

Fremont County School District No. RE- 3

Cotopaxi, Colorado

Financial Statements

June 30, 2018



**HINKLE &
COMPANY**
Strategic ^{PC}
Business Advisors

Fremont County School District No. RE-3

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June 30, 2018

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Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fremont County School District No. RE-3 as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Fremont County School District No. RE-3, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Fremont County School District No. RE-3 as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 10 to the financial statements, in the year ended June 30, 2018, Fremont County School District No. RE-3 adopted new accounting guidance as required by Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Matters

Other Information

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

Hick & Company, PC



Basic Financial Statements

Fremont County School District No. RE-3
Statement of Net Position
June 30, 2018

	<u>Governmental Activities</u>
Assets	
Cash	\$ 1,874,805
Taxes Receivable	120,007
Grants Receivable	85,471
Inventories	7,555
Capital Assets, <i>Net of Accumulated Depreciation</i>	<u>3,960,763</u>
 Total Assets	 <u>6,048,601</u>
Deferred Outflows Of Resources	
OPEB, <i>Net of Accumulated Amortization</i>	11,938
Pensions, <i>Net of Accumulated Amortization</i>	<u>3,125,469</u>
 Total Deferred Outflows Of Resources	 <u>3,137,407</u>
Liabilities	
Accounts Payable	77,515
Accrued Salaries and Benefits	219,333
Noncurrent Liabilities	
OPEB Liability	243,473
Net Pension Liability	<u>10,661,930</u>
 Total Liabilities	 <u>11,202,251</u>
Deferred Inflows Of Resources	
OPEB, <i>Net of Accumulated Amortization</i>	4,073
Pensions, <i>Net of Accumulated Amortization</i>	<u>457,732</u>
 Total Deferred Inflows Of Resources	 <u>461,805</u>
Net Position	
Net Investment in Capital Assets	3,960,763
Restricted for Emergencies	140,000
Unrestricted	<u>(6,578,811)</u>
 Total Net Position	 <u>\$ (2,478,048)</u>

Fremont County School District No. RE-3
Statement of Activities
Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		Capital Grants And Contributions	Net (Expense) Revenue And Change In Net Position
		Charges For Services	Operating Grants And Contributions		Governmental Activities
Primary Government					
<i>Governmental Activities</i>					
Instruction	\$ 2,864,455	\$ 10,559	\$ 110,346	\$ -	\$ (2,743,550)
Supporting Services	1,704,564	-	76,296	68,773	(1,559,495)
Food Service	<u>250,709</u>	<u>20,774</u>	<u>82,559</u>	<u>-</u>	<u>(147,376)</u>
Total Governmental Activities	<u>\$ 4,819,728</u>	<u>\$ 31,333</u>	<u>\$ 269,201</u>	<u>\$ 68,773</u>	<u>(4,450,421)</u>
General Revenues					
Property Taxes					1,426,400
Specific Ownership Taxes					241,060
State Equalization					991,323
Grants and Contributions not Restricted to Specific Programs					109,440
Investment Income					12,321
Miscellaneous					<u>1,337</u>
Total General Revenues					<u>2,781,881</u>
Change In Net Position					(1,668,540)
Net Position, Beginning of year					<u>(809,508)</u>
Net Position, End of year					<u>\$ (2,478,048)</u>

Fremont County School District No. RE-3

Balance Sheet Governmental Funds June 30, 2018

	<u>General</u>	<u>Nonmajor Food Service</u>	<u>Total</u>
Assets			
Cash	\$ 1,831,294	\$ 43,511	\$ 1,874,805
Taxes Receivable	120,007	-	120,007
Grants Receivable	69,610	15,861	85,471
Inventories	<u>-</u>	<u>7,555</u>	<u>7,555</u>
 Total Assets	 <u>\$ 2,020,911</u>	 <u>\$ 66,927</u>	 <u>\$ 2,087,838</u>
Liabilities			
Accounts Payable	\$ 77,515	\$ -	\$ 77,515
Accrued Salaries and Benefits	<u>205,894</u>	<u>13,439</u>	<u>219,333</u>
 Total Liabilities	 <u>283,409</u>	 <u>13,439</u>	 <u>296,848</u>
Deferred Inflows Of Resources			
Property Taxes	<u>89,839</u>	<u>-</u>	<u>89,839</u>
Fund Balances			
Nonspendable Inventories	-	7,555	7,555
Restricted for Emergencies	140,000	-	140,000
Assigned to Food Service	-	45,933	45,933
Unassigned	<u>1,507,663</u>	<u>-</u>	<u>1,507,663</u>
 Total Fund Balances	 <u>1,647,663</u>	 <u>53,488</u>	 <u>1,701,151</u>
 Total Liabilities, Deferred Inflows of Resources, And Fund Balances	 <u>\$ 2,020,911</u>	 <u>\$ 66,927</u>	 <u>\$ 2,087,838</u>

