

Weld County School District RE-5J
Milliken, Colorado

Financial Statements

For the Year Ended June 30, 2018

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Office of the State Auditor

November 14, 2018

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Weld County School District RE-5J (the District), as of and for the year ended June 30, 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.

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the District as of June 30, 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.

Change in Accounting Principle

As discussed in Note M to the financial statements, in 2018 the District adopted new accounting guidance, GASBS 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, budgetary comparison information and historical pension and other post-employment benefit plan information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Lauer, Szabo & Associates, P.C.

Sterling, Colorado
October 10, 2018

**Weld County School District RE-5J
Management Discussion and Analysis
For Fiscal Year Ended June 30, 2018**

This section of Johnstown Milliken School District's annual financial report presents its discussion and analysis of the District's financial performance during the year ending June 30, 2018.

Financial Highlights

- The liabilities and deferred inflows of resources of Johnstown Milliken School District exceeded its assets and deferred outflows of resources at the close of the fiscal year by \$53,418,526 (net position - deficit).
- The district's total net position decreased by \$17,151,458 primarily due to changes in pension assumptions. Please refer to Note H – Defined Benefit Pension Plan for additional details regarding these changes.
- General revenues accounted for \$30,196,331 or 87% of the \$34,763,571 in total revenues. Program specific revenues in the form of charges for services, sales, and grants accounted for \$4,567,240 or 13% of revenues.
- The general fund ending fund balance reached \$4,324,863. The ending fund balance in the general fund increased by \$916,749. This represents the actual financial results for the year, and excludes the large impact of the 'reporting only' requirement to include PERA information in some sections of the financial statements.

Overview of Financial Statements

The discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. A comparison to the prior year's activity is provided in the document. The basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements.

Government-wide Statements

The Government-wide financial statements are designed to provide readers with information about the School District as a whole using accounting methods similar to those used by private-sector businesses.

The statement of net position includes all of the School District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes). In the government-wide financial statements, the School District's activities include the following:

- **Governmental activities:** The majority of the School District's basic services are included here, such as instruction, transportation, maintenance and operations, administration and food service. Taxes and intergovernmental revenues principally support these activities.

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

Fund Financial Statements

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

Governmental Funds

Most of the District’s basic services are included in the governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine the status of financial resources that can be spent in the near future to finance the School District’s program.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Thus, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and change in fund balances provide reconciliation to the government-wide financial statements in order to facilitate this comparison between governmental funds and governmental activities.

The School District maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures and change in fund balances for the General Fund, Bond Redemption Fund and Capital Reserve Capital Projects Fund, which are considered to be major funds. Data for the other governmental fund is presented in a separate column.

The basic governmental fund financial statements can be found on pages 16-19 of this report.

Fiduciary Funds

Fiduciary funds are used to count for resources held for the benefit of parties outside the school district. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District’s own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on page 20 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements may be found on pages 21-61 of this report.

Other information

In addition to the basic financial statements, this report also presents other supplementary information concerning the School District's annual appropriated budgets with comparison statements that demonstrate compliance with budgets. Budgeted amounts may be found on pages 76-88.

Financial Analysis of the School District as a Whole

Although the net position presented below shows a negative change, the actual financial results for 2017-18 show an increase of \$916,749 in the General Fund ending fund balance.

66% of the School District's assets are its investment in capital assets (e.g., land, buildings and equipment). The school District uses these assets to provide instruction and related services to its students.

The following table provides a summary of the district's net assets (liabilities) as of June 30, 2018.

In fiscal year 2015, the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This statement requires the District to recognize a liability for its proportionate share of the net pension liability of PERA's School District Trust Fund, as well as pension expense. At year end, the District reported a liability of \$101,648,058 for its proportionate share of the net pension liability. For the year, the District recognized pension expense of \$21,853,307. Additional information on the School District's proportionate share of the NPL can be found in note H, beginning on page 39, of the basic financial statements.

	Governmental Activities		Total Percentage Change
	2018	2017	2017-2018
Current and Other assets	\$ 13,310,859	\$ 11,869,645	12.14%
Capital assets	25,699,391	26,524,440	-3.11%
Total assets	39,010,250	38,394,085	1.60%
Deferred outflows of resources	33,268,047	37,063,507	-10.24%
Total assets & deferred outflows of resources	\$ 72,278,297	\$ 75,457,592	-4.21%
Long term liabilities	\$ 116,558,565	\$ 108,410,511	7.52%
Other liabilities	2,643,754	2,414,598	9.49%
Total liabilities	119,202,319	110,825,109	7.56%
Deferred inflows of resources	6,494,504	899,551	621.97%
Net investment in capital assets	14,408,558	13,642,969	5.61%
Restricted	5,875,457	5,237,048	12.19%
Unrestricted	(73,702,541)	(55,147,085)	33.65%
Total net position	(53,418,526)	(36,267,068)	47.29%
Total liabilities, deferred inflows of resources and net position	\$ 72,278,297	\$ 75,457,592	-4.21%

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

Revenues	Governmental Activities		Total Percentage Change
	2018	2017	2017-2018
Program Revenues			
Charges for services	\$ 932,485	\$ 770,130	21.08%
Operating Grants & Contributions	3,634,755	3,074,139	18.24%
General Revenues			
Property taxes	10,629,215	8,483,677	25.29%
State equalization	19,075,667	19,144,082	-0.36%
Other	491,449	655,439	-25.02%
Total Revenue	\$34,763,571	\$32,127,467	8.21%
Expenses			
Instruction	32,521,953	30,937,582	5.12%
Pupil & Instructional Services	2,458,955	1,793,689	37.09%
Administration & Business	4,068,612	3,754,654	8.36%
Maintenance & Operations	3,847,482	3,341,694	15.14%
Transportation	1,979,051	1,716,213	15.31%
Other	7,038,976	6,963,509	1.08%
Total Expenses	51,915,029	48,507,341	7.03%
Change in net position	(17,151,458)	(16,379,874)	4.71%
Beginning net position	(36,267,068)	(19,887,194)	82.36%
Ending net position	\$(53,418,526)	\$(36,267,068)	47.29%

Governmental Activities

The primary source of operating revenue for school districts comes from the School Finance Act of 1994, as amended (SFA). Under the SFA the School District received \$7,275 per funded student. In fiscal year 2017-18 the funded pupil count was 3,703.4. Funding for the SFA comes from property taxes, specific ownership tax and state equalization. The School District receives approximately 69 percent of this funding from state equalization while the remaining amount comes from property taxes and specific ownership tax. The School District's assessed valuation generated \$8,000,139 in property taxes for fiscal year 2017-2018.

Governmental Funds

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

At the end of the fiscal year, the School District's governmental funds reported combined ending fund balances of \$10,708,035, an increase of \$1,211,258 in comparison with the prior year. The general fund had a fund balance increase of \$916,749.

General Fund Budget Highlights

The District's budget is prepared according to Colorado law and is based on accounting for transactions under generally accepted accounting principles. The most significant budgeted fund is the General Fund. The fund balance increased, resulting in an ending fund balance of \$4,324,863 which represents a fund balance of approximately 16% of expenditures. Of this amount, \$464,136 is planned for the insurance needs of the District (Insurance Reserve) and \$3,860,727 is planned for the General Fund, representing an increase of \$849,108 in ending fund balance.

Capital Assets and Debt Administration

Capital Assets

The School Districts investment in capital assets for its governmental activities as of June 30, 2018 amounts to \$25,699,391 (net of accumulated depreciation). This investment in capital assets includes land, buildings, and improvements, equipment, construction in progress, and capital leases all with an original cost greater than \$5,000. The majority of expenditures for capital assets was the purchase of four school buses. Capital asset additions during the current fiscal year include the following:

- Building and improvements \$168,485
- Furniture and equipment \$149,163

The School District's total capital assets at June 30, 2018 net of accumulated depreciation were as follows:

	Governmental Activities
Land & improvements	\$ 1,826,295
Buildings & improvements	22,976,520
Furniture & equipment	391,326
Licensed vehicles	505,250
Total Capital Assets	<u>\$ 25,699,391</u>

Additional information on the School District's capital assets can be found in note E, pages 33-34, in the basic financial statements.

Long-Term Debt

At year-end, the School District's long-term debt of \$116,558,565 consisted of the following:

	Governmental Activities
Compensated absences	\$ 466,574
Capital lease obligations	3,880,469
Bonds payable	7,980,000
Bond premium	262,252
Net pension liability	101,648,058
Net OPEB liability	2,321,212
Total	<u>\$ 116,558,565</u>

Economic Factors

The Weld County School District RE-5J, which includes Knowledge Quest Academy, has experienced growth in previous years. The overall enrollment growth is stable with an average of approximately 2% growth each year over the last 3 years. Enrollment growth for 2018-19 is expected to increase by 2%. The projected enrollment growth for the District is expected to grow at the same rate for the next 2-3 years.

The Weld County School District RE-5J assessed valuation has increased approximately 20% percent over the last three years. Preliminary information indicates that the total assessed valuation will increase by 36% next year; this information will be final in December 2018. The increase is due primarily to the oil and gas industry.

