



FINANCIAL REPORT

Year Ended June 30, 2018



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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Weld County School District RE-3(J), as of and for the year ended June 30, 2018, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Weld County School District RE-3(J) as of June 30, 2018, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States.

Emphasis of Matter

As discussed in Notes 1 and 10 to the basic financial statements, the District adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions* which has resulted in a restatement of the net position as of July 1, 2017. Our opinions are not modified with respect to this matter.

Other Matters

Our audit was made for the purpose of forming opinions on the basic financial statements taken as a whole. The combining statements and individual fund financial statements and schedules on pages 53-67 and the Schedule of Expenditures of Federal Awards required by *Title 2 U.S. Code of Federal Regulations Part 200* on page 68 and the Auditors' Integrity Report figures on page 75 are presented for the purposes of additional analysis, and are not a required part of the basic financial statements of Weld County School District RE-3(J). Such information is the responsibility of the management and was derived from and relates to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2019, on our consideration of Weld County School District RE-3(J)'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Anderson & Whitney, P.C.

January 23, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the report provides readers with a narrative overview and analysis of the financial activities of Weld County School District RE-3(J) (the District) for the year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the basic financial statements to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

- The District's liabilities exceed assets by \$13.6 million at June 30, 2018. This deficit is caused by the Colorado PERA net pension liability of approximately \$77 million which has worsened dramatically in the last year, and the Colorado PERA post-employment benefit liability of \$1.8 million which is now required to be presented.
- The General Fund balance was \$9.5 million as of June 30, 2018. Of this amount, \$837 thousand is reserved for emergencies.
- The June 30, 2018 General Fund balance is \$500 thousand more than the previous year-end. The total fund balance is 34% of 2018 General Fund operating expenditures plus operating transfers.
- The Debt Service Fund has a fund balance of \$6.4 million as of June 30, 2018. This balance is a debt service reserve.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

The *statement of activities* presents information showing how the government's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected fees).

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

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

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

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

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

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17 through 48 of this report.

Budgetary Comparisons. The District adopts an annual appropriated budget for all funds. A budgetary comparison schedule has been provided for the General Fund on pages 56 to 59 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of June 30, 2018, liabilities exceed assets by \$13,579,761.

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

June 30	2018	2017
	Governmental Activities	Governmental Activities
Assets		
Current and other assets	\$ 44,229,725	\$ 78,584,460
Capital assets	90,521,432	50,504,411
Total assets	134,751,157	129,088,871
Deferred Outflows of Resources	26,880,413	25,286,762
Liabilities		
Current and other liabilities	9,715,204	4,595,396
Long-term liabilities	161,979,308	154,246,418
Total liabilities	171,694,512	158,841,814
Deferred Inflows of Resources	3,516,819	1,376,511
Net Position		
Net investment in capital assets	26,663,599	19,803,279
Restricted	7,387,324	8,103,243
Unrestricted	(47,630,684)	(33,749,214)
Total net position (deficit)	\$ (13,579,761)	\$ (5,842,692)

A significant portion of the District's net position represents an unrestricted net deficit of \$47,630,684 which may be used to meet the District's ongoing obligations to students and patrons.

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

An additional \$7,387,324 of the District's net position represents resources that are subject to external restrictions on how they may be used. Included in this category are the TABOR emergency reserves of \$836,712, \$6,369,882 in reserves for debt service, \$0 in preschool reserves, and \$180,730 in permanent and non-expendable funds.

The following table indicates the changes in net position:

Years Ended June 30	2018	2017
	Governmental Activities	Governmental Activities
Revenues:		
Program revenues:		
Charges for services	\$ 229,399	\$ 294,937
Operating grants	7,339,400	4,107,193
General revenues:		
Property taxes	22,183,976	21,231,961
State equalization	4,871,293	4,454,767
Investment earnings	758,319	352,588
Total revenues	35,382,387	30,441,446
Expenses:		
Instruction	27,783,358	22,641,767
Student services	2,987,534	2,760,746
Administrative services	3,746,810	3,344,963
Pupil transportation	1,208,973	1,038,736
Operations and maintenance	2,845,125	2,562,976
Interest and costs on long-term debt	2,732,508	4,003,929
Total expenses	41,304,308	36,353,117
Increase (decrease) in net position	\$ (5,921,921)	\$ (5,911,671)

Governmental Activities. Governmental activities decreased the District's net position by \$5,921,921 in 2018. Key elements of this decrease are as follows:

- Total revenues increased about 16% compared to the prior year, primarily due to enrollment growth and higher mill-levy override revenues.
- Expenses increased about 14% from the previous year, due to costs in serving a growing student body as well as \$12 million in additional pension costs from the increasing deficits of Colorado PERA.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

As of June 30, 2018, the total fund balances of the District's governmental funds were \$37,379,521. Approximately 16% of this consists of unassigned fund balance, which is available as working capital and for current spending in accordance with the purposes of the specific funds. The remainder of fund balance is reserved or assigned to indicate that it is not available for new spending because it is for the following purposes: (1) a state-constitution mandated emergency reserve (\$836,712); (2) debt service (\$6,369,882); (3) preschool (\$0); (4) permanent and non-expendable funds (\$180,730); (5) contingencies (\$2,894,088); and (6) capital outlay (\$21,105,239 and \$249,492).

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

1. **General Fund.** This is the primary operating fund of the District. It accounts for the District's core services, such as instruction and student services. The General Fund balance was \$9,474,178 as of June 30, 2018. The 2018 fund balance is \$494,438 more than the previous year, primarily from a higher mill-levy overrides and cost controls.
2. **Capital Projects Fund.** The Capital Projects Fund accounts for the receipt and spending of the proceeds of bond proceeds restricted for certain capital purposes. The Fund balance decreased \$36.5 million from construction projects
3. **Debt Service Fund.** This is the fund which receives bond redemption property taxes and made bond payments of \$5,841,750 during the year. The fund balance decreased \$902,831 during the year.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

2018 General Fund

	Final Budget	Actual
Beginning Fund Balance	\$ 8,979,798	\$ 8,979,798
Revenue	27,777,541	27,969,953
Expenditures	(22,721,355)	(22,770,256)
Transfers	(5,049,483)	(4,705,317)
Ending Fund Balance	\$ 8,986,501	\$ 9,474,178

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The District's investment in capital assets for its governmental type activities as of June 30, 2018 totals \$90.5 million (net of accumulated depreciation). This investment includes all land, buildings, and equipment. The total increase in investment in capital assets for the current year was \$40 million or approximately 79%, due to construction in progress funded by the 2016 bond election.

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

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

Long-term Debt. At June 30, 2018, the District had \$73.9 million of bonds and COP's payable, primarily funded from a bond redemption property tax.

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

OTHER MATTERS

The following factors are expected to have a significant effect on the District's financial position and results of operations and were taken into account in developing the 2019 budget:

- Several construction projects are continuing with the proceeds of the 2016 bond election.
- Expected growth in the District's enrollment causes increased demands in all service areas of the District, especially in instruction and student services.
- The State of Colorado's budget shortfall has led to a number of grant programs being reduced or costs shifted to the District.
- Please see page 37 for a description of the anticipated impacts from the Senate Bill 18-200 which modified Colorado PERA to potentially reach a fully funded status over time.

