



## Weld County School District RE-8

### Financial Statements and Supplementary Information

For the Year Ended June 30, 2018

# Weld County School District RE-8

## Contents

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Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 13
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements:	
Balance Sheet - Governmental Funds	16
Reconciliation of the Governmental Funds Balance Sheet with the Government-wide Statement of Net Position	17
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	18
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances with the Government-wide Statement of Activities	19
Statement of Fiduciary Net Position	20
Statement of Changes in Fiduciary Net Position	21
Notes to Financial Statements	22 - 50
Required Supplementary Information:	
Budgetary Comparison Schedule - General Fund	51
Schedule of the District's Proportionate Share of the Net Pension Liability	52
Schedule of District Contributions - Pension	53
Schedule of District's Proportionate Share of the Net OPEB Liability	54
Schedule of District Contributions OPEB	55
Other Supplementary Information:	
Combining and Individual Fund Financial Statements:	
Major Governmental Funds:	
Budgetary Comparison Schedule - Bond Redemption Fund	56
Budgetary Comparison Schedule - Building Fund	57

# Weld County School District RE-8

## Contents

---

### Nonmajor Governmental Funds:

Combining Balance Sheet - Nonmajor Governmental Funds	58
---	----

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	59
---	----

### Budgetary Comparison Schedules:

#### Governmental Funds:

Government Designated Purpose Grants Fund	60
---	----

Capital Reserve Fund	61
----------------------	----

Food Service Fund	62
-------------------	----

#### Agency Fund:

Combining Statement of Changes in Assets and Liabilities - Pupil Activity Fund	63
--	----

#### Fiduciary Funds:

Budgetary Comparison Schedule - Private Purpose Trust Fund	64
--	----

### Colorado Department of Education Supplementary Schedule

Auditor's Integrity Report	65
----------------------------	----

### Reports to Governmental Agencies:

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	66 - 67
---	---------

Independent Auditor's Report on Compliance For Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance	68 - 69
--	---------

Schedule of Findings and Questioned Costs	70 - 73
---	---------

Corrective Action Plan	74 - 75
------------------------	---------

Schedule of Expenditures of Federal Awards	76
--	----

Notes to Schedule of Expenditures of Federal Awards	77
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## Independent Auditor's Report

Board of Education  
Weld County School District RE-8  
Fort Lupton, Colorado

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Weld County School District RE-8 (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.

#### *Auditor's Responsibility*

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

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

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

#### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Weld County School District RE-8, as of June 30, 2018, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.



### *Emphasis of Matter*

As discussed in Note 2 to the basic financial statements, the District has changed its method for accounting and reporting for postemployment benefits other than pensions during 2018 due to the adoption of Governmental Accounting Standards Board Statement No. 75, *Accounting for Financial Reporting for Postemployment Benefits Other Than Pensions*. The adoption of the standard required retrospective application resulting in a \$2,364,185 reduction of previously reported net position. 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 on pages 3 through 13, budgetary comparison information on page 51, and the pension and other post employment benefit schedules on pages 52 through 56 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 and other auditors 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 combining and individual major and nonmajor fund financial statements and budgetary comparisons, Auditor's Integrity Report, and schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual major and nonmajor fund financial statements and budgetary comparisons, Auditor's Integrity Report, 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 information is fairly stated in all material respects in relation to the 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 December 17, 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.

*Anton Collins Mitchell LLP*

Greeley, Colorado  
December 17, 2018

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

## **WELD COUNTY SCHOOL DISTRICT RE-8**

### **Management's Discussion and Analysis For the Year Ended June 30, 2018**

As management of the Weld County School District Re-8 (the District) we offer readers of the District's basic financial statements this narrative and analysis of the financial activities of the District for the year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information provided in the accompanying financial statements.

#### **Financial Highlights**

The liabilities and deferred inflows of the District exceeded its assets and deferred outflows at the close of the most recent fiscal year by \$(46,946,442) (net position), a change of \$13,722,971 from the previous fiscal year of \$(60,669,413). In 2015 the District implemented GASB 68 which recorded a Net Pension Liability of \$43,056,888. This liability increased to \$48,920,237 in 2016 and has now increased to \$95,517,225 and \$100,786,731 in 2017 and 2018 respectfully. (See Note 10 for additional information). In 2018, the District implemented GASB 75 which relates to Other Post-Employment Benefits (OPEB). The District recorded an OPEB liability of \$2,301,542. (See Note 11 for additional information). In 2017 the District issued \$48,600,000 of General Obligation Bonds for acquiring, constructing, repairing and improving District capital assets.

The General Fund operations of the District are funded primarily by the tax revenue received under the State School Finance Act (the Act) in the amount of \$12,579,759 and State Equalization refunded payments to CDE totaling \$6,785,561. Total General Fund revenue for the year was \$23,257,583.

#### **Overview of the Financial Statements**

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

#### **Government-Wide Financial Statements**

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

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

During the year ended June 30, 2015, the District implemented GASB 68 which revised and established financial reporting requirements for most governments that provide their employees with pension benefits. The District provides its employees with a pension administered by PERA. GASB 68 requires the District to record our proportionate share, as defined in Statement No. 68, of PERA's unfunded pension liability. The District's portion for 2018 increased \$5,269,506 to \$100,786,731.

The governmental activities of the District include instruction and supporting services.

## **WELD COUNTY SCHOOL DISTRICT RE-8**

### **Management's Discussion and Analysis For the Year Ended June 30, 2018**

The statement of activities presents information reporting how the District's net position changed during fiscal year 2018. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows for future fiscal periods. Earned but unused vacation leave and uncollected taxes are examples of these types of items.

The government-wide financial statements of the District are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, pupil activities, instructional support, general and school administration, business and central services, transportation, and Food Services.

The Government-wide financial statements can be found on pages 14-15 of this report.

#### **Fund Financial Statements**

A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The District keeps track of these monies to ensure and demonstrate compliance with finance-related legal requirements. Governmental funds are used to account for functions reported as governmental activities in the government-wide financial statements. Enterprise funds are used to report the functions presented as business-type activities in the government-wide financial statements. The District does not report any enterprise funds.

#### **Governmental Funds**

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

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

The District uses six Governmental Funds. The General Fund is the largest Governmental Fund and encompasses most of the District's revenues and expenditures. The other five funds consist of the Food Services Fund, the Government Designated Purpose Grants Fund, the Bond Redemption Fund, the Capital Reserve Fund, and the Building Fund. An annual appropriated budget for the District is adopted for each fund. A budgetary comparison statement has been provided for each fund to demonstrate compliance with the budget.

## **WELD COUNTY SCHOOL DISTRICT RE-8**

### **Management's Discussion and Analysis For the Year Ended June 30, 2018**

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

#### **Fiduciary Funds**

Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the District's own programs. The District's fiduciary funds are the Private Purpose Trust Fund and the Pupil Activity Fund. The Pupil Activity Fund generally accounts for student generated revenues and expenditures related to non-classroom activities. The Private Purpose Trust Fund provides scholarships to qualifying students.

The basic fiduciary fund financial statements can be found on pages 20-21 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 financial statements. The notes to the financial statements can be found on pages 22-50 of this report.

#### **Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information (RSI) concerning the District. The District adopts an annual appropriated budget for all funds, except Agency funds. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget. The District also presents schedules which represent the District's proportionate share of the net pension and other post-employment benefits (OPEB) liabilities as well as schedules which represent the District's contributions for pension and OPEB.

#### **Supplementary Information**

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Additionally, budget to actual schedules are presented for all other funds not presented as part of the required supplementary information.

# WELD COUNTY SCHOOL DISTRICT RE-8

## Management's Discussion and Analysis For the Year Ended June 30, 2018

### Government – wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of the District's financial position. For the year ended June 30, 2018, the District's combined liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$46,964,442. Of this amount \$(90,290,587) is unrestricted; however, since it is negative, it is not available to meet the District's ongoing financial obligations. \$4,046,864 is assigned for capital projects and insurance premiums. \$16,487,208, is invested in capital assets. In addition, \$15,857,736 is restricted for Capital Projects; \$6,180,773 is restricted for debt service; and \$753,564 is restricted for emergencies under TABOR.

### Weld County School District Re-8 Net Position

	Governmental Activities	
	2018	2017
<b>Assets</b>		
Current Assets	\$ 40,879,232	\$ 72,571,207
Capital Assets, Net	65,907,307	31,766,256
<b>Total Assets</b>	<b>106,786,539</b>	<b>104,337,463</b>
<b>Deferred Outflows of Resources</b>		
Deferred Outflows of Resources Relating to Pensions	28,965,999	4,780,294
Deferred Outflows of Resources Relating to Other Post Employment Benefits	83,308	-
<b>Total Deferred Outflows of Resources</b>	<b>29,049,307</b>	<b>4,780,294</b>
<b>Liabilities</b>		
Current Liabilities	8,934,808	5,059,490
Non-current Liabilities	168,431,232	164,296,105
<b>Total Liabilities</b>	<b>177,366,040</b>	<b>169,355,595</b>
<b>Deferred Inflows of Resources</b>		
Deferred Inflows of Resources Relating to Pensions	5,339,171	431,575
Deferred Inflows of Resources Relating to Other Post Employment Benefits	95,077	-
<b>Total Deferred Inflows of Resources</b>	<b>5,434,248</b>	<b>431,575</b>
<b>Net Position</b>		
Net Investment in Capital Assets	16,487,208	14,359,029
Restricted	22,792,073	58,390,352
Assigned	4,046,864	-
Unrestricted	(90,290,587)	(133,418,794)
<b>Total Net Position</b>	<b>\$ (46,964,442)</b>	<b>\$ (60,669,413)</b>

# WELD COUNTY SCHOOL DISTRICT RE-8

## Management's Discussion and Analysis For the Year Ended June 30, 2018

### Governmental Activities

Governmental activities increased the District's net position by \$13,704,971 due to pension expense in GASB No.68 was recorded in 2017. Expenses decreased \$59,364,545 or 77.89% due to an increase in pension expense of \$46,766,056 in 2017 that did not occur in 2018.

### Weld County School District Re-8 Change in Net Position

	Governmental Activities	
	2018	2017
<b>Program Revenues</b>		
Charges for Services	\$ 166,642	\$ 181,763
Operating Grants and Contributions	2,396,115	4,372,530
Capital Grants and Contributions	-	46,910
<b>General Revenues</b>		
Property Taxes	18,010,264	22,461,845
Specific Ownership Taxes	1,620,153	1,580,914
State Equalization	6,785,561	3,276,452
Investment Income	803,582	324,534
Other Revenues	3,139,597	520,140
<b>Total Revenues</b>	<b>32,921,914</b>	<b>32,765,088</b>
<b>Expenses</b>		
Instruction	6,816,804	42,256,717
Supporting Services	6,649,091	30,223,940
Food Service Operations	1,029,413	1,159,236
Interest on Long Term Debt	2,357,450	2,577,410
<b>Total Expenses</b>	<b>16,852,758</b>	<b>76,217,303</b>
<b>Change in Net Position</b>	<b>16,069,156</b>	<b>(43,452,215)</b>
<b>Cumulative Effect of a Change in Accounting Principle</b>	<b>(2,364,185)</b>	<b>-</b>
<b>Net Position, Beginning, As Restated</b>	<b>(60,669,413)</b>	<b>(17,217,198)</b>
<b>Net Position, Ending</b>	<b>\$ (46,964,442)</b>	<b>\$ (60,669,413)</b>

## **WELD COUNTY SCHOOL DISTRICT RE-8**

### **Management's Discussion and Analysis For the Year Ended June 30, 2018**

#### **Financial Analysis of the District's Funds**

##### **Governmental Funds**

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

##### **General Fund**

The General Fund is the major operating fund of the District, providing the majority of resources for the educational and support programs. The General Fund includes the Mill Levy Override Funds MLO 2020 and MLO 2026 and the Preschool Fund. The Preschool Program is required to receive a certain amount of revenue transferred from the General Fund based on Per Pupil Revenue (PPR). Revenues for the General Fund totaled \$23,257,583 in fiscal year 2018 compared to \$22,109,717 in fiscal year 2017, an increase of \$1,147,866 or 5.2%. Expenditures totaled \$22,900,070 compared to \$22,818,266, an increase of \$81,804 or .4%.

