

**SCHOOL DISTRICT FREMONT RE-1**

FINANCIAL STATEMENTS  
With Independent Auditors' Report

Year Ended June 30, 2019

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JUNE 30, 2019**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Education  
School District Fremont RE-1

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of School District Fremont RE-1, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School District Fremont RE-1's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the discretely presented component units were not audited in accordance with *Government Auditing Standards*.

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the School District Fremont RE-1, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District Fremont RE-1's basic financial statements. The individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2019, on our consideration of the School District Fremont RE-1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering School District Fremont RE-1's internal control over financial reporting and compliance.

*Hoelting & Company Inc.*

Colorado Springs, Colorado  
October 25, 2019

**Cañon City Schools**  
***Management's Discussion & Analysis***  
**For the Fiscal Year Ended June 30, 2019**

As management of the School District Fremont RE-1 (District), doing business as Cañon City Schools, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information furnished in the independent auditor's report and financial statements, which immediately follow this section.

**Financial Highlights**

Key financial highlights for fiscal year 2019 are as follows:

- The District's government-wide net position increased by \$16.8 million to \$-57.3 million for the year ended June 30, 2019, primarily as a result of the non-employer contribution from the State that reduced PERA's unfunded liability and the district's proportionate share.
- Governmental activities have unrestricted net position of \$ -74.1 million. Again, the improvement is a result of the non-employer contribution from the State that reduced PERA's unfunded liability and the district's proportionate share.
- The District's primary government long-term liabilities decreased by \$51.5 million primarily as a result of the non-employer contribution from the State that reduced PERA's unfunded liability and the district's proportionate share.
- The District adopted and implemented the provisions of GASB 75 accounting for Other Post Employment Benefits (OPEB). The District reported a liability of \$3.1 million for its proportionate share of the net OPEB liability.
- Fund balance of the District's general fund, which includes the general fund 10, risk management fund 18 and the Colorado Preschool fund 19, increased by \$1.0 million to \$3.9 million, primarily due to specific ownership tax collections being significantly higher than projected, driven by a strong local economy.

**Overview of the Financial Statements**

Management's discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- The governmental funds statements tell how basic services such as instruction were financed in the short-term as well as what remains for future spending.

**Cañon City Schools**  
***Management's Discussion & Analysis***  
**For the Fiscal Year Ended June 30, 2019**

- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, such as scholarship funds and student clubs and organizations funds.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplemental information that further explains and supports the financial statements with a comparison of the District's budget for the year.

***District-wide Statements***

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net position – *Statement of Net Position* - and how they have changed – the *Statement of Activities*. Net position – the difference between the District's assets and liabilities – are one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

***Fund Financial Statements***

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants). The District has two kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.
- *Fiduciary funds:* The District is the agent, or *fiduciary*, for assets that belong to others, such as the scholarship and student clubs/organizations funds. The District is

**Cañon City Schools**  
***Management's Discussion & Analysis***  
**For the Fiscal Year Ended June 30, 2019**

responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

**Financial Analysis of the District as a Whole**

Colorado school districts are primarily funded from the School Finance Act of 1994 (SFA) as amended. An individual district's funding is primarily driven by its enrollment. The District's enrollment peaked in fiscal year 2002 (October 2001 count) with a declining trend up until the past few years wherein enrollment has been relatively flat.

The District's declining enrollment negatively affected its funding over the past few years. This coupled with material reductions in funding due to economic recession under the School Finance Act has had a severe negative impact on the District's resources. The District's total program funding from the School Finance Act increased \$1.5 million in fiscal year 2019.

The District's General Fund (Fund 10) fund balance increased by \$895 thousand resulting in an ending fund balance of \$3.7 million at fiscal year 2019 end. The fund balance increased primarily as a result of specific ownership taxes and State special education funding being more than originally projected.

In fiscal year 2019 the District's General Fund (Fund 10) fund balance was 12.3% of fiscal year 2019 expenditures. Industry standards call for a fund balance in the range of 8% to 15% in order to meet operating obligations, cash flow requirements and unforeseen events.

