
Equalization				7,813,128	7,813,128
Earnings on Investments				100,153	100,153
Other Revenues				128,480	128,480
Total General Revenues				12,965,764	12,965,764
Change in Net Position				(8,629,452)	(8,629,452)
Net Position - Beginning (as Restated)				(17,342,171)	(17,342,171)
Net Position - Ending				(25,971,623)	(25,971,623)

The accompanying notes are an integral part of the financial statements

FREMONT COUNTY SCHOOL DISTRICT RE-2
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	<u>General</u>	<u>Bond</u>	<u>Designated Purpose Grants</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>					
Cash and Equivalents	6,662,132	2,556,862	-	273,665	9,492,659
Accounts Receivable	185,691	-	-	-	185,691
Accrued Revenue	-	-	216,432	-	216,432
Due From Other Funds	124,030	-	492	-	124,522
Property Taxes Receivable	344,800	232,250	-	-	577,050
Inventories	-	-	-	20,361	20,361
Total Assets	7,316,653	2,789,112	216,924	294,026	10,616,715
<u>LIABILITIES</u>					
Accounts Payable	79,501	-	1,880	5,962	87,343
Accrued Salaries	1,121,647	-	65,036	30,817	1,217,500
Due to Other Funds	492	15,002	109,028	-	124,522
Other Payables	-	-	-	-	-
Unearned Revenues	16,003	-	40,980	-	56,983
	-	-	-	-	-
Total Liabilities	1,217,643	15,002	216,924	36,779	1,486,348
<u>DEFERRED INFLOW OF RESOURCES</u>					
Property Taxes	264,300	183,000	-	-	447,300
FUND BALANCES:					
Nonspendable:					
Inventories	-	-	-	20,361	20,361
Restricted for:					
Emergencies	371,700	-	-	-	371,700
Preschool	21,119	-	-	-	21,119
Debt Service	-	2,591,110	-	-	2,591,110
Food Service	-	-	-	183,335	183,335
Committed for:					
Capital Outlay	3,256,753	-	-	-	3,256,753
Insurance	20,573	-	-	-	20,573
Assigned for:					
Pupil Activities	-	-	-	53,551	53,551
Capital Outlay	-	-	-	-	-
Unassigned	2,164,565	-	-	-	2,164,565
Total Fund Balances	5,834,710	2,591,110	-	257,247	8,683,067
<u>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u>					
	7,316,653	2,789,112	216,924	294,026	10,616,715

The accompanying notes are an integral part of the financial statements

**FREMONT COUNTY SCHOOL DISTRICT RE-2
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO STATEMENT OF NET POSITION
June 30, 2018**

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

TOTAL FUND BALANCE - GOVERNMENTAL FUNDS	8,683,067
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$38,495,644 and the accumulated depreciation is \$25,833,021.	12,662,623
Property tax revenue is recognized when earned (claim to resources established) rather than when "available." All of the deferred property tax revenue is not available in the fund financial statements	447,300
Compensated absences are not reported as a liability in the funds.	(323,086)
Long term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(8,250,579)
Accrued interest on long term debt is not reported in the funds	(25,177)
Unamortized bond premium is not reported in the funds	(612,845)
Unamortized bond discount is not reported in the funds	267
Deferred Refunding is not reported in the funds	254,567
The Districts portion of the net pension liability for PERA reported on the statement of net position is not reported as a liability in the funds	(49,288,879)
The Districts portion of the net OPEB liability reported on the statement of net position is not reported as a liability in the funds	(1,125,550)
Deferred flows for contributions made toward the net pension liability from December 31, 2017 until June 30, 2018 is not reported in the funds.	697,278
Deferred flows for contributions made toward the net OPEB liability from December 31, 2017 until June 30, 2018 is not reported in the funds.	37,178
Net deferred pension flows - plan level	11,476,012
Net deferred pension flows - employer level	(583,260)
Net deferred OPEB flows - plan level	(13,507)
Net deferred OPEB flows - employer level	(7,032)
<u>TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES</u>	<u>(25,971,623)</u>

The accompanying notes are an integral part of the financial statements

FREMONT COUNTY SCHOOL DISTRICT RE-2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

	<u>General</u>	<u>Bond</u>	<u>Designated Purpose Grants</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>REVENUES</u>					
Property Taxes	2,535,717	1,511,521	-	-	4,047,238
Specific Ownership Taxes	727,365	-	-	-	727,365
Earnings on Investments	70,244	29,909	-	-	100,153
Other Local Sources	292,568	9,051	-	234,120	535,739
State Aid	8,561,046	-	31,501	9,759	8,602,306
Federal Aid	1,144	-	513,328	566,449	1,080,921
<u>Total Revenues</u>	<u>12,188,084</u>	<u>1,550,481</u>	<u>544,829</u>	<u>810,328</u>	<u>15,093,722</u>
<u>EXPENDITURES</u>					
Instructional Services	6,657,930	-	544,829	162,065	7,364,824
Supporting Services:				-	
Students	627,667	-	-	-	627,667
Instructional Staff	77,509	-	-	-	77,509
District Administration	536,671	-	-	-	536,671
School Administration	809,624	-	-	-	809,624
Business	163,758	-	-	-	163,758
Operation and Maintenance of Facilities	1,795,933	-	-	-	1,795,933
Transportation	794,138	-	-	-	794,138
Central	414,488	-	-	-	414,488
Food Service	-	-	-	755,585	755,585
Debt Service:					
Principal	-	1,285,000	-	-	1,285,000
Interest and Fees	-	321,630	-	-	321,630
Capital Outlay	494,101	-	-	-	494,101
<u>Total Expenditures</u>	<u>12,371,819</u>	<u>1,606,630</u>	<u>544,829</u>	<u>917,650</u>	<u>15,440,928</u>
<u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u>	<u>(183,735)</u>	<u>(56,149)</u>	<u>-</u>	<u>(107,322)</u>	<u>(347,206)</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers	(89,755)	-	-	89,755	-
Proceeds from Debt	-	-	-	-	-
<u>Total Other Financing Sources (Uses)</u>	<u>(89,755)</u>	<u>-</u>	<u>-</u>	<u>89,755</u>	<u>-</u>
<u>NET CHANGE IN FUND BALANCES</u>	<u>(273,490)</u>	<u>(56,149)</u>	<u>-</u>	<u>(17,567)</u>	<u>(347,206)</u>
<u>FUND BALANCES - Beginning</u>	<u>6,108,200</u>	<u>2,647,259</u>	<u>-</u>	<u>274,814</u>	<u>9,030,273</u>
<u>FUND BALANCES - Ending</u>	<u>5,834,710</u>	<u>2,591,110</u>	<u>-</u>	<u>257,247</u>	<u>8,683,067</u>

The accompanying notes are an integral part of the financial statements

FREMONT COUNTY SCHOOL DISTRICT RE-2
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

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

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS (347,206)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

	372,407	
Capital Outlays more than \$5,000		
Depreciation Expense	(1,510,733)	(1,138,326)

Property tax revenues received prior to the year for which they are being levied or are not "available" at year end are reported as deferred revenue in the governmental funds. They are, however recorded as revenues in the statement of activities. Deferred property tax revenues changed this year: 149,400

In the statement of activities compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amount paid). During the year, compensated absences changed by this amount. 2,289

The governmental funds report debt proceeds as an other financing source, while repayment of debt principal is reported as an expenditure. The effect of premiums, discounts and deferred refunding amounts are recognized when the debt is issued in governmental funds, whereas these amounts are deferred and amortized in the statement of activities. Interest expense is recognized as it accrues in the statement of activities regardless of when it is due. The net effect of these differences follows:

	1,310,294	
Principal Payment		
Interest Expense	2,673	
Deferred Refunding Amount	(83,382)	
Bond Discount	(1,593)	
Bond Premium	163,236	

The statement of activities reports changes in net pension and OPEB obligations and related deferred flows which are not reported in the fund financial statements.

	(3,583,338)	
Change in Net Pension Liability		
Change in Net OPEB Liability	5,758	
Deferred Flows from Net Pension Liability	(5,098,922)	
Deferred flows from Net OPEB Liability	(10,335)	

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES (8,629,452)

The accompanying notes are an integral part of the financial statements

FREMONT COUNTY SCHOOL DISTRICT RE-2
STATEMENT OF FIDUCIARY NET POSITION
TRUST AND AGENCY FUNDS
June 30, 2018

	Scholarship Trust Fund	Student Activities Fund
<u>ASSETS</u>		
Cash and Investments	1,891,969	193,370
Due From Other Funds	-	-
Accrued Interest	-	-
Deposits Held by Others	-	-
<u>Total Assets</u>	1,891,969	193,370
<u>LIABILITIES</u>		
Due to student groups	-	193,370
Other	-	-
<u>Total Liabilities</u>	-	193,370
<u>NET POSITION</u>		
Restricted for Scholarship	1,891,969	

The accompanying notes are an integral part of the financial statements

FREMONT COUNTY SCHOOL DISTRICT RE-2
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
BUDGET AND ACTUAL
For The Year Ended June 30, 2018

	<u>Budget</u>	Scholarship Trust <u>Fund</u>	Variance- Favorable <u>(Unfavorable)</u>
<u>ADDITIONS</u>			
Other Local	-	500	500
Earnings on investments	104,500	80,155	(24,345)
Unrealized Gain on Investments	-	-	-
<u>Total Additions</u>	<u>104,500</u>	<u>80,655</u>	<u>(23,845)</u>
<u>DEDUCTIONS</u>			
Scholarships	276,250	181,620	94,630
Fees	-	-	-
Unrealized Loss on Investments	-	5,167	(5,167)
Other	1,826,351	-	1,826,351
<u>Total Deductions</u>	<u>2,102,601</u>	<u>186,787</u>	<u>1,915,814</u>
<u>NET DECREASE</u>	(1,998,101)	(106,132)	
<u>NET POSITION - BEGINNING OF YEAR</u>	<u>1,998,101</u>	<u>1,998,101</u>	
<u>NET POSITION - END OF YEAR</u>	<u>-</u>	<u>1,891,969</u>	

The accompanying notes are an integral part of the financial statements

NOTES TO BASIC FINANCIAL STATEMENTS

FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Fremont County School District RE-2 (District) conform with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

The District operates under an elected Board of Education with seven members.

The District is the lowest level of government, which is considered to be financially accountable over all activities related to public school education in Fremont County School District RE-2. The District receives funding from local, state, and federal government sources and must comply with requirements of these funding source entities. The Board of Education members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

A. Reporting Entity

Governmental Accounting Standards Board (GASB) Statement No. 14 (as amended by Statements No. 34, No. 39 and No. 61), "*The Financial Reporting Entity*" (GASB No. 14) describes the financial reporting entity as it relates to governmental accounting. According to this Statement, the financial reporting entity consists of a) the primary government, b) organizations for which the primary government is financially accountable, and c) other organizations whose exclusion from the reporting entity's financial statements would cause those statements to be misleading or incomplete. Any organizations that can be described by these last two items are included with the primary government in the financial statements as component units.