##### **Revenues**

**Property Taxes.** General Fund property tax revenues decreased \$2,402,302 or 15.5% due to the state funding formula. Property taxes accounted for about 56.4% of the District's General Fund revenue.

**Specific Ownership Taxes.** Specific ownership tax is applied to the fair value of vehicles registered in Colorado. Specific ownership tax increased \$39,239 or 2.5%. Specific ownership taxes accounted for 7.0% of the District's General Fund revenue.

**State Equalization.** State equalization revenue increased \$3,509,109 in fiscal year 2018 and accounted for 29.2% of the District's General Fund revenue.

**State Grants.** State grants revenue increased \$444,349 or 41.6% in fiscal year 2018 and accounted for 6.5% of the District's General Fund revenue.

## WELD COUNTY SCHOOL DISTRICT RE-8

### Management's Discussion and Analysis For the Year Ended June 30, 2018

<b>Revenues</b>	<b>2018</b>	<b>2017</b>	<b>Amount of Change</b>	<b>Percentage Change</b>
Property Taxes	\$ 13,117,897	\$ 15,520,199	\$ (2,402,302)	-15.5%
Specific Ownership Tax	1,620,153	1,580,914	39,239	2.5%
State Equalization	6,785,561	3,276,452	3,509,109	107.1%
State Grants	1,513,351	1,069,002	444,349	41.6%
Investment Income	170,228	67,912	102,316	150.7%
Miscellaneous	50,393	595,238	(544,845)	-91.5%
<b>Total</b>	<b>\$ 23,257,583</b>	<b>\$ 22,109,717</b>	<b>\$ 1,147,866</b>	<b>5.2%</b>

### Expenditures

Overall expenditures for the General Fund increased \$81,804 or .4% from the previous year.

<b>Expenditures</b>	<b>2018</b>	<b>2017</b>	<b>Amount of Change</b>	<b>Percentage Change</b>
Instruction	\$ 12,887,497	\$ 12,714,972	\$ 172,525	1.4%
Students	1,027,144	1,079,437	(52,293)	-4.8%
Instructional Staff	921,040	1,099,386	(178,346)	-16.2%
General Administration	767,531	536,051	231,480	43.2%
School Administration	1,975,967	1,833,111	142,856	7.8%
Business Services	758,874	389,722	369,152	94.7%
Operations and Maintenance	2,552,160	3,033,514	(481,354)	-15.9%
Student Transportation	831,394	812,869	18,525	2.3%
Central Support	1,090,011	1,299,846	(209,835)	-16.1%
Community Services	18,955	19,358	(403)	-2.1%
Capital Outlay	126,827	-	126,827	n/a
<b>Total</b>	<b>\$ 22,957,400</b>	<b>\$ 22,818,266</b>	<b>\$ 139,134</b>	<b>0.6%</b>

### Other Major Funds

The Bond Redemption Fund accounts for property taxes restricted for the payment of general obligation debt. Bond Redemption Fund property tax revenues decreased \$1,551,816 to \$5,430,505. Total principal and interest on debt serviced was \$3,165,000 and \$2,601,312, respectively.

The Building Fund accounts for the proceeds of general obligation bonds amounting to \$54,724,822. The purpose of the bonds is for acquiring, constructing, repairing and improving District capital assets and to pay the costs of issuance of the Bonds. During the year ended June 30, 2018, the District expended \$36,143,131 on the various improvement projects.

## **WELD COUNTY SCHOOL DISTRICT RE-8**

### **Management's Discussion and Analysis For the Year Ended June 30, 2018**

#### **General Fund Budgetary Highlights**

General Fund revenues and other financing sources budgeted were \$22,630,922 and actual revenues were \$23,257,583. The District budgeted for General Fund expenditures of \$25,043,142 for the year ended June 30, 2018. Actual expenditures were \$22,900,070.

#### **Capital Assets**

As of June 30, 2018, the District's Governmental Activities Capital Assets had \$65,907,307 net of accumulated depreciation, invested in a broad range of capital assets, including buildings and improvements, site improvements, transportation equipment and other equipment. The District's primary expenditures were the renovations at all existing schools and the building of the new Homyak PK-8. Additional information along with a summary can be found in Note 5 to the financial statements.

# WELD COUNTY SCHOOL DISTRICT RE-8

## Management's Discussion and Analysis For the Year Ended June 30, 2018

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Construction in progress	\$ 3,898,973	\$ 35,137,533	\$ -	\$ 39,036,506
Total capital assets not being depreciated	3,898,973	35,137,533	-	39,036,506
Capital assets, being depreciated:				
Buildings and improvements	41,120,229	66,301	(171,478)	41,015,052
Site improvements	2,520,373	-	-	2,520,373
Transportation equipment	1,862,958	-	-	1,862,958
Vehicles	240,270	22,042	-	262,312
Other equipment	271,095	156,221	-	427,316
Total capital assets, being depreciated	46,014,925	244,564	(171,478)	46,088,011
<b>Less accumulated depreciation for:</b>				
Buildings and improvements	(15,302,019)	(1,025,239)	171,478	(16,155,780)
Site improvements	(1,135,056)	(86,022)	-	(1,221,078)
Transportation equipment	(1,415,572)	(89,817)	-	(1,505,389)
Vehicles	(152,938)	(8,764)	-	(161,702)
Other equipment	(142,057)	(31,204)	-	(173,261)
				-
Total accumulated depreciation	(18,147,642)	(1,241,046)	171,478	(19,217,210)
Total capital assets, being depreciated, net	27,867,283	(996,482)	-	26,870,801
<b>Governmental activities capital assets, net</b>	<b>\$ 31,766,256</b>	<b>\$ 34,141,051</b>	<b>\$ -</b>	<b>\$ 65,907,307</b>

## WELD COUNTY SCHOOL DISTRICT RE-8

### Management's Discussion and Analysis For the Year Ended June 30, 2018

#### Long-Term Debt

As of June 30, 2018, the District has long-term debt of \$65,342,959. The following is a summary of the District's long-term debt balances:

	2018	2017
General Obligation Bonds	\$ 59,175,000	\$ 62,340,000
Deferred Premium	6,102,835	6,342,303
Compensated Absences	65,124	96,577
	<u>\$ 65,342,959</u>	<u>\$ 68,778,880</u>

Additional information can be found in Note 7 to the financial statements.

#### Economic Factors and Next Year's Budget

Current school finance legislation continues to have language associated with "negative factors" which continue to erode the District's budget. While local assessed valuations have risen, unlike other governmental entities that may see revenues rise due to valuation, education participates in an equalized funding formula which has nullified the effect of rising valuations and additional dollars to the district.

The primary factors driving the budget for the District are student enrollment and rescissions imposed by the State. The Funded Pupil Count for the 2016 - 17 school year was 2,226.8. The Funded Pupil Count projected for the 2017 - 18 school year is expected to be 2,212.9. These factors, in addition to expected rescission factors, were considered in preparing the District's budget for 2017 - 18.

In the November 2016 election, the community voted to approve a \$48.6 million bond that will improve each and every school in the district. The bonds have been issued and construction has started and will continue through 2018. The breakdown on the money will allow each school to receive new furniture in every classroom, safety improvements including fire sprinklers, American Disabilities Act compliant door hardware, lighting, technology, classroom acoustics, as well as enhancements to the secure entrances. The cost breakdown on your investment is as follows:

- Fort Lupton High School will receive \$10.692 million.
- Twombly Elementary School will receive \$6.804 million.
- Butler Elementary School will receive \$7.29 million.
- Fort Middle School will receive \$972,000.
- New building for the combined Early Childhood Center and Administrative/Board Room \$5.346 million.
- New building to replace the temporary buildings at Quest. Homyak will receive \$17.496 million.

## **WELD COUNTY SCHOOL DISTRICT RE-8**

### **Management's Discussion and Analysis For the Year Ended June 30, 2018**

In addition, due to the bond premium and interest returns on the \$48,600,000, Weld Re-8 has approximately \$3,100,000 remaining for additional scope of work to be determined. Some options are: removal of existing pool building; electrical upgrades on the high school football field; parking lot resurfacing; and fiber optic upgrades. These decisions will be brought through the Bond Oversight Committee and the Board of Education. With the addition of 61,000 new square footage of buildings, we anticipate added operational costs including personnel. We are beginning the conversations around placing a Mil Levy Over Ride on the November 2019 ballot.

#### **Requests for Information**

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

Weld County School District Re-8  
Business Office  
200 South Fulton Ave  
Fort Lupton, CO 80621

## Basic Financial Statements

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# Weld County School District RE-8

## Statement of Net Position

June 30, 2018

	Governmental Activities
<b>Assets</b>	
Cash, cash equivalents and investments	\$ 39,699,652
Cash with County Treasurer	128,638
Receivables	1,015,824
Due from fiduciary funds	6,000
Inventories	29,118
Capital assets, not being depreciated	39,036,506
Capital assets, being depreciated, net	26,870,801
<b>Total assets</b>	<b>106,786,539</b>
<b>Deferred outflows of resources</b>	
Deferred outflows of resources relating to pensions	28,965,999
Deferred outflows of resources relating to other post employment benefits	83,308
<b>Total deferred outflows of resources</b>	<b>29,049,307</b>
<b>Liabilities</b>	
Accounts payable	5,856,173
Accrued salaries and benefits	2,774,205
Accrued interest payable	211,684
Unearned revenue	62,195
Due to other governments	19,045
Due to fiduciary funds	11,506
Noncurrent liabilities:	
Accrued compensated absences	65,124
Due within one year	2,160,000
Due in more than one year	63,117,835
Net pension liability	100,786,731
Net other post employment benefit liability	2,301,542
<b>Total liabilities</b>	<b>177,366,040</b>
<b>Deferred inflows of resources</b>	
Deferred inflows of resources relating to pensions	5,339,171
Deferred outflows of resources relating to other post employment benefits	95,077
<b>Total deferred inflows of resources</b>	<b>5,434,248</b>
<b>Net position</b>	
Net investment in capital assets	16,487,208
Restricted for:	
Emergencies	753,564
Debt service	6,180,773
Other	15,857,736
Assigned	4,046,864
Unrestricted	(90,290,587)
<b>Total net position</b>	<b>\$ (46,964,442)</b>

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

# Weld County School District RE-8

## Statement of Activities

Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
					Governmental Activities
<b>Governmental activities</b>					
Instruction	\$ 6,816,804	\$ -	\$ 1,369,287	\$ -	\$ (5,447,517)
Supporting services					-
Students	1,159,200	-	-	-	(1,159,200)
Instructional staff	594,899	-	-	-	(594,899)
General administration	421,210	-	-	-	(421,210)
School administration	627,177	-	-	-	(627,177)
Business services	584,201	-	-	-	(584,201)
Maintenance and operations	2,285,481	-	-	-	(2,285,481)
Pupil transportation	366,749	-	-	-	(366,749)
Central supporting services	605,217	-	-	-	(605,217)
Community service and other	4,957	-	-	-	(4,957)
Food service operations	1,029,413	166,642	1,026,828	-	164,057
Interest on long-term debt	2,357,450	-	-	-	(2,357,450)
<b>Total governmental activities/ primary government</b>	<b>\$ 16,852,758</b>	<b>\$ 166,642</b>	<b>\$ 2,396,115</b>	<b>\$ -</b>	<b>\$ (14,290,001)</b>
<b>General revenues</b>					
Property taxes levied for:					
General purposes					12,579,759
Debt services					5,430,505
Specific ownership taxes for:					
General purposes					1,620,153
Intergovernmental:					
State equalization/per pupil funding					6,785,561
Other revenues					3,139,597
Earnings on investments					803,582
<b>Total general revenues</b>					<b>30,359,157</b>
<b>Change in net position</b>					<b>16,069,156</b>
<b>Cumulative effect of a change in accounting principle (see note 2)</b>					<b>(2,364,185)</b>
<b>Net position at beginning of year</b>					<b>(60,669,413)</b>
<b>Net position at end of year</b>					<b>\$ (46,964,442)</b>