Fremont County School District No. RE-3
 Reconciliation of the Balance Sheet of Governmental Funds
 to the Statement of Net Position
 Governmental Funds
 June 30, 2018

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

Total Fund Balances of Governmental Funds	\$ 1,701,151
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	3,960,763
Long-term assets are not available to pay current year expenditures and, therefore, are deferred in governmental funds. This amount represents property taxes not available as current financial resources.	89,839
Long-term liabilities and related items, are not reported in governmental funds:	
Net pension liability	(10,661,930)
Pension-related deferred outflows of resources	3,125,469
Pension-related deferred inflows of resources	(457,732)
Net OPEB liability	(243,473)
OPEB-related deferred outflows of resources	11,938
OPEB-related deferred inflows of resources	<u>(4,073)</u>
Total Net Position of Governmental Activities	<u>\$ (2,478,048)</u>

Fremont County School District No. RE-3
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2018

	General	Nonmajor Food Service	Total
Revenues			
Local Sources	\$ 1,729,378	\$ 20,776	\$ 1,750,154
State Sources	1,196,436	2,377	1,198,813
Federal Sources	111,026	80,182	191,208
Total Revenues	<u>3,036,840</u>	<u>103,335</u>	<u>3,140,175</u>
Expenditures			
Instruction	1,476,610	-	1,476,610
Supporting Services	1,333,743	-	1,333,743
Food Service	-	165,924	165,924
Total Expenditures	<u>2,810,353</u>	<u>165,924</u>	<u>2,976,277</u>
Excess Of Revenues Over (Under) Expenditures	<u>226,487</u>	<u>(62,589)</u>	<u>163,898</u>
Other Financing Sources (Uses)			
Transfers In	-	80,000	80,000
Transfers Out	(80,000)	-	(80,000)
Total Other Financing Sources (Uses)	<u>(80,000)</u>	<u>80,000</u>	<u>-</u>
Net Change In Fund Balances	146,487	17,411	163,898
Fund Balances, Beginning of year	<u>1,501,176</u>	<u>36,077</u>	<u>1,537,253</u>
Fund Balances, End of year	<u>\$ 1,647,663</u>	<u>\$ 53,488</u>	<u>\$ 1,701,151</u>

Fremont County School District No. RE-3
 Reconciliation of the Statement of Revenues, Expenditures and Changes in
 Fund Balances of Governmental Funds to the Statement of Activities
 Governmental Funds
 Year Ended June 30, 2018

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

Net Change in Fund Balances of Governmental Funds	\$	163,898
<p>Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital Outlay		
Depreciation expense		68,824
<p>Revenues that do not provide current financial resources are deferred in governmental funds, but are recognized in the government-wide financial statements. This amount represents the change in property taxes not available as current financial resources.</p>		
		11,013
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This includes the change in:</p>		
Net pension liability		(899,984)
Pension-related deferred outflows of resources		(668,241)
Pension-related deferred inflows of resources		(340,531)
Net OPEB liability		(1,844)
OPEB-related deferred outflows of resources		2,398
OPEB-related deferred inflows of resources		(4,073)
		(1,668,540)
Change in Net Position of Governmental Activities	\$	(1,668,540)

Fremont County School District No. RE-3
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2018

	<u>Student Activities</u>
Assets	
Cash	\$ <u>56,085</u>
Total Assets	\$ <u><u>56,085</u></u>
Liabilities	
Due to Student Groups	\$ <u>56,085</u>
Total Liabilities	\$ <u><u>56,085</u></u>

Fremont County School District No. RE-3
Notes to Financial Statements
June 30, 2018