This District is not included in any other governmental "reporting entity" as defined in GASB No. 14 and does not include any other component unit as part of its "reporting entity". As required by accounting principles generally accepted in the USA, these basic financial statements present the District (the primary government) and its component units.

FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements

The Government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds (General Fund, Designated Purpose Grant Fund and Bond Funds) and individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the District's governmental and business-type activities. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, operating statements present increases and decreases in net current assets and unassigned fund balance as a measure of available spendable resources. This means that only current liabilities are generally included on their balance sheets.

FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

Amounts reported as program revenues included 1) charges to customers or applicants for goods, services or privileges provided 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

All governmental fund types use the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. Revenues are considered to be available if collected within 60 days after year-end.

Property and automotive ownership taxes are reported as receivables and deferred revenue when levied and as revenues when due for collection in the following year and determined to be available.

Grants and entitlement revenues are recognized when compliance with matching requirements is met. A receivable is established when the related expenditures exceed revenue receipts.

Expenditures are recorded when the related fund liability is incurred with the exception of general obligation and capital lease debt service which is recognized when due and certain accrued sick and personal pay which are accounted for as expenditures when expected to be liquidated with expendable available financial resources.

Proprietary fund types are accounted for on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. The measurement focus in these funds is on the flow of economic resources and emphasizes the determination of net income. All assets and all liabilities associated with their activity are included on their statements of position. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net position.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing goods and services in connection with a proprietary fund's ongoing operations. The principal operating revenues of the District's proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

D. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred flows, fund equity, revenues and expenditures, or expenses, as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The major funds presented in the accompanying basic financial statements are as follows:

• **Major Governmental Funds**

1. **General Fund** – the general operating fund of the District; used to account for all resources that are not required legally or by sound financial management to be accounted for in another fund.
2. **Bond Redemption Debt Service Fund** – used to account for the accumulation of resources for, and the payment of, long term general obligation debt principal, interest, and related costs.
3. **Governmental Designated – Purpose Grants Fund** – this fund is provided to maintain a separate accounting for federal and state grant funded programs which normally have a different fiscal period than that of the District.

Additionally, the District reports the following fund type:

Trust and Agency Funds

The Student Activity Fund – this fund is used to account for the activities of student clubs and organizations held in a fiduciary capacity by the District.

Scholarship Trust Fund – this fund is used to award scholarships to student of the District.

E. Cash and Investments

Cash represents amounts on deposit with financial institutions or held by the District. The District is allowed to invest in the following types of investments: short-term certificates of deposit, repurchase agreements, money market deposit accounts, mutual funds, government pools, and U.S. Treasury Obligations. The District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments are recorded at fair value in accordance with GASB Statement No. 72 *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

F. Receivables

Property taxes levied in 2017 but uncollected in 2018 are identified as property taxes receivable. Amounts of property taxes that are not available at June 30, 2018 are recorded as deferred inflows, and are presented net of an allowance for uncollectible taxes. Program grants are recorded as receivables and revenues at the time reimbursable project costs are incurred.

FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

G. Inventories

Materials and supplies inventories are stated at cost. Inventories recorded in the Food Services Fund consist of purchased and donated commodities. Purchased inventories are stated at cost. Donated inventories, received at no cost under a program supported by the Federal Government, are recorded at their estimated fair value at the date of receipt.

The cost of all inventories is recorded as an asset when the individual inventory items are purchased, and as an expenditure or expense when consumed.

H. Capital Assets

Capital assets, which include property, vehicles and equipment, are utilized for general District operations and are capitalized at actual or estimated cost. Donations of such assets are recorded at estimated fair value at the time of donation. Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Maintenance, repairs, and minor renovations are recorded as expenditures when incurred. Major additions and improvements are capitalized. When assets used in the operation of the governmental fund types are sold, the proceeds of the sale are recorded as revenues in the appropriate fund. The District does not capitalize interest on the construction of capital assets in governmental funds. However, the District does capitalize interest on the construction of capital assets in business-type activities.

The monetary threshold for capitalization of assets is \$5,000. The District's capital assets are depreciated using the straight-line method over the estimated useful lives of the fixed assets (5-40 years). Depreciation of all capital assets is charged as an expense against their operations. Depreciation is recorded in the year of acquisition and any remaining depreciation is recorded in the year of disposition.

I. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or proprietary fund type statement of net position. The District records long-term debt of governmental funds at the face value. General obligation bonds are serviced from property taxes and other revenues of the Debt Service Fund. Capital leases are serviced from property taxes and other revenues of the General Fund. The long-term accumulated unpaid accrued sick leave is serviced from property taxes and other revenues by the respective fund type from future appropriations.

**FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Constitutional Amendment

In November 1992, Colorado voters approved Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer’s Bill of Rights (TABOR). TABOR contains revenue, spending, tax and debt limitations, which apply to the State of Colorado and local governments. It requires, with certain exceptions, advance-voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of an expiring tax, or tax policy change directly causing a net tax revenue gain to any entity.

On November 5, 1996 the registered voters approved a ballot resolution authorizing Fremont County School District RE-2 to collect, retain and expend all revenues from any source provided that no property tax mill levy be increased or any new tax be imposed.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future years. TABOR requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be three percent or more of fiscal year spending (excluding bonded debt service). As of June 30, 2018 the District reserved \$371,700 for this purpose.

Spending and revenue limits are determined based on the prior fiscal year’s spending adjusted for inflation in the prior calendar year plus annual increases in funded student enrollment. Fiscal year spending is generally defined as expenditures and reserve increases with certain exceptions.

K. Property Taxes

Under Colorado law, all property taxes are due and payable in the year following the year levied. The 2017 property tax calendar for Fremont County was as follows:

Levy Date	December 15, 2017
Lien Date	January 1, 2018
Tax Bills Mailed	January 1, 2018
First Installment Due	February 28, 2018
Second Installment Due	June 15, 2018
If Paid in Full, Due	April 30, 2018
Tax Sale – 2016 Delinquent Property Taxes	October 25, 2017

L. Accumulated Sick Leave

Compensated absences are made up of accumulated sick leave reported as non-current liabilities in the government-wide financial statements. As of June 30, 2018, the District has recorded an estimated liability of \$323,086 relating to accrued sick leave payable.

A summary of changes in compensated absences is as follows:

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
Accumulated Sick Leave	<u>325,375</u>	<u> -</u>	<u>2,289</u>	<u>323,086</u>

FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

M. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

N. GASB Statement No. 54

The Government Accounting Standards Board (GASB) has issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54). This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below.

1. Nonspendable such as fund balances associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned).
2. Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
3. Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School District Board of Directors (the District's highest level of decision-making authority).
4. Assigned fund balance classification is intended to be used by the government for specific purposes that do not meet the criteria to be classified as restricted or committed.
5. Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

Fund Balance Classification Policies and Procedures

Committed Fund Balance Policy:

The District's Committed Fund Balance is fund balance reporting required by the School Board, either because of a School Board Policy in the School Board Policy Manual, or because of motions that passed at School Board meetings.

Assigned Fund Balance Policy:

The District's Assigned Fund Balance is fund balance reporting occurring by School Board Administration authority, under the direction of the Chief Business Officer.

FREMONT COUNTY SCHOOL DISTRICT RE-2
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

N. **GASB Statement No. 54 (Continued)**

Order of Fund Balance Spending Policy

The District's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year by adjusting journal entries.

First, non-spendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then unrestricted fund balances are determined following the order of committed, assigned, and unassigned.

Fund Balance Classification by Fund:

	<u>General Fund</u>	<u>Bond Fund</u>	<u>Food Service</u>	<u>Pupil Activities</u>	<u>Total Governmental Funds</u>
<u>Nonspendable:</u>					
Inventories	-	-	20,361	-	20,361
<u>Restricted:</u>					
Emergencies	371,700	-	-	-	371,700
Preschool	21,119	-	-	-	21,119
Debt Service	-	2,591,110	-	-	2,591,110
Food Service	-	-	183,335	-	183,335
<u>Committed:</u>					
Capital Outlay	3,256,753	-	-	-	3,256,753
Insurance	20,573	-	-	-	20,573
<u>Assigned:</u>					
Pupil Activities	-	-	-	53,551	53,551
<u>Unassigned</u>	<u>2,164,565</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,164,565</u>
<u>Total Fund Balances</u>	<u>5,834,710</u>	<u>2,591,110</u>	<u>203,696</u>	<u>53,551</u>	<u>8,683,067</u>

O. **Deferred Outflows / Inflows of Resources**

In addition to assets, the statement of financial position and the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position and the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

FREMONT COUNTY SCHOOL DISTRICT RE-2
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

NOTE 2 RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The governmental funds balance sheet includes a reconciliation between *fund balances – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. Additionally, the governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balances – total government funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities.

These reconciliations detail items that require adjustment to convert from the current resources measurement and modified accrual basis for governmental fund statements to the economic resources measurement and full accrual basis used for government-wide statements. However, certain items having no effect on measurement and basis were eliminated from the government fund statements during the consolidation of governmental activities.

	Items Eliminated	
	Transfers To Other Funds	Transfers From Other Funds
General Fund	89,755	-
Pupil Activity	-	89,755
	89,755	89,755

	Items Eliminated	
	Interfund Receivables	Interfund Payables
General Fund	124,030	492
Designated Grants	492	109,028
Bond Fund	-	15,002
	124,522	124,522

FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 3 **BUDGETARY INFORMATION**

Revenues and expenditures are controlled by budgetary accounting systems in accordance with various legal requirements. The budgeted revenues and expenditures represent the original adopted budget as subsequently adjusted by the Board of Education in accordance with Colorado School Laws. Budgets are generally prepared on the same basis as that used for accounting purposes.

The District has set procedures to be followed in establishing the budgetary data reflected in the financial statements:

1. Prior to June 1, the Business Manager submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public notices are released to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted through passage of a resolution.
4. The Business Manager is authorized to transfer budgeted amounts between categories within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.
5. Formal budgetary integration should be employed as a management control device during the year for the General Fund, Special Revenue Funds and Debt Service Funds.
6. Budgets for the General, Special Revenue and Debt Service Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgets have been adopted for Trust and Agency Funds.

All appropriations lapse at the end of each fiscal year. Authorization to transfer budgeted amounts between programs and/or departments within any fund and the reallocation of budget line items within any program and/or department rests with the Superintendent of Schools and may be delegated to an appropriate level of management. Revisions and/or supplemental appropriations that alter the total expenditures of any fund must be approved by the Board of Education.