Contacting the Districts Financial Management

This financial report is designed to provide the District's citizens, taxpayers, parents, investors and creditors with a general overview of the District's finances and to demonstrate the district's accountability for the money it receives. If you have any questions or need additional information, please contact the Weld County School District RE-5J Administration Office at 110 S Centennial Drive Suite A, Milliken CO 80543.

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

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Basic Financial Statements

The basic financial statements of the District include the following:

Government-wide financial statements. The government-wide statements display information about the reporting government as a whole, except for its fiduciary activities.

Fund financial statements. The fund financial statements display information about major funds individually and nonmajor funds in the aggregate for governmental and enterprise funds.

Notes to the financial statements. The notes communicate information essential for fair presentation of the financial statements that is not displayed on the face of the financial statements. As such, the notes are an integral part of the basic financial statements.

WELD COUNTY SCHOOL DISTRICT RE-5J
Statement of Net Position
June 30, 2018

	Primary Government	
	Governmental Activities	Component Unit
Assets		
Cash	\$ 2,102,819	\$ 2,392,121
Cash with fiscal agent	4,315,185	
Investments	6,540,340	
Due from component unit	1,211	
Receivables	351,304	
Capital assets, net of depreciation	25,699,391	4,240,991
Total assets	39,010,250	6,633,112
Deferred outflows of resources		
Deferred charges on refundings of bonds	831,888	43,660
Pension and other post-employment benefit deferrals	32,436,159	2,960,815
Total deferred outflows of resources	33,268,047	3,004,475
Total assets and deferred outflows of resources	\$ 72,278,297	\$ 9,637,587
Liabilities		
Accounts payable	\$ 182,605	\$ 12,505
Due to primary government		1,211
Accrued salaries and benefits	2,384,287	105,299
Unearned revenues		12,125
Accrued interest	76,862	68,250
Noncurrent liabilities		
Due within one year	1,672,330	180,000
Due in more than one year	114,886,235	13,271,291
Total liabilities	119,202,319	13,650,681
Deferred inflows of resources		
Pension and other post-employment benefit deferrals	6,494,504	545,477
Net position		
Net investment in capital assets	14,408,558	
Restricted for:		
Emergencies	840,000	93,000
Multi-year obligations	518,904	
Debt service	4,268,867	558,766
Food service operations	247,686	
Unrestricted (deficit)	(73,702,541)	(5,210,337)
Total net position (deficit)	(53,418,526)	(4,558,571)
Total liabilities, deferred inflows of resources and net position	\$ 72,278,297	\$ 9,637,587

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

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WELD COUNTY SCHOOL DISTRICT RE-5J
Statement of Activities
For the Year Ended June 30, 2018

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
Instruction	\$ 32,521,953	\$ 169,774	\$ 2,430,613	
Supporting services				
Students	1,793,640			
Instructional staff	665,315		93,192	
General administration	810,112			
School administration	2,495,350			
Business services	763,150	35,630		
Operations and maintenance	3,847,482		36,245	
Student transportation	1,979,051		200,908	
Central support services	1,174,607	20,000		
Food service operations	1,602,928	707,081	799,789	
Facilities acquisition	133,732		74,008	
Payments to component unit	2,810,390			
Unallocated depreciation *	879,440			
Interest and fiscal charges	437,879			
Total governmental activities/primary government	<u>\$ 51,915,029</u>	<u>\$ 932,485</u>	<u>\$ 3,634,755</u>	<u>\$ -</u>
Component unit				
Knowledge Quest Academy	<u>\$ 4,506,309</u>	<u>\$ 77,533</u>	<u>\$ 195,299</u>	<u>\$ -</u>

General revenues
 Taxes
 Property taxes, levied for general purposes
 Property taxes, levied for debt service
 Specific ownership taxes
 Delinquent taxes and interest
 State categorical aid
 Unrestricted grants and contributions
 Earnings on investments
 Other
 Receipts from primary government

Total general revenues

Change in net position

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

Net position (deficit) at end of year

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

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

<u>Primary Government</u>	
<u>Net (Expenses) Revenues and Changes in Net Position</u>	
<u>Governmental Activities</u>	<u>Component Unit</u>
\$(29,921,566)	
(1,793,640)	
(572,123)	
(810,112)	
(2,495,350)	
(727,520)	
(3,811,237)	
(1,778,143)	
(1,154,607)	
(96,058)	
(59,724)	
(2,810,390)	
(879,440)	
(437,879)	
(47,347,789)	
	\$ (4,233,477)
8,000,139	
1,932,473	
687,674	
8,929	
19,075,667	
203,499	
27,091	
260,859	86,752
	<u>2,810,390</u>
<u>30,196,331</u>	<u>2,897,142</u>
(17,151,458)	(1,336,335)
<u>(36,267,068)</u>	<u>(3,222,236)</u>
<u>\$(53,418,526)</u>	<u>\$ (4,558,571)</u>

WELD COUNTY SCHOOL DISTRICT RE-5J
Balance Sheet
Governmental Funds
June 30, 2018

	General Fund	Bond Redemption Fund	Capital Reserve Capital Projects Fund	Other Governmental Fund
Assets				
Cash	\$ 967,255		\$ 875,905	\$ 259,659
Cash with fiscal agent	72,950	\$ 4,242,235		
Investments	5,540,340		1,000,000	
Property taxes receivable	129,227	31,214		
Due from component unit	1,211			
Grants receivable	156,130			
Other receivable	28,702		6,031	
Total assets	\$ 6,895,815	\$ 4,273,449	\$ 1,881,936	\$ 259,659
Liabilities				
Accounts payable	\$ 167,288		\$ 15,317	
Accrued salaries and benefits	2,372,314			\$ 11,973
Total liabilities	2,539,602	\$ -	15,317	11,973
Deferred inflows of resources				
Deferred property tax revenues	31,350	4,582		
Total deferred inflows of resources	31,350	4,582	-	-
Fund balance				
Restricted for:				
Emergencies	840,000			
Multi-year obligations	518,904			
Debt service		4,268,867		
Food service operations				247,686
Committed to capital projects			1,866,619	
Assigned to risk-related activities	464,136			
Unassigned	2,501,823			
Total fund balance	4,324,863	4,268,867	1,866,619	247,686
Total liabilities, deferred inflows of resources and fund balance	\$ 6,895,815	\$ 4,273,449	\$ 1,881,936	\$ 259,659

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

Total Governmental Funds	Amounts reported for governmental activities in the statement of net position are different because:	
	Total fund balance - governmental funds	\$ 10,708,035
\$ 2,102,819	Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.	25,699,391
4,315,185		
6,540,340	Certain receivables will be collected in the next fiscal year, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as unearned revenues in the funds.	35,932
160,441		
1,211		
156,130		
34,733		
<u>\$ 13,310,859</u>	Accrued interest on long-term debt is not due and payable in the current period and therefore is not reported as a liability in the funds.	(76,862)
\$ 182,605		
2,384,287	Long-term liabilities and related deferred inflows and outflows of resources, including bonds payable, capital lease obligations, compensated absences and net pension and OPEB liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	(89,785,022)
2,566,892		
35,932		
35,932	Net position (deficit) of the governmental activities	<u>\$ (53,418,526)</u>
840,000		
518,904		
4,268,867		
247,686		
1,866,619		
464,136		
2,501,823		
<u>10,708,035</u>		
<u>\$ 13,310,859</u>		

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

WELD COUNTY SCHOOL DISTRICT RE-5J
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2018

	General Fund	Bond Redemption Fund	Capital Reserve Capital Projects Fund	Other Governmental Fund
Revenues				
Local sources	\$ 9,129,805	\$ 1,958,285	\$ 209,679	\$ 707,081
Intermediate sources	58,406			
State sources	21,049,092			29,920
Federal sources	861,541			769,869
Total revenues	31,098,844	1,958,285	209,679	1,506,870
Expenditures				
Instruction	18,052,171			
Supporting services	8,574,633			1,521,011
Capital outlay			564,792	
Debt service				
Principal retirement	292,553	1,030,000	318,908	
Interest and fiscal charges	1,128	270,906	125,928	
Total expenditures	26,920,485	1,300,906	1,009,628	1,521,011
Excess of revenues over (under) expenditures	4,178,359	657,379	(799,949)	(14,141)
Other financing sources (uses)				
Transfers in			450,000	1,220
Transfers out	(451,220)			
Payments to charter school	(2,810,390)			
Total other financing sources (uses)	(3,261,610)	-	450,000	1,220
Net change in fund balances	916,749	657,379	(349,949)	(12,921)
Fund balance at beginning of year	3,408,114	3,611,488	2,216,568	260,607
Fund balance at end of year	<u>\$ 4,324,863</u>	<u>\$ 4,268,867</u>	<u>\$ 1,866,619</u>	<u>\$ 247,686</u>