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

**Weld County School District RE-8**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2018**

	General Fund	Bond Redemption Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash, cash equivalents and investments	\$ 10,469,964	\$ 6,189,518	\$ 22,893,851	\$ 146,319	\$ 39,699,652
Cash with County Treasurer	123,786	4,852	-	-	128,638
Receivables	157,116	19,002	-	839,706	1,015,824
Inventories	-	-	-	29,118	29,118
Due from other funds	894,830	-	-	1,111,188	2,006,018
<b>Totals assets</b>	<b>\$ 11,645,696</b>	<b>\$ 6,213,372</b>	<b>\$ 22,893,851</b>	<b>\$ 2,126,331</b>	<b>\$ 42,879,250</b>
<b>Liabilities, deferred inflows of resources and fund balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 94,743	\$ -	\$ 5,671,337	\$ 90,093	\$ 5,856,173
Accrued salaries and benefits	2,454,370	-	-	319,835	2,774,205
Unearned revenue	-	-	-	62,195	62,195
Due to other governments	19,045	-	-	-	19,045
Due to other funds	-	15,766	1,364,778	630,980	2,011,524
<b>Total liabilities</b>	<b>2,568,158</b>	<b>15,766</b>	<b>7,036,115</b>	<b>1,103,103</b>	<b>10,723,142</b>
<b>Deferred inflows of resources</b>					
Deferred revenue	58,076	16,833	-	-	74,909
<b>Total deferred inflows of resources</b>	<b>58,076</b>	<b>16,833</b>	<b>-</b>	<b>-</b>	<b>74,909</b>
<b>Fund balances</b>					
Nonspendable	-	-	-	29,118	29,118
Restricted	753,564	6,180,773	15,857,736	-	22,792,073
Assigned	3,052,754	-	-	994,110	4,046,864
Unassigned	5,213,144	-	-	-	5,213,144
<b>Total fund balances</b>	<b>9,019,462</b>	<b>6,180,773</b>	<b>15,857,736</b>	<b>1,023,228</b>	<b>32,081,199</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 11,645,696</b>	<b>\$ 6,213,372</b>	<b>\$ 22,893,851</b>	<b>\$ 2,126,331</b>	<b>\$ 42,879,250</b>

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

**Weld County School District RE-8**  
**Reconciliation of the Governmental Funds**  
**Balance Sheet with the Government-wide Statement of Net Position**  
**June 30, 2018**

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

Total fund balances - governmental funds	\$	32,081,199
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Capital assets used in governmental activities are not current financial resources, and therefore, are not reported on the fund financial statements.

Capital assets	\$ 85,124,517		
Less: accumulated depreciation	<u>(19,217,210)</u>		65,907,307

Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the funds. This amount represents property taxes.			74,909
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Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore are not reported in the governmental funds, as follows:

Deferred outflows of resources	\$ 28,965,999		
Deferred inflows of resources	<u>(5,339,171)</u>		23,626,828

Other post employment benefit related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore are not reported in the governmental funds, as follows:

Deferred outflows of resources	\$ 83,308		
Deferred inflows of resources	<u>(95,077)</u>		(11,769)

Long-term liabilities, including net pension obligations, are not due and payable from current financial resources, and therefore, are not reported as liabilities on the fund financial statements. Long-term liabilities at year-end consist of:

Bonds payable	\$ (59,175,000)		
Plus: bond premium	(6,102,835)		
Accrued interest payable	(211,684)		
Compensated absences	(65,124)		
Net pension liability	(100,786,731)		
Net other post employment benefit liability	<u>(2,301,542)</u>		(168,642,916)

Total net position of governmental activities	\$	<u>(46,964,442)</u>
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*The accompanying notes are an integral part of these financial statements.*

**Weld County School District RE-8**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**

**Year Ended June 30, 2018**

	General Fund	Bond Redemption Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Local	\$ 14,738,050	\$ 5,430,505	\$ -	\$ -	\$ 20,168,555
State	8,298,912	-	-	871,195	9,170,107
Federal	-	-	-	2,372,593	2,372,593
Grants and contributions	-	-	-	23,522	23,522
Charges for services	-	-	-	166,642	166,642
Earnings on investments	170,228	74,064	559,271	19	803,582
Other	50,393	-	166,520	-	216,913
<b>Total revenues</b>	<b>23,257,583</b>	<b>5,504,569</b>	<b>725,791</b>	<b>3,433,971</b>	<b>32,921,914</b>
<b>Expenditures</b>					
Current					
Instruction	12,887,497	-	-	1,493,187	14,380,684
Supporting services		-			
Students	1,027,144	-	-	229,685	1,256,829
Instructional staff	921,040	-	-	466,900	1,387,940
General administration	767,531	-	-	47,762	815,293
School administration	1,975,967	-	-	-	1,975,967
Business services	758,874	-	-	-	758,874
Maintenance and operations	2,552,160	-	-	-	2,552,160
Pupil transportation	831,394	-	-	-	831,394
Central supporting services	1,090,011	-	-	-	1,090,011
Community services and other	18,955	-	-	700	19,655
Food service operations	-	-	-	1,314,302	1,314,302
Debt service					
Principal	-	3,165,000	-	-	3,165,000
Interest expense	-	2,601,312	-	-	2,601,312
Capital outlay	126,827	-	36,143,131	74,222	36,344,180
<b>Total expenditures</b>	<b>22,957,400</b>	<b>5,766,312</b>	<b>36,143,131</b>	<b>3,626,758</b>	<b>68,493,601</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>300,183</b>	<b>(261,743)</b>	<b>(35,417,340)</b>	<b>(192,787)</b>	<b>(35,571,687)</b>
<b>Other financing sources (uses)</b>					
Transfers in	-	-	-	158,758	158,758
Transfers out	(158,758)	-	-	-	(158,758)
<b>Total other financing sources (uses)</b>	<b>(158,758)</b>	<b>-</b>	<b>-</b>	<b>158,758</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>141,425</b>	<b>(261,743)</b>	<b>(35,417,340)</b>	<b>(34,029)</b>	<b>(35,571,687)</b>
<b>Fund balances at beginning of year</b>	<b>8,878,037</b>	<b>6,442,516</b>	<b>51,275,076</b>	<b>1,057,257</b>	<b>67,652,886</b>
<b>Fund balances at end of year</b>	<b>\$ 9,019,462</b>	<b>\$ 6,180,773</b>	<b>\$ 15,857,736</b>	<b>\$ 1,023,228</b>	<b>\$ 32,081,199</b>

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

**Weld County School District RE-8**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and**  
**Changes in Fund Balances with the Government-wide Statement of Activities**  
**Year Ended June 30, 2018**

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

Total net change in fund balances - governmental funds	\$ (35,571,687)
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Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Capital outlay	\$35,382,097	
Depreciation expense	<u>(1,241,046)</u>	34,141,051

Accretion of the bond premium is included in the statement of activities against interest expense, but not reflected on the statement of revenues, expenditures and changes in fund balances.	239,468
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Decrease in accrued compensated absences liability reflected against expense on the statement of activities and not reflected on the governmental statement of revenues, expenditures and changes in fund balances.	31,453
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Repayments of bond principal and capital lease obligations are recorded as expenditures in the governmental funds, but as reductions in long-term liabilities in the statement of net position and does not affect the statement of activities.	3,165,000
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Decrease in accrued interest payable is reflected against interest expense on the statement of activities, but not reflected on the governmental fund statement of revenues, expenditures and changes in fund balances.	4,394
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Changes in the District's net pension liability, deferred outflows of resources, and deferred inflows of resources related to the cost-sharing defined benefit plan for the current year are not reported in the governmental funds but are reported in the Statement of Activities.	14,008,603
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Changes in the District's net other post employment benefits liability, deferred outflows of resources, and deferred inflows of resources related to the other post employment benefit plan for the current year are not reported in the governmental funds but are reported in the Statement of Activities.	50,874
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<b>Change in net position of governmental activities</b>	<b>\$ 16,069,156</b>
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*The accompanying notes are an integral part of these financial statements.*

# Weld County School District RE-8

## Statement of Fiduciary Net Position

June 30, 2018

	Private Purpose Trust Fund	Pupil Activity (Agency Fund)
<b>Assets</b>		
Cash and cash equivalents	\$ 7,426	\$ 162,761
Investments	13,866	-
Due from other funds	-	5,506
<b>Total assets</b>	<b>21,292</b>	<b>168,267</b>
<b>Liabilities</b>		
Due to student groups	-	168,267
<b>Total liabilities</b>	<b>\$ -</b>	<b>\$ 168,267</b>
<b>Net position</b>		
Reserved for scholarships	21,292	
<b>Total net position</b>	<b>\$ 21,292</b>	

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

Weld County School District RE-8  
Statement of Changes in Fiduciary Net Position  
Year Ended June 30, 2018

	Private Purpose Trust Fund
Additions	
Earnings on investments	\$ 3
Total additions	3
Change in net position	3
Net position at beginning of year	21,289
Net position at end of year	\$ 21,292

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

**Weld County School District RE-8**  
**Notes to Financial Statements**  
**June 30, 2018**

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## **1. Summary of Significant Accounting Policies**

The Weld County School District RE-8 (the "District") was consolidated in 1949. The District provides educational services to certain residents of Weld County, Colorado. The District is governed by a seven-member Board of Education.

The financial statements of Weld County School District RE-8 (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's more significant accounting policies are described below.

### ***Reporting Entity***

As defined by GAAP established by the GASB, the financial reporting entity consists of the primary government, as well as component units, which are legally separate organizations for which elected officials of the primary government are financially accountable. Financial accountability is defined as:

- 1) Appointment of a voting majority of the component unit's governing board, and either, a) the ability to impose its will by the primary government, or b) there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on, the primary government; or
- 2) Fiscal dependency on the primary government and there is a potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board.

The District meets the criteria of a primary government: its District Board of Education is the publicly elected governing body; it is a legally separate entity; and it is fiscally independent. The District is not included in any other governmental reporting entity.

The District has examined other entities that could be included as defined in numbers 1 and 2 above. Based on these criteria, the District has no component units.

### ***Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes, charges for services and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on user charges for support. Likewise, the primary government is reported separately from its legally separate component unit. The District does not report any business-type activities.

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

# Weld County School District RE-8

## Notes to Financial Statements

### June 30, 2018

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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.

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

The governmental fund financial statements are accounted for using the current financial resources measurement focus, whereby only current assets, deferred outflows of resources, liabilities, and deferred inflows of resources generally are included in the balance sheet, and the statement of revenues, expenditures and changes in fund balance present increases and decreases in those categories. These funds use the modified accrual basis of accounting, whereby revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recognized when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences claims and judgments, are recognized only when payment is due (matured).

Property taxes, intergovernmental grants, and earnings on investments associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

Because governmental fund statements are presented using a measurement focus and basis of accounting different from that used in the government-wide statements, a reconciliation is presented that briefly explains the adjustments necessary to reconcile the ending net position and the change in net position.

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 capital projects funds.