Budgetary amounts reported in the accompanying basic financial statements are as originally adopted and amended by the Superintendent and/or the Board of Education throughout the year.

NOTE 4 **CASH AND INVESTMENTS**

Deposits

The Colorado Public Deposit Protection Act (PDPA), requires that all units of local government deposit cash in eligible public depositories, eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to the aggregate uninsured deposits.

**FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018**

NOTE 4 CASH AND INVESTMENTS (Continued)

Deposits (Continued)

At June 30, 2018, the District's bank balance and corresponding carrying balance were as follows:

	<u>Carrying Balance</u>	<u>Bank Balance</u>
Insured (FDIC)	286,704	340,017
Uninsured, Collateralized under the Public Deposit Protection Act of the State of Colorado	1,023,033	1,271,170
Cash with County Treasurer	169,936	-
Cash with Fiscal Agent	2,493,218	-
Cash with ColoTrust	5,724,448	-
Cash on Hand	<u>1,980</u>	<u>-</u>
<u>Total Cash and Deposits</u>	<u>9,699,319</u>	<u>1,611,187</u>

As presented above, deposits with a bank balance of \$1,271,170 and a carrying balance of \$1,023,033, as of June 30, 2018 are uninsured, are exposed to custodial risk, and are collateralized with securities held by the pledging financial institution.

Investments

At June 30, 2018, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
Raymond James Investment	-	1,878,679

Interest Rate Risk – The District does not have a formal investment policy that limits investment maturities for managing possible fair value losses due to increasing interest rates.

Credit Risk – State Law limits the type of investments allowable. The investment in COLOTRUST Plus were rated AAAM by Standard and Poor's.

Investments Held by Fiduciary Scholarship Trust Fund – The scholarship trust fund has various investments held by Raymond James which are subject to market fluctuations and have been marked to market at 6/30/17. An unrealized loss of \$5,167 was recorded at year end. These investments are insured under SPIC up to \$500,000. The District is not responsible for the investment of these funds.

Concentration of Credit Risk – the District has no policy restricting the amount that can be invested in any issuer.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of June 30, 2018:

- Raymond James Investment of \$1,878,679 is valued using quoted market prices (Level 1 inputs)

FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 5 CAPITAL ASSETS

A summary of changes in capital assets is as follows:

Governmental Activities

	<u>Balance</u> <u>July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2018</u>
<u>Capital Assets Not Being</u>				
<u>Depreciated</u>				
Land	1,007,850	-	-	1,007,850
Construction In Progress	-	-	-	-
<u>Total Capital Assets Not Being</u>				
<u>Depreciated</u>	<u>1,007,850</u>	<u>-</u>	<u>-</u>	<u>1,007,850</u>
<u>Capital Assets Being</u>				
<u>Depreciated</u>				
Buildings & Site Improvements	33,210,672	316,608	-	33,527,280
Equipment & Vehicles	3,427,009	55,799	-	3,482,808
Food Service	477,706	-	-	477,706
<u>Total Capital Assets Being</u>				
<u>Depreciated</u>	<u>37,115,387</u>	<u>372,407</u>	<u>-</u>	<u>37,487,794</u>
<u>Less Accumulated</u>				
<u>Depreciation for:</u>				
Building & Site Improvements	20,913,486	1,383,354	-	22,296,840
Equipment & Vehicles	2,947,831	119,496	-	3,067,327
Food Service	460,971	7,883	-	468,854
<u>Total Accumulated Depreciation</u>	<u>24,322,288</u>	<u>1,510,733</u>	<u>-</u>	<u>25,833,021</u>
<u>Total Capital Assets Being</u>				
<u>Depreciated, Net</u>	<u>12,793,099</u>	<u>(1,138,326)</u>	<u>-</u>	<u>11,654,773</u>
<u>Governmental Activities Capital</u>				
<u>Assets, Net</u>	<u>13,800,949</u>	<u>(1,138,326)</u>	<u>-</u>	<u>12,662,623</u>

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

Governmental Activities:

Instruction	1,364,459
Student Support	7,477
Instructional Support	10,206
School Administration	8,319
Business Services Support	446
Operations and Maintenance	24,320
Transportation	87,623
Food Service	7,883
<u>Total Depreciation Expense –Governmental Activities</u>	<u>1,510,733</u>

FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 **PENSION PLAN**

Defined Benefit Pension Plan

Summary of Significant Accounting Policies

Pensions. Fremont County School District RE-2 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.

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years.* Governmental accounting standards require the net pension liability and related amounts of the SCHDTF for financial reporting purposes be measured using the plan provisions in effect as of the SCHDTF's measurement date of December 31, 2017. As such, the following disclosures do not include the changes to plan provisions required by SB 18-200 with the exception of the section titled *Changes between the measurement date of the net pension liability and June 30, 2018.*

General Information about the Pension Plan

Plan description. Eligible employees of the Fremont County School District RE-2 are provided with pensions through the School Division Trust Fund (SCHDTF) - a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investment/pera-financial-reports.

Benefits provided as of December 31, 2017. 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:

FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 **PENSION PLAN (Continued)**

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

The lifetime retirement benefit for all eligible retiring employees under the Denver Public Schools (DPS) benefit structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit.
- \$15 times the first 10 years of service credit plus \$20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100 percent of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

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.

As of December 31, 2017, 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 and all benefit recipients of the DPS benefit structure receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SCHDTF.

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

**FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018**

NOTE 6 **PENSION PLAN (Continued)**

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

Contribution provisions as of June 30, 2018. Eligible employees and Fremont County School District RE-2 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 in the table below.

	For the Year Ended December 31, 2017	For the Year Ended December 31, 2018
Employer Contribution Rate	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	5.000%	5.50%
Total Employer Contribution Rate to the SCHDTF	18.63%	19.13%

Rates are expressed as a percentage of salary as defined in C.R.S. §24-51-101(42).

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the Fremont County School District RE-2 is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from Fremont County School District RE-2 were \$1,357,581 for the year ended June 30, 2018.

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

At June 30, 2018, the Fremont County School District RE-2 reported a liability of \$49,288,879 for its proportionate share of the net pension liability. The net pension liability for the SCHDTF was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017. The Fremont County School District RE-2 proportion of the net pension liability was based on Fremont County School District RE-2 contributions to the SCHDTF for the calendar year 2017 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2017, the Fremont County School District RE-2 proportion was 0.1524 percent, which was a decrease of 0.0011 from its proportion measured as of December 31, 2016.

FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 **PENSION PLAN (Continued)**

For the year ended June 30, 2018, the Fremont County School District RE-2 recognized pension expense of \$8,682,260. At June 30, 2018, the Fremont County School District RE-2 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	906,215	-
Changes of assumptions or other inputs	12,585,281	(79,863)
Net difference between projected and actual earnings on pension plan investments	977,128	(2,912,749)
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	(583,260)
Contributions subsequent to the measurement date	697,278	N/A
Total	15,165,902	(3,575,872)

\$697,278 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2019	7,420,741
2020	4,198,549
2021	1,651
2022	(728,189)
2023	-
Thereafter	-

**FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018**

NOTE 6 PENSION PLAN (Continued)

Actuarial assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 9.70 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	5.26 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic)	2.00 percent
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

A discount rate of 4.78 percent was used in the roll-forward calculation of the total pension liability to the measurement date of December 31, 2017.

Healthy mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Healthy, post-retirement mortality assumptions reflect the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The actuarial assumptions used in the December 31, 2016, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting.

FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 **PENSION PLAN (Continued)**

The long-term expected return on pension 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 analyses were outlined in presentations to PERA's Board on October 28, 2016.

Several factors were considered in evaluating the long-term rate of return assumption for the SCHDTF, including long-term historical data, estimates inherent in current market data, and 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 by the investment consultant 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 adoption of the current long-term expected rate of return by the PERA Board, the target asset 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 7.25%.

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 the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial 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%.

FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 **PENSION PLAN (Continued)**

- 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 and effective as of the measurement date, 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.

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 Bond Buyer, was applied to periods on and after 2041 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.43 percent, resulting in a discount rate of 4.78 percent.

As of the prior measurement date, the long-term expected rate of return on plan investments of 7.25 percent and the municipal bond index rate of 3.86 percent were used in the discount rate determination resulting in a discount rate of 5.26 percent, 0.48 percent higher compared to the current measurement date.

**FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018**

NOTE 6 PENSION PLAN (Continued)

Sensitivity of the Fremont County School District RE-2 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 4.78 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 (3.78 percent) or 1-percentage-point higher (6.78 percent) than the current rate:

	1% Decrease (3.78%)	Current Discount Rate (4.78%)	1% Increase (5.78%)
Proportionate share of the net pension liability	62,260,237	49,288,879	38,718,704

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.

Changes between the measurement date of the net pension liability and June 30, 2018.

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through SB 18-200: Concerning Modifications to the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to the plans administered by PERA with the goal of eliminating the unfunded actuarial accrued liability of the Division Trust Funds and thereby reach a 100 percent funded ratio for each division within the next 30 years.

A brief description of some of the major changes to plan provisions required by SB 18-200 are listed below. A full copy of the bill can be found online at www.leg.colorado.gov.

- Increases employer contribution rates by 0.25 percent on July 1, 2019.
- Increases employee contribution rates by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).
- Directs the state to allocate \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution will be allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the other divisions eligible for the direct distribution.
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, modifying the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.
- Member contributions, employer contributions, the direct distribution from the state, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.

FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

NOTE 6 **PENSION PLAN (Continued)**

At June 30 2018, the Fremont County School District RE-2 reported a liability of \$49,288,879 for its proportionate share of the net pension liability which was measured using the plan provisions in effect as of the pension plan's year-end based on a discount rate of 4.78%. For comparative purposes, the following schedule presents an estimate of what the Fremont County School District RE-2's proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the SCHDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the SCHDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

Estimated Discount Rate Calculated Using Plan Provisions Required by SB 18-200 (pro forma)	Proportionate Share of the Estimated Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 (pro forma)
7.25%	22,268,288

Recognizing that the changes in contribution and benefit provisions also affect the determination of the discount rate used to calculate proportionate share of the net pension liability, approximately \$23,008,357 of the estimated reduction is attributable to the use of a 7.25 percent discount rate.

Defined Contribution Pension Plan

Voluntary Investment Program

Plan Description – Employees of the Fremont County School District RE-2 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 which includes additional information on the Voluntary Investment Program. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy – The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions and investment earnings. For the year ended June 30, 2018, program members contributed \$55,125.

FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 7 **OTHER POST EMPLOYMENT BENEFITS**

Defined Benefit And Other Post Employment Benefit (OPEB) Plan

Summary of Significant Accounting Policies

OPEB. Fremont County School District RE-2 participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the OPEB Plan

Plan Plan description. Eligible employees of the Fremont County School District RE-2 are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, 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 the premium subsidies. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided. The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. For members who retire having service credit with employers in the Denver Public Schools (DPS) Division and one or more of the other four Divisions (State, School, Local Government and Judicial), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure and all retirees under the DPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. Upon the death of a DPS benefit structure retiree, no further subsidy is paid.

FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 7 **OTHER POST EMPLOYMENT BENEFITS (Continued)**

Enrollment in the PERACare is voluntary and is available to benefit recipients and their eligible dependents, certain surviving spouses, and divorced spouses and guardians, among others. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

PERA Benefit Structure

The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF or the DPS HCTF on behalf of benefit recipients not covered by Medicare Part A.

DPS Benefit Structure

The maximum service-based premium subsidy is \$230 per month for retirees who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for retirees who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum subsidy, in each case, is for retirees with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The retiree pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For retirees who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, the HCTF or the DPS HCTF pays an alternate service-based premium subsidy. Each individual retiree meeting these conditions receives the maximum \$230 per month subsidy reduced appropriately for service less than 20 years, as described above. Retirees who do not have Medicare Part A pay the difference between the total premium and the monthly subsidy.

Contributions. Pursuant to Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02 percent of PERA-includable salary into the HCTF.

**FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018**

NOTE 7 OTHER POST EMPLOYMENT BENEFITS (Continued)

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the Fremont County School District RE-2 is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from Fremont County School District RE-2 were \$73,330 for the year ended June 30, 2018.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the Fremont County School District RE-2 reported a liability of \$1,125,550 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2017. The Fremont County School District RE-2 proportion of the net OPEB liability was based on Fremont County School District RE-2 contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF.

At December 31, 2017, the Fremont County School District RE-2 proportion was 0.0866 percent, which was a decrease of 0.0006 percent from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the Fremont County School District RE-2 recognized OPEB expense of \$4,577. At June 30, 2018, the Fremont County School District RE-2 reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	5,323	-
Changes of assumptions or other inputs	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	(18,830)
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	(7,032)
Contributions subsequent to the measurement date	37,178	N/A
Total	42,501	(25,862)

**FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018**

NOTE 7 OTHER POST EMPLOYMENT BENEFITS (Continued)

\$37,178 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,	
2019	(5,043)
2020	(5,043)
2021	(5,043)
2022	(5,042)
2023	(335)
Thereafter	(33)

Actuarial assumptions. The total OPEB liability in the December 31, 2016 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 percent in aggregate
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	5.00 percent
Medicare Part A premiums	3.00 percent for 2017, gradually rising to 4.25 percent in 2023
DPS benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

The calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each actuarial valuation and on the pattern of sharing of costs between employers of each fund to that point.

Health care cost trend rates reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design, and technology improvements. For the PERA benefit structure, health care cost trend rates are needed to project the future costs associated with providing benefits to those PERACare enrollees not eligible for premium-free Medicare Part A.

**FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018**

NOTE 7 OTHER POST EMPLOYMENT BENEFITS (Continued)

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2016, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The PERA benefit structure health care cost trend rates that were used to measure the total OPEB liability are summarized in the table below:

Year	PERACare Medicare Plans	Medicare Part A Premiums
2017	5.00%	3.00%
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.00%
2023	5.00%	4.25%
2024+	5.00%	4.25%

The Mortality assumptions for the determination of the total pension liability for each of the Division Trust Funds as shown below are applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Healthy, post-retirement mortality assumptions for the State and Local Government Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 7 **OTHER POST EMPLOYMENT BENEFITS (Continued)**

Healthy, post-retirement mortality assumptions for the School and Judicial Divisions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

- **Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.**
- **Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.**

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The following economic and demographic assumptions were specifically developed for, and used in, the measurement of the obligations for the HCTF:

- **The assumed rates of PERACare participation were revised to reflect more closely actual experience.**
- **Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2017 plan year.**
- **The percentages of PERACare enrollees who will attain age 65 and older ages and are assumed to not qualify for premium-free Medicare Part A coverage were revised to more closely reflect actual experience.**
- **The percentage of disabled PERACare enrollees who are assumed to not qualify for premium-free Medicare Part A coverage were revised to reflect more closely actual experience.**
- **Assumed election rates for the PERACare coverage options that would be available to future PERACare enrollees who will qualify for the “No Part A Subsidy” when they retire were revised to more closely reflect actual experience.**
- **Assumed election rates for the PERACare coverage options that will be available to those current PERACare enrollees, who qualify for the “No Part A Subsidy” but have not reached age 65, were revised to more closely reflect actual experience.**

FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 7 **OTHER POST EMPLOYMENT BENEFITS (Continued)**

- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.
- The rates of PERAcare coverage election for spouses of eligible inactive members and future retirees were revised to more closely reflect actual experience.
- The assumed age differences between future retirees and their participating spouses were revised to reflect more closely actual experience.

The actuarial assumptions used in the December 31, 2016, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA's actuary, as needed.

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 analyses were outlined in presentations to PERA's Board on October 28, 2016.

Several factors were considered in evaluating the long-term rate of return assumption for the HCTF, including long-term historical data, estimates inherent in current market data, and 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 adoption of the long-term expected rate of return by the PERA Board, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 7 OTHER POST EMPLOYMENT BENEFITS (Continued)

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 7.25%.

Sensitivity of the Fremont County School District RE-2 proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates. The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A trend rate	3.25%	4.25%	5.25%
Net OPEB Liability	1,094,582	1,125,550	1,162,849

Discount rate. The discount rate used to measure the total OPEB liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2017, measurement date.

FREMONT COUNTY SCHOOL DISTRICT RE-2
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

NOTE 7 **OTHER POST EMPLOYMENT BENEFITS (Continued)**

- 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%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date. For future plan members, employer contributions were reduced by the estimated amount of total service costs for future plan members.
- 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.
- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the projection test indicates the HCTF's fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent.

Sensitivity of the Fremont County School District RE-2 proportionate share of the net OPEB liability to changes in the discount rate. The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	1,265,472	1,125,550	1,006,123

OPEB plan fiduciary net position. Detailed information about the HCTF'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.

FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 8 **RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God.

The District maintains commercial insurance for all risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 9 **COLORADO SCHOOL DISTRICT SELF INSURANCE POOL**

The District belongs to the Colorado School District's Self-Insurance Pool. The Pool was established by the Colorado Association of School Boards (CASB) to provide insurance coverage to participants in the areas of General Liability, Errors and Omissions, Automobile Liability, Auto Physical Damage, Auto Personal Injury Protection, Real and Personal Property, Crime, Workers' Compensation and other coverage. The Board of Directors is composed of eight persons; seven of whom are appointed by the Board of Directors of CASB and the Executive Director of CASB. The Pool is managed by an independent manager chosen by the Board of Directors. Each member's initial contribution and subsequent contributions are determined by the Pool based on factors including, but not limited to, the Aggregate Pool claims, the cost of Administrative and other operating expenses, the number of participants, the adequacy of both Operating and Reserve Funds and other factors touching on the status of the Pool or an individual participant, and as approved by the Colorado Insurance Commissioner.

As the District did not exercise oversight responsibility nor have sufficient control over Pool activities, the Pool is not a component unit of the District and only the District's share of contributions to the Pool is recorded as Expenditures in the Insurance Reserve Fund.

The District's share in the Pool is not determinable from current information, but is estimated to be less than 1%. The District's share, if calculated, would not be material to the Pool's financial information at June 30, 2018.

FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 9 **COLORADO SCHOOL DISTRICT SELF INSURANCE POOL (Continued)**

An audited summary of the Colorado School District's Pool financial information at June 30, 2017 and for the six months then ended (latest information available) follows:

Total Assets	<u>42,273,940</u>
Total Liabilities	<u>11,655,251</u>
Total Equity	<u>30,618,689</u>
Revenue	7,429,394
Underwriting Expenses	<u>4,126,717</u>
Underwriting Gain (Loss)	3,302,677
Net Investment Income	276,653
Other Income	-
Net Income (Loss) Before Dividend	<u>3,579,330</u>
Dividend	-
Net Income	<u>3,579,330</u>
Transfer of Capital Contributions	-
Change in Non Admitted Assets	<u>235,606</u>
Capital Contributions from Members	-
Unassigned Surplus	<u>30,618,689</u>

NOTE 10 **LITIGATION**

None.

NOTE 11 **SUMMARY DISCLOSURE OF SIGNIFICANT COMMITMENTS AND CONTINGENCIES**

Claims and Judgments - The District participates in a number of federal, state and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2018, significant amounts of grant expenditures have not been audited by the grantor but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual government funds or the overall financial position of the District.

NOTE 12 **JOINT VENTURES**

Not reflected in the accompanying financial statements is the District's participation in the Pikes Peak Board of Cooperative Educational Services (BOCES). The BOCES is an organization that provides member districts educational services at a shared lower cost per District.

FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 12 JOINT VENTURES (Continued)

The District has one member on the Board. The Board has final authority for all budgeting and financing of the joint venture. The District's share of the joint venture is not determinable at June 30, 2018. The joint venture summary audited financial information as of June 30, 2017 is as follows:

Assets and Deferred Outflows	<u>25,726,716</u>
Liabilities and Deferred Inflows	36,718,468
Net Position	<u>(10,991,752)</u>
	<u>25,726,716</u>
Revenues	11,404,672
Expenses	<u>19,787,744</u>
Changes in Net Position	<u>(8,383,072)</u>

The BOCES is not included as a component unit of the District as the financial responsibility is minimal, there is no financial interdependency, the District does not have the ability to significantly influence the operations of the BOCES and the District is not accountable for fiscal matters of the BOCES. The BOCES is audited annually and files a report with the Colorado State Auditor's Office.

NOTE 13 LONG-TERM DEBT

The following is a summary of the transactions in the school district's long-term debt:

	<u>Balance</u>		<u>Balance</u>		<u>Current</u>
	<u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2018</u>	<u>Portion</u>
Vehicle Lease	4,186	-	4,186	-	-
Furniture Lease 2017	31,687	-	21,108	10,579	10,579
G.O. Bonds Series 2011	1,610,000	-	1,285,000	325,000	325,000
G.O. Bonds Series 2015	7,915,000	-	-	7,915,000	940,000
Deferred Refunding	<u>(337,949)</u>	-	<u>(83,382)</u>	<u>(254,567)</u>	<u>(64,552)</u>
	<u>9,222,924</u>	<u>-</u>	<u>1,226,912</u>	<u>7,996,012</u>	<u>1,211,027</u>

General Obligation Refunding Series 2011

On October 27, 2011, the District issued \$5,455,000 in General Obligation Refunding Bonds with an average interest rate of 2.28% to advance refund \$5,035,000 of outstanding 2004 General Obligation Bonds bearing interest rates ranging from 5.00% to 5.25%. Refunding proceeds of \$6,381,994 were deposited with an escrow agent to provide debt service payments of \$5,035,000 in principal and \$1,346,994 in interest on the 2004 Series Bonds. As result, that portion of 2004 Bonds is considered to be defeased and the liability for the issue has been removed from the financial statements. The defeased debt balance at June 30, 2018 was \$310,000.