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

Total Governmental Funds	Amounts reported for governmental activities in the statement of activities are different because:	
	Net change in fund balances - governmental funds	\$ 1,211,258
\$ 12,004,850	Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation exceeded capital outlays in the current period.	
58,406		
21,079,012		
1,631,410		
34,773,678		
18,052,171	Because some property taxes will not be collected for several months after the fiscal year ends, they are not considered as "available" revenues in the governmental funds and are, instead, counted as deferred tax revenues. They are, however, recorded as revenues in the statement of activities.	
10,095,644		
564,792		
1,641,461		
397,962		
30,752,030	In the statement of activities, certain operating expenses - compensated absences, accrued interest payable, refunding deferred charges amortization and bond premium amortization - are measured by the amounts incurred or earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	
4,021,648		
451,220		
(451,220)		
(2,810,390)	Pension expense at the fund level represents cash contributions to the defined benefit plan. For the activity level presentation, the amount represents the actuarial cost of the benefits for the fiscal year	
(2,810,390)		
(2,810,390)		
(2,810,390)		
1,211,258	Repayment of principal on general obligation bonds and capital lease obligations are expenditures in the governmental funds, but the repayment reduces the long-term debt liability in the statement of net position.	
9,496,777		
9,496,777		
\$ 10,708,035		
	Change in net position of governmental activities	\$ (17,151,458)

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

WELD COUNTY SCHOOL DISTRICT RE-5J
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	<u>Agency Funds</u>
Assets	
Cash	<u>\$ 455,251</u>
Total assets	<u>\$ 455,251</u>
Liabilities	
Due to student groups	<u>\$ 455,251</u>
Total liabilities	<u>\$ 455,251</u>

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

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

Note A – Summary of significant accounting policies

This summary of the Weld County School District RE-5J's significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. The policies are considered essential and should be read in conjunction with the accompanying financial statements.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The more significant of the District's accounting policies are described below.

A.1 – Reporting entity

The Weld County School District RE-5J is a school district governed by an elected five-member board of education. The financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The reporting entity's financial statements should present the funds of the primary government (including its blended component units, which are, in substance, part of the primary government) and provide an overview of the discretely presented component units.

The District has examined other entities that could be included as defined in number 2 and 3 above. Based on these criteria, the Knowledge Quest Academy (a charter school) is included in the District's basic financial statements using discrete presentation. The charter school is a public school authorized by the State of Colorado under a separate charter to provide alternatives for parents, pupils and teachers. The school has a separate governing board but is fiscally dependent on the District for the majority of funding. Separate financial statements for the charter school are available at the District administration office in Milliken, Colorado.

A.2 – Fund accounting

The District uses funds to report its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types." The District does not have any proprietary funds.

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

Note A – Summary of significant accounting policies (Continued)

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked funds (special revenue funds), and the servicing of general long-term debt (debt service fund). The following are the District's major governmental funds:

General Fund – The General Fund is the operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include local property taxes, specific ownership taxes, and State of Colorado equalization funding, as determined by the School Finance Act of 1994, as amended.

Expenditures include all costs associated with the daily operation of the schools, except for certain capital outlay expenditures, risk-related transactions, debt service, food service operations and pupil activities.

Bond Redemption Fund – This fund is a debt service fund used to account for the revenues from a specific tax levy for the purpose of the repayment of debt principal, interest and other fiscal charges.

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

The following is the District's nonmajor governmental fund:

Food Service Fund – This fund is a special revenue fund used to account for the financial activities associated with the District's food service operations.

Fiduciary Funds focus on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The District has one agency fund, the Pupil Activity Fund.

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

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

Note A – Summary of significant accounting policies (Continued)

Note A.3 – Basis of presentation

Government-wide financial statements – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with a brief explanation to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund financial statements – Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources management focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources, and a statement of revenues, expenditures and changes in fund balance, which reports the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

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

Note A – Summary of significant accounting policies (Continued)

Fiduciary funds focus on net position and changes in net position and are reported using accounting principles similar to proprietary funds. The District's fiduciary funds are presented in the fiduciary fund financial statements by type). Since by definition these assets are being held for the benefit of a third party and cannot be used to address the activities or obligations of the District, these funds are not incorporated into the government-wide financial statements.

A.4 – Basis of accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

Revenues – exchange and non-exchange transactions – Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. State equalization monies are recognized as revenues during the period in which they are appropriated. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes collected within sixty days after year-end, interest, tuition, grants and student fees.

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

Note A – Summary of significant accounting policies (Continued)

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

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

Unearned revenue – Unearned revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to meeting eligibility requirements. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed and the revenue is recognized.

Expenditures – The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

A.5 – Encumbrances

Encumbrance accounting is utilized by the District to record purchase orders, contracts and other commitments for the expenditure of monies to assure effective budgetary control and accountability. Encumbrances outstanding at year-end are canceled and reappropriated in the ensuing year’s budget.

A.6 – Short-term interfund receivables/payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as internal balances on the government-wide statement of net position, and are classified as due from other funds or due to other funds on the balance sheet.

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

Note A – Summary of significant accounting policies (Continued)

A.7 – Inventories

Food Service Fund – purchased inventories are stated at cost as determined by the first-in, first-out method. Commodity inventories are stated at the United States Department of Agriculture’s assigned values, which approximate fair value, at the date of receipt. Expenditures for food items are recorded when consumed. The federal government donates surplus commodities to the national school lunch program. Commodity distributions used by the District are recorded as nonoperating revenues at the date of their consumption.

A.8 – Capital assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

All capital assets with a unit cost greater than \$5,000 are capitalized at cost (or estimated historical cost, if actual cost is not available) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair value on the date received. Infrastructure assets, consisting of certain improvements other than buildings (such as parking facilities, sidewalks, landscaping and lighting systems) are capitalized along with other capital assets. Improvements to assets are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not.

All reported capital assets are depreciated with the exception of land costs. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities</u>
Land and improvements	0-20 years
Buildings and improvements	20-50 years
Furniture and equipment	5-25 years
Licensed vehicles	5-10 years

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

Note A – Summary of significant accounting policies (Continued)

A.9 – Compensated absences

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. Accumulated vacation leave benefits are paid to employees upon termination of employment.

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

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

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

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

A.10 – Accrued liabilities and long-term obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the noncurrent portion of compensated absences and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. Bonds payable and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due. Bond premiums and amounts deferred upon refunding are amortized over the life of the bonds using the straight-line method.

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

Note A – Summary of significant accounting policies (Continued)

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

A.11 – Fund balance

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

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

Nonspendable, such as fund balance associated with inventories, prepaid expenditures, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned),

Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the board of education (the District's highest level of decision-making authority),

Assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and

Unassigned fund balance is the residual classification for the District's general fund and includes all spendable amounts not contained in the other classifications.

Committed fund balance is established by a formal passage of a resolution. This is typically done through the adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the board of education through adoption or amendment of the budget as intended for specific purpose (such as purchase of fixed assets, construction, debt service or for other purposes).

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

Note A – Summary of significant accounting policies (Continued)

When both restricted and unrestricted resources are available in governmental funds, the District applies expenditures against restricted fund balance first, and followed by committed fund balance, assigned fund balance and unassigned fund balance.

A.12 – Net position

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

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

A.13 – Interfund transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. In general, the effect of interfund activity has been eliminated from the government-wide financial statements.

A.14 – Extraordinary and special items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the board of education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the year.

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

Note B – Cash and investments

Cash and deposits

Colorado State statutes govern the District's deposit of cash. The Public Deposit Protection Act (PDPA) for banks and savings and loans requires state regulators to certify eligible depositories for public deposits. The PDPA require eligible depositories with public deposits in excess of federal insurance levels to create a single institution collateral pool of defined eligible assets. Eligible collateral includes obligations of the United States, obligations of the State of Colorado or Colorado local governments and obligations secured by first lien mortgages on real property located in the state. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group and not held in any individual government's name. The fair value of the assets in the pool must be at least equal to 102% of the aggregate uninsured deposits.

Custodial credit risk – deposits – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of year-end, the District had total deposits of \$2,822,282, of which \$303,010 was insured and \$2,519,272 was collateralized with securities held by the pledging institution's trust department or agent in the District's name. As of year-end, the Charter School had total deposits of \$2,406,993, of which \$514,006 was insured and \$1,892,987 was collateralized with securities held by the pledging institution's trust department or agent in the Charter School's name.

Investments

Authorized investments – Investment policies are governed by Colorado State Statutes and the District's own investment policies and procedures. Investments of the District may include:

- Obligations of the United States Government such as treasury bills, notes and bonds
- Certain international agency securities
- General obligation and revenue bonds of United States local government entities
- Bankers acceptances of certain banks
- Commercial paper
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

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

Note B – Cash and investments (Continued)

During the year, the District invested in Colostrust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commission administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. As of June 30, 2018, the District had invested \$6,540,340 in COLOTRUST PLUS+, an SEC Rule 2a7-like investment pool. Investments are valued at the net asset value (NAV) of \$1.00. The investment pools are routinely monitored by the Colorado Division of Securities with regard to operations and investments.