The following are the District's major governmental funds:

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

**Bond Redemption Fund** - The Bond Redemption Fund accounts for property taxes restricted for the payment of general obligation debt issued by the District.

**Building Fund** - The Building Fund is used to account for the resources accumulated for the funding of the District's school improvements and construction of new school buildings.

Additionally, the District reports the following nonmajor governmental funds:

**Government Designated Purpose Grants Fund** - The Government Designated Purpose Grants Fund accounts for federal, state, and local grant revenues and the related expenditures.

**Capital Reserve Fund** - The Capital Reserve Fund is used to account for financial resources received to construct capital assets.

# Weld County School District RE-8

## Notes to Financial Statements

### June 30, 2018

**Food Service Fund** - This special revenue fund is used to account for revenues and expenditures from food service operations.

Fiduciary fund reporting focuses 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. The District has one private-purpose trust fund, the Private Purpose Trust Fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District has one agency fund, the Pupil Activity Fund.

#### ***Budgets and Budgetary Accounting***

Budgets are adopted by the Board of Education. Annual budgets are adopted on a basis consistent with GAAP.

The District adheres to the following procedures in establishing the budgetary data:

1. Budgets are required by state law for all funds. During May, 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. A public hearing is conducted by the Board of Education to obtain comments;
3. Prior to June 30, the budget is adopted by formal resolution.

Colorado law requires that all funds have legally adopted budgets and total expenditures for each fund cannot exceed the amount appropriated. The fund level of classification is the level of classification at which expenditures may not legally exceed appropriations. All appropriations lapse at the end of each fiscal year. Appropriations for a fund may be increased provided they are offset by unanticipated resources.

Budgeted amounts reported in the accompanying financial statements are as originally adopted and as amended by the Board throughout the year.

The Pupil Activity Fund is an agency fund. GAAP does not require budgetary accounting for agency funds. However, Colorado Local Government Accounting and Reporting Laws require that a budget be adopted and reported for these funds.

The following represents the financial activities for the Pupil Activity Fund as compared to the budget:

	Original Budget	Final Budget	Actual Amounts Budget Basis	Variance with Final Budget Positive (Negative)
Beginning funds available	89,134	89,134	118,712	29,578
Additions (receipts)	300,005	300,005	342,611	42,606
Total funds available	389,139	389,139	461,323	72,184
Deductions (disbursements)	389,139	389,139	293,056	(96,083)
Ending Funds Available	-	-	168,267	168,267

# Weld County School District RE-8

## Notes to Financial Statements

### June 30, 2018

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The following is a summary of the original budget, total revisions and revised budget for those funds with amended budgets in fiscal year 2018:

	Original Appropriation	Modified Appropriation	Change
General Fund	28,295,820	28,527,711	231,891
Government Designated Purpose Grants Fund	2,452,534	2,452,534	-
Bond Redemption Fund	13,459,379	13,459,379	-
Capital Reserve Fund	1,002,942	1,002,942	-
Building Fund	54,549,430	54,549,430	-
Food Service Fund	1,244,235	1,244,235	-

#### *Assets, Liabilities and Fund Balances/Net Position*

##### *Cash and Cash Equivalents*

The District considers all highly liquid investments of three months or less to be cash and cash equivalents. Cash with fiscal agent is cash in the Building Fund and Cash with the County Treasurer.

##### *Investments*

During 2018, the District had investments in local government investment pools. Investments are reported at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*.

##### *Receivables*

In the government-wide financial statements, receivables are reported at their gross value and, when appropriate, are reduced by the estimated portion that is expected to be uncollectible. No amounts were determined to be uncollectible at June 30, 2018. Property taxes levied on December 31, but not received by June 30, are identified as property taxes receivable and recorded as revenue if they are collected within 60 days of year end.

##### *Inventories*

Inventories consist of purchased and donated food, and non-food supplies. Purchased inventories are stated at the lower of cost or market as determined by the first-in, first-out method. Food donated by the federal government at no cost to the District is stated at cost in accordance with the United States Department of Agriculture ("USDA") furnished price list.

##### *Capital Assets*

Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are expensed.

**Weld County School District RE-8**  
**Notes to Financial Statements**  
**June 30, 2018**

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Depreciation of capital assets is charged as an expense against operations in the statement of activities. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Description	Estimated Lives
Buildings and Improvements	20 - 50 Years
Site Improvements	20 Years
Vehicles	6 - 8 Years
Equipment	5 - 15 Years

The payment for capital assets acquired by the District is recorded as expenditures in the fund financial statements in the year of acquisition. Therefore, capital assets used in governmental fund type operations (capital assets) are not accounted for in the individual funds and no depreciation is provided.

***Bond Issuance Costs, Premium and Discounts, and Bond Refunding***

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest rate method as principal is paid. Bonds payable are reported net of the applicable bond premium and discount. Debt issuance costs are recognized as an expense in the period of issuance.

For bond refundings resulting in the defeasement of debt, the difference between the acquisition price and the net carrying amount of the old debt is deferred and amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred outflow of resources.

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

***Deferred Revenues***

The District includes Governmental Designated Purpose Grants Funds that have been collected, but the corresponding expenditures has not been incurred, as deferred revenues in the financial statements.

***Compensated Absences***

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*. Personal leave benefits are accrued as a liability as benefits are earned if the employees' rights to receive compensation are attributable to services rendered and it is probable that the District will compensate the employees for the benefits earned. Amounts of accumulated vacation pay that are not expected to be liquidated with expendable available financial resources are reported on the government-wide financial statements.

Employees meeting specific age and years of service criteria are eligible to receive early retirement bonuses. A liability is reported in the financial statements when the bonuses are earned and accepted.

**Weld County School District RE-8**  
**Notes to Financial Statements**  
**June 30, 2018**

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***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, claims and judgments and the noncurrent portion of long-term liabilities 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 and available financial resources. In general, payments made within 60 days after year-end are considered to have been made with current available financial resources. Bonds 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.

***Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The District's deferred outflows of resources relate to the District's pension and other post-employment benefits ("OPEB") plans. See notes 10 and 11 for further information relating to the District's pension and OPEB amounts.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The District's deferred inflows of resources relate to the District's pension and OPEB plans. See notes 10 and 11 for further information relating to the District's pension and OPEB amounts.

***Net Position/Fund Balance***

In the government-wide and proprietary fund financial statements, net position is classified in the following categories:

***Net Investment in Capital Assets*** - This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

***Restricted Net Position*** - This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

***Unrestricted Net Position*** - This category represents the net position of the District, which is not restricted for any project or other purpose. A deficit will require future funding.

As of June 30, 2018, fund balances of the governmental funds are classified as follows:

***Nonspendable*** - amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

***Restricted*** - amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements, enabling legislation or because of constraints that are externally imposed by creditors, grantors, or the laws or regulations of other governments.

# Weld County School District RE-8

## Notes to Financial Statements

June 30, 2018

**Committed** - amounts that can be used only for specific purposes determined by a formal action of the Board of Education (the "Board"). The Board is the highest level of decision making authority for the District. Commitments may be established, modified, or rescinded only through resolutions approved by the Board.

**Assigned** - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Only the Board has the authority to assign amounts for specific purposes.

**Unassigned** - all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, the District considers restricted resources to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

As of June 30, 2018, fund balances are composed of the following:

Classification	General Fund	Bond Redemption Fund	Building Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:	\$ -	\$ -	\$ -	\$ 29,118	\$ 29,118
Restricted:					
Emergencies	753,564	-	-	-	753,564
Debt service	-	6,180,773	-	-	6,180,773
Preschool program	999	-	-	-	999
Capital projects			15,857,736	-	15,857,736
Assigned:				-	-
Insurance premiums	680,524	-	-	-	680,524
Capital projects	2,372,230	-	-	954,294	3,326,524
Special revenue funds	-	-	-	-	-
Other	-	-	-	39,817	39,817
Unassigned:	5,212,145	-	-	-	5,212,145
Total fund balances	\$ 9,019,462	\$ 6,180,773	\$ 15,857,736	\$ 1,023,229	\$ 32,081,200

### *Pensions*

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

**Weld County School District RE-8**  
**Notes to Financial Statements**  
**June 30, 2018**

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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 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 disclosures in Note 8 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.

***Other Postemployment Benefits***

The District participates in the Health Care Trust Fund ("HCTF"), a cost-sharing multiple-employer defined benefit OPEB fund administered by 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.

***Interfund Transactions***

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 are reported as transfers.

***Estimates***

The presentation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

***Financial Policies and Procedures***

The District believes it is in compliance with applicable state requirements, which includes adherence to the accounting policies and procedures described in the financial Policies and Procedures Handbook issued by the Colorado Department of Education.

## **2. Adoption of New Accounting Principle**

During fiscal year 2018, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. It also improves information provided by state and local governmental employers about support for OPEB that is provided by other entities. The result of the implementation of this standard was to decrease the net position at the beginning of the fiscal year by \$2,364,185, in the governmental activities.

**Weld County School District RE-8**  
**Notes to Financial Statements**  
**June 30, 2018**

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### **3. Cash and Cash Equivalents and Investments**

The composition of the District's cash and cash equivalents on June 30, 2018 is as follows:

Cash on Hand	\$ 1,840
Cash with County Treasurer	128,638
Deposits	8,542,444
Investments	31,339,421
Total	\$ 40,012,343

Cash and investments per the government-wide statement of net position and fiduciary fund statements are as follows:

Governmental Activities	\$ 39,828,290
Fiduciary Funds	184,053
Total	\$ 40,012,343

#### ***Custodial Credit Risk - Deposits***

Colorado state statutes govern the entity's deposits of cash. For deposits in excess of federally insured limits, C.R.S requires the depository institution to maintain collateral on deposit with an official custodian (as authorized by the State Banking Board). The Colorado Public Deposit Protection Act ("PDPA") requires state regulators to certify eligible depositories for public deposit. PDPA requires eligible depositories with public deposits in excess of the amounts insured by the Federal Deposit Insurance Corporation ("FDIC") to create a single institutional collateral pool of obligations of the State of Colorado or local Colorado 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. The market value of the assets in the pool must be at least 102% of the uninsured deposit. At June 30, 2018 the District had deposits with financial institutions with a carrying amount of \$8,542,444. The bank balances with the financial institutions were \$8,918,939 of which \$250,000 was covered by federal depository insurance. The remaining balance of \$8,668,939 was collateralized with securities held by the financial institutions' agents but not in the District's name.

#### ***Custodial Credit Risk - Investments***

For investments, custodial credit risk is the risk that in the event of a failure of a counter party, the District would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a specific policy for custodial credit risk. As of June 30, 2018, the District had no investments exposed to custodial credit risk outside of its investment in the Colorado Local Government Liquid Asset Trust.

#### ***Investments***

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which school Districts may invest, which include:

- Certificates of deposit with an original maturity in excess of three months
- Obligations of the United States and certain U.S. Government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities

**Weld County School District RE-8**  
**Notes to Financial Statements**  
**June 30, 2018**

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- Banker's acceptance of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

***Local Government Investment Pools***

At June 30, 2018, the District had invested \$31,339,421 in the Colorado Local Government Liquid Asset Trust (the "Trust"), a local government investment pool. As an investment pool, the Trust operates under the C.R.S. 24-75-701 and is overseen by the Colorado Securities Commissioner. The Trust is exempt from registration with the Securities and Exchange Commission. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios are rated AAAM by Standard and Poor's and may invest in U.S. Treasury Securities, repurchase agreements collateralized by U.S. Treasury Securities and the highest rated commercial paper. Wells Fargo Bank serves as custodian for the Trust's portfolios and provides services as the depository in connection with direct investments owned by the Trust. The Trust is measured at net asset value. Separate financial statements can be obtained by calling (303) 864-7474 or going to [www.colotrust.com](http://www.colotrust.com).