REQUESTS FOR INFORMATION

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

WELD COUNTY SCHOOL DISTRICT RE-3(J)**STATEMENT OF NET POSITION**

June 30, 2018	Governmental Activities	Charter School
ASSETS		
Current Assets:		
Cash	\$ 12,631,241	\$ 895,517
Receivables	372,880	38,043
Due from Fiduciary Fund	540	-
Total Current Assets	13,004,661	933,560
Noncurrent Assets:		
Investments - restricted	31,225,064	-
Capital assets	119,898,256	3,957,243
Less: Accumulated depreciation	(29,376,824)	(735,068)
Total Noncurrent Assets	121,746,496	3,222,175
TOTAL ASSETS	134,751,157	4,155,735
Deferred Outflows of Resources:		
Other postemployment benefits	8,604	-
Pension plan	26,871,809	1,405,161
Total Deferred Outflows of Resources	26,880,413	8,783,071
LIABILITIES		
Current Liabilities:		
Accounts payable	4,786,265	18,411
Accrued salaries and benefits	2,043,490	69,133
Unearned revenue	20,449	-
Current portion of long-term debt	2,865,000	36,443
Total Current Liabilities	9,715,204	123,987
Noncurrent Liabilities:		
Bonds payable	73,880,000	38,671
Bonds payable - premium	8,218,072	-
Accrued sick leave	454,326	-
Net postemployment benefits liability	1,819,440	113,065
Net pension liability	77,607,470	4,850,467
Total Liabilities	171,694,512	5,126,190
Deferred Inflows of Resources:		
Other postemployment benefits	30,439	-
Pension plan	3,486,380	198,341
Total Deferred Inflows of Resources	3,516,819	10,174,998
NET POSITION		
Net investment in capital assets	26,663,599	3,147,061
Restricted for:		
Debt service	6,369,882	-
Capital outlay	-	-
Emergencies	836,712	58,312
Preschool	-	-
Nonexpendable	180,730	-
Unrestricted	(47,630,684)	(2,969,008)
TOTAL NET POSITION (DEFICIT)	\$ (13,579,761)	\$ 236,365

See Accompanying Notes to Financial Statements

WELD COUNTY SCHOOL DISTRICT RE-3(J)

STATEMENT OF ACTIVITIES

Year Ended June 30, 2018	Expenses	Charges for Services
Functions/Programs:		
Governmental activities:		
Instruction	\$ 27,783,358	\$ -
Support services:		
Pupils	1,091,400	-
Instructional support	1,886,981	-
General administration	2,276,385	-
School administration	1,470,425	-
Operations and maintenance	2,845,125	-
Pupil transportation	1,208,973	-
Interest and costs on long-term debt	2,732,508	-
Total Support Services	13,511,797	-
TOTAL GOVERNMENTAL ACTIVITIES	\$ 41,295,155	\$ -
Component Unit:		
Charter School	2,405,018	-
General Revenues:		
State equalization		
Property taxes		
Specific ownership tax		
Investment earnings		
Changes in Net Position		
Net Position - Beginning		
NET POSITION - Ending		

See Accompanying Notes to Financial Statements.

Program	Revenues		Net (Expense) Revenue and Changes in Net Position	
	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Charter School
\$	7,330,248	\$ -	\$ (20,453,110)	\$ -
	-	-	(1,091,400)	-
	-	-	(1,886,981)	-
	-	-	(2,276,385)	-
	-	-	(1,470,425)	-
	-	-	(2,845,125)	-
	229,399	-	(979,574)	-
	-	-	(2,732,508)	-
	229,399	-	(13,282,398)	-
\$	7,559,647	\$ -	\$ (33,735,508)	\$ -
	193,497	46,998		(2,164,523)
			4,871,293	1,310,196
			20,655,882	377,589
			1,528,093	-
			758,319	15,439
			27,813,587	1,703,224
			(5,921,921)	(461,299)
			(7,657,840)	697,664
			\$ (13,579,761)	\$ 236,365

WELD COUNTY SCHOOL DISTRICT RE-3(J)

BALANCE SHEET - Governmental Funds

June 30, 2018	General Fund	Debt Service Fund	Capital Reserve Projects Fund	Capital Projects Fund	Other Governmental Funds	Total
ASSETS						
Cash and Investments	\$ 12,421,560	\$ -	\$ 50,000	\$ 24,947,350	\$ 99,550	\$ 37,518,460
Bank Certificates of Deposit	-	-	-	-	60,131	60,131
Investments with Trustee	-	6,277,714	-	-	-	6,277,714
Property Taxes Receivable	49,133	21,306	-	-	-	70,439
Due from Other Funds	266,444	70,862	199,492	524,358	83,645	1,144,801
Other Receivables	149,142	-	-	-	153,299	302,441
TOTAL ASSETS	\$ 12,886,279	\$ 6,369,882	\$ 249,492	\$ 25,471,708	\$ 396,625	\$ 45,373,986
LIABILITIES AND FUND BALANCES						
Accounts Payable	\$ 362,269	\$ -	\$ -	\$ 4,366,469	\$ 57,527	\$ 4,786,265
Accrued Salaries and Benefits	1,905,571	-	-	-	137,919	2,043,490
Unearned Revenue	-	-	-	-	20,449	20,449
Due to Other Funds	1,144,261	-	-	-	-	1,144,261
Total Liabilities	3,412,101	-	-	4,366,469	215,895	7,994,465
Fund Balances:						
Non-spendable	-	-	-	-	180,730	180,730
Restricted:						
Debt service	-	6,369,882	-	-	-	6,369,882
Capital outlay	-	-	-	21,105,239	-	21,105,239
TABOR emergencies	836,712	-	-	-	-	836,712
Preschool	-	-	-	-	-	-
Assigned:						
Capital outlay	-	-	249,492	-	-	249,492
Contingencies	2,894,088	-	-	-	-	2,894,088
Unassigned	5,743,378	-	-	-	-	5,743,378
Total Fund Balances	9,474,178	6,369,882	249,492	21,105,239	180,730	37,379,521
TOTAL LIABILITIES AND FUND BALANCES	\$ 12,886,279	\$ 6,369,882	\$ 249,492	\$ 25,471,708	\$ 396,625	\$ 45,373,986

See Accompanying Notes to Financial Statements.

WELD COUNTY SCHOOL DISTRICT RE-3(J)

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

June 30, 2018

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

Total Governmental Funds Fund Balance	\$ 37,379,521
Capital assets used in governmental activities are not financial resources and therefore not reported as net position in governmental funds.	
Cost of capital assets	119,898,256
Accumulated depreciation	(29,376,824)
Deferred inflows and outflows of resources related to pensions and other postemployment benefits	23,363,594
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
Compensated absences - long-term portion	(454,326)
Debt payable	(76,745,000)
Bonds payable - premium	(8,218,072)
Net pension liability	(77,607,470)
Net other postemployment benefits liability	(1,819,440)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	\$ (13,579,761)

See Accompanying Notes to Financial Statements.