At year-end, the District had the following investments:

Investment type	Fair value	Investment maturities (in years)		
		Less than 1	1-5	6-10
Investment in Colostrust	\$ 6,540,340	\$ 6,540,340	\$ -	\$ -

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

Cash	\$ 2,558,070
Investment in Colostrust	<u>6,540,340</u>
Total	<u>\$ 9,098,410</u>
<u>Statement of net position</u>	
Cash	\$ 2,102,819
Investments	<u>6,540,340</u>
Subtotal	8,643,159
<u>Statement of fiduciary net position</u>	
Cash	<u>455,251</u>
Total	<u>\$ 9,098,410</u>

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

Note C – Receivables

Receivables at year-end consist of the following:

	<u>Primary Government</u>	
	<u>Governmental Activities</u>	<u>Charter School</u>
Property taxes receivable	\$ 160,441	\$ -
Grants receivable	156,130	-
Other receivable	<u>34,733</u>	<u>-</u>
Total	<u>\$ 351,304</u>	<u>\$ -</u>

Property taxes are levied on December 15th and attach as a lien on property the following January 1st. They are payable in full by April 30th or are due in two equal installments on February 28th and June 15th. The Counties of Weld and Larimer bill and collect property taxes for all taxing entities within the Counties. The tax receipts collected by the counties are remitted to the District in the subsequent month.

Note D – Interfund transactions

The following is a summary of interfund borrowings and transfers for the year as presented in the fund financial statements:

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Governmental funds</u>		
General Fund	\$ -	\$ 451,220
Capital Reserve Capital Projects Fund	450,000	-
Other Governmental Fund	<u>1,220</u>	<u>-</u>
Total	<u>\$ 451,220</u>	<u>\$ 451,220</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. The District transferred funds in the amount of \$450,000 from the General Fund to the Capital Reserve Capital Projects Fund in order to set aside funds for capital acquisitions, as well as \$1,220 to the Food Service Fund to subsidize the costs of maintaining the District's food service operations.

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

Note E – Capital assets

Capital asset activity for the year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 1,055,411	\$ -	\$ -	\$ 1,055,411
Construction in progress	<u>40,750</u>	<u>127,735</u>	<u>(40,750)</u>	<u>127,735</u>
Total capital assets, not being depreciated	1,096,161	127,735	(40,750)	1,183,146
Capital assets, being depreciated:				
Land improvements	2,249,918	-	-	2,249,918
Buildings and improvements	38,630,947	40,750	40,750	38,712,447
Furniture and equipment	2,075,924	149,163	-	2,225,087
Licensed vehicles	<u>2,429,596</u>	<u>-</u>	<u>-</u>	<u>2,429,596</u>
Total capital assets, being depreciated	<u>45,386,385</u>	<u>189,913</u>	<u>40,750</u>	<u>45,617,048</u>
Total capital assets	46,482,546	317,648	-	46,800,194
Less accumulated depreciation for:				
Land improvements	(1,397,347)	(81,687)	-	(1,479,034)
Buildings and improvements	(15,047,701)	(815,961)	-	(15,863,662)
Furniture and equipment	(1,762,071)	(71,690)	-	(1,833,761)
Licensed vehicles	<u>(1,750,987)</u>	<u>(173,359)</u>	<u>-</u>	<u>(1,924,346)</u>
Total accumulated depreciation	<u>(19,958,106)</u>	<u>(1,142,697)</u>	<u>-</u>	<u>(21,100,803)</u>
Governmental activities capital assets, net	<u>\$ 26,524,440</u>	<u>\$ (825,049)</u>	<u>\$ -</u>	<u>\$ 25,699,391</u>

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

Note E – Capital assets (Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Ending Balance</u>
Charter school				
Capital assets, not being depreciated:				
Land	\$ 260,000	\$ -	\$ -	\$ 260,000
Capital assets, being depreciated:				
Buildings and improvements	5,106,601	23,640	-	5,130,241
Equipment	<u>132,800</u>	<u>-</u>	<u>-</u>	<u>132,800</u>
Total capital assets, being depreciated	<u>5,239,401</u>	<u>23,640</u>	<u>-</u>	<u>5,263,041</u>
Total capital assets	5,499,401	23,640	-	5,523,041
Less accumulated depreciation for:				
Buildings and improvements	(1,066,808)	(102,565)	-	(1,169,373)
Equipment	<u>(102,522)</u>	<u>(10,155)</u>	<u>-</u>	<u>(112,677)</u>
Total accumulated depreciation	<u>(1,169,330)</u>	<u>(112,720)</u>	<u>-</u>	<u>(1,282,050)</u>
Capital assets, net	<u>\$ 4,330,071</u>	<u>\$ (89,080)</u>	<u>\$ -</u>	<u>\$ 4,240,991</u>

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

Governmental activities	
Instruction	\$ 15,690
Operations and maintenance	39,818
Student transportation	165,713
Central support services	18,270
Food service operations	23,766
Unallocated	<u>879,440</u>
Total	1,142,697
Charter school	<u>112,720</u>
Total depreciation expense	<u>\$ 1,255,417</u>

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

Note F – Accrued salaries and benefits

Salaries and benefits of certain contractually employed personnel are paid over a twelve-month period from September to August, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned but not paid at year-end are estimated to be \$2,384,287 for the District and \$105,299 for the Charter School. Accordingly, this accrued compensation is reflected as a liability in the accompanying financial statements.

Note G – Long-term debt

The following is a summary of the changes in long-term debt for the year:

	Beginning Balances	Additions	Reductions	Ending Balances	Due within one year
Governmental activities					
Compensated absences	\$ 399,118	\$ 67,456	\$ -	\$ 466,574	\$ -
Capital lease obligation	4,491,930	-	(611,461)	3,880,469	622,330
Bonds payable	9,010,000	-	(1,030,000)	7,980,000	1,050,000
Bond premium	303,950	-	(41,698)	262,252	-
Net pension liability	91,930,053	9,718,005	-	101,648,058	-
Net OPEB liability	<u>2,275,460</u>	<u>45,752</u>	<u>-</u>	<u>2,321,212</u>	<u>-</u>
Total	<u>\$108,410,511</u>	<u>\$ 9,831,213</u>	<u>\$ (1,683,159)</u>	<u>\$116,558,565</u>	<u>\$ 1,672,330</u>

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

Capital lease obligations

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

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

Note G – Long-term debt (Continued)

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

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

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

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

Transportation vehicle lease obligation – In May 2016, the District entered into an agreement with First National Bank of Omaha to purchase two 2015 Thomas school buses. The agreement called for a lease term of six years with annual renewal options. Annual payments of \$36,625 are due on September 15th of each year, with a final payment due in fiscal year 2022. The average interest rate over the lease term is 2.788%. The District has capitalized \$200,400 of assets under this capital lease.

Technology lease obligation – In July 2016, the District entered into an agreement with Apple, Inc. to purchase technology equipment. The agreement called for a lease term of three years. Annual payments of \$178,065 are due on July 15th of each year, with a final payment due in fiscal year 2019. The average interest rate over the lease term is 0.79%. The District has not capitalized any assets under this capital lease as none of the assets acquired met the District's capitalization threshold.

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

Note G – Long-term debt (Continued)

Transportation vehicle lease obligation – In March 2017, the District entered into an agreement with First National Bank of Omaha to purchase two 2018 Bluebird school buses. The agreement called for a lease term of 74 months with annual renewal options. Annual payments of \$49,478 are due on June 1st of each year, with a final payment due in fiscal year 2022. The average interest rate over the lease term is 3.10%. The District has capitalized \$270,936 of assets under this capital lease.

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

<u>Year ended June 30,</u>	<u>Debt service requirement</u>
2019	\$ 742,527
2020	444,836
2021	412,498
2022	392,524
2023	306,420
2024-2028	1,532,099
2029-2033	647,618
2034-2035	<u>219,737</u>
Total minimum lease payments	4,698,259
Less amount representing interest	<u>817,790</u>
Present value of future net minimum lease payments	<u>\$ 3,880,469</u>

Bonds payable

General obligation bonds payable consist of the following individual issues:

\$7,765,000 general obligation refunding bonds, dated October 19, 2011, due in annual installments beginning in fiscal year 2012 ranging from zero to \$605,000; varying annual interest rates ranging from 2.00% to 4.00%, payable semi-annually on May 15 th and November 15 th .	\$ 6,025,000
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WELD COUNTY SCHOOL DISTRICT RE-5J
Notes to Financial Statements

Note G – Long-term debt (Continued)

\$4,455,000 general obligation refunding bonds, dated September 10, 2013, due in annual installments beginning in fiscal year 2018 ranging from \$80,000 to \$665,000; varying annual interest rates ranging from 2.00% to 3.00%, payable semi-annually on May 15th and November 15th.

	<u>1,955,000</u>
Total general obligation bonds	<u>\$ 7,980,000</u>

The following schedule represents the District's debt service requirements to maturity for all outstanding bonded indebtedness:

Year ended June 30,	Principal	Interest	Total
2019	\$ 1,050,000	\$ 248,075	\$ 1,298,075
2020	1,075,000	222,050	1,297,050
2021	1,105,000	189,875	1,294,875
2022	460,000	164,050	624,050
2023	475,000	147,788	622,788
2024-2028	2,625,000	473,987	3,098,987
2029-2030	<u>1,190,000</u>	<u>48,000</u>	<u>1,238,000</u>
Totals	<u>\$ 7,980,000</u>	<u>\$ 1,493,825</u>	<u>\$ 9,473,825</u>

Prior-year defeasance of debt

In prior years, the District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At year-end, \$13,855,000 of bonds outstanding are considered defeased.