***Interest Rate Risk***

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. To manage exposure to this risk, the District's board approved an investment policy which limits investment maturities to five years or less. Colorado Revised Statutes also limits investment maturities to five years or less from the date of purchase.

**4. Individual Fund Interfund Receivables/Payables and Transfers**

The District's claim on cash account holds the cash of all funds. As a result, negative claim on cash balances occur in certain funds and are in essence "financed" by other funds. Positive book cash balances are displayed on the balance sheet as "Due from other funds", while negative cash balances are included in "Due to other funds" on the balance sheet.

As of June 30, 2018, the District had the following interfund receivables and payables:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 894,830	\$ -
Government Designated Purpose Grants Fund	156,894	530,300
Bond Redemption Fund	-	15,766
Building Fund	-	1,364,778
Capital Reserve Fund	954,294	-
Food Service Fund	-	100,680
Pupil Activity Fund	11,506	6,000
	<u>\$ 2,017,524</u>	<u>\$ 2,017,524</u>

# Weld County School District RE-8

## Notes to Financial Statements

June 30, 2018

### Interfund Transfers

Transfers are used to 1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, 2) move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and 3) provide additional resources for current operations or debt service.

During the year ended June 30, 2018, the General Fund transferred \$158,758 to the Food Service Fund to subsidize operations.

### 5. Capital Assets

Capital asset activity of the District for the year ended June 30, 2018, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Construction in Progress	\$ 3,898,973	\$ 35,137,533	\$ -	\$ 39,036,506
<b>Total capital assets not being depreciated</b>	<b>3,898,973</b>	<b>35,137,533</b>	<b>-</b>	<b>39,036,506</b>
Capital assets, being depreciated:				
Buildings and improvements	41,120,229	66,301	(171,478)	41,015,052
Site improvements	2,520,373	-	-	2,520,373
Transportation equipment	1,862,958	-	-	1,862,958
Vehicles	240,270	22,042	-	262,312
Other equipment	271,095	156,221	-	427,316
<b>Total capital assets, being depreciated</b>	<b>46,014,925</b>	<b>244,564</b>	<b>(171,478)</b>	<b>46,088,011</b>
<b>Less accumulated depreciation for:</b>				
Buildings and improvements	(15,302,019)	(1,025,239)	171,478	(16,155,780)
Site improvements	(1,135,056)	(86,022)	-	(1,221,078)
Transportation equipment	(1,415,572)	(89,817)	-	(1,505,389)
Vehicles	(152,938)	(8,764)	-	(161,702)
Other equipment	(142,057)	(31,204)	-	(173,261)
<b>Total accumulated depreciation</b>	<b>(18,147,642)</b>	<b>(1,241,046)</b>	<b>171,478</b>	<b>(19,217,210)</b>
<b>Total capital assets, being depreciated, net</b>	<b>27,867,283</b>	<b>(996,482)</b>	<b>-</b>	<b>26,870,801</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 31,766,256</b>	<b>\$ 34,141,051</b>	<b>\$ -</b>	<b>\$ 65,907,307</b>

**Weld County School District RE-8**  
**Notes to Financial Statements**  
**June 30, 2018**

Depreciation is allocated to the following activities on the statement of activities:

<b>Governmental Activities:</b>	
Instruction	\$ 499,813
Maintenance and operations	741,233
<b>Total</b>	<b>\$ 1,241,046</b>

## 6. Accrued Salaries and Benefits

Salaries and benefits of certain contractually employed personnel are paid over a twelve month period from October to September, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, as of June 30, 2018, for the District were \$2,705,201. These accrued salaries and benefits are reflected as a liability in the accompanying financial statements.

## 7. Long-Term Debt

The following is a summary of changes in long-term debt of the District for the year ended June 30, 2018:

	Beginning Balance	Additions	Reductions/ Amortizations	Ending Balance	Due Within One Year
General Obligation bonds					
Series 2012/13	\$ 9,760,000	\$ -	\$ (510,000)	\$ 9,250,000	\$ 520,000
Series 2016, refunding	3,980,000	-	(820,000)	3,160,000	840,000
Series 2017	48,600,000	-	(1,835,000)	46,765,000	800,000
Compensated absences	96,577	55,588	(87,041)	65,124	-
Unamortized bond premiums	6,342,303	-	(239,468)	6,102,835	-
<b>Total long-term debt</b>	<b>\$ 68,778,880</b>	<b>\$ 55,588</b>	<b>\$ (3,491,509)</b>	<b>\$ 65,342,959</b>	<b>\$ 2,160,000</b>

The annual requirements to amortize bonds outstanding as of June 30, 2018 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2019	\$ 2,160,000	\$ 2,428,588	\$ 4,588,588
2020	2,240,000	2,355,638	4,595,638
2021	2,315,000	2,282,738	4,597,738
2022	2,385,000	2,205,588	4,590,588
2023	2,485,000	2,111,125	4,596,125
2024-2028	13,960,000	9,026,838	22,986,838
2029-2033	17,050,000	5,844,469	22,894,469
2034-2037	16,580,000	1,643,847	18,223,847
<b>Total</b>	<b>\$ 59,175,000</b>	<b>\$ 27,898,831</b>	<b>\$ 87,073,831</b>

**Weld County School District RE-8**  
**Notes to Financial Statements**  
**June 30, 2018**

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***General Obligation Bonds - Series 2012***

During 2012, the District issued General Obligation Bonds for \$7,600,000 to finance improvements to Fort Lupton High School, Fort Lupton Middle School, Butler Elementary School and Twombly Elementary School. Principal payments are due annually on December 1, through 2029. Interest payments are due semi-annually on June 1 and December 1, with interest accruing at rates ranging from 2.00% to 2.75%. Bonds maturing on or after January 1, 2023 are callable at par in order of maturity on December 1, 2022.

***General Obligation Bonds - Series 2013***

During 2013, the District issued General Obligation Bonds for \$4,125,000 to finance improvements to Fort Lupton High School, Fort Lupton Middle School, Butler Elementary School and Twombly Elementary School. Principal payments are due annually on December 1, through 2032. Interest payments are due semi-annually on June 1 and December 1, with interest accruing at rates ranging from 2.00% to 3.50%. Bonds maturing on or after January 1, 2023 are callable at par in any order of maturity on December 1, 2022.

***General Obligation Bonds - Series 2016 (Refunding)***

During 2016, the district refunded a portion of the General Obligation Bonds, Series 2007 for \$4,040,000. Principal payments are due annually on December 1, through 2021. Interest payments are due semi-annually on June 1 and December 1, with interest accruing at rates ranging from 2.00% to 3.00%. Repayment of both principal and interest on the bonds are insured. The bonds are not subject to redemption prior to their respective maturity dates.

***General Obligation Bonds - Series 2017***

During 2017, the District issued General Obligation Bonds for \$48,600,000 for acquiring, constructing, repairing and improving District capital assets and to pay the cost of issuance of the Bonds. The Bonds are General Obligations of the District and are secured by the District's full faith and credit. All taxable property within the boundaries of the District is subject to ad valorem taxation without limitation as to rate and in an amount sufficient to pay the principal and interest of the Bonds when due. Principal payments are due annually on December 1 through 2036. Interest payments are due semi-annually on June 1 and December 1, with interest accruing at rates ranging from 3.00% to 5.00%. The Bonds maturing on and before December 1, 2026 are not subject to redemption prior to their respective maturity dates. The Bonds maturing on and after December 1, 2027 are subject to redemption prior to maturity, at the option of the District, in whole or in part, and if in part in such order of maturities as the District is to determine and by lot within a maturity, on December 1, 2026 and on any date thereafter at a redemption price equal to the principal amount thereof (with no redemption premium), plus accrued interest to the redemption date.

## **8. Commitments and Contingencies**

***Self-Insurance Pool***

As discussed in Note 12, the District is a member of the Colorado School Districts' Self-insurance Pool. The Pool has a legal obligation for claims against its members to the extent that funds are available in its annually established loss fund and amounts are available from insurance providers under excess specific and aggregate insurance contracts. Losses incurred in excess of loss funds and amounts recoverable from excess insurance are direct liabilities of the participating members. The ultimate liability to the District resulting from claims not covered by the Pool is not presently determinable. Management is of the opinion that the final outcome of such claims, if any, will not have a material adverse effect on the District's financial statements.

**Weld County School District RE-8**  
**Notes to Financial Statements**  
**June 30, 2018**

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***Litigation***

The District is subject to claims and litigation from outside parties in the ordinary course of operations. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

**9. Fort Lupton Public and School Library**

In 1976, the District and the City of Fort Lupton (the "City") formed the Fort Lupton Public and School Library (the "Library") through intergovernmental agreement, and as allowed by State statutes. The agreement was modified on March 16, 2006 to include the Fort Lupton Public and School Library Board of Trustees which caused the library to be recognized as a "Joint Library" as defined by statute and to bring it into compliance with the provisions of the Colorado Library Law (CRS 24-90-101, et seq.). The Library is governed by the Library Board of Trustees consisting of seven members. Three each are appointed by the District and the City and one member is appointed by the six appointees. In addition to serving as Fort Lupton High School's library, the Library also serves the general public. The obligations of the District to the Library are limited to providing space within Fort Lupton High School for the Library, providing appurtenances to the site, including off street parking, accessible restrooms and services necessary for use of the site as a public library and providing maintenance, custodial care and utilities. Financial information for the Library may be obtained by contacting the City.

**10. Defined Benefit Pension Plan**

***Plan Description***

Eligible employees of the District are provided with pensions through the 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](http://www.copera.org/investments/pera-financial-reports).

***Benefits Provided***

PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

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

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

**Weld County School District RE-8**  
**Notes to Financial Statements**  
**June 30, 2018**

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

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

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

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

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

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

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.

# Weld County School District RE-8

## Notes to Financial Statements

June 30, 2018

### Contributions

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

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

<sup>1</sup>Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District were \$2,701,731 or the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of approximately \$100,786,731 for its proportionate share of the net pension liability. The net pension liability for the SCHDTF was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017. The District's proportion of the net pension liability was based on the District's 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 0.3117 percent, which was a decrease of 0.0093 from its proportion measured as of December 31, 2016.

**Weld County School District RE-8**  
**Notes to Financial Statements**  
**June 30, 2018**

For the year ended June 30, 2018, the District recognized pension expense of \$16,710,334. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,853,043	\$ -
Net difference between projected and actual earnings on pension plan investments	-	3,957,991
Changes of assumptions or other inputs	25,734,597	163,306
Changes in proportionate share	-	1,217,874
District contributions subsequent to the measurement date	1,378,359	-
	<u>\$ 28,965,999</u>	<u>\$ 5,339,171</u>

The \$1,378,359 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2019	\$ 9,884,552
2020	9,884,552
2021	3,468,863
2022	(989,498)
	<u>\$ 22,248,469</u>

***Actuarial assumptions***

The total pension liability in the December 31, 2016 actuarial valuation was determined using the following 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
Future 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

**Weld County School District RE-8**  
**Notes to Financial Statements**  
**June 30, 2018**

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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 changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

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

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 weighing the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

## Weld County School District RE-8

### Notes to Financial Statements

June 30, 2018

As of the most recent adoption of the long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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

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

#### *Discount Rate*

The discount rate used to measure the total pension liability was 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 estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions;
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate;

## Weld County School District RE-8

### Notes to Financial Statements

June 30, 2018

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- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections;
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the projection test indicates the SCHDTF's fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25 percent on pension plan investments was applied to periods through 2041 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Bond Buyer, was applied to periods on and after 2041 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.43 percent, resulting in a discount rate of 4.78 percent.