WELD COUNTY SCHOOL DISTRICT RE-3(J)

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

Year Ended June 30, 2018	General Fund	Debt Service Fund	Capital Reserve Projects Fund	Capital Projects Fund	Other Governmental Funds	Total
Revenue:						
Local sources	\$ 18,553,144	\$ 4,913,095	\$ -	\$ -	\$ 342,132	\$ 23,808,371
State sources	9,306,429	-	-	-	85,741	9,392,170
Federal sources	26,162	-	-	-	1,388,212	1,414,374
Other	84,218	31,014	84	642,104	899	758,319
Total Revenue	27,969,953	4,944,109	84	642,104	1,816,984	35,373,234
Expenditures:						
Instruction	13,011,738	-	-	-	822,574	13,834,312
Supporting services	9,318,417	-	-	-	922,408	10,240,825
Capital outlay	440,101	-	664,229	40,705,007	-	41,809,337
Debt service	-	5,846,940	251,363	-	-	6,098,303
Total Expenditures	22,770,256	5,846,940	915,592	40,705,007	1,744,982	71,982,777
Revenue Over (Under) Expenditures	5,199,697	(902,831)	(915,508)	(40,062,903)	72,002	(36,609,543)
Other Financing Sources (Uses):						
Operating transfers in (out)	(4,705,317)	-	1,165,000	3,540,317	-	-
Proceeds of bonds	-	-	-	-	-	-
Proceeds of bonds premium	-	-	-	-	-	-
Payment to refunding agent	-	-	-	-	-	-
Allocation of bond issue to CCA	-	-	-	-	-	-
Total Other Financing Sources (Uses)	(4,705,317)	-	1,165,000	3,540,317	-	-
Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	494,380	(902,831)	249,492	(36,522,586)	72,002	(36,609,543)
Fund Balances, Beginning of Year	8,979,798	7,272,713	-	57,627,825	108,728	73,989,064
Fund Balances, End of Year	\$ 9,474,178	\$ 6,369,882	\$ 249,492	\$ 21,105,239	\$ 180,730	\$ 37,379,521

See Accompanying Notes to Financial Statements.

WELD COUNTY SCHOOL DISTRICT RE-3(J)

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

Year Ended June 30, 2018

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

Total net change in governmental funds fund balances	\$(36,609,543)
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as depreciation expense in the statement of activities:	
Capital Outlay	41,376,018
Depreciation Expense	(1,358,997)
Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term debt in the statement of net position and does not affect the statement of activities	3,365,795
Increase in accrued leave	(39,372)
The governmental funds report District pension and OPEB contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned, net of employee contributions, is reported as pension and OPEB expense	(12,655,822)
Change in Net Position of Governmental Activities	\$ (5,921,921)

See Accompanying Notes to Financial Statements.

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

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2018	Agency Fund
<u>ASSETS</u>	
Cash	\$ 449,238
Due From Other Funds	540
Accounts Receivable	-
<hr/>	
TOTAL ASSETS	\$ 449,778
<hr/>	
<u>LIABILITIES</u>	
Accounts Payable	\$ 540
Funds Held for Student Activities:	
Weld Central Senior High	336,997
Weld Central Middle School	55,502
Hudson Academy	18,686
Hoff Elementary	21,325
Lochbuie Elementary	16,728
<hr/>	
	\$ 449,778
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See Accompanying Notes to Financial Statements.

WELD COUNTY SCHOOL DISTRICT RE-3(J)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies:

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

Reporting Entity:

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

In September 1999, the District entered into an agreement with the Cardinal Community Academy to operate a charter school. The School receives 100% of the applicable per-pupil funding from the District, less applicable administrative charges. Funded enrollment for the 2017-2018 school year was approximately 178 pupils.

The District passed through \$1,310,196 in per pupil funding, \$377,589 in mill levy override, and \$120,902 in other State and Federal grants for a total of \$1,808,687 in other instructional expenditures. Administrative costs of \$76,391 were withheld by the District. The charter school is included in these financial statements as a discretely presented component unit.

Basis of Presentation:

Government-wide Financial Statements:

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

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

WELD COUNTY SCHOOL DISTRICT RE-3(J)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies - Continued:

Basis of Presentation - Continued:

Government-wide Financial Statements - Continued:

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

Fund Financial Statements:

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

The District reports the following major funds:

General Fund:

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

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

Capital Projects Fund:

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

Debt Service Fund:

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

Capital Reserve Projects Fund:

The Capital Reserve Projects Fund accounts for the receipt and spending of certain resources used for equipment purchases.

WELD COUNTY SCHOOL DISTRICT RE-3(J)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies - Continued:

Additionally, the District reports a Fiduciary Fund:

Agency Fund:

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

Fixed Assets and Long-Term Obligations:

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

Fixed Assets:

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

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

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

Long-Term Obligations:

Accrued sick leave for the governmental funds is accounted for in the government-wide financial statements. Sick leave is earned when vested, and is recorded as expenditure in the applicable fund when paid. Effective May 22, 2013, a licensed employee who has accumulated 50 or more days is paid at a rate of the current substitute rate per day of accumulated leave upon termination or retirement. Eligible administrative and classified staff members with 50 or more days are paid at one half their current daily salary. If the employee has fewer than 50 days of accumulated sick leave, no sick leave is paid upon retirement or termination. At June 30, 2018, the liability for accumulated sick leave approximated \$454,327. Long-term liabilities expected to be financed from the proprietary fund would be accounted for in the proprietary fund.

WELD COUNTY SCHOOL DISTRICT RE-3(J)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies - Continued:

Measurement Focus:

Governmental-wide Statements:

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

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

Fund Financial Statements:

Basis of Accounting:

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

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

Property Taxes:

Property taxes are levied in November and attach as an enforceable lien on property as of January 1 of the following year. Taxes are payable in two installments on March 1 and June 15, or in full on April 30. The District uses the Adams and Weld County Treasurers to bill and collect its property taxes. All uncollected taxes are reflected as taxes receivable and deferred revenue as of June 30, 2018. An allowance for uncollectible taxes is not provided as the uncollectible amounts were determined to be immaterial.

WELD COUNTY SCHOOL DISTRICT RE-3(J)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies - Continued:

Property Taxes – Continued:

The original January 1, 2018 levy for the General Fund of the District was 10.915 mills, plus a 4.537 mill override, or approximately \$15.7 million, and 4.774 mills or approximately \$4.9 million in the Debt Service Fund.

Budget:

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

The Superintendent is authorized to transfer budgeted amounts within departments of each fund. Any revisions that alter the total appropriation for each department must be approved by the Board of Education through a supplemental appropriation ordinance. There was a supplemental appropriation in the year ended June 30, 2018. The District over-expended budgetary appropriations in the Debt Service fund, which may be a violation of State law.

Interfund Transactions:

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

Employee Vacation Leave:

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

Fund Equity:

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

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

Restricted for Debt Service:

These restrictions are established for amounts set aside for payments of principal and interest on the bonds payable. Recorded amounts at June 30, 2018 are \$6,369,882.

WELD COUNTY SCHOOL DISTRICT RE-3(J)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies - Continued:

Fund Equity – Continued:

Restricted for Emergencies:

These restrictions are established to comply with TABOR. Recorded TABOR emergency reserves at June 30, 2018 are \$836,712.

Restricted for Preschool:

These restrictions are established to comply with the Colorado Preschool and Kindergarten Act. Recorded amounts at June 30, 2018 are \$-0-.