Note 1: Summary of Significant Accounting Policies

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

Reporting Entity

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

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

Government-wide and Fund Financial Statements

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

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

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

Fremont County School District No. RE-3

Notes to Financial Statements

June 30, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

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

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

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

Additionally, the District reports the following fund type:

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

Fremont County School District No. RE-3

Notes to Financial Statements

June 30, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

Assets, Liabilities and Fund Balances/Net Position

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

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

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

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

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

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

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

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

Fremont County School District No. RE-3

Notes to Financial Statements

June 30, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

Postemployment Benefits Other Than Pensions (OPEB) - The School participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer postemployment healthcare plan 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 and deductions from the HCTF's fiduciary net position have been determined using the economic resources measurement focus and the accrual basis of accounting, the same basis of accounting used by the HCTF. For this purpose, the HCTF recognizes benefit payments when due and payable in accordance with the benefit terms. Employer contributions are recognized when the compensation is payable to the employees.

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

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

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

Fremont County School District No. RE-3
Notes to Financial Statements
June 30, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

Property Tax Revenues

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

Note 2: Cash and Investments

At June 30, 2018, the District's cash and investments consisted of the following:

Petty Cash	\$ 1,359
Deposits	924,760
Investments	<u>1,004,771</u>
 Total	 <u>\$ 1,930,890</u>

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

Governmental Activities	\$ 1,874,805
Agency Fund	<u>56,085</u>
 Total	 <u>\$ 1,930,890</u>

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2018, the District had bank deposits of \$774,911 collateralized with securities held by the financial institution's agent but not in the District's name.

Fremont County School District No. RE-3

Notes to Financial Statements

June 30, 2018

Note 2: Cash and Investments (Continued)

Investments (Continued)

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

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

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

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

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

Local Government Investment Pools - At June 30, 2018, the District had \$1,004,771 invested in the Colorado Local Government Liquid Asset Trust (Colotrust). Colotrust is an investment vehicle established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating Colotrust. Colotrust operates in conformity with the Securities and Exchange Commission's Rule 2a-7. Colotrust is measured at the net asset value per share, with each share valued at \$1. Colotrust is rated AAAM by Standard and Poor's. Investments of Colotrust are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

Fremont County School District No. RE-3
Notes to Financial Statements
June 30, 2018

Note 3: Capital Assets

Capital asset activity for the year ended June 30, 2018, is summarized below.

	<u>Balance 6/30/17</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/18</u>
Governmental Activities				
<i>Capital Assets, Not Being Depreciated</i>				
Land	\$ 47,609	\$ -	\$ -	\$ 47,609
Construction in Progress	<u>-</u>	<u>149,506</u>	<u>-</u>	<u>149,506</u>
Total Capital Assets, <i>Not Being Depreciated</i>	<u>47,609</u>	<u>149,506</u>	<u>-</u>	<u>197,115</u>
<i>Capital Assets, Being Depreciated</i>				
Buildings and Improvements	6,962,536	-	-	6,962,536
Vehicles and Equipment	<u>853,786</u>	<u>138,175</u>	<u>(71,993)</u>	<u>919,968</u>
Total Capital Assets, <i>Being Depreciated</i>	<u>7,816,322</u>	<u>138,175</u>	<u>(71,993)</u>	<u>7,882,504</u>
Less Accumulated Depreciation				
Buildings and Improvements	(3,364,625)	(168,066)	-	(3,532,691)
Vehicles and Equipment	<u>(607,367)</u>	<u>(50,791)</u>	<u>71,993</u>	<u>(586,165)</u>
	<u>(3,971,992)</u>	<u>(218,857)</u>	<u>71,993</u>	<u>(4,118,856)</u>
Total Capital Assets, <i>Being Depreciated, net</i>	<u>3,844,330</u>	<u>(80,682)</u>	<u>-</u>	<u>3,763,648</u>
Governmental Activities Capital Assets, <i>net</i>	<u>\$ 3,891,939</u>	<u>\$ 68,824</u>	<u>\$ -</u>	<u>\$ 3,960,763</u>

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

Governmental Activities	
Instruction	\$ 161,829
Supporting Services	55,583
Food Service	<u>1,445</u>
Total	<u>\$ 218,857</u>

Note 4: Interfund Transfers

During the year ended June 30, 2018, the General Fund subsidized the operations of the Food Service Fund through a transfer of \$80,000.