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

#### *Sensitivity of the District'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 (3.78%)	Current Discount Rate (4.78%)	1% Increase (5.78%)
District's proportionate share of the net pension liability	\$ 127,310,783	\$ 100,786,731	\$ 79,172,657

#### *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](http://www.copera.org/investments/pera-financial-reports).

# Weld County School District RE-8

## Notes to Financial Statements

### June 30, 2018

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#### *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](http://www.leg.colorado.gov).

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

At June 30, 2018, the District reported a net pension liability of \$100,786,731 for its proportionate share of the net pension liability which was measured using the plan provisions in effect as of the pension plan's year-end based on a discount rate of 4.78%. For comparative purposes, the following schedule presents an estimate of what the District's proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the SCHDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the SCHDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

Estimated Discount Rate Calculated Using Plan Provisions Required by SB 18-200 (pro forma)	Proportionate Share of the Estimated Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 (pro forma)
7.25%	\$ 45,534,571

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 \$47,048 of the estimated reduction is attributable to the use of a 7.25 percent discount rate.

**Weld County School District RE-8**  
**Notes to Financial Statements**  
**June 30, 2018**

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## **11. Defined Benefit Other Post Employment Benefit (OPEB) Plan**

### *Plan Description*

Eligible employees of the District 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](http://www.copera.org/investments/pera-financial-reports).

### *Benefits Provided*

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

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

Enrollment in 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.

**Weld County School District RE-8**  
**Notes to Financial Statements**  
**June 30, 2018**

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

*DPS Benefit Structure*

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

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

*Contribution*

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 is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the District were \$145,949 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$2,301,542 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2017. The District's proportion of the net OPEB liability was based on District 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 0.1771 percent, which was a decrease of 0.0052 from its proportion measured as of December 31, 2016.

**Weld County School District RE-8**  
**Notes to Financial Statements**  
**June 30, 2018**

For the year ended June 30, 2018 the District recognized OPEB expense of \$196,823. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,815	\$ -
Net difference between projected and actual investment earnings	-	33,691
Changes in proportionate share		61,386
District contributions subsequent to the measurement date	73,493	-
	\$ 83,308	\$ 95,077

The \$73,493 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Amortization
2019	\$ (20,862)
2020	(20,862)
2021	(20,862)
2022	(16,049)
2023	(6,627)
	\$ (85,262)

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

**Weld County School District RE-8**  
**Notes to Financial Statements**  
**June 30, 2018**

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

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

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

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

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

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

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

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

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

**Weld County School District RE-8**  
**Notes to Financial Statements**  
**June 30, 2018**

---

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

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

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

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

- The assumed rates of PERACare participation were revised to reflect more closely actual experience;
- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2017 plan year;
- The percentages of PERACare enrollees who will attain age 65 and older ages and are assumed to not qualify for premium-free Medicare Part A coverage were revised to more closely reflect actual experience;
- The percentage of disabled PERACare enrollees who are assumed to not qualify for premium-free Medicare Part A coverage were revised to reflect more closely actual experience;
- Assumed election rates for the PERACare coverage options that would be available to future PERACare enrollees who will qualify for the "No Part A Subsidy" when they retire were revised to more closely reflect actual experience;
- Assumed election rates for the PERACare coverage options that will be available to those current PERACare enrollees, who qualify for the "No Part A Subsidy" but have not reached age 65, were revised to more closely reflect actual experience;
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums;
- The rates of PERACare coverage election for spouses of eligible inactive members and future retirees were revised to more closely reflect actual experience;
- The assumed age differences between future retirees and their participating spouses were revised to reflect more closely actual experience.

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

# Weld County School District RE-8

## Notes to Financial Statements

June 30, 2018

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:

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

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 proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates.*

The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A trend rate	3.25%	4.25%	5.25%

**Weld County School District RE-8**  
**Notes to Financial Statements**  
**June 30, 2018**

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*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;
- 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'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 net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
District's proportionate share of the net OPEB liability	\$ 2,587,657	\$ 2,301,542	\$ 2,057,336

*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](http://www.copera.org/investments/pera-financial-reports).

**Weld County School District RE-8**  
**Notes to Financial Statements**  
**June 30, 2018**

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## **12. Risk Management**

The District belongs to the Colorado School Districts Self-insurance Pool (the "Pool") that was formed in 1981 to give individual districts more buying power and financial stability. By partnering with districts across the state, members gain better access to essential coverage at a competitive price, and more control over the entire risk management function. The coverage provided by the Pool is property, crime, general liability, auto liability and physical damage, and errors and omissions. The Board of Directors is composed of seven persons who are district school board members, superintendents or district business officials. The Pool became self-administered in May 1997, and currently has eleven employees.

Each member's premium contribution is determined by the Pool based on factors including, but not limited to, the aggregate Pool claims, the cost of administrative and other operating expenses, the number of participants, operating and reserve fund adequacy, investment income, and reinsurance expense and profit sharing. Reporting to the Division of Insurance, as well as an audit and actuary study is conducted annually. These reports may be obtained by contacting the Pool's administrative offices at 6857 South Spruce Street, Centennial, Colorado 80112.

## **13. Commitments and Contingencies**

### *Claims and Judgements*

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

### *Tabor Amendment*

In November 1992, Colorado voters passed an amendment to the State Constitution, Article X, Section 20, (the "Amendment") which limits state and local government tax powers and imposes spending limitations. The District is subject to the Amendment.

Fiscal year 1993 provides the basis for spending limitations in future years to which may be applied allowable increases for inflation and student enrollment. In November 1997, voters within the District authorized the District to collect, retain, and expend the full revenues received from any source. The Amendment is subject to many interpretations, but the District believes it is in substantial compliance with the Amendment.

The Amendment requires the District to establish a reserve for emergencies. At June 30, 2018, the District's reserve of \$753,564 was reported as a restriction of fund balance in the General Fund.

### *Colorado Local Government Budget Laws*

Colorado local government budget laws state that a District shall not expend any monies in excess of the appropriation by resolution. Expenditures in the Food Service Fund have exceeded their appropriations by \$78,393, which may be a violation of Colorado local government budget laws.

## **14. Subsequent Events**

Management of the District has evaluated subsequent events through December 17, 2018, the date these financial statements were available to be issued. No transactions or events that would require adjustment to or disclosures in the financial statements were identified.

## Required Supplementary Information

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**Weld County School District RE-8**  
**Budgetary Comparison Schedule**  
**General Fund**

**Year Ended June 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Local	\$ 15,437,775	\$ 15,437,775	14,738,050	\$ (699,725)
State	6,899,384	7,162,672	8,298,912	1,136,240
Intermediate	30,475	30,475	50,393	19,918
Earnings on investments	-	-	170,228	170,228
<b>Total revenues</b>	<b>22,367,634</b>	<b>22,630,922</b>	<b>23,257,583</b>	<b>626,661</b>
<b>Expenditures</b>				
Current				
Instruction	13,569,247	13,793,239	12,887,497	905,742
Supporting services				
Students	1,072,941	1,072,941	1,027,144	45,797
Instructional staff	1,161,879	1,161,879	921,040	240,839
General administration	742,441	742,441	767,531	(25,090)
School administration	1,879,160	1,879,160	1,975,967	(96,807)
Business services	355,069	355,069	758,874	(403,805)
Maintenance and operations	3,119,493	3,119,493	2,552,160	567,333
Pupil transportation	1,026,300	1,026,300	831,394	194,906
Central supporting services	1,862,182	1,862,182	1,090,011	772,171
Community services and other	27,938	27,938	18,955	8,983
Capital outlay	2,500	2,500	126,827	(124,327)
Reserves	3,476,670	3,484,569	-	3,484,569
<b>Total expenditures</b>	<b>28,295,820</b>	<b>28,527,711</b>	<b>22,957,400</b>	<b>5,570,311</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(5,928,186)</b>	<b>(5,896,789)</b>	<b>300,183</b>	<b>6,196,972</b>
<b>Other financing uses</b>				
Transfers out	(64,659)	(64,659)	(158,758)	(94,099)
<b>Total other financing uses</b>	<b>(64,659)</b>	<b>(64,659)</b>	<b>(158,758)</b>	<b>(94,099)</b>
<b>Net change in fund balance</b>	<b>(5,992,845)</b>	<b>(5,961,448)</b>	<b>141,425</b>	<b>6,102,873</b>
<b>Fund balance at beginning of year</b>	<b>8,534,840</b>	<b>8,534,840</b>	<b>8,878,037</b>	<b>343,197</b>
<b>Fund balance at end of year</b>	<b>\$ 2,541,995</b>	<b>\$ 2,573,392</b>	<b>\$ 9,019,462</b>	<b>\$ 6,446,070</b>

*See accompanying Independent Auditor's Report.*

**Weld County School District RE-8**  
**Schedule of the District's Proportionate Share of the Net Pension Liability**  
**Last Ten Years**

December 31,	2017	2016	2015	2014	2013
District's proportion of the net pension liability	0.3117%	0.3210%	0.3199%	0.3262%	0.3262%
District's proportionate share of the net pension liability	\$ 100,786,731	\$ 95,517,225	\$ 48,920,237	\$ 43,056,888	\$ 41,611,861
District's covered-employee payroll	\$ 14,377,497	\$ 14,400,841	\$ 13,939,399	\$ 13,308,692	\$ 13,151,784
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	701.00%	663.28%	350.95%	323.52%	316.40%
Plan fiduciary net position as a percentage of the total pension liability	43.96%	43.13%	59.16%	62.84%	64.07%

\* The amounts presented for each fiscal year were determined as of 12/31.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information will be presented for the years available.

*See accompanying Independent Auditor's Report.*

**Weld County School District RE-8**  
**Schedule of District Contributions - Pension**

**Last Ten Years**

Year Ended June 30,	2018	2017	2016	2015	2014	2013
Statutorily Required Contribution	\$ 2,701,731	\$ 2,835,891	\$ 2,519,204	\$ 2,285,515	\$ 2,116,465	\$ 1,946,617
Contributions in Relation to the Statutorily Required Contribution	2,701,731	2,835,891	2,519,204	2,285,515	2,116,465	1,946,617
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 14,377,497	\$ 14,621,903	\$ 14,210,929	\$ 13,538,972	\$ 13,248,391	\$ 12,908,385
Contributions as a Percentage of Covered Payroll	18.79%	19.39%	17.73%	16.88%	15.98%	15.08%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information will be presented for the years available.

*See accompanying Independent Auditor's Report.*

**Weld County School District RE-8**  
**Schedule of the District's Proportionate Share of the Net OPEB Liability**  
**Last Ten Years**

December 31,	2017	2016
District's proportion of the net OPEB liability	0.1771%	0.1824%
District's proportionate share of the net OPEB liability	\$ 2,301,542	\$ 2,364,185
District's covered payroll	\$ 14,377,497	\$ 14,400,841
District's proportionate share of the net OPEB liability as a percentage of its covered 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 12/31.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information will be presented for the years available.