Restricted for Capital Projects Fund:

The Capital Projects fund accounts for proceeds of bonds issues restricted for capital needs, such as site acquisition, building additions and equipment purchases. Recorded amounts at June 30, 2018 are \$21,105,239.

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

Net Position:

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

Deferred Outflows and Inflows of Resources:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditures) until then. The District has one item that qualifies for reporting in this category: changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of item that qualified for reporting

WELD COUNTY SCHOOL DISTRICT RE-3(J)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies - Continued:

Deferred Outflows and Inflows of Resources – Continued:

in this category: changes in the net pension and OPEB liability not included in pension expense reported in the government-wide statement of net position.

Pensions:

Weld County School District RE-3(J) participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado (PERA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years. Governmental accounting standards require the net pension liability and related amounts of the SCHDTF for financial reporting purposes be measured using the plan provisions in effect as of the SCHDTF's measurement date of December 31, 2017. As such, the disclosures in Note 7 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 Post-Employment 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.

WELD COUNTY SCHOOL DISTRICT RE-3(J)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies - Continued:

Implementation of GASB Statement No. 75:

As of July 1, 2017, the District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of this standard requires governments calculate and report the costs and obligations associated with pensions in their basic financial statements. Employers are required to recognize other postemployment benefit amounts for all benefits provided through the plan which include the net postemployment liability, deferred outflows of resources, deferred inflows of resources, and postemployment expense.

NOTE 2 - Changes in Long-Term Debt:

	Balance, 6/30/17	Additions	Deletions	Balance, 6/30/18	Due Within One Year
2012 Refunding Bonds	\$ 5,265,000	\$ --	\$ 2,045,000	\$ 3,220,000	\$ 2,090,000
2012 Refunding Bonds Premium	78,354	--	78,354	--	--
2013 COP's	3,040,000	--	145,000	2,895,000	150,000
2016 Refunding Bonds	12,530,000	--	--	12,530,000	--
2016 Refunding Bonds Premium	1,835,533	--	229,442	1,606,091	--
2016 G.O. Bond	58,620,000	--	520,000	58,100,000	625,000
2016 G. O. Bonds Premium	6,959,980	--	347,999	6,611,981	--
Accrued compensated absences	414,954	39,372	--	454,326	--
	\$ 88,743,821	\$ 39,372	\$ 3,365,795	\$ 85,417,398	\$ 2,865,000

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

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

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

WELD COUNTY SCHOOL DISTRICT RE-3(J)

NOTES TO FINANCIAL STATEMENTS

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

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

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

Year Ending June 30	Principal	Interest	Total
2019	\$ 2,865,000	\$ 3,335,494	\$ 6,200,494
2020	2,940,000	3,264,794	6,204,794
2021	2,030,000	3,219,131	5,249,131
2022	2,095,000	3,142,531	5,237,531
2023	3,175,000	3,063,425	6,238,425
2024-2028	22,720,000	15,142,175	37,862,175
2029-2033	24,075,000	7,324,400	31,399,400
2034-2036	16,845,000	1,290,625	18,135,625
Totals	\$ 76,745,000	\$ 39,782,575	\$ 116,527,575

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

June 30	2018
Note payable to a bank in monthly installments of \$3,361, with balance due in January 2020, interest at 6.5%, collateralized by property	\$ 75,114

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

	Balance, 7/1/17	Additions	Deletions	Balance, 6/30/18
Notes Payable	\$ 109,247	--	34,133	\$ 75,114

Future maturities of long-term debt are as follows:

Years Ending June 30	Annual Maturities
2019	\$ 36,443
2020	38,671
Total	\$ 75,114

WELD COUNTY SCHOOL DISTRICT RE-3(J)

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - Changes in Capital Assets:

	Balance, 6/30/17	Additions	Deletions	Balance, 6/30/18
Land and Improvements	\$ 2,606,285	265,462	--	\$ 2,871,747
Water Certificates	1,987,855	--	--	1,987,855
Buildings and Improvements	58,427,465	--	--	58,427,465
Equipment	5,160,300	75,058	--	5,235,358
Transportation Equipment	4,161,763	292,011	--	4,453,774
Construction in Progress	6,178,570	40,743,487	--	46,922,057
	78,522,238	41,376,018	--	119,898,256
Less Accumulated Depreciation:				
Land and improvements	672,254	27,159	--	699,413
Buildings and improvements	19,763,248	1,106,219	--	20,869,467
Equipment	4,302,149	81,021	--	4,383,170
Transportation equipment	3,280,176	144,598	--	3,424,774
	28,017,827	1,358,997	--	29,376,824
Total Capital Assets	\$ 50,504,411	40,017,021	--	\$ 90,521,432

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

Instruction	\$ 1,214,399
Transportation	144,598

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

	Balance, 6/30/17	Additions	Deletions	Balance, 6/30/18
Land and Improvements	\$ 115,780	\$ --	\$ --	\$ 115,780
Building and Improvements	1,166,102	2,225,700	6,355	3,385,447
Furniture and Equipment	398,297	163,036	105,317	456,016
Construction in Progress	357,617	--	357,617	--
	2,037,796	2,388,736	469,289	3,957,243
Less: Accumulated depreciation	776,129	67,751	108,812	735,068
Capital Assets, Net	\$ 1,261,667	\$ 2,320,985	\$ 360,477	\$ 3,222,175

WELD COUNTY SCHOOL DISTRICT RE-3(J)

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - Cash and Investments:

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

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

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

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

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

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

At June 30, 2018, the General Fund held \$35,846,563 in COLOTRUST, a 2a-7 like local government investment pool. The investment pool is routinely monitored by the Colorado Division of Securities with regard to operations and investments. Investments are valued at the net asset value (NAV) with each share valued at \$1.00. The investment is rated AAAM by Standard & Poor's. The District's interest is valued at NAV.

At June 30, 2018, the Debt Service Fund held debt service tax proceeds of \$6,277,714 in the Federated Treasury Obligation Fund. This investment cannot be categorized since it is not evidenced by specific securities. The investment is rated AAA by Standard & Poor's. The District's interest is valued at net asset value (NAV).

WELD COUNTY SCHOOL DISTRICT RE-3(J)

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - Cash and Investments – Continued:

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

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

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

Description	Fair Value Measurements at Reporting Date Using		
	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>June 30, 2018</u>			
ColoTrust	\$ --	\$ --	\$ --
Federated Treasury Obligation Fund	--	--	--

NOTE 5 - Accrued Salaries:

Salaries of certain personnel are paid over a twelve-month period from September to August, but are earned during a School year of approximately nine to eleven months. The salaries and benefits earned, but unpaid, as of June 30, 2018, are estimated to be \$2,043,490.

WELD COUNTY SCHOOL DISTRICT RE-3(J)

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - Commitments and Contingencies:

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

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

NOTE 7 – Defined Benefit Pension Plan:

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

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

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.

WELD COUNTY SCHOOL DISTRICT RE-3(J)

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – Defined Benefit Pension Plan – Continued:

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

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

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

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

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

WELD COUNTY SCHOOL DISTRICT RE-3(J)

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – Defined Benefit Pension Plan – Continued:

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

Years Ended December 31	2018	2017
Employer contribution rate as a percentage of salary	10.15%	10.15%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02)	(1.02)
Amount Apportioned to the SCHDTF	9.13	9.13
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	4.50	4.50
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.50	5.00
Total Employer Contribution Rate to the SCHDTF	19.13%	18.63%

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 \$2,016,832 for the year ended June 30, 2018.