Fremont County School District No. RE-3

Notes to Financial Statements

June 30, 2018

Note 5: Jointly Governed Organization

South Central Colorado Board of Cooperative Educational Services

The District, in conjunction with other surrounding districts, created the South-Central Colorado Board of Cooperative Educational Services (BOCES). The BOCES is an organization that provides member districts educational services at a shared lower cost. The BOCES is an organization that provides member districts educational services at a shared lower cost. The BOCES governing board is comprised of one member from each participating district. During the year ended June 30, 2018, the District contributed \$22,812 to the BOCES. Financial statements for the BOCES are available at the BOCES administrative offices at 323 South Purcell Boulevard, Pueblo, Colorado 81007.

Note 6: Risk Management

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

Colorado School Districts Self Insurance Pool

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

Note 7: Defined Benefit Pension Plan

General Information

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

Fremont County School District No. RE-3

Notes to Financial Statements

June 30, 2018

Note 7: Defined Benefit Pension Plan (Continued)

General Information (Continued)

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

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

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

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

Contributions - The District and eligible employees are required to contribute to the SDTF at rates established by Title 24, Article 51, Part 4 of the CRS. These contribution requirements are established and may be amended by the State Legislature. The contribution rate for employees is 8% of covered salaries. The District's contribution rate for calendar years 2017 and 2018 was 19.65% and 20.15% of covered salaries, respectively. However, a portion of the District's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 8). The District's contributions to the SDTF for the year ended June 30, 2018, were \$304,005, equal to the required contributions.

Fremont County School District No. RE-3

Notes to Financial Statements

June 30, 2018

Note 7: Defined Benefit Pension Plan (Continued)

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

At June 30, 2018, the District reported a net pension liability of \$10,661,930, representing its proportionate share of the net pension liability of the SDTF. The net pension liability was measured at 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 District's proportion of the net pension liability was based on the District's contributions to the SDTF for the calendar year ended December 31, 2017, relative to the contributions of all participating employers. At December 31, 2017, the District's proportion was 0.0329718680%, which was an increase of 0.0001849073% from its proportion measured at December 31, 2016.

During the 2018 legislative session, the State Legislature passed Senate Bill (SB) 18-200 with the goal of eliminating the unfunded pension liability of the SDTF within the next 30 years. The significant provisions of the legislation include increased age and service requirements to receive full retirement benefits, highest average salary calculated over five years rather than three years, changes to includable employee salaries, increased contributions from employees and employers, and an annual direct distribution from the State of Colorado. The District's estimated net pension liability at June 30, 2018, had the provisions of SB 18-200 been effective was \$4,816,968.

For the year ended June 30, 2018, the District recognized pension expense of \$2,200,245. At June 30, 2018, the District 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
Differences between expected and actual experience	\$ 196,027	\$ -
Changes of assumptions and other inputs	2,722,387	17,276
Net difference between projected and actual earnings on plan investments	-	418,704
Changes in proportion	24,672	21,752
Contributions subsequent to the measurement date	182,383	-
Total	\$ 3,125,469	\$ 457,732

District contributions subsequent to the measurement date of \$182,383 will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fremont County School District No. RE-3
Notes to Financial Statements
June 30, 2018

Note 7: Defined Benefit Pension Plan (Continued)

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

Year Ended June 30,

2019		\$	1,672,397
2020			957,529
2021			12,946
2022			(157,518)
			2,485,354
		\$	2,485,354

Actuarial Assumptions - The actuarial valuation as of December 31, 2016, determined the total pension liability using the following actuarial assumptions and other inputs.

Price inflation	2.4%
Real wage growth	1.1%
Wage inflation	3.5%
Salary increases, including wage inflation	3.5% - 9.7%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%
Discount rate ¹	5.26%
Post- Retirement	
Hired prior to 1/1/2007	2.0%
Hired after 12/31/20006	ad hoc

¹The discount rate reflected in the roll-forward calculation of the total pension liability to the measurement date was 4.78%.