Prior to fiscal year 2012 the District's fund balance was approaching the desired minimum fund balance level of 8%. However, it decreased as projected in fiscal year 2012, 2013 and 2014, as it was used to cover ongoing projected budget shortfalls. General Fund balance increased in fiscal year 2016, decreased in fiscal year 2017, increased in fiscal year 2018, and increased in fiscal year 2019.

The assets of the District are classified as current assets and capital assets. Cash, investments, receivables, inventories and prepaid expenditures are current assets. These assets are available to provide resources for the near-term operations of the District. The majority of current assets are the result of the property tax collection process. Capital assets are used in the operations of the District. These assets include land, buildings, equipment and vehicles.

Current and long-term liabilities are classified based on anticipated liquidation either in the near term or in the future. Current liabilities include accounts payable, accrued salaries and benefits, and deferred revenue. Long-term liabilities such as long-term debt obligations and compensated absences will be liquidated from resources that will become available after fiscal year 2019.

In total, District net position increased by \$16.8 million to \$-57.3 million for the year ended June 30, 2019. This is primarily a result of the State's injection of non-employer contributions to PERA, which reduced PERA's unfunded liability. See note one, to the financial statements, for additional information.

The District's long-term liabilities decreased by \$51.5 million to \$100.7 million. \$65.5 million of the increase was attributed to the adoption and full implementation of GASB Statement 68. The

**Cañon City Schools**  
**Management's Discussion & Analysis**  
**For the Fiscal Year Ended June 30, 2019**

addition of capital leases partially offset the expected decrease from payments on the capital construction bonds and other capital borrowings. The District issued \$14.2 million of new General Obligation bonds to provide the required local match to BEST Capital Construction grants. The long-term debt includes bond payments, compensated absences, energy projects and QZAB Bonds.

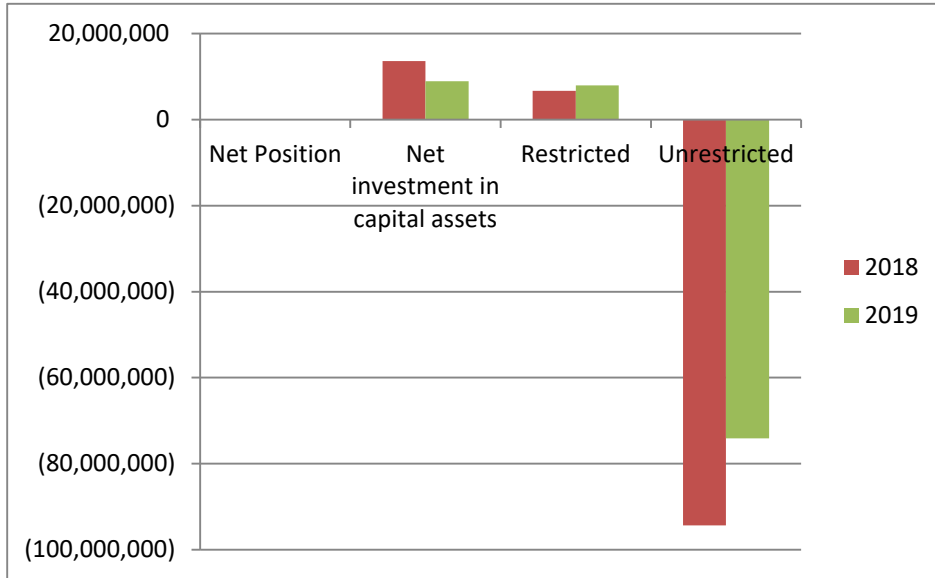
**Table -1-** provides a summary of the District's net position and **Table -3-** provides a summary for the District's changes in net position for 2019:

**Table -1-**  
**Statement of Net Position**

	<b>Governmental Activities</b>	
	<b><u>2018</u></b>	<b><u>2019</u></b>
<b>ASSETS</b>	-	-
Current and other assets	\$17,659,095	\$35,016,623
Capital Assets	34,359,450	43,468,791
<b>Total Assets</b>	<b>\$52,018,545</b>	<b>\$78,485,414</b>
<b>DEFERRED OUTFLOWS</b>	<b>\$36,950,635</b>	<b>\$19,250,320</b>
<b>LIABILITIES</b>		
Long-term liabilities outstanding	\$152,219,015	\$100,730,734
Other liabilities	4,905,244	7,430,610
<b>Total Liabilities</b>	<b>\$157,124,259</b>	<b>\$108,161,344</b>
<b>DEFERRED INFLOWS</b>	<b>\$5,947,598</b>	<b>\$46,864,813</b>
<b>NET POSITION</b>		
Net investment in capital assets	\$13,592,117	\$8,916,030
Restricted	6,635,048	7,921,894
Unrestricted	(94,329,842)	(74,128,347)
<b>Total net position</b>	<b>(\$74,102,677)</b>	<b>(\$57,290,423)</b>

**Cañon City Schools**  
**Management's Discussion & Analysis**  
**For the Fiscal Year Ended June 30, 2019**

**Table -2-**  
**Net Position Graph**



**Cañon City Schools**  
**Management's Discussion & Analysis**  
**For the Fiscal Year Ended June 30, 2019**

Table -3-

**Statement of Changes in Net Position**

	<b>Governmental Activities</b>	
	<b>2018</b>	<b>2019</b>
<b>REVENUES:</b>		
Charges for services	\$909,382	\$890,663
Operating and capital grants and contributions	11,109,850	16,408,000
General revenues:		
Property & specific ownership taxes	11,310,518	12,855,402
State equalization	17,484,745	18,783,054
Other	613,182	1,851,352
<b>Total revenues</b>	<b>\$41,427,677</b>	<b>\$50,788,471</b>
<b>EXPENSES:</b>		
Instruction	\$33,712,064	\$16,599,841
Athletics	356,967	388,334
Supporting services		
Students	4,369,099	2,771,346
Instructional staff	2,766,759	2,160,658
General administration	983,688	618,300
School administration	3,470,302	1,398,896
Business	1,104,266	500,190
Operations & maintenance	5,661,202	3,080,581
Student transportation	1,221,227	555,158
Central	2,166,334	1,379,180
Other support services	8,546	9,015
Community services	795,183	753,754
Food services	1,902,196	1,792,707
Facilities acquisition & construction	3,682,253	991,237
Interest on long-term debt	389,107	871,820
Other debt service	73,450	105,200
<b>Total expenses</b>	<b>\$62,662,643</b>	<b>\$33,976,217</b>
<b>NET POSITION:</b>		
Increase (decrease) in net position	(\$21,234,966)	\$16,812,254
Net Position - beginning	(50,020,675)	(74,102,677)
Prior period adjustment	(2,847,036)	0
Net position, beginning, as restated (deficit)	(52,867,711)	(74,102,677)
<b>Net position, ending</b>	<b>(\$74,102,677)</b>	<b>(\$57,290,423)</b>