At June 30, 2018, the District reported a liability of \$77,607,470 for its proportionate share of the net pension liability. The net pension liability 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 proportion of the net pension liability was based on the District 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 .24 percent, which is an increase of .02 percent from its proportion measured at December 31, 2016.

WELD COUNTY SCHOOL DISTRICT RE-3(J)

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – Defined Benefit Pension Plan – Continued:

For the year ended June 30, 2018, the District recognized pension expense of \$14,892,202. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

June 30, 2018	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,426,874	\$ --
Net difference between projected and actual earnings on pension plan investments	--	3,047,719
Changes in assumptions and other inputs	19,816,070	125,748
Changes in proportion and differences between contributions recognized and proportionate share of contributions	4,466,080	312,913
Contributions subsequent to the measurement date	1,162,785	--
Total	\$ 26,871,809	\$ 3,486,380

Deferred outflows of resources related to pensions of \$1,162,785, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending June 30, 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:

Years Ending June 30	Amount
2019	\$ 13,392,481
2020	8,424,348
2021	1,552,380
2022	(1,146,565)
	\$ 22,222,644

WELD COUNTY SCHOOL DISTRICT RE-3(J)

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – Defined Benefit Pension Plan – Continued:

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

Price inflation	2.4 percent
Real wage growth	1.1 percent
Wage inflation	3.5 percent
Salary increases, including wage inflation	3.5 – 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 (automatic)	2.0 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

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

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

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2012 through December 31, 2015, adopted by PERA's Board on October 28, 2016, and an economic assumption study, adopted by PERA's Board on November 18, 2016.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analysis were outlined in presentations to PERA's Board on October 28, 2016.

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

WELD COUNTY SCHOOL DISTRICT RE-3(J)

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – Defined Benefit Pension Plan – Continued:

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%
Total	100.00%	

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

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

- Updated economic and demographic actuarial assumptions adopted by PERA’s Board on November 18, 2016.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

WELD COUNTY SCHOOL DISTRICT RE-3(J)

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – Defined Benefit Pension Plan – Continued:

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

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

WELD COUNTY SCHOOL DISTRICT RE-3(J)

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – Defined Benefit Pension Plan – Continued:

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 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:

June 30, 2018	1% Decrease (3.78%)	Current Discount Rate (4.78%)	1% Increase (5.78%)
Proportionate share of the net pension liability	\$ 98,031,434	\$ 77,607,470	\$ 60,964,272

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

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

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

WELD COUNTY SCHOOL DISTRICT RE-3(J)

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – Defined Benefit Pension Plan – Continued:

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

A brief description of some of the major changes to plan provisions required by SB 18-200 are listed below. A full copy of the bill can be found online as 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 approximately \$77.6 million 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.

WELD COUNTY SCHOOL DISTRICT RE-3(J)

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – Defined Benefit Pension Plan – Continued:

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%	\$ 35,062,382

NOTE 8 - Risk Management:

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

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

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

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

NOTE 9 – Other Postemployment Benefits:

Weld County School District RE-3(J) participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit Other Post-Employment Benefit Plan (OPEB) fund administered by the Public Employees' Retirement Association of Colorado (PERA). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

WELD COUNTY SCHOOL DISTRICT RE-3(J)

NOTES TO FINANCIAL STATEMENTS

NOTE 9 – Other Postemployment Benefits – Continued:

General Information about the OPEB Plan:

Plan description: Eligible employees of the Weld County School District RE-3(J) are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

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

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

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

WELD COUNTY SCHOOL DISTRICT RE-3(J)

NOTES TO FINANCIAL STATEMENTS

NOTE 9 – Other Postemployment Benefits – Continued:

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

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

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the Weld County School District RE-3(J) is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from Weld County School District RE-3(J) were \$110,422 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 Weld County School District RE-3(J) reported a liability of \$1,819,440 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 Weld County School District RE-3(J) proportion of the net OPEB liability was based on Weld County School District RE-3(J) contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF.

WELD COUNTY SCHOOL DISTRICT RE-3(J)

NOTES TO FINANCIAL STATEMENTS

NOTE 9 – Other Postemployment Benefits – Continued:

At December 31, 2017, the Weld County School District RE-3(J) proportion was .14% percent, which was approximately the same as its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the Weld County School District RE-3(J) recognized OPEB expense of approximately \$136,000. At June 30, 2018, the Weld County School District RE-3(J) reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 8,604	\$ --
Difference between projected and actual investment earnings	--	30,439
Total	\$ 8,604	\$ 30,439

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending June 30	Amount
2019	\$ (5,919)
2020	(5,919)
2021	(5,919)
2022	(5,916)
2023	1,691
2024	147
	\$ (21,835)

WELD COUNTY SCHOOL DISTRICT RE-3(J)

NOTES TO FINANCIAL STATEMENTS

NOTE 9 – Other Postemployment Benefits – Continued:

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

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

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each actuarial valuation and on the pattern of sharing 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.

WELD COUNTY SCHOOL DISTRICT RE-3(J)

NOTES TO FINANCIAL STATEMENTS

NOTE 9 – Other Postemployment Benefits – Continued:

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

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-3(J)

NOTES TO FINANCIAL STATEMENTS

NOTE 9 – Other Postemployment Benefits – Continued:

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

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

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

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

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

WELD COUNTY SCHOOL DISTRICT RE-3(J)

NOTES TO FINANCIAL STATEMENTS

NOTE 9 – Other Postemployment Benefits – Continued:

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

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

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

Several factors were considered in evaluating the long-term rate of return assumption for the HCTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

WELD COUNTY SCHOOL DISTRICT RE-3(J)

NOTES TO FINANCIAL STATEMENTS

NOTE 9 – Other Postemployment Benefits – Continued:

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%
Total	100.00%	

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

Sensitivity of the Weld County School District RE-3(J) proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates: The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A trend rate	3.25%	4.25%	5.25%
Net OPEB Liability	\$ 1,769,422	\$ 1,819,440	\$ 1,879,733

WELD COUNTY SCHOOL DISTRICT RE-3(J)

NOTES TO FINANCIAL STATEMENTS

NOTE 9 – Other Postemployment Benefits – Continued:

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.

WELD COUNTY SCHOOL DISTRICT RE-3(J)

NOTES TO FINANCIAL STATEMENTS

NOTE 9 – Other Postemployment Benefits – Continued:

Sensitivity of the Weld County School District RE-3(J) proportionate share of the net OPEB liability to changes in the discount rate: The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ 2,045,623	\$ 1,819,440	\$ 1,626,387

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.

NOTE 10 – Restatement of Beginning Net Position:

As of July 1, 2017, the District has adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. The implementation of this standard requires governments to calculate and report the cost and obligations associated with pensions in their financial statements, including additional note disclosures and required supplementary information. Beginning net position was restated to retroactively report the beginning net postemployment benefits liability and deferred outflows of resources related to contributions made after the measurement date.