The District completed the advance refunding to reduce the total debt service payments over the next 8 years by \$347,057 and to obtain an economic gain (difference between the present value of the old and new debt service payments) of \$228,249.

FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

NOTE 13 **LONG-TERM DEBT (Continued)**

General Obligation Refunding Series 2011 (Continued)

As a result of the difference between the reacquisition price and the carrying amount of the old debt (including unamortized issue costs and unamortized premium), a deferred refunding was recorded in the amount of \$378,770. It is being amortized against interest costs of the refunding issue.

General Obligation Refunding Series 2015

On October 21, 2015, the District issued \$7,915,000 in General Obligation Refunding Bonds with an average interest rate of 3.79% to advance refund \$8,800,000 of outstanding 2006 General Obligation Bonds bearing interest rates ranging from 3.75% to 4.00%. Refunding proceeds of \$8,972,078 were deposited with an escrow agent to provide debt service payments of \$8,800,000 in principal and \$2,125,965 in interest on the 2006 Series Bonds. As result, that portion of 2006 Bonds is considered to be defeased and the liability for the issue has been removed from the financial statements. The defeased debt balance at June 30, 2017 was \$0.

The District completed the advance refunding to reduce the total debt service payments over the next 8 years by \$1,278,185 and to obtain an economic gain (difference between the present value of the old and new debt service payments) of \$1,031,176.

As a result of the difference between the reacquisition price and the carrying amount of the old debt a deferred refunding was recorded in the amount of \$418,305. It will be amortized against interest costs of the refunding issue.

Below is a schedule of debt service requirements to maturity:

2015 Refunding Issue

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2019	940,000	279,500
2020	1,310,000	239,200
2021	1,360,000	192,600
2022	1,385,000	144,500
2023	1,455,000	87,700
2024	<u>1,465,000</u>	<u>29,300</u>
Total	<u>7,915,000</u>	<u>972,800</u>

2011 Refunding Issue

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2019	<u>325,000</u>	<u>4,063</u>

FREMONT COUNTY SCHOOL DISTRICT RE-2
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

NOTE 13 **LONG-TERM DEBT (Continued)**

Capital Leases

Lease Purchase Vehicles

During the fiscal year ended June 30, 2016 the District executed a lease purchase agreement of \$143,169 to purchase 3 vehicles. The lease purchase agreement is for a period of 36 months with interest at a rate of 3.23% per annum and a monthly payment of \$4,192.53.

Lease Purchase Office Furniture

During the fiscal year ended June 30, 2017, the District executed a lease purchase agreement of \$42,248 to purchase office furniture. The lease purchase agreement is for a period of 24 months with interest at a rate of .31% per annum and a monthly payment of \$1,765.16.

Annual debt service requirements to maturity for the lease purchase agreements are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual Payment</u>
2019	10,579	12	<u>10,591</u>
			10,591
Less Amount Representing Interest			<u>(12)</u>
Present Value of Future Minimum Lease Payments			<u>10,579</u>

NOTE 14 **INTERFUND BALANCES**

Interfund Balances

<u>Major Funds</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	124,030	492
Bond Fund	-	15,002
Designated Grant Fund	492	109,028
 <u>Non Major Governmental Funds</u>	 <u>-</u>	 <u>-</u>
	<u>124,522</u>	<u>124,522</u>

These interfund balances occurred due to expenditures paid on behalf of another fund.

Interfund balances are expected to be paid within one year from the date of the financial statements.

FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 14 **INTERFUND BALANCES (Continued)**

<u>Transfers</u>	<u>Transfer In</u>	<u>Transfer Out</u>
<u>Major Governmental Fund</u>		
General Fund	-	89,755
<u>Nonmajor Governmental Funds</u>		
Pupil Activities Fund	<u>89,755</u>	<u>-</u>
	<u>89,755</u>	<u>89,755</u>

These transfers were to assist with operations.

NOTE 15 **ACCRUED SALARIES AND BENEFITS**

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve month period from September to August, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, as of June 30, 2018, are estimated to be \$1,217,500 and will be paid during the 2018-2019 fiscal year. Accordingly, the accrued compensation is reflected as a liability in the accompanying financial statements.

NOTE 16 **RESTATEMENT OF BEGINNING NET POSITION**

The net position of the governmental activities has been restated to reflect the implementation of GASB Statement 75. That statement requires that the District report their portion of any post employment benefit (OPEB) liability, and related deferred flows. The beginning net position of \$(16,237,837) has been changed by the net OPEB liability at June 30, 2017 of \$(1,131,308) and related deferred flows of \$26,974, resulting in a restated beginning net position of \$(17,342,171).

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISONS

General Fund

The General Fund accounts for all transactions of the District not accounted for in other funds. This fund represents an accounting for the District's ordinary operations financed from property taxes and other general revenues. It is the most significant fund in relation to the District's overall operations.

Special Revenue Fund

Designated Grants Fund – used to account for federal and state grant programs.

PENSION AND OPEB TREND DATA

FREMONT COUNTY SCHOOL DISTRICT RE-2
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE BUDGET AND ACTUAL
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance- Favorable (Unfavorable)
	Original	Final		
<u>REVENUES</u>				
<u>Local Sources</u>				
Property Taxes	2,341,802	2,301,802	2,535,717	233,915
Specific Ownership Taxes	616,444	616,444	727,365	110,921
Earnings on Investments	37,750	40,250	70,244	29,994
Delinquent Taxes & Interest	30,000	20,550	14,861	(5,689)
Other	308,150	305,600	277,707	(27,893)
<u>State Sources</u>				
Equalization	7,564,843	7,589,075	7,813,128	224,053
Transportation	183,000	183,000	183,537	537
Vocational Education	85,000	130,000	108,984	(21,016)
Special Education	175,000	175,000	115,104	(59,896)
Other	76,365	362,532	340,293	(22,239)
<u>Federal Sources</u>				
Other	29,029	5,000	1,144	(3,856)
<u>TOTAL REVENUES</u>	<u>11,447,383</u>	<u>11,729,253</u>	<u>12,188,084</u>	<u>458,831</u>
<u>EXPENDITURES</u>				
<u>Instruction</u>				
<u>Regular Programs</u>				
Salaries	4,914,460	4,935,251	4,805,738	129,513
Employee Benefits	1,536,335	1,554,530	1,279,496	275,034
Purchased Services-Professional	53,000	78,000	5,072	72,928
Purchased Services-Property	35,500	35,500	28,388	7,112
Purchased Services-Other	501,393	501,393	319,503	181,890
Supplies and Materials	175,221	199,021	141,667	57,354
Property	112,250	113,250	78,066	35,184
Other Objects	-	-	-	-
<u>Total Instruction</u>	<u>7,328,159</u>	<u>7,416,945</u>	<u>6,657,930</u>	<u>759,015</u>
<u>SUPPORTING SERVICES</u>				
<u>Student Supporting Services</u>				
Salaries	374,028	491,892	484,838	7,054
Employee Benefits	95,857	135,355	137,554	(2,199)
Purchased Services-Professional	-	-	-	-
Purchased Services-Property	-	-	-	-
Purchased Services-Other	-	-	-	-
Supplies and Materials	11,050	11,050	5,275	5,775
Property	-	-	-	-
Other Objects	500	500	-	500
<u>Total Student Services</u>	<u>481,435</u>	<u>638,797</u>	<u>627,667</u>	<u>11,130</u>

The accompanying notes are an integral part of the financial statements

**FREMONT COUNTY SCHOOL DISTRICT RE-2
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE BUDGET AND ACTUAL
For the Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance- Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
<u>Instructional Staff</u>				
Salaries	31,867	35,467	46,108	(10,641)
Employee Benefits	17,182	18,085	12,872	5,213
Purchased Services-Professional	8,750	9,750	9,591	159
Purchased Services-Property	-	-	-	-
Purchased Services-Other	1,000	1,000	-	1,000
Supplies and Materials	9,050	9,050	8,600	450
Property	10,000	10,000	338	9,662
Other Objects	-	-	-	-
<u>Total Instructional Staff</u>	<u>77,849</u>	<u>83,352</u>	<u>77,509</u>	<u>5,843</u>
<u>General Administration</u>				
Salaries	287,438	287,438	272,791	14,647
Employee Benefits	77,036	77,036	69,504	7,532
Purchased Services-Professional	136,000	146,000	88,544	57,456
Purchased Services-Property	-	-	-	-
Purchased Services-Other	196,300	197,684	105,832	91,852
Supplies and Materials	-	-	-	-
Property	-	-	-	-
Other Objects	500	500	-	500
<u>Total General Administration</u>	<u>697,274</u>	<u>708,658</u>	<u>536,671</u>	<u>171,987</u>
<u>School Administration</u>				
<u>Office of the Principal</u>				
Salaries	640,458	637,431	638,156	(725)
Employee Benefits	184,450	187,285	159,240	28,045
Purchased Services-Professional	-	-	-	-
Purchased Services-Property	4,550	6,550	7,533	(983)
Purchased Services-Other	-	-	-	-
Supplies and Materials	9,000	9,000	3,855	5,145
Property	2,000	2,000	840	1,160
Other Objects	-	-	-	-
<u>Total School Administration</u>	<u>840,458</u>	<u>842,266</u>	<u>809,624</u>	<u>32,642</u>
<u>Business Services</u>				
Salaries	69,425	69,425	69,672	(247)
Employee Benefits	22,277	22,277	20,707	1,570
Purchased Services-Professional	25,500	25,500	27,691	(2,191)
Purchased Services-Property	43,500	43,500	41,409	2,091
Purchased Services-Other	-	-	-	-
Supplies and Materials	12,000	12,000	4,279	7,721
Property	-	-	-	-
Other Objects	-	-	-	-
<u>Total Business Services</u>	<u>172,702</u>	<u>172,702</u>	<u>163,758</u>	<u>8,944</u>