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table. The mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates. Healthy, post-retirement mortality assumptions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, with certain adjustments. For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table

Fremont County School District No. RE-3

Notes to Financial Statements

June 30, 2018

Note 7: Defined Benefit Pension Plan (Continued)

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

On November 18, 2016, PERA's governing board adopted revised economic and demographic assumptions based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, which were effective on December 31, 2016. The significant changes affecting the plan included decreasing the investment rate of return assumption from 7.5% per year, compounded annually, net of investment expenses, to 7.25%, and updating mortality assumptions based on RP-2014 mortality tables.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
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%	

Fremont County School District No. RE-3

Notes to Financial Statements

June 30, 2018

Note 7: Defined Benefit Pension Plan (Continued)

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

Discount Rate - The discount rate used to measure the total pension liability was 4.78%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and the employer contributions will be made at the rates specified in State statutes, which currently require annual increases, to a total of 20.15% of covered salaries for the year ended December 31, 2018. When the actuarially determined funding ratio reaches 103%, the employer contribution rate will decrease 0.5% each year, to a minimum of 10.15%.

Based on the assumptions described previously, the SDTF's fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate, defined as the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index, was used in the determination of the discount rate. The long-term expected rate of return of 7.25% on plan investments was applied to all periods through 2041, and the municipal bond index rate was applied to periods after 2041 to develop the discount rate. On the measurement date of December 31, 2017, the municipal bond index rate was 3.43%, resulting in a discount rate of 4.78%. The discount rate at the prior measurement date was 5.26%.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 4.78%, as well as the District's proportionate share of the net pension liability if it were calculated using a discount rate that is one percentage point lower (3.78%) or one percentage point higher (5.78%) than the current rate, as follows:

	1 % Decrease (3.78%)	Current Discount Rate (4.78%)	1% Increase (5.78%)
Proportionate share of the net pension liability	\$ 13,467,831	\$ 10,661,930	\$ 8,375,441

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

Fremont County School District No. RE-3

Notes to Financial Statements

June 30, 2018

Note 8: Postemployment Healthcare Benefits

General Information

Plan Description - All employees of the District are eligible to receive postemployment benefits other than pensions (OPEB) through the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the Public Employees' Retirement Association of Colorado (PERA). Title 24, Article 51, Part 12 of the Colorado Revised Statutes (CRS) assigns the authority to establish and amend plan provisions to the State Legislature. PERA issues a publicly available financial report that includes information on the HCTF. That report may be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided - The HCTF provides a healthcare premium subsidy to eligible benefit recipients and retirees who choose to enroll. Eligibility to enroll is voluntary and includes benefit recipients, their eligible dependents and surviving spouses, among others. Eligible benefit recipients may enroll in the HCTF upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period. The health care premium subsidy is based on the benefit structure under which the member retires and the member's years of service credit.

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, and \$115 per month for benefit recipients who are over 65 years of age or who are under 65 years of age and entitled to Medicare. An additional subsidy is provided if the benefit recipient has not participated in Social Security and is not otherwise eligible for Medicare Part A. The maximum subsidy is based on 20 or more years of service. The subsidy is reduced for each year of service less than 20 years. The benefit recipient pays the remaining portion of the premium not covered by the subsidy.

Contributions - As established by Title 24, Article 51, Section 208 of the CRS, 1.02% of the District's contributions to the School Division Trust Fund (SDTF) (See Note 7) is apportioned to the HCTF. No employee contributions are required. These contribution requirements are established and may be amended by the State Legislature. The District's apportionment to the HCTF for the year ended June 30, 2018, was \$15,580, equal to the required amount.

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

At June 30, 2018, the District reported a net OPEB liability of \$243,473, representing its proportionate share of the net OPEB liability of the HCTF. The net OPEB liability was measured at 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.

Fremont County School District No. RE-3
Notes to Financial Statements
June 30, 2018

Note 8: Postemployment Healthcare Benefits (Continued)

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

The District's proportion of the net OPEB liability was based on the District's contributions to the HCTF for the calendar year ended December 31, 2017, relative to the contributions of all participating employers. At December 31, 2017, the District's proportion was 0.0187344853%, which was an increase of .0000979876% from its proportion measured at December 31, 2016.