The adjustment to the beginning balance of net position is as follows:

Net position – June 30, 2017, as previously reported	\$ (5,842,692)
Restatement due to implementation of GASB 75	(1,815,148)
Net position – June 30, 2017, as restated	\$ (7,657,840)

REQUIRED SUPPLEMENTARY INFORMATION

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

Year Ended June 30, 2018	General Fund			
	Actual	Original Budget	Final Budget	Variance
Revenue:				
Local sources	\$ 18,553,144	\$ 15,884,608	\$ 18,009,883	\$ 543,261
State sources	9,306,429	7,671,728	9,740,158	(433,729)
Federal sources	26,162	-	5,000	21,162
Other	84,218	360	22,500	61,718
Total Revenue	27,969,953	23,556,696	27,777,541	192,412
Expenditures:				
Instruction	13,011,738	11,149,990	12,958,452	(53,286)
Supporting services	9,318,417	7,170,283	9,448,938	130,521
Capital outlay	440,101	305,802	313,965	(126,136)
Appropriated reserves	-	-	-	-
Total Expenditures	22,770,256	18,626,075	22,721,355	(48,901)
Revenue Over (Under) Expenditures	5,199,697	4,930,621	5,056,186	143,511
Other Financing Sources (Uses):				
Operating transfers in (out)	(4,705,317)	(5,049,483)	(5,049,483)	344,166
Total Other Financing Sources (Uses)	(4,705,317)	(5,049,483)	(5,049,483)	344,166
Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	494,380	(118,862)	6,703	487,677
Fund Balance, Beginning of Year	8,979,798	8,979,798	8,979,798	-
Fund Balance, End of Year	\$ 9,474,178	\$ 8,860,936	\$ 8,986,501	\$ 487,677

WELD COUNTY SCHOOL DISTRICT RE-3(J)

SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS

Year Ended June 30	Statutorily Required Contributions	Contributions Made	Covered Payroll	% of Covered Payroll
2018	\$ 2,263,418	\$ 2,263,418	\$11,353,960	19.9%
2017	1,970,185	1,970,185	10,234,727	19.2%
2016	1,842,571	1,842,581	9,826,954	18.8%
2015	1,716,404	1,716,404	9,353,702	18.0%

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

SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS

Year Ended June 30	Statutorily Required Contributions	Contributions Made	Covered Payroll	% of Covered Payroll
2018	\$ 115,810	\$ 115,810	\$11,353,960	1.0%
2017	100,059	100,059	10,234,727	1.0%

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

WELD COUNTY SCHOOL DISTRICT RE-3(J)

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

Year Ended June 30	Cumulative Proportion of Net Pension Liability	Cumulative Proportionate Share	Covered Payroll	% of Covered Payroll	Plan Net Position as a % of Net Pension Liability
2018	0.24%	\$ 77,607,470	\$ 11,353,960	684%	44.0%
2017*	0.22%	65,502,507	10,234,727	640%	43.1%
2016	0.22%	34,782,130	9,826,954	353%	59.2%
2015	0.24%	32,602,605	9,353,702	287%	62.8%

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

* Significant changes in assumptions made by Colorado PERA.

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

Year Ended June 30	Cumulative Proportion of Net OPEB Liability	Cumulative Proportionate Share	Covered Payroll	% of Covered Payroll	Plan Net Position as a % of Net OPEB Liability
2018	0.13%	\$ 1,819,440	\$ 11,353,960	16%	17.5%
2017	0.13%	1,815,148	10,234,727	18%	16.7%

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

OTHER SUPPLEMENTARY INFORMATION

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

Schedule of Revenue Compared with Budget

Year Ended June 30, 2018	Actual	Budget	Variance
Other:			
Interest	\$ 84	\$ 500	\$ (416)
Other local revenue	-	-	-
Total Revenue	\$ 84	\$ 500	\$ (416)

Schedule of Expenditures Compared with Budget

Year Ended June 30, 2018	Actual	Budget	Variance
Supporting Services	\$ -	\$ -	\$ -
Capital Outlay:			
Land and improvements	265,462	280,000	(14,538)
Buildings	38,480	-	38,480
Equipment and vehicles	360,287	928,853	(568,566)
Expenditures:			
Debt Service:			
Principal payments	145,000	-	145,000
Interest on COP's	106,363	-	106,363
Total Expenditures	\$ 915,592	\$ 1,208,853	\$ (293,261)

Schedule of Operating Transfers Compared with Budget

Year Ended June 30, 2018	Actual	Budget	Variance
Operating Transfers In:			
General Fund	\$1,165,000	\$1,165,000	\$ -

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

Schedule of Revenue Compared with Budget

Year Ended June 30, 2018	Actual	Budget	Variance
Other:			
Interest	\$ 642,104	\$ 450,000	\$ 192,104
Proceeds from bond issuance	-	-	-
Total Revenue and Other Financing Sources	\$ 642,104	\$ 450,000	\$ 192,104

Schedule of Expenditures Compared with Budget

Year Ended June 30, 2018	Actual	Budget	Variance
Supporting Services	\$ -	\$ -	\$ -
Capital Outlay:			
Land and improvements	11,991,239	17,069,340	(5,078,101)
Buildings	28,713,768	29,638,329	(924,561)
Equipment and vehicles	-	-	-
Appropriated Reserve	-	-	-
Expenditures:			
Other	-	-	-
Debt issuance costs	-	-	-
Total Expenditures	\$40,705,007	\$46,707,669	\$ (6,002,662)

Schedule of Operating Transfers Compared with Budget

Year Ended June 30, 2018	Actual	Budget	Variance
Operating Transfers In:			
General Fund	\$ 3,540,317	\$ 3,884,483	\$ (344,166)

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

Schedule of Revenue Compared with Budget

Year Ended June 30, 2018	Actual	Final Budget	Variance
Local Sources:			
Property taxes, current	\$ 15,713,631	\$ 15,747,267	\$ (33,636)
Delinquent taxes	29,156	3,500	25,656
Specific ownership taxes	1,528,093	1,073,891	454,202
Other	1,282,264	1,185,225	97,039
Total Local Sources	18,553,144	18,009,883	543,261
State Sources:			
Vocational education	44,003	110,994	(66,991)
State equalization	4,871,293	4,863,228	8,065
Transportation	229,399	289,726	(60,327)
Other grants	4,161,734	4,476,210	(314,476)
Total State Sources	9,306,429	9,740,158	(433,729)
Federal Sources	26,162	5,000	21,162
Other:			
Interest	84,218	22,500	61,718
Total Revenue	\$ 27,969,953	\$ 27,777,541	\$ 192,412

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

Schedule of Expenditures Compared with Budget

Year Ended June 30, 2018	Actual	Final Budget	Variance
Instruction:			
Current operating:			
Salaries	\$ 7,204,874	\$ 7,075,224	\$ (129,650)
Employee benefits	2,731,198	2,763,126	31,928
Purchased services	911,466	844,603	(66,863)
Supplies and materials	836,017	933,836	97,819
Other	1,328,183	1,320,000	(8,183)
Capital outlay	46,236	21,663	(24,573)
Total Instruction	13,057,974	12,958,452	(99,522)
Supporting Services:			
Pupils:			
Current operating:			
Salaries	692,343	589,215	(103,128)
Employee benefits	259,998	250,590	(9,408)
Purchased services	114,618	136,075	21,457
Supplies and materials	24,440	19,628	(4,812)
Other	-	-	-
Capital outlay	-	-	-
Total Pupils	1,091,399	995,508	(95,891)
Instructional support:			
Current operating:			
Salaries	493,959	506,776	12,817
Employee benefits	186,509	204,466	17,957
Purchased services	248,471	276,800	28,329
Supplies and materials	34,384	280,689	246,305
Other	1,250	1,750	500
Capital outlay	-	500	500
Total Instructional Staff	964,573	1,270,981	306,408
General administration:			
Current operating:			
Salaries	591,593	741,578	149,985
Employee benefits	211,552	228,528	16,976
Purchased services	527,035	620,263	93,228
Supplies and materials	211,607	88,550	(123,057)
Other	20,996	25,500	4,504
Capital outlay	383,957	270,802	(113,155)
Total General Administration	1,946,740	1,975,221	28,481

Continued on next page.