*See accompanying Independent Auditor's Report.*

**Weld County School District RE-8**  
**Schedule of District Contributions - OPEB**  
**Last Ten Years**

Years Ended June 30,	2018	2017	2016	2015	2014	2013
Statutorily Required Contribution	\$ 145,949	\$ 149,144	\$ 144,951	\$ 138,098	\$ 135,134	\$ 131,666
Contributions in Relation to the Statutorily Required Contribution	145,949	149,144	144,951	138,098	135,134	131,666
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 14,377,497	\$ 14,621,903	\$ 14,210,929	\$ 13,538,972	\$ 13,248,391	\$ 12,908,385
Contributions as a Percentage of Covered Payroll	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%

## Other Supplementary Information

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**Weld County School District RE-8**  
**Budgetary Comparison Schedule**  
**Bond Redemption Fund**  
**Year Ended June 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Local	\$ 6,995,500	\$ 6,995,500	\$ 5,430,505	\$ (1,564,995)
Interest income	10,000	10,000	74,064	64,064
<b>Total revenues</b>	<b>7,005,500</b>	<b>7,005,500</b>	<b>5,504,569</b>	<b>(1,500,931)</b>
<b>Expenditures</b>				
Debt service				
Principal	3,165,000	3,165,000	3,165,000	-
Interest expense	2,545,663	2,545,663	2,601,312	(55,649)
Reserves	7,748,716	7,748,716	-	7,748,716
<b>Total expenditures</b>	<b>13,459,379</b>	<b>13,459,379</b>	<b>5,766,312</b>	<b>7,693,067</b>
<b>Net change in fund balance</b>	<b>(6,453,879)</b>	<b>(6,453,879)</b>	<b>(261,743)</b>	<b>6,192,136</b>
<b>Fund balance at beginning of year</b>	<b>6,453,879</b>	<b>6,453,879</b>	<b>6,442,516</b>	<b>(11,363)</b>
<b>Fund balance at end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,180,773</b>	<b>\$ 6,180,773</b>

*See accompanying Independent Auditor's Report.*

**Weld County School District RE-8**  
**Budgetary Comparison Schedule**  
**Building Fund**  
**Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
<b>Revenues</b>				
Earnings on investments	\$ 302,000	\$ 302,000	\$ 559,271	\$ 257,271
Other	-	-	166,520	166,520
<b>Total revenues</b>	<b>302,000</b>	<b>302,000</b>	<b>725,791</b>	<b>423,791</b>
<b>Expenditures</b>				
Capital outlay	48,520,068	48,520,068	36,143,131	12,376,937
Reserves	6,029,362	6,029,362	-	6,029,362
<b>Total expenditures</b>	<b>54,549,430</b>	<b>54,549,430</b>	<b>36,143,131</b>	<b>18,406,299</b>
<b>Net change in fund balance</b>	<b>(54,247,430)</b>	<b>(54,247,430)</b>	<b>(35,417,340)</b>	<b>18,830,090</b>
<b>Fund balance at beginning of year</b>	<b>54,247,430</b>	<b>54,247,430</b>	<b>51,275,076</b>	<b>(2,972,354)</b>
<b>Fund balance at end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 15,857,736</b>	<b>\$ 15,857,736</b>

*See accompanying Independent Auditor's Report.*

**Weld County School District RE-8**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**

June 30, 2018

	Government Designated Purpose Grants Fund	Capital Reserve Fund	Food Service Fund	Total Nonmajor Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ -	\$ -	\$ 146,319	\$ 146,319
Grants receivable	753,415	-	86,291	839,706
Due from other funds	156,894	954,294	-	1,111,188
Inventory	-	-	29,118	29,118
<b>Total assets</b>	<b>\$ 910,309</b>	<b>\$ 954,294</b>	<b>\$ 261,728</b>	<b>\$ 2,126,331</b>
<b>Liabilities, deferred inflows of resources and fund balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 73,258	\$ -	\$ 16,835	\$ 90,093
Accrued salaries and benefits	244,556	-	75,279	319,835
Unearned revenue	62,195	-	-	62,195
Due to other funds	530,300	-	100,680	630,980
<b>Total liabilities</b>	<b>910,309</b>	<b>-</b>	<b>192,794</b>	<b>1,103,103</b>
<b>Fund balances</b>				
Nonspendable	-	-	29,118	29,118
Restricted	-	954,294	-	954,294
Assigned	-	-	39,816	39,816
<b>Total fund balances</b>	<b>-</b>	<b>954,294</b>	<b>68,934</b>	<b>1,023,228</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 910,309</b>	<b>\$ 954,294</b>	<b>\$ 261,728</b>	<b>\$ 2,126,331</b>

*See accompanying Independent Auditor's Report.*

**Weld County School District RE-8**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**

**Year Ended June 30, 2018**

	Government Designated Purpose Grants Fund	Capital Reserve Fund	Food Service Fund	Total Nonmajor Governmental Funds
<b>Revenues</b>				
Federal	\$ 1,366,524	\$ -	\$ 1,006,069	\$ 2,372,593
State	850,436	-	20,759	871,195
Grants and contributions	23,522	-	-	23,522
Charges for services	-	-	166,642	166,642
Earnings on investments	-	-	19	19
<b>Total revenues</b>	<b>2,240,482</b>	<b>-</b>	<b>1,193,489</b>	<b>3,433,971</b>
<b>Expenditures</b>				
Current				
Instruction	1,493,187	-	-	1,493,187
Supporting services				
Students	229,685	-	-	229,685
Instructional staff	466,900	-	-	466,900
General administration	47,762	-	-	47,762
Community services and other	700	-	-	700
Food service operations	-	-	1,314,302	1,314,302
Capital outlay	2,248	63,648	8,326	74,222
<b>Total expenditures</b>	<b>2,240,482</b>	<b>63,648</b>	<b>1,322,628</b>	<b>3,626,758</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>-</b>	<b>(63,648)</b>	<b>(129,139)</b>	<b>(192,787)</b>
<b>Other financing sources</b>				
Transfers in	-	-	158,758	158,758
<b>Total other financing sources</b>	<b>-</b>	<b>-</b>	<b>158,758</b>	<b>158,758</b>
<b>Net change in fund balances</b>	<b>-</b>	<b>(63,648)</b>	<b>29,619</b>	<b>(34,029)</b>
<b>Fund balances at beginning of year</b>	<b>-</b>	<b>1,017,942</b>	<b>39,315</b>	<b>1,057,257</b>
<b>Fund balances at end of year</b>	<b>\$ -</b>	<b>\$ 954,294</b>	<b>\$ 68,934</b>	<b>\$ 1,023,228</b>

*See accompanying Independent Auditor's Report.*

**Weld County School District RE-8**  
**Budgetary Comparison Schedule**  
**Government Designated Purpose Grants Fund**  
**Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
<b>Revenues</b>				
Federal	\$ 1,601,297	\$ 1,601,297	\$ 1,366,524	\$ (234,773)
State	831,904	831,904	850,436	18,532
Local	19,333	19,333	-	(19,333)
Grants and contributions	-	-	23,522	23,522
<b>Total revenues</b>	<b>2,452,534</b>	<b>2,452,534</b>	<b>2,240,482</b>	<b>(212,052)</b>
<b>Expenditures</b>				
Current				
Instruction	1,597,524	1,597,524	1,493,187	104,337
Supporting services				
Students	330,190	330,190	229,685	100,505
Instructional staff	511,465	511,465	466,900	44,565
General administration	13,355	13,355	47,762	(34,407)
Community services and other	-	-	700	(700)
Capital outlay	-	-	2,248	(2,248)
<b>Total expenditures</b>	<b>2,452,534</b>	<b>2,452,534</b>	<b>2,240,482</b>	<b>212,052</b>
<b>Net change in fund balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balance at beginning of year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balance at end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

*See accompanying Independent Auditor's Report.*

**Weld County School District RE-8**  
**Budgetary Comparison Schedule**  
**Capital Reserve Fund**  
**Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
<b>Expenditures</b>				
Capital outlay	\$ 161,000	\$ 161,000	\$ 63,648	\$ 97,352
Debt service				
Principal	50,000	50,000	-	50,000
Interest	5,000	5,000	-	5,000
Reserves	786,942	786,942	-	786,942
Total expenditures	1,002,942	1,002,942	63,648	939,294
Net change in fund balance	(1,002,942)	(1,002,942)	(63,648)	939,294
Fund balance at beginning of year	1,002,942	1,002,942	1,017,942	15,000
Fund balance at end of year	\$ -	\$ -	\$ 954,294	\$ 954,294

*See accompanying Independent Auditor's Report.*

**Weld County School District RE-8**  
**Budgetary Comparison Schedule**  
**Food Service Fund**  
**Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	Final Budget Positive (Negative)
<b>Revenues</b>				
Charges for Services:				
Food sales	\$ 141,950	\$ 141,950	\$ 166,642	\$ 24,692
Earnings on investments	3	3	19	16
State Sources	21,500	21,500	20,759	(741)
Federal Sources:				
School breakfast program	262,500	262,500	308,269	45,769
National school lunch program	608,500	608,500	597,352	(11,148)
Summer food program	20,000	20,000	21,400	1,400
Donated commodities	65,000	65,000	79,048	14,048
<b>Total revenues</b>	<b>1,119,453</b>	<b>1,119,453</b>	<b>1,193,489</b>	<b>74,036</b>
<b>Expenditures</b>				
Salaries	360,815	360,815	292,574	68,241
Benefits	203,775	203,775	191,959	11,816
Purchased services	135,400	135,400	254,044	(118,644)
Supplies and materials	461,750	461,750	575,725	(113,975)
Capital outlay	12,000	12,000	8,326	3,674
Reserves	70,495	70,495	-	70,495
<b>Total expenditures</b>	<b>1,244,235</b>	<b>1,244,235</b>	<b>1,322,628</b>	<b>(78,393)</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(124,782)</b>	<b>(124,782)</b>	<b>(129,139)</b>	<b>(4,357)</b>
<b>Other financing sources</b>				
Transfers in	64,659	64,659	158,758	94,099
<b>Total other financing sources</b>	<b>64,659</b>	<b>64,659</b>	<b>158,758</b>	<b>94,099</b>
<b>Net change in fund balance</b>	<b>(60,123)</b>	<b>(60,123)</b>	<b>29,619</b>	<b>89,742</b>
<b>Fund balance at beginning of year</b>	<b>60,123</b>	<b>60,123</b>	<b>39,315</b>	<b>(20,808)</b>
<b>Fund balance at end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 68,934</b>	<b>\$ 68,934</b>

*See accompanying Independent Auditor's Report.*

**Weld County School District RE-8**  
**Combining Statement of Changes in Assets and Liabilities**  
**Pupil Activity Fund**  
**June 30, 2018**

	Beginning Balance	Transfers and Additions	Transfers and Deletions	Ending Balance
<b>Pupil activity fund</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 118,712	\$ 337,105	\$ 293,056	\$ 162,761
Due from other funds	-	5,506	-	5,506
<b>Total assets</b>	<b>118,712</b>	<b>342,611</b>	<b>293,056</b>	<b>168,267</b>
<b>Liabilities</b>				
Accounts Payable	2,137	-	2,137	-
Due to student groups	116,575	342,611	290,919	168,267
<b>Total liabilities</b>	<b>\$ 118,712</b>	<b>\$ 342,611</b>	<b>\$ 293,056</b>	<b>\$ 168,267</b>

*See accompanying Independent Auditor's Report.*

**Weld County School District RE-8**  
**Budgetary Comparison Schedule**  
**Private Purpose Trust Fund**  
**Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
<b>Additions</b>				
Earnings on investments	\$ 1,002	\$ 1,002	\$ 3	\$ (999)
Total additions	1,002	1,002	3	(999)
<b>Deductions</b>				
Scholarships and awards	1,525	1,525	-	1,525
Reserves	20,240	20,240	-	20,240
Total deductions	21,765	21,765	-	21,765
Change in net position	(20,763)	(20,763)	3	20,766
Net position at beginning of year	20,763	20,763	21,289	526
Net position at end of year	\$ -	\$ -	\$ 21,292	\$ 21,292

*See accompanying Independent Auditor's Report.*



Colorado Department of Education  
Auditors Integrity Report  
District: 3140 - WELD COUNTY S/D RE-8  
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	8,142,237	21,847,306	21,651,603	8,337,941
18 Risk Mgmt Sub-Fund of General Fund	599,963	504,730	424,169	680,524
19 Colorado Preschool Program Fund	135,838	746,772	881,609	1,000
Sub- Total	8,878,037	23,098,808	22,957,381	9,019,464
11 Charter School Fund	0	0	0	0
20,26-29 Special Revenue Fund	0	0	0	0
06 Supplemental Cap Const, Tech, Main. Fund	0	0	0	0
21 Food Service Spec Revenue Fund	39,316	1,352,247	1,322,629	68,933
22 Govt Designated-Purpose Grants Fund	0	2,240,478	2,240,478	0
23 Pupil Activity Special Revenue Fund	0	0	0	0
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	6,442,515	5,504,570	5,766,311	6,180,774
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	51,275,076	725,791	36,143,133	15,857,735
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	1,017,942	0	63,648	954,294
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
Totals	67,652,886	32,921,894	68,493,580	32,081,201
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	21,289	3	0	21,292
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	116,575	344,379	292,687	168,267
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
Totals	137,864	344,382	292,687	189,559

FINAL



**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements Performed in Accordance With  
*Government Auditing Standards***

Board of Education  
Weld Country School District RE-8  
Fort Lupton, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Weld County School District RE-8 (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 December 17, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2018-004 to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2018-001, 2018-002, and 2018-003 to be significant deficiencies.