For the year ended June 30, 2018, the District recognized OPEB expense of \$19,219. At June 30, 2018, the District 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
Differences between expected and actual experience	\$ 1,152	\$ -
Net difference between projected and actual earnings on plan investments	-	4,073
Changes in proportion	1,061	-
Contributions subsequent to the measurement date	9,725	-
Total	\$ 11,938	\$ 4,073

District contributions subsequent to the measurement date of \$9,725 will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ended June 30,

2019	\$ (583)
2020	(583)
2021	(583)
2022	(583)
2023	435
2024	37
Total	\$ (1,860)

Fremont County School District No. RE-3
Notes to Financial Statements
June 30, 2018

Note 8: Postemployment Healthcare Benefits (Continued)

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

Actuarial Assumptions - The actuarial valuation as of December 31, 2016, determined the total OPEB liability using the following actuarial assumptions and other inputs, applied to all periods included in the measurement.

Price inflation	2.4%
Real wage growth	1.1%
Wage inflation	3.5%
Salary increases, including wage inflation	3.5%
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates:	
Hired prior to 1/1/2007	0.0%
Hired after 12/31/2006	5.0%
Medicare Part A premiums:	
3% for 2017, gradually rising to 4.25% in 2023	

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table. The mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates. Healthy, post-retirement mortality assumptions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, with certain adjustments. For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

Health care cost trend rates are based on published annual health care inflation surveys in conjunction with actual plan experience, building block models and heuristics developed by actuaries and administrators, and other projected trends.

The actuarial assumptions used in the December 31, 2016, valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, and were adopted by PERA's governing board on November 18, 2016. In addition, certain actuarial assumptions pertaining to per capita health care costs and the related trends are analyzed by PERA's actuary as needed.

Fremont County School District No. RE-3
Notes to Financial Statements
June 30, 2018

Note 8: Postemployment Healthcare Benefits (Continued)

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

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

The most recent analysis of the long-term expected rate of return was adopted by PERA's governing board on November 18, 2016, and included the target allocation and best estimates of geometric real rates of return for each major asset class, as presented previously in Note 7.

Discount Rate - The discount rate used to measure the total OPEB liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at the current contribution rate. Based on this assumption, the HCTF's fiduciary net position was projected to be available to make all projected future OPEB payments to current active and inactive employees. Therefore, the long-term expected rate of return on HCTF investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 7.25%, as well as the District's proportionate share of the net OPEB liability if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate, as follows:

	1 % Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ 273,741	\$ 243,473	\$ 217,639

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the District's proportionate share of the net OPEB liability calculated using the current healthcare cost trend rates, ranging from 3% to 5%, as well as the District's proportionate share of the net OPEB liability if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rates, as follows:

Fremont County School District No. RE-3

Notes to Financial Statements

June 30, 2018

Note 8: Postemployment Healthcare Benefits (Continued)

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

	<u>1 % Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Proportionate share of the net OPEB liability	\$ <u>236,774</u>	\$ <u>243,473</u>	\$ <u>251,542</u>

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

Note 9: Commitments and Contingencies

Claims and Judgments

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

Tabor Amendment

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

The Amendment requires the District to establish a reserve for emergencies, representing 3% of qualifying expenditures. At June 30, 2018, the District's reserve was reported as restricted fund balance in the General Fund, in the amount of \$140,000.

Fremont County School District No. RE-3
Notes to Financial Statements
June 30, 2018

Note 10: Change in Accounting Principle

For the year ended June 30, 2018, the District adopted the standards of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result, net position of the governmental activities at June 30, 2017, was restated to reflect the cumulative effect of adopting the standards.

Certain balances of deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2017, were not available and have not been reported in the financial statements.