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

Schedule of Expenditures Compared with Budget - Continued

Year Ended June 30, 2018	Actual	Final Budget	Variance
Supporting Services - Continued:			
School administration:			
Current operating:			
Salaries	\$ 1,021,433	\$ 1,030,666	\$ 9,233
Employee benefits	398,798	377,844	(20,954)
Purchased services	16,994	12,325	(4,669)
Supplies and materials	27,343	14,665	(12,678)
Other	5,857	1,900	(3,957)
Capital outlay	-	1,000	1,000
Total School Administration	1,470,425	1,438,400	(32,025)
Operations and maintenance:			
Current operating:			
Salaries	771,166	716,385	(54,781)
Employee benefits	315,953	322,922	6,969
Purchased services	850,770	700,053	(150,717)
Supplies and materials	907,236	978,201	70,965
Other	-	500	500
Capital outlay	-	15,000	15,000
Total Operations and Maintenance	2,845,125	2,733,061	(112,064)
Pupil transportation:			
Current operating:			
Salaries	462,593	480,997	18,404
Employee benefits	182,181	170,477	(11,704)
Purchased services	160,771	79,013	(81,758)
Supplies and materials	248,755	280,500	31,745
Other	167	450	283
Capital outlay	9,908	5,000	(4,908)
Total Pupil Transportation	1,064,375	1,016,437	(47,938)
Other Supporting Services:			
Current operating:			
Insurance	329,645	333,295	3,650
Total Supporting Services	9,712,282	9,762,903	50,621
Appropriated Reserves	-	-	-
Total Expenditures	\$ 22,770,256	\$ 22,721,355	\$ (48,901)

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

Schedule of Operating Transfers Compared to Budget

Year Ended June 30, 2018	Actual	Final Budget	Variance
Operating Transfers Out:			
Capital Projects Fund	\$ 3,540,317	\$ 3,884,483	\$ 344,166
Capital Reserve Projects Fund	1,165,000	1,165,000	-
Total Transfers	\$ 4,705,317	\$ 5,049,483	\$ 344,166

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

Schedule of Revenue Compared with Budget

Year Ended June 30, 2018	Actual	Final Budget	Variance
Revenue:			
Local Sources:			
Property taxes, current	\$ 4,913,095	\$ 4,920,500	\$ (7,405)
Other revenue	-	-	-
Total Local Sources	4,913,095	4,920,500	(7,405)
Other:			
Interest	31,014	24,000	7,014
Proceeds of refunding bonds	-	-	-
Total Revenue and Financing Sources	\$ 4,944,109	\$ 4,944,500	\$ (391)

Schedule of Expenditures Compared with Budget

Year Ended June 30, 2018	Actual	Budget	Variance
Expenditures:			
Debt Service:			
Payment to refunded bond escrow	\$ -	\$ -	\$ -
Principal payments	2,565,000	2,565,000	-
Interest on bonds	3,276,750	3,276,750	-
Debt issuance costs	5,191	2,500	(2,691)
Total Expenditures and Financing Uses	\$ 5,846,941	\$ 5,844,250	\$ (2,691)

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

COMBINING BALANCE SHEET

June 30, 2018	Designated Grants Fund	Permanent Fund	Food Service Fund	Total
ASSETS				
Cash	\$ -	\$ 15,188	\$ 84,362	\$ 99,550
Investments and Bank CD's	-	60,131	-	60,131
Due From Other Funds	83,052	-	593	83,645
Other Receivables	102,964	-	50,335	153,299
TOTAL ASSETS	\$ 186,016	\$ 75,319	\$ 135,290	\$ 396,625
LIABILITIES				
Accounts Payable	\$ 52,710	\$ -	\$ 4,817	\$ 57,527
Accrued Salaries and Benefits	122,178	-	15,741	137,919
Unearned Revenue	11,129	-	9,320	20,449
Due To Other Funds	-	-	-	-
Total Liabilities	186,017	-	29,878	215,895
FUND BALANCES				
Nonspendable	-	75,319	105,411	180,730
Assigned: Capital Outlay	-	-	-	-
Total Fund Balances	-	75,319	105,411	180,730
TOTAL LIABILITIES AND FUND BALANCE	\$ 186,017	\$ 75,319	\$ 135,289	\$ 396,625

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

COMBINING STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES

Year Ended June 30, 2018	Designated Grants Fund	Permanent Fund	Food Service Fund	Total
Revenue:				
Interest	\$ -	\$ 616	\$ 283	\$ 899
Local sources	6,835	-	335,297	342,132
State sources	14,521	-	71,220	85,741
Federal sources	841,742	-	546,470	1,388,212
Total Revenue	863,098	616	953,270	1,816,984
Expenditures:				
Instruction	822,574	-	-	822,574
Supporting services	40,524	-	881,884	922,408
Capital outlay	-	-	-	-
Non-capital outlay	-	-	-	-
Total Expenditures	863,098	-	881,884	1,744,982
Revenue (Under) Over Expenditures	-	616	71,386	72,002
Other Financing Sources (Uses):				
Operating transfers in (out)	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Fund Balances, Beginning of Year	-	74,703	34,025	108,728
Fund Balances, End of Year	\$ -	\$ 75,319	\$ 105,411	\$ 180,730

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

Schedule of Revenue Compared with Budget

Year Ended June 30, 2018	Actual	Budget	Variance
Revenue:			
Local sources	\$ 6,835	\$ 6,055	\$ 780
State sources	14,521	-	-
Federal sources	841,742	851,648	(9,906)
Total Revenue	\$ 863,098	\$ 857,703	\$ (9,126)

Schedule of Expenditures Compared with Budget

Year Ended June 30, 2018	Actual	Budget	Variance
Instruction	\$ 822,574	\$ 774,836	\$ (47,738)
Supporting Services	40,524	82,868	42,344
Capital Outlay:			
Equipment	-	-	-
Total Expenditures	\$ 863,098	\$ 857,704	\$ 42,344

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

Schedule of Revenue Compared with Budget

Year Ended June 30, 2018	Actual	Budget	Variance
Miscellaneous Revenue:			
Interest	\$ 616	\$ 600	\$ 16
Total Revenue	\$ 616	\$ 600	\$ 16

Schedule of Expenditures Compared with Budget

Year Ended June 30, 2018	Actual	Budget	Variance
Supporting Services:			
Other	\$ -	\$ -	\$ -
Total Expenditures	\$ -	\$ -	\$ -