## 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*.

## Weld County School District RE-8's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## 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.

*Anton Collins Mitchell LLP*

Greeley, Colorado  
December 17, 2018



## Independent Auditor's Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Board of Education  
Weld County School District RE-8  
Fort Lupton, Colorado

### Report on Compliance for Each Major Federal Program

We have audited the Weld County School District RE-8'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 auditor's 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 condition of its federal awards applicable to its federal programs.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States 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.

*Anton Collins Mitchell LLP*

Greeley, Colorado  
December 17, 2018

**Weld County School District RE-8**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2018**

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**Section I - Summary of Auditor's Results**

***Financial Statements***

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?   X   Yes        No
- Significant deficiency(ies) identified?   X   Yes        None reported

Noncompliance material to financial statements noted?

       Yes   X   No

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified?        Yes   X   No
- Significant deficiency(ies) identified?        Yes   X   None reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

       Yes   X   No

Identification of major programs:

CFDA/Contract Number

Name of Federal Program or Cluster

10.553

School Breakfast Program

10.555

National School Lunch Program

10.559

Summer Food Service Program for Children

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

       Yes   X   No

**Weld County School District RE-8**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2018**

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**Section II - Financial Statement Findings**

**2018-001 - Review of Journal Entries**

**Significant Deficiency in Internal Control over Financial Reporting**

**Condition:** During audit procedures, ACM noted that there is no documentation of a review of journal entries other than by the person who originates the entry which increases the risk of errors or undetected fraud.

**Criteria:** The district should have procedure where journal entries are reviewed and approved by someone other than the preparer.

**Questioned Costs:** None.

**Effect:** A fraudulent or incorrect journal entry could be made not detected by anyone causing the financial statements to be materially misstated.

**Cause:** All journal entries were approved by the person or originated the journal entry. Which can cause the financial statements to be materially misstated due to fraud or error.

**Context:** During our review of internal controls and discussions with the client we noted that journal entries were not reviewed by anyone that did not initiate the journal entry.

**Recommendation:** We recommend that the district implement procedures where someone reviews and approves journal entries other than the person who originates the journal entry.

**Views of Responsible Officials and Planned Corrective Actions:** Management concurs with the finding. Management proposes that manual journal entries are required to be reviewed by a business office staff member that is not the originator of the journal entry. Manual journal entries shall include supporting backup and be retained in the business office until the fiscal year audit is completed for the year the journal entry was performed.

**2018-002 - Checks Printed with Authorized Signatures**

**Significant Deficiency in Internal Control over Financial Reporting**

**Condition:** During audit procedures, ACM noted that there were checks printed with authorizing signatures preprinted.

**Criteria:** The district should not be printing checks that have authorizing signatures already preprinted.

**Questioned Costs:** None.

**Effect:** An individual could write a check to anyone, including themselves, and not be detected by another individual causing the district to make payments that the board did not authorize.

**Cause:** An individual has the ability to steal money from the district and go undetected, which could cause the financial statements to be materially misstated.

**Context:** During our review of internal controls and discussions with the client we noted that checks were printed with authorizing signatures preprinted.

**Weld County School District RE-8**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2018**

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**Recommendation:** We recommend that the district have authorized manually sign checks after they have been printed or have an individual who cannot approve payment print the checks with preprinted signatures after all expenditures have been approved.

**Views of Responsible Officials and Planned Corrective Actions:** Management concurs with the finding. Management proposes that users with check printing capabilities will not be able to approve payments. Payment approval must be from a separate staff member of the business office that is not cutting the check.

**2018-003 - Segregation of Duties**

**Significant Deficiency in Internal Control over Financial Reporting**

**Condition:** During audit procedures, ACM noted that there a lack of segregation of duties due to all business services members having the ability to print checks, even those who prepare bank reconciliations.

**Criteria:** There should be segregation of approving, recording, reconciling and custody of assets.

**Questioned Costs:** None.

**Effect:** Extra expenses could be made that the district did not approve which could lead to the misstatement of the financial statements.

**Cause:** An individual has the ability to print checks for expenses that were not properly approved or are fraudulent in nature.

**Context:** During our review of internal controls and discussions with the client we discovered that all business services members had the ability to print checks, including those who prepare bank reconciliations.

**Recommendation:** We recommend that the District implement procedures and documentation to create segregation of approving, recording, reconciling and custody of assets.

**Views of Responsible Officials and Planned Corrective Actions:** Management concurs with the finding. Management proposes that any checks that need to be printed by the same person who prepares the bank reconciliation will need to be reviewed and approved by the Business Manager prior to issuance of the check.

**2018-004 - Material Adjusting Journal Entries**

**Material Weakness in Internal Control over Financial Reporting**

**Condition:** During audit procedures, ACM noted that there were material adjusting journal entries that were approved by the individual initiated the journal entry.

**Criteria:** The material adjusting journal entries should be reviewed by an individual who did not initiate the journal entry.

**Questioned Costs:** None.

**Effect:** Adjusting journal entries could be made that materially misstate the financial statements and not have gone through the review process.

**Cause:** Journal entries are not reviewed by anyone that other than the individual that initiates the journal entry.

**Weld County School District RE-8**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2018**

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**Context:** During our search of subsequent checks we noted \$5.5 million in improperly excluded from the Accounts Payable listing.

**Recommendation:** We recommend that another individual reviews the adjusting journal entry other than the individual who originates the journal entry.

**Views of Responsible Officials and Planned Corrective Actions:** The District concurs with the finding. Management proposes manual journal entries are required to be reviewed by a business office staff member that is not the originator of the journal entry. Manual journal entries shall include supporting backup and be retained in the business office until the fiscal year audit is completed for the year the journal entry was performed.

**Section III - Federal Award Findings and Questioned Costs**

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

**Section IV - Prior Year Findings**

There were no findings in the prior year that were required to be reported.



## **Administration Office**

200 South Fulton Avenue  
Fort Lupton, Colorado 80621

Weld County School District RE-8

Ph: 303-857-3200

Fax: 303-857-3219

Web Site: [www.weld8.org](http://www.weld8.org)

### **2018-001 - Review of Journal Entries**

#### **(Significant Deficiency)**

During audit procedures, ACM noted that there is no documentation of a review of journal entries other than by the person who originates the entry which increases the risk of errors or undetected fraud.

The auditors recommend that the district implement and document procedures where someone reviews and approves journal entries other than the person who originates the journal entry.

#### **District Planned Corrective Action**

Manual Journal Entries are required to be reviewed by a business office staff member that is not the originator of the journal entry. Manual Journal Entries shall include supporting backup and be retained in the business office until the fiscal year audit is completed for the year the journal entry was performed.

#### **District Responsible Party**

Jessica Holbrook

#### **District Planned Implementation Date**

December 31, 2018

### **2018-002 - Checks Printed with Authorized Signatures**

#### **(Significant Deficiency)**

During audit procedures, ACM noted that there were checks printed with authorizing signatures preprinted.

The auditors recommend that the district have authorized manually sign checks after they have been printed or have an individual who cannot approve payment print the checks with preprinted signatures after all expenditures have been approved.

#### **District Planned Corrective Action**

Users with check printing capabilities will not be able to approve payments. Payment approval must be from a separate staff member of the business office that is not cutting the check.

#### **District Responsible Party**

Jessica Holbrook

#### **District Planned Implementation Date**

December 31, 2018

### **2018-003 - Segregation of Duties**

(Significant Deficiency)

During audit procedures, it was noted that there was a lack of segregation of duties due to all business services members having the ability to print checks, even those who prepare bank reconciliations

The auditors recommend that the district implement procedures and documentation to create segregation of approving, recording, reconciling and custody of assets.

#### **District Planned Corrective Action**

Any checks that need to be printed by the same person who prepares the bank reconciliation will need to be reviewed and approved by the Business Manager prior to issuance of the check.

#### **District Responsible Party**

Jessica Holbrook

#### **District Planned Implementation Date**

December 31, 2018

### **2018-004 - Material Adjusting Journal Entries**

(Material Weakness)

During audit procedures, it was noted that there were material adjusting journal entries that were approved by the individual initiated the journal entry.

The auditors recommend that that another individual reviews the adjusting journal entry other than the individual who originates the journal entry.

#### **District Planned Corrective Action**

Manual Journal Entries are required to be reviewed by a business office staff member that is not the originator of the journal entry. Manual Journal Entries shall include supporting backup and be retained in the business office until the fiscal year audit is completed for the year the journal entry was performed.

#### **District Responsible Party**

Jessica Holbrook

#### **District Planned Implementation Date**

December 31, 2018

If the Oversight Agency has questions regarding this plan, please contact Jessica Holbrook at 303-857-3210 or by email at [jholbrook@weld8.org](mailto:jholbrook@weld8.org).

**Weld County School District RE-8**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2018**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	FY18 Expenditures
<b>U.S. Department of Agriculture</b>			
Passed through Colorado Department of Education:			
<i>Child Nutrition Cluster:</i>			
School Breakfast Program	10.553	4553	\$ 308,269
National School Lunch Program	10.555	4555	597,352
Summer Food Service Program for Children	10.559	4559	25,811
<b>Passed through Colorado Department of Human Services:</b>			
Donated Commodities	10.555	4555	79,048
Child Nutrition Cluster subtotal			1,010,480
Total U.S. Department of Agriculture			1,010,480
<b>U.S. Department of Education</b>			
Passed through Colorado Department of Education:			
<i>Special Education Cluster (IDEA):</i>			
Special Education - Grants to States	84.027	4027	799,711
Special Education - Preschool Grants	84.173	4173	21,847
Special Education Cluster Subtotal			821,558
Title I Grants to Local Educational Agencies	84.010	4010	306,947
English Language Acquisition State Grants	84.365	4365	49,640
Improving Teacher Quality State Grants	84.367	4367	72,624
Career and Technical Education - Basic Grants to States	84.048	4048	17,994
Student Support and Academic Achievement Program	84.424	4424	10,000
Migrant Education - State Grant Program	84.011	5411	86,179
Total U.S. Department of Education			1,364,942
Total Expenditures of Federal Awards			\$ 2,375,422

*See accompanying Independent Auditor's Report and Notes to Schedule of Expenditures of Federal Awards.*

**Weld County School District RE-8**  
**Notes to Schedule of Expenditures of Federal Awards**  
**June 30, 2018**

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**1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Weld County School District RE-8 (the "District") under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

**2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allocable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**3. Indirect Cost Rate**

The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**4. Subrecipients**

There were no subrecipients of federal awards during the year ended June 30, 2018.

**5. Food Donation**

Commodities donated to the District by the U.S. Department of Agriculture ("USDA") are valued based on the USDA's Donated Commodity Price List and by values provided by the USDA. The commodities are recognized as revenue and expenditures when the commodities are used. As of June 30, 2018, the District has received food commodities totaling \$79,048.