	Beginning Balances	Additions	Reductions	Ending Balances	Due within one year
Charter school					
Bonds payable	\$ 4,715,000	\$ -	\$ (175,000)	\$ 4,540,000	\$ 180,000
Net pension liability	7,648,465	1,063,873	-	8,712,338	-
Net OPEB liability	<u>189,315</u>	<u>9,638</u>	<u>-</u>	<u>198,953</u>	<u>-</u>
Totals	<u>\$12,552,780</u>	<u>\$ 1,073,511</u>	<u>\$ (175,000)</u>	<u>\$ 13,451,291</u>	<u>\$ 180,000</u>

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

Note G – Long-term debt (Continued)

Bonds payable

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

The following schedule represents the Charter School's debt service requirements to maturity for all outstanding bonded indebtedness:

<u>Year ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 180,000	\$ 134,881	\$ 314,881
2020	185,000	129,347	314,347
2021	190,000	124,009	314,009
2022	195,000	117,826	312,826
2023	205,000	111,762	316,762
2024-2028	1,110,000	461,389	1,571,389
2029-2033	1,295,000	279,445	1,574,445
2034-2037	<u>1,180,000</u>	<u>72,939</u>	<u>1,252,939</u>
Totals	<u>\$ 4,540,000</u>	<u>\$ 1,431,598</u>	<u>\$ 5,971,598</u>

Note H – Defined benefit pension plan

Summary of significant accounting policies

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

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

Note H – Defined benefit pension plan (Continued)

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

Benefits provided 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. Section 24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA benefit structure is the greater of the:

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

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

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

Note H – Defined benefit pension plan (Continued)

- 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% of PERA's Annual Increase Reserve (AIR) for the SCHDTF.

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

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

Contributions provisions as of June 30, 2018. Eligible employees and the District and Charter School are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. Section 24-51-401, *et seq.* Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

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

Note H – Defined benefit pension plan (Continued)

	For the Year Ended December 31, 2017	For the Year Ended December 31, 2018
Employer contribution rate ¹	10.15%	10.15%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. Section 24-51-208(1)(f) ¹	<u>(1.02)%</u>	<u>(1.02)%</u>
Amount apportioned to the SCHDTF ¹	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411 ¹	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. Section 24-51-411 ¹	<u>5.00%</u>	<u>5.50%</u>
Total employer contribution rate to the SCHDTF ¹	<u>18.63%</u>	<u>19.13%</u>

¹Rates are expressed as a percentage of salary as defined in C.R.S. Section 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 District and Charter School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District and the Charter School were \$2,826,857 and \$246,369, respectively, for the year ended.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

At year-end, the District and Charter School reported liabilities of \$101,648,058 and \$8,712,338, respectively, for their proportionate shares 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 District and Charter School's proportion of the net pension liability was based on their respective 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 District's proportion was 0.3143 percent, which was an increase of 0.0055 percent from its proportion measured as of December 31, 2016. At December 31, 2017, the Charter School's proportion was 0.0269 percent, which was an increase of 0.0012 percent from its proportion measured as of December 31, 2016.

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

Note H – Defined benefit pension plan (Continued)

For the year ended June 30, 2018, the District and Charter School recognized pension expense of \$21,853,307 and \$2,059,826, respectively. At year-end, the District and Charter School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Primary Government</u>			
	<u>Governmental Activities</u>		<u>Charter School</u>	
	<u>Deferred Outflows of Additions</u>	<u>Deferred Inflows of Reductions</u>	<u>Deferred Outflows of Balances</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 1,860,091	\$ -	\$ 157,464	\$ -
Changes of assumptions or other inputs	25,633,444	164,082	2,152,467	13,179
Net difference between projected and actual earnings on pension plan investments	1,999,932	6,006,937	159,491	514,859
Changes in proportion and differences between contributions recognized and proportionate share of contributions	1,361,689	284,651	355,651	-
Contributions subsequent to the measurement date	<u>1,458,623</u>	<u>-</u>	<u>127,976</u>	<u>-</u>
Totals	<u>\$ 32,313,779</u>	<u>\$ 6,455,670</u>	<u>\$ 2,953,049</u>	<u>\$ 528,038</u>

\$1,458,623 and \$127,976, reported as deferred outflows of resources related to pensions for the District and the Charter School, respectively, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	<u>Primary Government</u>	
	<u>Governmental Activities</u>	<u>Charter School</u>
2019	\$ 16,246,781	\$ 1,503,136
2020	9,371,673	870,688
2021	282,766	51,926
2022	<u>(1,501,734)</u>	<u>(128,715)</u>
Totals	<u>\$ 24,399,486</u>	<u>\$ 2,297,035</u>

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

Note H – Defined benefit pension plan (Continued)

Actuarial assumptions. The total pension liability in the December 31, 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.

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

Note H – Defined benefit pension plan (Continued)

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.

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 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 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:

<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	<u>100.00%</u>	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25%.

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

Note H – Defined benefit pension plan (Continued)

Discount rate. The discount rate used to measure the total pension liability was 4.78 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%.
- 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 estimate future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.

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

Note H – Defined benefit pension plan (Continued)

- 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.

Sensitivity of the District and Charter School's proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 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 (5.78 percent) than the current rate:

	1% Decrease <u>(3.78%)</u>	Current Discount <u>(4.78%)</u>	1% Increase <u>(5.78%)</u>
Primary Government – Governmental Activities			
Proportionate share of the net pension liability	\$ <u>128,398,785</u>	\$ <u>101,648,058</u>	\$ <u>79,849,270</u>
Charter School			
Proportionate share of the net pension liability	\$ <u>11,005,165</u>	\$ <u>8,712,338</u>	\$ <u>6,843,946</u>

Pension plan fiduciary net position. Detailed information about the SCHDTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

Payables to the pension plan

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

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

Note H – Defined benefit pension plan (Continued)

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 the 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.

At year-end, the District and Charter School reported liabilities of \$101,648,058 and \$8,712,338, respectively, for their proportionate shares 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 District and Charter School'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.

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

Note H – Defined benefit pension plan (Continued)

	Estimated Discount Rate Calculated Using Plan Provisions Required by SB 18-200 <u>(pro forma)</u>	Proportionate Share of the Estimated Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 <u>(pro forma)</u>
Primary Government – Governmental Activities	7.25%	\$45,923,711
Charter School	7.25%	\$3,936,159

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 \$47,449,948 and \$4,066,974 of the estimated reduction is attributable to the use of a 7.25 percent discount rate for the District and Charter School, respectively.

Note I – Defined contribution pension plan

Voluntary Investment Program

Plan description. Employees of the District and Charter School that are also members of the SCHDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report 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. The District and Charter School do not offer matching contributions to their employees. Employees are immediately vested in their own contributions and investment earnings. For the year, program member contributions from the District and the Charter School were \$84,766 and \$26,194, respectively, for the Voluntary Investment Program.

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

Note J – Defined benefit other post-employment benefit (OPEB) plan

Summary of significant accounting policies

OPEB. The District and Charter School 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 description. Eligible employees of the District and Charter School 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 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.

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

Note J – Defined benefit other post-employment benefit (OPEB) plan (Continued)

C.R.S. Section 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.

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 the 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. Section 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 charges 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 the 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.

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

Note J – Defined benefit other post-employment benefit (OPEB) plan (Continued)

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.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District and Charter School is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the District and the Charter School were \$152,652 and \$13,306, respectively, for the year ended.

OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB

At year-end, the District and Charter School reported liabilities of \$2,321,212 and \$198,953, respectively, for their proportionate shares of the net OPEB liability. The net pension 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 District and Charter School's proportion of the net OPEB liability was based on their respective 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 District's proportion was 0.1786 percent, which was an increase of 0.0031 percent from its proportion measured as of December 31, 2016. At December 31, 2017, the Charter School's proportion was 0.0153 percent, which was an increase of 0.0007 percent from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the District and Charter School recognized OPEB expense of \$187,850 and \$38,813, respectively. At year-end, the District and Charter School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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

Note J – Defined benefit other post-employment benefit (OPEB) plan (Continued)

	<u>Primary Government</u>			
	<u>Governmental Activities</u>		<u>Charter School</u>	
	<u>Deferred Outflows of Additions</u>	<u>Deferred Inflows of Reductions</u>	<u>Deferred Outflows of Balances</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 10,978	\$ -	\$ 942	\$ -
Changes of assumptions or other inputs	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	38,834	-	3,329
Changes in proportion and differences between contributions recognized and proportionate share of contributions	33,661	-	-	14,110
Contributions subsequent to the measurement date	<u>77,741</u>	<u>-</u>	<u>6,824</u>	<u>-</u>
Totals	<u>\$ 122,380</u>	<u>\$ 38,834</u>	<u>\$ 7,766</u>	<u>\$ 17,439</u>

\$77,741 and \$6,824, reported as deferred outflows of resources related to OPEB for the District and the Charter School, respectively, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June 30,</u>	<u>Primary Government</u>	
	<u>Governmental Activities</u>	<u>Charter School</u>
2019	\$ (938)	\$ (3,420)
2020	(938)	(3,419)
2021	(939)	(3,419)
2022	(939)	(3,419)
2023	8,770	(2,587)
2024	<u>789</u>	<u>(233)</u>
Totals	<u>\$ 5,805</u>	<u>\$ (16,497)</u>

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

Note J – Defined benefit other post-employment benefit (OPEB) plan (Continued)

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 OPEB 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

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 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.