The accompanying notes are an integral part of the financial statements

**FREMONT COUNTY SCHOOL DISTRICT RE-2
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE BUDGET AND ACTUAL
For the Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Operations and Maintenance</u>				
Salaries	528,917	544,017	469,887	74,130
Employee Benefits	167,307	174,080	141,233	32,847
Purchased Services-Professional	117,250	120,250	83,311	36,939
Purchased Services-Property	263,250	288,250	276,075	12,175
Purchased Services-Other	92,000	154,000	141,354	12,646
Supplies and Materials	733,250	739,250	683,925	55,325
Property	300,250	300,250	200,000	100,250
Other Objects	2,631,338	2,631,338	148	2,631,190
<u>Total Operations and Maintenance</u>	4,833,562	4,951,435	1,995,933	2,955,502
<u>Student Transportation</u>				
Salaries	462,926	476,026	483,082	(7,056)
Employee Benefits	131,172	128,448	121,338	7,110
Purchased Services-Professional	-	-	-	-
Purchased Services-Property	25,500	25,500	30,111	(4,611)
Purchased Services-Other	8,000	8,000	5,782	2,218
Supplies and Materials	149,000	155,500	151,555	3,945
Property	5,000	5,000	2,270	2,730
Other Objects	-	-	-	-
<u>Total Student Transportation</u>	781,598	798,474	794,138	4,336
<u>Central Support</u>				
Salaries	155,105	155,770	153,653	2,117
Employee Benefits	44,394	44,757	33,556	11,201
Purchased Services-Professional	-	-	-	-
Purchased Services-Property	15,000	40,000	27,333	12,667
Purchased Services-Other	15,000	15,000	16,800	(1,800)
Supplies and Materials	-	-	-	-
Property	120,000	120,000	183,146	(63,146)
Other Objects	-	-	-	-
<u>Total Central Support</u>	349,499	375,527	414,488	(38,961)
<u>Facility Acquisition and Construction</u>				
Property	837,398	837,398	294,101	543,297
Other Objects	-	-	-	-
<u>Total Facility</u>	837,398	837,398	294,101	543,297
<u>TOTAL SUPPORTING SERVICES</u>	9,071,775	9,408,609	5,713,889	3,694,720

The accompanying notes are an integral part of the financial statements

FREMONT COUNTY SCHOOL DISTRICT RE-2
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE BUDGET AND ACTUAL
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Appropriated Reserves</u>	670,901	925,255	-	925,255
<u>TOTAL EXPENDITURES</u>	17,070,835	17,750,809	12,371,819	5,378,990
<u>REVENUES OVER (UNDER) EXPENDITURES</u>	(5,623,452)	(6,021,556)	(183,735)	
<u>OTHER FINANCING SOURCES (USES)</u>				
Proceeds from Debt	-	-	-	-
Transfers	70,000	(70,971)	(89,755)	(18,784)
<u>TOTAL OTHER FINANCING SOURCES (USES)</u>	70,000	(70,971)	(89,755)	(18,784)
<u>REVENUES OVER (UNDER) EXPENDITURES AND OTHER SOURCES (USES)</u>	(5,553,452)	(6,092,527)	(273,490)	
<u>FUND BALANCE, July 1</u>	5,553,452	6,097,527	6,108,200	
<u>FUND BALANCE, June 30</u>	-	5,000	5,834,710	

The accompanying notes are an integral part of the financial statements

FREMONT COUNTY SCHOOL DISTRICT RE-2
DESIGNATED PURPOSE GRANTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE BUDGET AND ACTUAL
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Local Sources	-	-	-	-
State Sources	64,953	64,953	31,501	(33,452)
Federal Sources	588,296	588,296	513,328	(74,968)
<u>Total Revenues</u>	<u>653,249</u>	<u>653,249</u>	<u>544,829</u>	<u>(108,420)</u>
<u>EXPENDITURES</u>				
Salaries	112,655	112,655	357,532	(244,877)
Employee Benefits	300,292	300,292	101,835	198,457
Purchased Services-Professional	164,677	164,677	24,302	140,375
Purchased Services-Property	-	-	-	-
Purchased Services-Other	-	-	-	-
Supplies and Materials	75,625	75,625	61,160	14,465
Property	-	-	-	-
Other Objects	-	-	-	-
<u>Total Expenditures</u>	<u>653,249</u>	<u>653,249</u>	<u>544,829</u>	<u>108,420</u>
<u>REVENUES OVER (UNDER) EXPENDITURES</u>				
	-	-	-	-
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers	-	-	-	-
<u>Total Other Financing Sources (Uses)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)</u>				
	-	-	-	-
<u>FUND BALANCE, July 1</u>				
	-	-	-	-
<u>FUND BALANCE, June 30</u>				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The accompanying notes are an integral part of the financial statements

FREMONT COUNTY SCHOOL DISTRICT NUMBER RE-2
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
For The Last 10 Fiscal Years (As Available)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
District's proportion of the net pension liability (asset)	0.1524%	0.1535%	0.1589%	0.1591%	0.1624%	-	-	-	-	-
District's proportionate share of the net pension liability (asset)	\$49,288,879	\$45,705,541	\$24,302,722	\$21,569,787	\$20,716,850	-	-	-	-	-
District's covered-employee payroll	\$7,189,244	\$6,869,591	\$6,917,132	\$6,834,583	\$6,666,810	-	-	-	-	-
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	686%	665%	351%	316%	311%	-	-	-	-	-
Plan fiduciary net position as a percentage of the total pension liability	43.96%	43.1%	59.2%	62.80%	64.06%	-	-	-	-	-

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

**FREMONT COUNTY SCHOOL DISTRICT NUMBER RE-2
SCHEDULE OF DISTRICT CONTRIBUTIONS - PENSION
For The Last 10 Fiscal Years (As Available)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Contractually required contributions	\$ 1,357,581	\$ 1,262,803	\$ 1,226,519	\$ 1,152,971	\$ 1,094,181	\$ 999,654	-	-	-	-
Contributions in relation to the contractually required contributions	<u>\$ (1,357,581)</u>	<u>\$ (1,262,803)</u>	<u>\$ (1,226,519)</u>	<u>\$ (1,152,971)</u>	<u>\$ 1,094,181</u>	<u>\$ (999,654)</u>	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	-	-	-
District's covered-employee payroll	\$ 7,189,244	\$ 6,869,591	\$ 6,917,133	\$ 6,834,583	\$ 6,666,810	\$ 6,628,145	-	-	-	-
Contributions as a percentage of covered-employee payroll	18.88%	18.38%	17.73%	16.87%	16.41%	15.08%	-	-	-	-

FREMONT COUNTY SCHOOL DISTRICT NUMBER RE-2
SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY
For The Last 10 Fiscal Years (As Available)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
District's proportion of the net OPEB liability (asset)	0.0866%	0.0873%	-	-	-	-	-	-	-	-
District's proportionate share of the net OPEB liability (asset)	\$1,125,550	\$1,131,308	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$7,189,244	\$6,869,591	-	-	-	-	-	-	-	-
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	15.66%	16.47%	-	-	-	-	-	-	-	-
Plan fiduciary net position as a percentage of the total OPEB liability	17.53%	16.72%	-	-	-	-	-	-	-	-

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

FREMONT COUNTY SCHOOL DISTRICT NUMBER RE-2
SCHEDULE OF DISTRICT CONTRIBUTIONS - OPEB
For The Last 10 Fiscal Years (As Available)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Contractually required contributions	\$ 73,330	\$ 70,070	-	-	-	-	-	-	-	-
Contributions in relation to the contractually required contributions	<u>\$(73,330)</u>	<u>\$(70,070)</u>	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$7,189,244	\$6,869,591	-	-	-	-	-	-	-	-
Contributions as a percentage of covered-employee payroll	1.02%	1.02%	-	-	-	-	-	-	-	-

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

COMBINING AND INDIVIDUAL FUND STATEMENTS AND OTHER SCHEDULES

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – NonMajor
Governmental Funds**

Bond Redemption Debt Service Fund – Major Fund

Bond Redemption Debt Service Fund – Use to account for the accumulation of resources for, and the payment of, long-term general obligation debt principal, interest, and related costs.

NON MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

Pupil Activities - This fund accounts for financial transactions of all schools in the District through individual school activity accounts.

Food Service Fund – This fund accounts for all financial activities associated with the District's school breakfast and lunch programs.

Pupil Activity Agency Fund

Student Activity – Agency Fund – This fund is used to account for amounts held in a fiduciary capacity for various student clubs and organizations.

FREMONT COUNTY SCHOOL DISTRICT RE-2
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2018

	<u>Pupil Activities</u>	<u>Food Service</u>	<u>Total Nonmajor Governmental Funds</u>
<u>ASSETS</u>			
Cash and Investments	53,551	220,114	273,665
Accounts Receivable	-	-	-
Accrued Revenue	-	-	-
Due From Other Funds	-	-	-
Property Taxes Receivable	-	-	-
Inventories	-	20,361	20,361
<u>Total Assets</u>	<u>53,551</u>	<u>240,475</u>	<u>294,026</u>
<u>LIABILITIES & FUND BALANCES</u>			
Liabilities:			
Accounts Payable	-	5,962	5,962
Accrued Salaries	-	30,817	30,817
Due to Other Funds	-	-	-
Other Payables	-	-	-
Unearned Revenue	-	-	-
<u>Total Liabilities</u>	<u>-</u>	<u>36,779</u>	<u>36,779</u>
<u>Fund Balances</u>			
Nonspendable			
Inventories	-	20,361	20,361
Restricted for:			
Food Service	-	183,335	183,335
Assigned			
Student Activities	53,551	-	53,551
Unassigned	-	-	-
<u>Total Fund Balances</u>	<u>53,551</u>	<u>203,696</u>	<u>257,247</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>53,551</u>	<u>240,475</u>	<u>294,026</u>

The accompanying notes are an integral part of the financial statements

FREMONT COUNTY SCHOOL DISTRICT RE-2
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

	<u>Pupil Activities</u>	<u>Food Service</u>	<u>Total Nonmajor Governmental Funds</u>
<u>REVENUES</u>			
Other Local Sources	58,601	175,519	234,120
State Aid	-	9,759	9,759
Federal Aid	-	566,449	566,449
<u>Total Revenues</u>	<u>58,601</u>	<u>751,727</u>	<u>810,328</u>
<u>EXPENDITURES</u>			
Instructional Services	162,065	-	162,065
Supporting Services:			
Food Service	-	755,585	755,585
<u>Total Expenditures</u>	<u>162,065</u>	<u>755,585</u>	<u>917,650</u>
<u>REVENUES OVER (UNDER) EXPENDITURES</u>	<u>(103,464)</u>	<u>(3,858)</u>	<u>(107,322)</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers	89,755	-	89,755
<u>Total Other Financing Sources (Uses)</u>	<u>89,755</u>	<u>-</u>	<u>89,755</u>
<u>NET CHANGE IN FUND BALANCE</u>	<u>(13,709)</u>	<u>(3,858)</u>	<u>(17,567)</u>
<u>FUND BALANCES - Beginning</u>	<u>67,260</u>	<u>207,554</u>	<u>274,814</u>
<u>FUND BALANCES - Ending</u>	<u>53,551</u>	<u>203,696</u>	<u>257,247</u>

The accompanying notes are an integral part of the financial statements

**FREMONT COUNTY SCHOOL DISTRICT RE-2
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
PUPIL ACTIVITY -SPECIAL REVENUE FUND
For the Year Ended June 30, 2018**