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

Schedule of Revenue Compared with Budget

Year Ended June 30, 2018	Actual	Budget	Variance
Operating Revenue:			
Food and milk sales	\$ 335,297	\$ 352,077	\$ (16,780)
Nonoperating Revenue:			
Federal and state grants	546,470	789,157	(242,687)
U.S.D.A. commodities	71,220	76,309	(5,089)
Interest	283	150	133
Total Revenue	\$ 953,270	\$1,217,693	\$ (264,423)

Schedule of Expenses Compared with Budget

Year Ended June 30, 2018	Actual	Budget	Variance
Operating Expenses:			
Salaries and benefits	\$ 138,460	\$ 142,271	\$ 3,811
Supplies (contractors)	743,424	1,061,528	318,104
Capital Outlay:			
Equipment	-	8,089	8,089
Total Expenses	\$ 881,884	\$1,211,888	\$ 330,004

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

Schedule of Additions Compared with Budget

Year Ended June 30, 2018	Actual	Budget	Variance
Student Activities	\$ 593,901	\$ 600,000	\$ (6,099)
Total Additions	\$ 593,901	\$ 600,000	\$ (6,099)

Schedule of Deductions Compared with Budget

Year Ended June 30, 2018	Actual	Budget	Variance
Total Deductions	\$ 680,282	\$ 700,000	\$ 19,718

CARDINAL COMMUNITY ACADEMY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year Ended June 30, 2018	Actual	Original Budget	Amended Budget	Variance
Revenue:				
Weld County School District RE-3(J) PPR	\$ 1,310,196	\$ 1,297,791	\$ 1,322,251	\$ (12,055)
Mill Levy override	377,589	352,360	356,360	21,229
Colorado Department of Education grants	93,256	68,705	68,705	24,551
State Grant - Rural Funds	27,654	-	-	27,654
Contributions, interest, and other	135,024	164,368	164,368	(29,344)
Total Revenue	1,943,719	1,883,224	1,911,684	32,035
Expenditures:				
Current:				
Instruction:				
Teachers' salaries	520,621	544,616	522,692	2,071
Substitute teachers	14,210	15,000	15,000	790
Teachers aides	97,621	75,710	85,362	(12,259)
After school staff	3,942	7,992	7,548	3,606
Supplemental contracts	3,500	3,000	3,000	(500)
Incentives	3,144	2,800	2,800	(344)
PERA contributions	119,850	127,350	125,336	5,486
Other benefits	51,181	69,024	68,803	17,622
Special education	71,296	87,840	87,840	16,544
Educational equipment & furniture	25,299	30,000	30,000	4,701
Instructional materials & supplies	37,861	40,000	40,000	2,139
Total Instruction	948,525	1,003,332	988,381	39,856
Supporting Services:				
RE-3(J) administrative withholding	76,391	65,000	65,000	(11,391)
Director salary	70,601	70,601	70,601	-
Office staff salary	63,371	61,474	61,474	(1,897)
Staff development	12,862	18,000	21,500	8,638
Accountability/evaluation	886	4,200	4,200	3,314
PERA contributions	30,793	32,720	32,203	1,410
Other benefits	-	-	-	-
Custodian	26,477	26,477	26,477	-
Utilities	38,008	48,000	48,000	9,992
Telephone	2,415	5,000	5,000	2,585
Office supplies	5,918	8,500	8,500	2,582
Building expense	18,066	40,000	40,000	21,934
Insurance	20,297	22,000	22,000	1,703
Equipment rentals	9,777	9,500	9,500	(277)
Water/wastewater	9,893	10,000	10,000	107
Contracted services	25,618	16,400	16,400	(9,218)
Fundraising expense	62,075	75,000	75,000	12,925
PTO expense	38,330	75,000	75,000	36,670
Miscellaneous expense	13,680	6,800	6,800	(6,880)
Total Supporting Services	525,458	594,672	597,655	72,197
Capital Outlay	2,008,246	2,200,000	2,200,000	191,754
Debt service (principal)	34,133	22,639	22,639	(11,494)
Interest expense	6,200	17,695	17,695	11,495
Total Expenditures	3,522,562	3,838,338	3,826,370	303,808
Revenue Over (Under) Expenditures	(1,578,843)	(1,955,114)	(1,914,686)	335,843
Fund Balance, Beginning of Year	2,424,859	2,424,859	2,424,859	419,147
Fund Balance, End of Year	\$ 846,016	\$ 469,745	\$ 510,173	\$ 754,990 ⁻⁶⁷⁻

WELD COUNTY SCHOOL DISTRICT RE-3(J)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2018

<u>Agency/Program Grant Title</u>	<u>Pass-Through Identification Number</u>	<u>CFDA Number</u>	<u>Expenditures</u>
<u>Department of Agriculture</u>			
Passed Through CDHHS:			
Food Distribution		10.555	\$ 71,220
Passed Through Colorado Department of Education:			
Child Nutrition Cluster:			
National School Lunch Program	4555	10.555	401,668
School Breakfast Program	4553	10.553	124,445
Summer Food Service Program for Children	4559	10.559	2,978
<u>Department of Education</u>			
Passed Through Colorado Department of Education:			
Title I Grants to Local Education Agencies	4010	84.010	327,230
Title III Part A ELA	4365	84.365	26,078
Title II Part A Teacher Quality	4367	84.367	75,065
Race to the Top	5412	84.412	1,721
Total Federal Assistance			\$ 1,030,405

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



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

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

Report on Compliance for Each Major Federal Program

We have audited the compliance of Weld County School District RE-3(J) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2018. Weld County School District RE-3(J)'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Major Each Federal Program

In our opinion, Weld County School District RE-3(J) complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2018.

Internal Control Over Compliance

The management of the Weld County School District RE-3(J) is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Weld County School District RE-3(J)'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance

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

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

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

Anderson & Whitney, P.C.

January 23, 2019



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Weld County School District RE-3(J), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated January 23, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Weld County School District RE-3(J)'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Anderson & Whitney, P.C.

January 23, 2019



Colorado Department of Education
Auditors Integrity Report
 District: 3090 - WELD COUNTY SCHOOL DISTRICT RE-3J
 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	8,929,446	21,118,925	20,647,802	9,400,569
18 Risk Mgmt Sub-Fund of General Fund	50,353	352,919	329,645	73,627
19 Colorado Preschool Program Fund	0	510,249	510,249	0
Sub- Total	8,979,798	21,982,094	21,487,696	9,474,196
11 Charter School Fund	2,424,858	1,943,718	3,522,561	846,016
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	34,027	953,270	881,884	105,414
22 Govt Designated-Purpose Grants Fund	0	863,098	863,098	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	7,272,714	4,944,109	5,846,941	6,369,882
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	57,627,825	4,182,421	40,705,007	21,105,238
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	0	1,165,084	915,592	249,492
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
Totals	76,339,223	36,033,794	74,222,779	38,150,238
Proprietary				
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	0	0	0	0
Totals	0	0	0	0
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	535,644	593,901	680,282	449,263
79 GASB 34:Permanent Fund	74,703	616	0	75,319
85 Foundations	0	0	0	0
Totals	610,347	594,517	680,282	524,582

FINAL