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.

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

Note J – Defined benefit other post-employment benefit (OPEB) plan (Continued)

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

<u>Year</u>	<u>PERACare Medicare Plans</u>	<u>Medicare Part A Premiums</u>
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%

Mortality assumptions for the determination of the total pension liability for each of the Division Trust Funds as show 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.

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.

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

Note J – Defined benefit other post-employment benefit (OPEB) plan (Continued)

- 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.
- 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.

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

Note J – Defined benefit other post-employment benefit (OPEB) plan (Continued)

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:

<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	<u>1.00%</u>	0.20%
Total	<u>100.00%</u>	

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

Note J – Defined benefit other post-employment benefit (OPEB) plan (Continued)

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 District and Charter School's 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:

	<u>1% Decrease</u> <u>in Trend Rates</u>	<u>Current</u> <u>Trend Rates</u>	<u>1% Increase</u> <u>in Trend Rates</u>
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 – District	\$ 2,257,346	\$ 2,321,212	\$ 2,398,133
Net OPEB Liability – Charter School	\$ 193,479	\$ 198,953	\$ 205,546

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.
- 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.

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

Note J – Defined benefit other post-employment benefit (OPEB) plan (Continued)

- 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 District and Charter School’s 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 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 <u>(3.78%)</u>	Current Discount <u>(4.78%)</u>	1% Increase <u>(5.78%)</u>
Primary Government – Governmental Activities			
Proportionate share of the net OPEB liability	\$ <u>2,609,772</u>	\$ <u>2,321,212</u>	\$ <u>2,074,918</u>
Charter School			
Proportionate share of the net OPEB liability	\$ <u>223,686</u>	\$ <u>198,953</u>	\$ <u>177,843</u>

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.

Payables to the OPEB plan

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

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

Note K – Risk management

The District and Charter School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District and Charter School participates in the Colorado School Districts Self-Insurance Pool (the Pool). The Pool's objectives are to provide member school districts defined property and liability coverages through self-insurance and excess insurance purchased from commercial companies. The District and Charter School pays an annual contribution to the Pool for its insurance coverages. The District and Charter School's contributions for the year were \$175,530 and \$23,665, respectively. The District and Charter School continues to carry commercial insurance for all other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage or the deductible in any of the past three fiscal years. There has been no significant reduction in insurance coverage from the prior year in any of the major categories of risk.

Note L – Commitments and contingencies

Federal and state funding

The District and Charter School receives revenues from various federal and state grant programs which are subject to final review and approval by the grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District and Charter School expects such amounts, if any, to be immaterial.

TABOR Amendment

In November 1992, Colorado voters passed an amendment, commonly known as the Taxpayer's Bill of Rights (TABOR), to the State Constitution (Article X, Section 20) which limits the revenue raising and spending abilities of state and local governments. The limits on property taxes, revenue, and "fiscal year spending" include allowable annual increases tied to inflation and local growth in student enrollment. Fiscal year spending as defined by the amendment excludes spending from certain revenue and financing sources such as federal funds, gifts, property sales, fund transfers, damage awards, and fund reserves (balances). The amendment requires voter approval for any increase in mill levy or tax rates, new taxes, or creation of multi-year debt. Revenue earned in excess of the "spending limit" must be refunded or approved to be retained by the District under specified voting requirements by the entire electorate. On November 4, 1997, the voters of the District approved a ballot initiative permitting the District to retain, appropriate, and utilize, by retention for reserve, carryover fund balance, or expenditure, the full proceeds and revenues received from every source whatsoever, without limitation, in this fiscal year and all subsequent fiscal years notwithstanding any limitation of Article X, Section 20 of the Colorado Constitution. TABOR is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of TABOR. However, the District has made certain interpretations of TABOR's language in order to determine its compliance.

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

Note L – Commitments and contingencies (Continued)

The District has reserved funds in the General Fund in the amount of \$840,000 for the emergency reserve.

The Charter School believes that the District's ballot issue extends to release the Charter School from the spending limits imposed by TABOR. The Charter School believes that it is in compliance with the requirements of TABOR. However, the Charter School has made certain interpretations of TABOR's language in order to determine its compliance. The Charter School has reserved funds in the amount of \$93,000 for the emergency reserve.

Note N – Prior period restatement

The District and Charter School adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement requires the District and Charter School to recognize a liability for their proportionate share of the net OPEB liability of PERA's Health Care Trust Fund (see Note J), as well as OPEB expense, and to report deferred outflows of resources and deferred inflows of resources related to OPEB for their proportionate shares of collective OPEB expense and collective deferred outflows of resources and deferred inflows of resources related to OPEB. The District and Charter School have reduced the beginning net position of their governmental activities by \$2,202,468 and \$183,120, respectively, due to the adoption of this statement.

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Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Governmental Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule – General Fund
- Schedule of the District's Proportionate Share of the Net Pension Liability – PERA's School Division Trust Fund
- Schedule of District Contributions – PERA's School Division Trust Fund
- Schedule of the District's Proportionate Share of the Net OPEB Liability – PERA's Health Care Trust Fund
- Schedule of District Contributions – PERA's Health Care Trust Fund

WELD COUNTY SCHOOL DISTRICT RE-5J
General Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources	\$ 8,298,881	\$ 8,427,629	\$ 9,129,805	\$ 702,176
Intermediate sources	27,000	27,000	58,406	31,406
State sources	21,369,849	21,266,506	21,049,092	(217,414)
Federal sources	858,909	868,716	861,541	(7,175)
Total revenues	30,554,639	30,589,851	31,098,844	508,993
Expenditures				
Instruction	17,944,030	17,982,853	18,052,171	(69,318)
Supporting services	8,924,819	8,930,015	8,574,633	355,382
Debt service				
Principal retirement	386,000	386,000	292,553	93,447
Interest and fiscal charges			1,128	(1,128)
Appropriated reserves	3,377,940	3,437,495		3,437,495
Total expenditures	30,632,789	30,736,363	26,920,485	3,815,878
Excess of revenues over (under) expenditures	(78,150)	(146,512)	4,178,359	4,324,871
Other financing uses				
Transfers out	(450,000)	(450,000)	(451,220)	(1,220)
Payments to charter school	(2,795,151)	(2,811,602)	(2,810,390)	1,212
Total other financing uses	(3,245,151)	(3,261,602)	(3,261,610)	(8)
Net change in fund balance	\$ (3,323,301)	\$ (3,408,114)	916,749	\$ 4,324,863
Fund balance at beginning of year			3,408,114	
Fund balance at end of year			\$ 4,324,863	

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WELD COUNTY SCHOOL DISTRICT RE-5J
Schedule of the District's Proportionate Share of the Net Pension Liability¹
PERA's School Division Trust Fund
June 30, 2018

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.3143%	0.3088%	0.3132%	0.3051%
District's proportionate share of the net pension liability	\$ 101,648,058	\$ 91,930,053	\$ 47,894,728	\$ 41,354,558
District's covered-employee payroll	\$ 14,500,368	\$ 13,857,737	\$ 13,647,184	\$ 12,783,103
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	701.00%	663.38%	350.95%	323.51%
Plan fiduciary net position as a percentage of the total pension liability	43.96%	43.10%	59.20%	62.84%

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

¹ Information is not available prior to June 30, 2014. In future reports, additional years will be added until 10 years of historical data are presented.

June 30, 2014

0.3012%

\$ 38,314,291

\$ 12,144,306

315.49%

64.06%

WELD COUNTY SCHOOL DISTRICT RE-5J
Schedule of District Contributions¹
PERA's School Division Trust Fund
June 30, 2018

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 2,826,857	\$ 2,580,352	\$ 2,456,366	\$ 2,242,104
Contributions in relation to the contractually required contribution	<u>(2,826,857)</u>	<u>(2,580,352)</u>	<u>(2,456,366)</u>	<u>(2,242,104)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 14,965,880	\$ 14,035,144	\$ 13,851,915	\$ 13,275,337
Contributions as a percentage of covered-employee payroll	18.89%	18.38%	17.73%	16.89%

¹ Information is not available prior to June 30, 2014. In future reports, additional years will be added until 10 years of historical data are presented.