	<u>Budget</u>	<u>Actual</u>	Variance- Favorable (Unfavorable)
<u>REVENUES</u>			
Other Local Sources	125,000	58,601	(66,399)
State Aid	-	-	-
Federal Aid	-	-	-
<u>Total Revenues</u>	<u>125,000</u>	<u>58,601</u>	<u>(66,399)</u>
<u>EXPENDITURES</u>			
Instruction			
Activity Expenditures	282,200	162,065	120,135
<u>Total Expenditures</u>	<u>282,200</u>	<u>162,065</u>	<u>120,135</u>
<u>REVENUES OVER (UNDER) EXPENDITURES</u>	<u>(157,200)</u>	<u>(103,464)</u>	
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers	90,000	89,755	(245)
<u>Total Other Financing Sources (Uses)</u>	<u>90,000</u>	<u>89,755</u>	<u>(245)</u>
<u>NET CHANGE IN FUND BALANCE</u>	<u>(67,200)</u>	<u>(13,709)</u>	
<u>FUND BALANCES - Beginning</u>	<u>67,200</u>	<u>67,260</u>	
<u>FUND BALANCES - Ending</u>	<u>-</u>	<u>53,551</u>	

The accompanying notes are an integral part of the financial statements

FREMONT COUNTY SCHOOL DISTRICT RE-2
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BOND REDEMPTION FUND
MAJOR DEBT SERVICE FUND
For the Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	Variance- Favorable <u>(Unfavorable)</u>
<u>REVENUES</u>			
Property Taxes	1,575,000	1,511,521	(63,479)
Specific Ownership Taxes	-	-	-
Earnings on Investments	5,000	29,909	24,909
Other Local Sources	904,000	9,051	(894,949)
<u>Total Revenues</u>	<u>2,484,000</u>	<u>1,550,481</u>	<u>(933,519)</u>
<u>EXPENDITURES</u>			
Debt service:			
Principal retirement	1,335,000	1,285,000	50,000
Interest and fiscal charges	385,500	321,630	63,870
Other	65,000	-	65,000
Contingency	3,345,759	-	3,345,759
<u>Total Expenditures</u>	<u>5,131,259</u>	<u>1,606,630</u>	<u>3,524,629</u>
<u>REVENUES OVER (UNDER) EXPENDITURES</u>	<u>(2,647,259)</u>	<u>(56,149)</u>	
<u>FUND BALANCES - Beginning</u>	<u>2,647,259</u>	<u>2,647,259</u>	
<u>FUND BALANCES - Ending</u>	<u>-</u>	<u>2,591,110</u>	

The accompanying notes are an integral part of the financial statements

FREMONT COUNTY SCHOOL DISTRICT RE-2
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOOD SERVICE -SPECIAL REVENUE FUND
For the Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
<u>REVENUES</u>			
<u>Local Source</u>			
Food Sales	146,500	163,480	16,980
Earnings on Investments	-	-	-
Other	5,000	12,039	7,039
<u>State Sources</u>			
School Lunches	8,900	9,759	859
<u>Federal Sources</u>			
School Lunches	432,491	522,307	89,816
Commodities	15,000	44,142	29,142
<u>Total Revenues</u>	<u>607,891</u>	<u>751,727</u>	<u>143,836</u>
<u>EXPENDITURES</u>			
Salaries	202,081	182,263	19,818
Employee Benefits	74,972	61,792	13,180
Purchased Services-Professional	500	1,348	(848)
Purchased Services-Property	10,000	13,145	(3,145)
Purchased Services-Other	3,250	2,138	1,112
Supplies and Materials	442,500	439,353	3,147
Capital Outlay	10,000	11,404	(1,404)
Other	72,142	-	72,142
Commodities	-	44,142	(44,142)
<u>Total Expenditures</u>	<u>815,445</u>	<u>755,585</u>	<u>59,860</u>
<u>REVENUES OVER (UNDER) EXPENDITURES</u>	(207,554)	(3,858)	
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers	-	-	-
<u>REVENUES AND SOURCES OVER (UNDER) EXPENDITURES AND USES</u>	(207,554)	(3,858)	
<u>FUND BALANCE - Beginning</u>	<u>207,554</u>	<u>207,554</u>	
<u>FUND BALANCE - Ending</u>	<u>-</u>	<u>203,696</u>	

The accompanying notes are an integral part of the financial statements

FREMONT COUNTY SCHOOL DISTRICT RE-2
SCHEDULE OF ACTIVITIES - BUDGET AND ACTUAL
PUPIL ACTIVITY AGENCY FUND
For the Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	Variance- Favorable (Unfavorable)
ADDITIONS			
Earnings on Investments	-	-	-
Other Local Sources	315,000	324,715	9,715
<u>Total Additions</u>	<u>315,000</u>	<u>324,715</u>	<u>9,715</u>
DEDUCTIONS			
Activity Expenditures	350,000	324,167	25,833
Contingency	157,822	-	157,822
<u>Total Deductions</u>	<u>507,822</u>	<u>324,167</u>	<u>183,655</u>
 Net Increase (Decrease) In Deposits Held for Others	 (192,822)	 548	
 Deposits Held for Others - Beginning of Year	 <u>192,822</u>	 <u>192,822</u>	
 Deposits Held for Others - End of Year	 <u>-</u>	 <u>193,370</u>	

The accompanying notes are an integral part of the financial statements

STATE REQUIRED SCHEDULES

Auditor's Integrity Report (Revenues, Expenditures, and Fund Balance by Fund)

Bolded Balance Sheet



Colorado Department of Education
Auditors Integrity Report
 District 1150 - FREMONT RE-2
 Fiscal Year 2017-18
 Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	5700-6799 & Prior Per Adj (6880's) Ending Fund Balance
Governmental			
10 General Fund	11,772,598	12,067,058	5,793,816
18 Risk Mgmt Sub-Fund of General Fund	92,514	92,663	30,573
19 Colorado Preschool Program Fund	233,217	212,097	31,119
Subs Total	12,098,329	12,371,818	5,855,508
11 Charter School Fund	0	0	0
20,26-29 Special Revenue Fund	0	0	0
06 Supplemental Cap Const, Tech, Maint, Fund	0	0	0
21 Food Service Spec Revenue Fund	751,726	755,582	203,698
22 Govt Designated-Purpose Grants Fund	544,829	544,829	0
23 Pupil Activity Special Revenue Fund	148,356	162,065	53,551
24 Full Day Kindergarten Mill Levy Override	0	0	0
25 Transportation Fund	0	0	0
31 Bond Redemption Fund	1,550,481	1,606,630	2,591,110
39 Certificate of Participation (COP) Debt Service Fund	0	0	0
41 Building Fund	0	0	0
42 Special Building Fund	0	0	0
43 Capital Reserve Capital Projects Fund	0	0	0
46 Supplemental Cap Const, Tech, Maint Fund	0	0	0
Total	15,663,770	15,740,225	8,447,079
Proprietary			
50 Other Enterprise Funds	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0
60,65-69 Other Internal Service Funds	0	0	0
Total	0	0	0
Fiduciary			
70 Other Trust and Agency Funds	0	0	0
72 Private Purpose Trust Fund	1,958,101	181,620	1,851,989
73 Agency Fund	0	0	0
74 Pupil Activity Agency Fund	182,822	354,167	193,370
79 GASB 34-Permanent Fund	0	0	0
85 Foundations	0	0	0
Total	2,140,923	535,787	2,045,339
FINAL			



Colorado Department of Education
Bolded Balance Sheet Report
 District 1150 - FREMONT RE-2
 Fiscal Year 2017-18
 Colorado School District/BOCES

ASSETS	Governmental							Proprietary					Fiduciary		
	General Funds 10-12-18	Charter School Fund 11	Preschool Fund 15	Special Revenue Funds 20-22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50-52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
Cash and Investments (8100-8104,8111)	6,509,238	0	46,603	53,551	0	220,114	0	0	0	0	0	2,085,339	0	8,914,845	
Cash with Fiscal Agent (8105)	106,292	0	0	0	0	0	2,556,862	0	0	0	0	0	0	2,663,155	
Other Investment Accounts (8112-8115)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Taxes Receivable (8121,8122)	344,800	0	0	0	0	0	232,250	0	0	0	0	0	0	577,050	
Interfund Loans Receivable (8131,8132)	143,705	0	0	492	0	0	0	0	0	0	0	0	0	144,197	
Grants Accounts Receivable (8142)	0	0	0	216,432	0	0	0	0	0	0	0	0	0	216,432	
Other Receivables (8151-8154,8161)	185,691	0	0	0	0	0	0	0	0	0	0	0	0	185,691	
Inventories (8171,8172,8173)	0	0	0	0	0	20,362	0	0	0	0	0	0	0	20,362	
Machinery and Equipment (8241,8242,8251)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Total Assets	7,289,726	0	46,603	270,475	0	240,476	2,789,112	0	0	0	0	2,085,339	0	12,721,731	

Governmental

Proprietary

Fiduciary

	General Funds 10-12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45	Supplemental Cap Const Fund 46	Other Enterprise Funds 50-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
LIABILITIES & FUND EQUITY															
LIABILITIES															
Interfund Payables (7401,7402)	1,045	0	19,122	109,028	0	0	15,002	0	0	0	0	0	0	0	144,197
Other Payables (7421-7423)	79,501	0	0	1,579	0	5,961	0	0	0	0	0	0	0	0	87,041
Accrued Expenses (7461)	1,115,285	0	6,362	65,337	0	30,817	0	0	0	0	0	0	0	0	1,217,801
Unearned Revenue (7481)	16,003	0	0	0	0	0	0	0	0	0	0	0	0	0	16,003
Grants Deferred Revenue (7482)	0	0	0	40,980	0	0	0	0	0	0	0	0	0	0	40,980
Other Current Liabilities (7491,7492,7499)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Compensated Absences (7541)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Deferred Inflow (7800)	264,300	0	0	0	0	0	183,000	0	0	0	0	0	0	0	447,300
Total Liabilities	1,476,134	0	25,484	216,974	0	36,778	198,002	0	0	0	0	0	0	0	1,953,322