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Table -4-

Sources of Revenues for Fiscal Year 2018-19

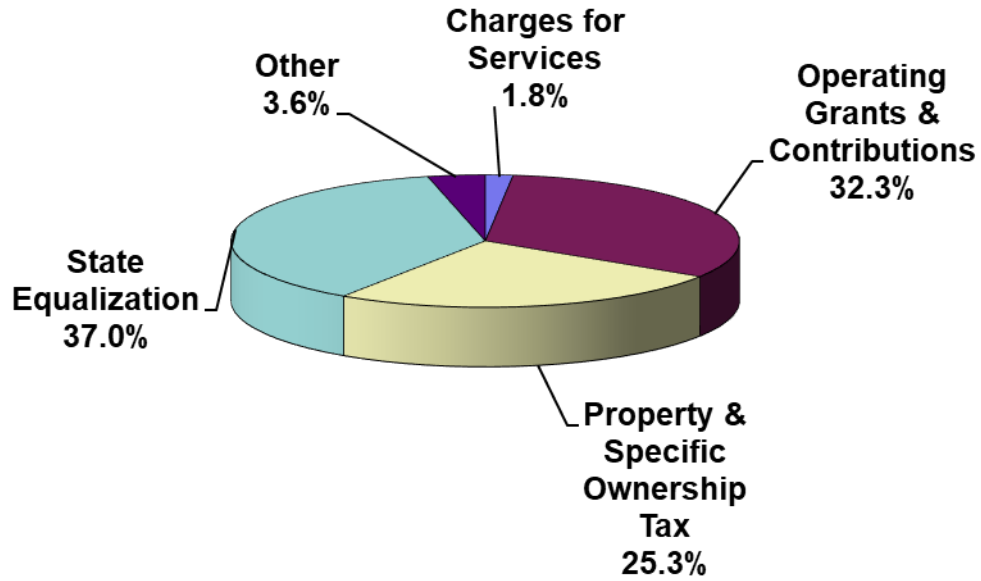
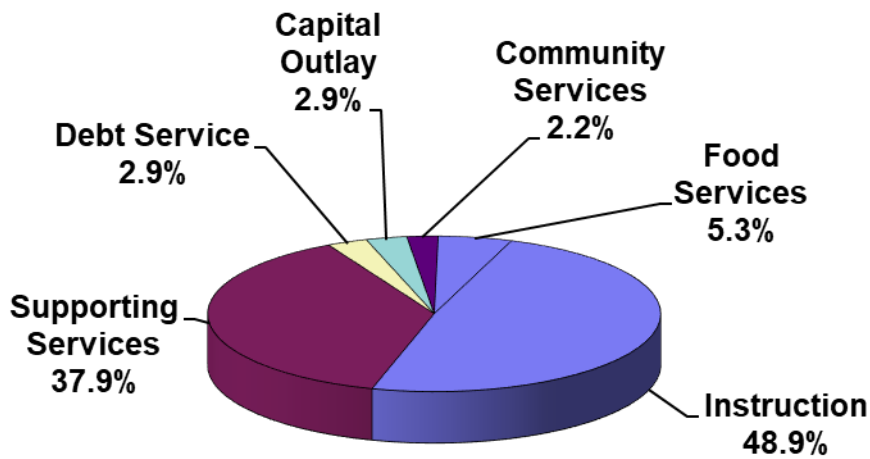


Table -5-

Expenses for Fiscal Year 2018-19



**Cañon City Schools**  
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State equalization accounted for 37 percent of the District's governmental activities total revenue. (See **Table -4-**.) Another 25 percent came from property and specific ownership taxes and the remainder from operating grants, contributions, fees charged for services, and miscellaneous sources.

The District's expenses are predominantly related to instructing, 49 percent. (See **Table -5-**.) Supporting Services, including the District's student support, administrative, business, transportation, maintenance and operations activities, accounted for 38 percent of total costs.

**Governmental Activities**

The primary source of operating revenue for school districts comes from the School Finance Act of 1994 as amended. Under the School Finance Act the District received \$7,716 per funded student. In fiscal year 2019 the funded pupil count was 3649.3. For the 2019 fiscal year the District continued to be one of the lowest funded districts in the state on a per pupil basis.

Funding for the School Finance Act comes from property taxes, specific ownership tax and state equalization. The District receives approximately 73 percent of this funding from state equalization. State law allows school districts to obtain an additional 27 percent of SFA program funding from local property and specific ownership taxes (SOT). The District's assessed valuation generated \$7.5 million in property and SOT tax revenue under the School Finance Act in fiscal year 2019.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. **Table -6-** shows, for governmental activities, the total cost of services. That is, it identifies the cost of these services supported by unrestricted state equalization and property taxes.