June 30, 2014

\$ 1,971,255

(1,971,255)

\$ -

\$ 12,318,500

16.00%

WELD COUNTY SCHOOL DISTRICT RE-5J
Schedule of the District's Proportionate Share of the Net OPEB Liability¹
PERA's Health Care Trust Fund
June 30, 2018

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
District's proportion of the net OPEB liability	0.1786%	0.1755%
District's proportionate share of the net OPEB liability	\$ 2,321,212	\$ 2,275,460
District's covered-employee payroll	\$ 14,500,368	\$ 13,857,737
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	16.01%	16.42%
Plan fiduciary net position as a percentage of the total OPEB liability	17.53%	16.72%

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

¹ Information is not available prior to June 30, 2017. In future reports, additional years will be added until 10 years of historical data are presented.

WELD COUNTY SCHOOL DISTRICT RE-5J
Schedule of District Contributions¹
PERA's Health Care Trust Fund
June 30, 2018

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Contractually required contribution	\$ 152,652	\$ 143,158
Contributions in relation to the contractually required contribution	<u>(152,652)</u>	<u>(143,158)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 14,965,880	\$ 14,035,144
Contributions as a percentage of covered-employee payroll	1.02%	1.02%

¹ Information is not available prior to June 30, 2017. In future reports, additional years will be added until 10 years of historical data are presented.

WELD COUNTY SCHOOL DISTRICT RE-5J
Notes to the Required Supplementary Information

Note A – Budgetary data

The District adheres to the following procedures in compliance with Colorado Revised Statutes, establishing the budgetary data in the financial statements:

1. Budgets are required by state law for all funds. Prior to May 31, the superintendent of schools submits to the board of education a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted by the board of education to obtain taxpayer comments.
3. Prior to June 30, the budget is adopted by formal resolution.
4. Prior to January 31, the board of education submits its adopted annual budget to the department of education.
5. Expenditures may not legally exceed appropriations at the fund level. Authorization to transfer budgeted amounts between departments within any fund and reallocation of budget line items within any department in the General Fund rests with the superintendent of schools. Revisions that alter the total expenditures of any fund must be approved by the board of education.
6. Budgets for all funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
7. Budgeted amounts reported in the accompanying financial statements are as originally adopted and as amended by the board of education throughout the year. After budget approval, the District board of education may approve supplemental appropriations if an occurrence, condition, or need exists which was not known at the time the budget was adopted.
8. Appropriations lapse at year-end.

Note B – Factors affecting trends in amounts reported in the pension and OPEB schedules

Information about factors that significantly affect trends in the amounts reported in the Schedule of the District's Proportionate Share of the Net Pension Liability and the Schedule of District Contributions is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

Other Supplementary Information

Other supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

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Budgetary Comparison Schedule - General Fund

The General Fund accounts for all transactions of the District not required to be accounted for in other funds. This fund represents an accounting of the District's ordinary operations financed primarily from property and specific ownership taxes and state aid. It is the most significant fund in relation to the District's overall operations. The schedules of revenues and expenditures are included to provide a greater level of detail to the reader of the financial statements.

WELD COUNTY SCHOOL DISTRICT RE-5J
General Fund
Budgetary Comparison Schedule - Revenues
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources				
Property taxes	\$ 7,553,743	\$ 7,573,009	\$ 8,004,110	\$ 431,101
Specific ownership taxes	537,508	538,990	687,442	148,452
Delinquent taxes and interest			16,758	16,758
Abatements			(9,846)	(9,846)
Earnings on investments			9,474	9,474
Charter school revenue	85,630	85,630	85,630	-
Other local revenue	122,000	230,000	336,237	106,237
Total local sources	8,298,881	8,427,629	9,129,805	702,176
Intermediate sources	27,000	27,000	58,406	31,406
State sources				
Equalization	19,350,274	19,403,626	19,075,667	(327,959)
Vocational education	24,731	24,731	20,337	(4,394)
ECEA	625,000	640,000	657,047	17,047
ELPA professional development	54,135	42,504	42,504	-
English language proficiency	36,376	31,330	31,330	-
Gifted and talented	73,333	61,050	61,050	-
Transportation	192,000	192,000	200,908	8,908
READ act	210,000	188,844	188,844	-
State grants to libraries			4,000	4,000
Gifted education USOP		15,661	15,661	-
Small rural schools funding	556,000	556,000	629,265	73,265
Additional at-risk funding			12,226	12,226
Colorado Energy Office ESS	248,000	110,760	110,253	(507)
Total state sources	21,369,849	21,266,506	21,049,092	(217,414)
Federal sources				
Title I	200,944	200,930	200,649	(281)
Title II	55,804	55,543	55,453	(90)
Title III	16,168	16,250	16,250	-
Title IV		10,000	5,175	(4,825)
Race to the top			3,264	3,264
IDEA part B	559,989	559,989	559,989	-
IDEA preschool	14,004	14,004	14,004	-
Services within the BOCES	12,000	12,000	6,757	(5,243)
Total federal sources	858,909	868,716	861,541	(7,175)
Total revenues	\$ 30,554,639	\$ 30,589,851	\$ 31,098,844	\$ 508,993

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WELD COUNTY SCHOOL DISTRICT RE-5J
General Fund
Budgetary Comparison Schedule - Expenditures
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Expenditures				
Instruction				
Salaries	\$ 12,210,897	\$ 12,174,455	\$ 11,849,596	\$ 324,859
Employee benefits	4,414,069	4,441,485	4,261,945	179,540
Purchased services	661,998	901,680	935,264	(33,584)
Supplies and materials	657,066	1,007,024	989,066	17,958
Property			13,709	(13,709)
Other			2,591	(2,591)
Total instruction	17,944,030	18,524,644	18,052,171	472,473
Supporting services				
Students				
Salaries	572,629	594,629	692,378	(97,749)
Employee benefits	210,532	215,229	255,539	(40,310)
Purchased services	1,800	46,800	749	46,051
Supplies and materials	9,275	9,275	7,740	1,535
Other			50	(50)
Total students	794,236	865,933	956,456	(90,523)
Instructional staff				
Salaries	236,927	247,388	240,527	6,861
Employee benefits	105,952	104,816	102,920	1,896
Purchased services	188,980	38,135	24,525	13,610
Supplies and materials	463,000	8,100	6,383	1,717
Other			129	(129)
Total instructional staff	994,859	398,439	374,484	23,955
General administration				
Salaries	224,408	224,408	225,668	(1,260)
Employee benefits	72,409	72,409	74,502	(2,093)
Purchased services	132,000	138,000	143,233	(5,233)
Supplies and materials	64,000	64,000	84,104	(20,104)
Other	2,400	2,400	2,030	370
Total general administration	495,217	501,217	529,537	(28,320)

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
School administration				
Salaries	930,634	930,634	959,577	(28,943)
Employee benefits	347,180	347,180	340,831	6,349
Purchased services	5,250	5,250	6,547	(1,297)
Supplies and materials	21,900	21,900	28,128	(6,228)
Total school administration	1,304,964	1,304,964	1,335,083	(30,119)
Business services				
Salaries	250,132	250,132	285,430	(35,298)
Employee benefits	81,466	81,466	93,677	(12,211)
Purchased services	30,000	30,000	35,817	(5,817)
Supplies and materials	2,000	2,000	2,420	(420)
Other	400	400	680	(280)
Total business services	363,998	363,998	418,024	(54,026)
Operations and maintenance				
Salaries	763,713	763,713	813,608	(49,895)
Employee benefits	357,471	357,471	357,604	(133)
Purchased services	613,500	756,690	753,151	3,539
Supplies and materials	818,050	792,550	757,907	34,643
Property	223,215	63,300	63,898	(598)
Total operations and maintenance	2,775,949	2,733,724	2,746,168	(12,444)
Student transportation				
Salaries	544,578	563,621	562,919	702
Employee benefits	172,392	176,458	169,948	6,510
Purchased services	290,731	211,986	237,321	(25,335)
Supplies and materials	96,400	224,000	162,500	61,500
Total student transportation	1,104,101	1,176,065	1,132,688	43,377

(continued)

WELD COUNTY SCHOOL DISTRICT RE-5J
General Fund
Budgetary Comparison Schedule - Expenditures
For the Year Ended June 30, 2018

(continued)	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Central support services				
Salaries	77,696	77,696	77,693	3
Employee benefits	34,960	34,960	34,296	664
Purchased services	911,839	869,839	804,641	65,198
Supplies and materials	45,000	52,429	67,383	(14,954)
Total central support services	1,069,495	1,034,924	984,013	50,911
Food service operations				
Purchased services	22,000	22,000	24,172	(2,172)
Total food service operations	22,000	22,000	24,172	(2,172)
Facilities acquisition				
Purchased services		72,960	74,008	(1,048)
Total facilities acquisition	-	72,960	74,008	(1,048)
Total supporting services	8,924,819	8,474,224	8,574,633	(100,409)
Debt service				
Principal retirement	386,000	300,000	292,553	7,447
Interest and fiscal charges			1,128	(1,128)
Total debt service	386,000	300,000	293,681	6,319
Appropriated reserves	3,377,940	3,437,495		3,437,495
Total expenditures	\$ 30,632,789	\$ 30,736,363	\$ 26,920,485	\$ 3,815,878

Budgetary Comparison Schedule - Nonmajor Governmental Fund

The District reports the following nonmajor special revenue fund:

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

- Food Service Fund – This fund is used to record financial transactions related to the District's food service operations.