Governmental

Proprietary

Fiduciary

FUND EQUITY	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60, 70-79	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
	Non-spendable Fund Balance 6710	0	0	0	0	0	20,361	0	0	0	0	0	0	0	0
Restricted Fund Balance 6720	0	0	0	0	0	183,337	2,591,110	0	0	0	0	0	0	0	2,774,448
TABOR 3% Emergency Reserve 6721	371,700	0	0	0	0	0	0	0	0	0	0	0	0	0	371,700
TABOR Multi-Year 6722	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
District Emergency Reserve (letter of credit or real estate) 6723	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Colorado Preschool Program (CPP) Reserve 6724	0	0	21,119	0	0	0	0	0	0	0	0	0	0	0	21,119
Full-Day Kindergarten Reserve 6725	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Risk-Related /Restricted Capital Reserve 6726	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
BEST Capital Reserve 6727	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Committed Fund Balance 6750	3,277,326	0	0	0	0	0	0	0	0	0	0	0	0	0	3,277,326
Assigned Fund Balance 6760	0	0	0	53,551	0	0	0	0	0	0	0	0	0	0	53,551
Unassigned Fund Balance 6770	2,164,565	0	0	0	0	0	0	0	0	0	0	2,085,339	0	0	4,249,904
Invested in Capital Assets, Net of Related Debt 6790	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Restricted Net Assets 6791	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Unrestricted Net Assets 6792	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Prior Period Adjustment 6880	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Fund Equity	5,813,591	0	21,119	53,551	0	203,698	2,591,110	0	0	0	0	2,085,339	0	0	10,768,409

FUND EQUITY	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60, 70-79	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
	Non-spendable Fund Balance 6710	0	0	0	0	0	20,361	0	0	0	0	0	0	0	0
Restricted Fund Balance 6720	0	0	0	0	0	183,337	2,591,110	0	0	0	0	0	0	0	2,774,448
TABOR 3% Emergency Reserve 6721	371,700	0	0	0	0	0	0	0	0	0	0	0	0	0	371,700
TABOR Multi-Year 6722	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
District Emergency Reserve (letter of credit or real estate) 6723	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Colorado Preschool Program (CPP) Reserve 6724	0	0	21,119	0	0	0	0	0	0	0	0	0	0	0	21,119
Full-Day Kindergarten Reserve 6725	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Risk-Related /Restricted Capital Reserve 6726	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
BEST Capital Reserve 6727	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Committed Fund Balance 6750	3,277,326	0	0	53,551	0	0	0	0	0	0	0	0	0	0	3,277,326
Assigned Fund Balance 6760	0	0	0	53,551	0	0	0	0	0	0	0	0	0	0	53,551
Unassigned Fund Balance 6770	2,164,565	0	0	0	0	0	0	0	0	0	0	2,085,339	0	0	4,249,904
Invested in Capital Assets, Net of Related Debt 6790	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Restricted Net Assets 6791	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Unrestricted Net Assets 6792	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Prior Period Adjustment 6880	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Fund Equity	5,813,591	0	21,119	53,551	0	203,698	2,591,110	0	0	0	0	2,085,339	0	0	10,768,409

FUND EQUITY	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60, 70-79	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
	Non-spendable Fund Balance 6710	0	0	0	0	0	20,361	0	0	0	0	0	0	0	0
Restricted Fund Balance 6720	0	0	0	0	0	183,337	2,591,110	0	0	0	0	0	0	0	2,774,448
TABOR 3% Emergency Reserve 6721	371,700	0	0	0	0	0	0	0	0	0	0	0	0	0	371,700
TABOR Multi-Year 6722	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
District Emergency Reserve (letter of credit or real estate) 6723	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Colorado Preschool Program (CPP) Reserve 6724	0	0	21,119	0	0	0	0	0	0	0	0	0	0	0	21,119
Full-Day Kindergarten Reserve 6725	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Risk-Related /Restricted Capital Reserve 6726	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
BEST Capital Reserve 6727	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Committed Fund Balance 6750	3,277,326	0	0	53,551	0	0	0	0	0	0	0	0	0	0	3,277,326
Assigned Fund Balance 6760	0	0	0	53,551	0	0	0	0	0	0	0	0	0	0	53,551
Unassigned Fund Balance 6770	2,164,565	0	0	0	0	0	0	0	0	0	0	2,085,339	0	0	4,249,904
Invested in Capital Assets, Net of Related Debt 6790	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Restricted Net Assets 6791	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Unrestricted Net Assets 6792	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Prior Period Adjustment 6880	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Fund Equity	5,813,591	0	21,119	53,551	0	203,698	2,591,110	0	0	0	0	2,085,339	0	0	10,768,409

FUND EQUITY	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60, 70-79	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
	Non-spendable Fund Balance 6710	0	0	0	0	0	20,361	0	0	0	0	0	0	0	0
Restricted Fund Balance 6720	0	0	0	0	0	183,337	2,591,110	0	0	0	0	0	0	0	2,774,448
TABOR 3% Emergency Reserve 6721	371,700	0	0	0	0	0	0	0	0	0	0	0	0	0	371,700
TABOR Multi-Year 6722	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
District Emergency Reserve (letter of credit or real estate) 6723	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Colorado Preschool Program (CPP) Reserve 6724	0	0	21,119	0	0	0	0	0	0	0	0	0	0	0	21,119
Full-Day Kindergarten Reserve 6725	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Risk-Related /Restricted Capital Reserve 6726	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
BEST Capital Reserve 6727	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Committed Fund Balance 6750	3,277,326	0	0	53,551	0	0	0	0	0	0	0	0	0	0	3,277,326
Assigned Fund Balance 6760	0	0	0	53,551	0	0	0	0	0	0	0	0	0	0	53,551
Unassigned Fund Balance 6770	2,164,565	0	0	0	0	0	0	0	0	0	0	2,085,339	0	0	4,249,904
Invested in Capital Assets, Net of Related Debt 6790	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Restricted Net Assets 6791	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Unrestricted Net Assets 6792	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Prior Period Adjustment 6880	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Fund Equity	5,813,591	0	21,119	53,551	0	203,698	2,591,110	0	0	0	0	2,085,339	0	0	10,768,409

Total Liabilities & Fund Equity 7,289,726 0 46,603 270,475 0 240,476 2,789,112 0 0 0 0 0 2,085,339 0 0 12,721,732

Do Assets=Liability+Fund Equity

For Each Fund Type: Yes Yes Yes Yes Yes Yes Yes Yes Yes Yes Yes Yes Yes Yes Yes

SINGLE AUDIT SECTION

164 E. MAIN
TRINIDAD, COLORADO 81082
(719) 846-9241 FAX (719) 846-3352

**INDEPENDENT AUDITOR'S 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
Fremont County School District RE-2
Florence, CO 81226**

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 Fremont County School District RE-2 as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Fremont County School District RE-2's basic financial statements, and have issued our report thereon dated November 26, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Fremont County School District RE-2's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fremont County School District RE-2's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fremont County School District RE-2's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fremont County School District RE-2's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Deffen, Walker & Co., Inc.

November 26, 2018

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TRINIDAD, COLORADO 81082
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

**Board of Education
Fremont County School District Number RE-2
Florence, Colorado 81226**

Report on Compliance for Each Major Federal Program

We have audited Fremont County School District RE-2's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Fremont County School District RE-2's major federal programs for the year ended June 30, 2018. Fremont County School District RE-2'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, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Fremont County School District RE-2's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and 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 Fremont County School District RE-2'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 Fremont County School District RE-2's compliance.

Opinion on Each Major Federal Program

In our opinion, Fremont County School District RE-2 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of Fremont County School District RE-2 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Fremont County School District RE-2's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Fremont County School District RE-2'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 a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



November 26, 2018

FREMONT COUNTY SCHOOL DISTRICT NUMBER RE-2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018

SECTION I - SUMMARY OF AUDITOR'S RESULTS:

FINANCIAL STATEMENTS

Auditor's Report

An unmodified report has been issued on the financial statements of Fremont County School District Number RE-2.

Internal Control Over Financial Reporting

No significant deficiencies or material weaknesses were identified.

Noncompliance Material to Financial Statements

No instances of noncompliance in amounts material to the financial statements of Fremont County School District Number RE-2 were disclosed by the audit.

FEDERAL AWARDS

Internal Control Over Major Programs

No significant deficiencies or material weaknesses were identified.

Auditor's Report on Compliance for Major Programs

An unmodified report has been issued on Fremont County School District Number RE-2 compliance for major programs.

Audit Findings

No findings requiring disclosure in accordance with 2 CFR Section 200.516(a) were disclosed by the audit.

Major Programs

Child Nutrition Cluster

Dollar Threshold to Distinguish Type A and Type B Programs

\$750,000.

Qualification as low-risk auditee

The District qualifies as a low-risk auditee for fiscal year 2017/2018.

**FREMONT COUNTY SCHOOL DISTRICT NUMBER RE-2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018**

(Continued)

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

**FREMONT COUNTY SCHOOL DISTRICT NUMBER RE-2
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2018**

None

**FREMONT COUNTY SCHOOL DISTRICT NUMBER RE-2
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018**

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>State Code</u>	<u>Provided to Subrecipient</u>	<u>Expenditures</u>
<u>U.S. Department of Agriculture</u>				
Child Nutrition Cluster - Cluster				
(Passed through Colorado Department of Education)				
National School Breakfast Program	10.553	4553	-	93,959
National School Lunch Program	10.555	4555	-	419,655
(Passed through Colorado Department of Human Services)				
Food Distribution (Food Donations Program)	10.550	4550	-	44,142
<u>Total Child Nutrition Cluster - Cluster</u>			-	<u>557,756</u>
<u>U.S. Department of Agriculture</u>				
National School Lunch Equipment	10.579	5579	-	8,693
<u>Total U.S. Department of Agriculture</u>				<u>566,449</u>
<u>U.S. Department of Education</u>				
(Passed through Colorado Department of Education)				
Title I, ECEA Education Handicapped Children	84.010	4010	-	410,383
Title II Part A – Professional Development	84.367	4367	-	75,994
Title VI B Rural	84.358	7358	-	6,042
Title IV A	84.424	4424	-	4,604
Early Childhood Readiness	85.412	5412	-	1,144
(Passed through Colorado Community College & Occ. Ed.)				
Allocated Vocational Education	84.048	4048	-	16,305
<u>Total U.S. Department of Education</u>			-	<u>514,472</u>
<u>TOTAL EXPENDITURES OF FEDERAL AWARDS</u>			-	<u>1,080,921</u>

The accompanying notes are an integral part of this schedule

FREMONT COUNTY SCHOOL DISTRICT NUMBER RE-2
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018

NOTE 1 **Basis of Presentation**

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

NOTE 2 **INDIRECT COST RATES**

All grants being charged indirect cost have been received through the Colorado Department of Education. The Department calculates an allowable indirect cost rate for individual sub-recipients and mandates that the rate be used as the maximum for the recovery of indirect cost. The District has recovered indirect cost from grant funds at an amount no greater than that allowed by the Colorado Department of Education and has not elected to use the 10% de minimis indirect cost rate allowed by Uniform Guidance.

NOTE 3 **Food Distribution**

Non-monetary assistance is reported in the schedule at the fair market value of commodities received.

NOTE 4 **SUBRECIPIENT PAYMENTS**

No amounts of federal financial assistance were passed through to subrecipients in the year ended June 30, 2018.