	Governmental Activities
Net Position, June 30, 2017, as <i>Originally Stated</i>	\$ (577,419)
Deferred Outflows of Resources	9,540
Net OPEB Liability	(241,629)
Net Position, June 30, 2017, as <i>Restated</i>	\$ (809,508)

Required Supplementary Information

Fremont County School District No. RE-3
 Required Supplementary Information
 Schedule of Proportionate Share of the Net Pension Liability and Contributions
 Public Employees' Retirement Association of Colorado School Division Trust Fund
 June 30, 2018

	<u>12/31/17</u>	<u>12/31/16</u>	<u>12/31/15</u>	<u>12/31/14</u>	<u>12/31/13</u>
Proportionate Share Of The Net Pension Liability					
District's Proportion of the Net Pension Liability	0.0329718680%	0.0327869607%	0.0330792848%	0.0332684203%	0.0344836738%
District's Proportionate Share of the Net Pension Liability	\$ 10,661,930	\$ 9,761,946	\$ 5,059,243	\$ 4,508,988	\$ 4,398,383
District's Covered Payroll	\$ 1,520,953	\$ 1,471,537	\$ 1,441,588	\$ 1,393,707	\$ 1,390,147
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	701%	663%	351%	324%	316%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	44%	43%	59%	63%	64%
	<u>6/30/18</u>	<u>6/30/17</u>	<u>6/30/16</u>	<u>6/30/15</u>	<u>6/30/14</u>
District Contributions					
Statutorily Required Contribution	\$ 288,425	\$ 276,633	\$ 259,493	\$ 238,594	\$ 222,123
Contributions in Relation to the Statutorily Required Contribution	<u>(288,425)</u>	<u>(276,633)</u>	<u>(259,493)</u>	<u>(238,594)</u>	<u>(222,123)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 1,527,440	\$ 1,504,707	\$ 1,463,531	\$ 1,413,247	\$ 1,390,217
Contributions as a Percentage of Covered Payroll	18.88%	18.38%	17.73%	16.88%	15.98%

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

Fremont County School District No. RE-3
 Required Supplementary Information
 Schedule of Proportionate Share of the Net OPEB Liability and Contributions
 Public Employees' Retirement Association of Colorado Health Care Trust Fund
 June 30, 2018

	12/31/17
Proportionate Share of the Net OPEB Liability	
District's Proportion of the Net OPEB Liability	0.0187344853%
District's Proportionate Share of the Net OPEB Liability	\$ 243,473
District's Covered-Employee Payroll	\$ 1,531,841
District's Proportionate Share of the Net OPEB Liability as a Percentage of Covered-Employee Payroll	16%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	18%
	6/30/18
District's Contributions	
Statutorily Required Contribution	\$ 15,580
Contributions in Relation to the Statutorily Required Contribution	(15,580)
Contribution Deficiency (Excess)	\$ -
District's Covered-Employee Payroll	\$ 1,537,329
Contributions as a Percentage of Covered-Employee Payroll	1.01%

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

Fremont County School District No. RE-3
 Budgetary Comparison Schedule
 General Fund
 Year Ended June 30, 2018

	Original And Final Budget	Actual	Variance Positive (Negative)
Revenues			
Local Sources			
Property Taxes	\$ 1,226,937	\$ 1,415,387	\$ 188,450
Specific Ownership Taxes	184,981	241,060	56,079
Tuition	11,500	10,559	(941)
Contributions and Donations	-	35,000	35,000
Investment Income	8,600	12,319	3,719
BOCES Reimbursement	-	13,716	13,716
Miscellaneous	-	1,337	1,337
Total Local Sources	<u>1,432,018</u>	<u>1,729,378</u>	<u>297,360</u>
State Sources			
State Equalization	994,670	991,323	(3,347)
Transportation	51,000	52,632	1,632
Grants	82,938	152,481	69,543
Total State Sources	<u>1,128,608</u>	<u>1,196,436</u>	<u>67,828</u>
Federal Sources			
Grants	<u>101,532</u>	<u>111,026</u>	<u>9,494</u>
Total Revenues	<u>2,662,158</u>	<u>3,036,840</u>	<u>374,682</u>
Expenditures			
Instruction	1,513,246	1,476,610	36,636
Supporting Services			
Students	57,895	53,139	4,756
Instructional Staff	12,809	12,591	218
General Administration	186,470	195,959	(9,489)
School Administration	91,432	87,323	4,109
Business Services	67,048	65,816	1,232
Operations and Maintenance	305,639	379,946	(74,307)
Student Transportation	266,009	371,455	(105,446)
Central Support	20,530	17,863	2,667
Community Services	300	145	155
Facilities	177,278	149,506	27,772
Reserves	<u>840,000</u>	<u>-</u>	<u>840,000</u>
Total Expenditures	<u>3,538,656</u>	<u>2,810,353</u>	<u>728,303</u>
Excess Of Revenues Over (Under) Expenditures	(876,498)	226,487	1,102,985
Other Financing Sources (Uses)			
Transfers Out	<u>(84,000)</u>	<u>(80,000)</u>	<u>4,000</u>
Net Change In Fund Balance	(960,498)	146,487	1,106,985
Fund Balance, Beginning of year	<u>1,232,929</u>	<u>1,501,176</u>	<u>268,247</u>
Fund Balance, End of year	<u>\$ 272,431</u>	<u>\$ 1,647,663</u>	<u>\$ 1,375,232</u>