WELD COUNTY SCHOOL DISTRICT RE-5J
Food Service Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources	\$ 725,000	\$ 725,000	\$ 707,081	\$ (17,919)
State sources			29,920	29,920
Federal sources	750,000	750,000	769,869	19,869
Total revenues	1,475,000	1,475,000	1,506,870	31,870
Expenditures				
Food service operations				
Salaries	74,380	74,380	57,183	17,197
Employee benefits	15,620	15,620	30,405	(14,785)
Purchased services	725,000	725,000	782,006	(57,006)
Supplies and materials	615,000	615,000	616,254	(1,254)
Property	20,000	20,000	35,163	(15,163)
Appropriated reserves	270,000	285,607		285,607
Total expenditures	1,720,000	1,735,607	1,521,011	214,596
Excess of revenues under expenditures	(245,000)	(260,607)	(14,141)	246,466
Other financing sources				
Transfers in			1,220	1,220
Net change in fund balance	\$ (245,000)	\$ (260,607)	(12,921)	\$ 247,686
Fund balance at beginning of year			260,607	
Fund balance at end of year			\$ 247,686	

Budgetary Comparison Schedule - Debt Service Fund

The District reports the following major debt service fund:

Debt Service Fund – These funds account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

- Bond Redemption Fund – This fund is a debt service fund used to account for the revenues from a specific tax levy for the purpose of the repayment of debt principal, interest and other fiscal charges.

WELD COUNTY SCHOOL DISTRICT RE-5J
Bond Redemption Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources				
Property taxes	\$ 1,600,000	\$ 1,600,000	\$ 1,938,609	\$ 338,609
Specific ownership tax			232	232
Delinquent taxes and interest			5,961	5,961
Abatements			(3,944)	(3,944)
Interest on investments			17,427	17,427
Total revenues	1,600,000	1,600,000	1,958,285	358,285
Expenditures				
Debt service				
Principal	1,030,000	1,030,000	1,030,000	-
Interest and fiscal charges	276,500	276,500	270,906	5,594
Appropriated reserves	3,883,500	3,904,988		3,904,988
Total expenditures	5,190,000	5,211,488	1,300,906	3,910,582
Net change in fund balance	(3,590,000)	(3,611,488)	657,379	4,268,867
Fund balance at beginning of year			3,611,488	
Fund balance at end of year			\$ 4,268,867	

Budgetary Comparison Schedule - Capital Projects Fund

The District reports the following major capital projects fund:

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

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

WELD COUNTY SCHOOL DISTRICT RE-5J
Capital Reserve Capital Projects Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources				
Earnings on investments			\$ 190	\$ 190
Other local revenues			5,990	5,990
Contributions	\$ 100,000	\$ 100,000	203,499	103,499
Total revenues	100,000	100,000	209,679	109,679
Expenditures				
Capital outlay				
Purchased services			363,637	(363,637)
Supplies and materials	350,000	350,000	90,692	259,308
Property	650,000	650,000	110,463	539,537
Debt service				
Principal	315,000	315,000	318,908	(3,908)
Interest and fiscal charges	135,000	135,000	125,928	9,072
Appropriated reserves		1,316,568		1,316,568
Total expenditures	1,450,000	2,766,568	1,009,628	1,756,940
Excess of revenues under expenditures	(1,350,000)	(2,666,568)	(799,949)	1,866,619
Other financing sources				
Transfers in	450,000	450,000	450,000	-
Net change in fund balance	\$ (900,000)	\$ (2,216,568)	(349,949)	\$ 1,866,619
Fund balance at beginning of year			2,216,568	
Fund balance at end of year			\$ 1,866,619	

Budgetary Comparison Schedule - Fiduciary Fund

These funds focus on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds.

Agency funds – These funds are used to report resources held by the District in a purely custodial capacity (assets equal liabilities). These funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

- Pupil Activity Fund – This fund is used to record transactions related to school-sponsored pupil organizations and activities. These activities are self-supporting and do not receive any direct or indirect support within the fund.

WELD COUNTY SCHOOL DISTRICT RE-5J
Pupil Activity Agency Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Additions				
Fundraising and other events	\$ 875,000	\$ 875,000	\$ 888,465	\$ 13,465
Deductions				
Pupil activity expenditures	875,000	875,000	852,874	22,126
Appropriated reserves	373,697	419,660		419,660
Total deductions	<u>1,248,697</u>	<u>1,294,660</u>	<u>852,874</u>	<u>441,786</u>
Excess of additions over (under) deductions	<u>\$ (373,697)</u>	<u>\$ (419,660)</u>	35,591	<u>\$ 455,251</u>
Due to student groups at beginning of year			<u>419,660</u>	
Due to student groups at end of year			<u>\$ 455,251</u>	

Single Audit Section

The Single Audit Section contains the following:

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

WELD COUNTY SCHOOL DISTRICT RE-5J
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Grantor / Pass-through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Education</u>			
Pass-through programs from:			
Colorado Department of Education:			
English Language Acquisition State Grants	84.365	4365	\$ 16,250
Supporting Effective Instruction State Grants	84.367	4367	55,453
Title I Grants to Local Educational Agencies	84.010	4010	200,649
Student Support and Academic Enrichment Program	84.424	4424	5,175
Early Childhood Readiness	84.412	5412	<u>3,264</u>
Total U.S. Department of Education			280,791
<u>Child Nutrition Cluster</u>			
U.S. Department of Agriculture:			
Pass-through programs from:			
Colorado Department of Human Services:			
Donated Commodities	10.555	4555	107,448
Colorado Department of Education:			
School Breakfast Program	10.553	4553	137,382
National School Lunch Program	10.555	4555	<u>525,039</u>
Total Child Nutrition Cluster			769,869
<u>Special Education Cluster (IDEA)</u>			
U. S. Department of Education:			
Pass-through programs from:			
Colorado Department of Education:			
Special Education - Grants to States	84.027	4027	559,989
Special Education - Preschool Grants	84.173	4173	<u>14,004</u>
Total Special Education Cluster (IDEA)			<u>573,993</u>
Total expenditures of federal awards			<u>\$ 1,624,653</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

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

Note A – Basis of presentation

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

Note B – Nonmonetary assistance

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

CFDA No. 10.555	National School Lunch Program	\$ <u>107,448</u>
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Note C – Indirect Cost Rate

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

Note D – Subrecipients

The District did not pass through any federal grants to subrecipients.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Weld County School District RE-5J (the District), 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, and have issued our report thereon dated October 10, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Lauer, Szabo & Associates, P.C.

Sterling, Colorado
October 10, 2018



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

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

Report on Compliance for Each Major Federal Program

We have audited Weld County School District RE-5J's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

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

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

Lauer, Szabo & Associates, P.C.

Sterling, Colorado
October 10, 2018

WELD COUNTY SCHOOL DISTRICT RE-5J
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Summary of auditors' results

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

Child Nutrition Cluster	CFDA Nos. 10.553 and 10.555
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8. The threshold for distinguishing 'Type A and B programs was \$750,000.
9. The District did not qualify as a low-risk auditee.

Findings – Financial statement audit

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

Findings and Questioned Costs

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

Prior year findings

There were no findings or questioned costs reported for the year ended June 30, 2017.

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**Colorado Department of Education
Supplementary Schedule**

Auditors' integrity report – This fiscal-year report is required by the Colorado Department of Education to maintain statewide consistency in financial reporting. This report is also used to gather financial data that could affect future state funding.

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Independent Auditors' Report on Auditors' Integrity Report

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

We have audited the financial statements of the Weld County School District RE-5J (the District) as of and for the year ended June 30, 2018, and our report thereon dated October 10, 2018, which expressed an unmodified opinion on those financial statements, appears on pages 1-3. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Auditors' Integrity Report is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Lauer, Szabo & Associates, P.C.

Sterling, Colorado
October 10, 2018



Colorado Department of Education
Auditors Integrity Report
 District: 3110 - JOHNSTOWN-MILLIKEN RE-5J
 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	3,011,619	27,058,939	26,219,831	3,860,727
18 Risk Mgmt Sub-Fund of General Fund	396,455	430,000	362,359	464,136
19 Colorado Preschool Program Fund	0	338,294	338,294	0
Sub-Total	3,408,114	27,837,234	26,920,485	4,324,863
11 Charter School Fund	1,248,462	2,818,510	2,436,324	1,628,649
20,26-29 Special Revenue Fund	596,131	351,463	315,262	632,332
21 Food Service Spec Revenue Fund	260,607	1,508,091	1,521,011	247,687
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	3,611,488	1,958,285	1,300,906	4,268,867
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	2,216,568	659,679	1,009,628	1,866,619
46 Supplemental Cap Const. Tech. Main Fund	0	0	0	0
Totals	11,341,370	35,133,262	33,505,616	12,969,016
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	428,231	937,799	896,909	469,121
79 GASB 34: Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
Totals	428,231	937,799	896,909	469,121

FINAL

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