See the accompanying Independent Auditors' Report.

Fremont County School District No. RE-3
Notes to Required Supplementary Information
June 30, 2018

Note 1: Schedule of Proportionate Share of the Net Pension Liability and Contributions

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

Changes in Assumptions and Other Inputs

For the year ended June 30, 2018, the total pension liability was determined by an actuarial valuation as of December 31, 2015. In addition, the following revised economic and demographic assumptions were effective as of December 31, 2016, and were reflected in the roll-forward procedures to determine the total pension liability at December 31, 2016.

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

Note 2: Stewardship, Compliance and Accountability

Budgetary Information

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

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

Supplementary Information

Fremont County School District No. RE-3
 Budgetary Comparison Schedule
 Food Service Fund
 Year Ended June 30, 2018

	Original And Final Budget	Actual	Variance Positive (Negative)
Revenues			
Local Sources			
Charges for Services	\$ 17,000	\$ 16,353	\$ (647)
Investment Income	2	2	-
Miscellaneous	1,400	4,421	3,021
State Sources			
Grants	2,100	2,377	277
Federal Sources			
Grants	67,000	80,182	13,182
Total Revenues	<u>87,502</u>	<u>103,335</u>	<u>15,833</u>
Expenditures			
Salaries	66,028	68,046	(2,018)
Benefits	32,097	30,108	1,989
Supplies and Materials	72,807	67,770	5,037
Total Expenditures	<u>170,932</u>	<u>165,924</u>	<u>5,008</u>
Excess Of Revenues Over (Under) Expenditures	(83,430)	(62,589)	20,841
Other Financing Sources			
Transfers In	84,000	80,000	(4,000)
Net Change In Fund Balance	570	17,411	16,841
Fund Balance, Beginning of year	<u>31,768</u>	<u>36,077</u>	<u>4,309</u>
Fund Balance, End of year	<u>\$ 32,338</u>	<u>\$ 53,488</u>	<u>\$ 21,150</u>

Fremont County School District No. RE-3
Statement Of Changes In Assets and Liabilities
Agency Fund
Year Ended June 30, 2018

Student Activities	Balances 6/30/17	Additions	Deductions	Balances 6/30/18
Assets				
Cash	\$ <u>47,180</u>	\$ <u>169,278</u>	\$ <u>160,373</u>	\$ <u>56,085</u>
Liabilities				
Due to Student Groups	\$ <u>47,180</u>	\$ <u>169,278</u>	\$ <u>160,373</u>	\$ <u>56,085</u>

State Compliance



Colorado Department of Education

Auditors Integrity Report

District: 1160 - COTOPAXI RE-3

Fiscal Year 2017-18

Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental	+		-	=
10 General Fund	1,501,175	2,956,839	2,810,352	1,647,662
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	0	0	0	0
Sub- Total	1,501,175	2,956,839	2,810,352	1,647,662
11 Charter School Fund	0	0	0	0
20,26-29 Special Revenue Fund	0	0	0	0
06 Supplemental Cap Const, Tech, Main. Fund	0	0	0	0
21 Food Service Spec Revenue Fund	36,076	183,338	165,925	53,490
22 Govt Designated-Purpose Grants Fund	0	0	0	0
23 Pupil Activity Special Revenue Fund	0	0	0	0
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	0	0	0	0
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	0	0	0	0
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	0	0	0	0
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
Totals	1,537,251	3,140,177	2,976,277	1,701,152
Proprietary				
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	0	0	0	0
Totals	0	0	0	0
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	47,180	169,278	160,373	56,085
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
Totals	47,180	169,278	160,373	56,085

FINAL