**Table -6-**

**Governmental Activities**

	<b>2018</b>	<b>2019</b>
<b>Instruction</b>	<b>\$33,712,064</b>	<b>\$16,599,841</b>
<b>Pupil &amp; Instructional Services</b>	<b>7,492,825</b>	<b>5,320,338</b>
<b>Administration &amp; Business</b>	<b>5,558,256</b>	<b>2,517,386</b>
<b>Maintenance &amp; Operations</b>	<b>5,661,202</b>	<b>3,080,581</b>
<b>Transportation</b>	<b>1,221,227</b>	<b>555,158</b>
<b>Other</b>	<b>9,017,069</b>	<b>5,902,913</b>
<b>Total</b>	<b>\$62,662,643</b>	<b>\$33,976,217</b>

**Cañon City Schools**  
***Management's Discussion & Analysis***  
**For the Fiscal Year Ended June 30, 2019**

The cost of all *governmental* activities this year was \$33.9 million.

- Some of the cost was financed by the users of the District's programs (\$891 thousand).
- The federal and state government subsidized certain programs with grants and contributions (\$16.4 million).
- A portion of governmental activities was financed with \$18.8 million in state equalization from the School Finance Act of 1994 and \$12.9 million in property and specific ownership taxes.

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

Information about the District's major funds starts on page 5. These funds are accounted for using the modified accrual basis of accounting. All governmental funds have total revenues of \$51.3 million and expenditures of \$52.7 million.

***Budgetary Highlights***

The District's budget is prepared according to Colorado law and is based on accounting for certain transactions on a basis of cash receipts and disbursements. The most significant budgeted fund is the General Fund. Individual Fund Statements and Schedules begin on page 53.

- Prior to the end of the fiscal year, additional budget appropriations were approved for the General Fund, the Charter School Fund and the Capital Reserve Fund to cover anticipated expenditures in excess of original budgeted amounts. Generally, the additional expenditures were covered by revenues being more than originally projected.
- General Fund (Fund 10) actual revenues exceeded actual expenditures by \$895 thousand, primarily as a result of specific ownership taxes and State special education funding being greater than projected. Actual expenditures were less than the amended budget amount. This resulted in the General Fund fund balance increasing to \$3.6 million at fiscal year-end – 12.3% of FY2018-19 expenditures. A portion of the increased fund balance is to be reserved for future obligations related to the ten-year MLO sunset.
- Charter School Fund (Fund 11) actual revenues exceeded actual expenditures by \$205 thousand. Actual expenditures were less than the amended budget amount. The fund balance increased to \$618 thousand or 30.0% of FY2018-19 expenditures. With the \$1.2 million payoff of Mountain View's building lease from proceeds of the Series 2017 General Obligation bonds, its annual expenditures will be \$112 thousand less in this area as the annual debt service payments are no longer required. Also, the school received its proportionate share of the MLO and rural schools funding. Funds are being accumulated for future capital projects.
- Risk Management Fund (Fund 18) revenues exceeded actual expenditures by \$57 thousand. Actual expenditures were less than the amended budget amount with actual workers compensation insurance premiums being \$27 thousand less than projected. The Risk Management Fund fund balance increased to \$265 thousand at year end.

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- Colorado Preschool Program (CPP) Fund (Fund 19) actual revenues exceeded expenditures by \$53 thousand as revenues were somewhat more than projected and expenditures were \$50 thousand less than projected. The CPP fund balance was \$77 thousand at year end. The CPP program includes the ECARE program, which provides full-time funding for qualifying kindergarten students.
- Food Service Fund (Fund 21) actual expenditures exceeded revenues by \$66 thousand. The fund balance was \$614 thousand at year end. Actual revenues were \$240 thousand less than projected as breakfast and lunch reimbursements were less than projected. Actual expenditures were less than the budgeted amount by \$157 thousand but were partially covered by a planned and required spend-down of excess cash reserves.
- Grants Fund (Fund 22) expenditures were within the budgeted amount of \$6 million and were matched to revenues. Actual expenditures were less than the amended budget amount. Grant fund expenditures in excess of grant revenue for any particular grant were reclassified to the General Fund or other Funds. The district's grant awards, and expenditures have continued to increase as it has received a number of new health and wellness and innovation grant awards.
- Pupil Activity Fund (Fund 23) actual expenditures were within budget and matched to revenues with the General Fund allocation for amounts in excess of participation, gate and other revenues. Actual expenditures were less than the amended budget amount.
- Bond Redemption Fund (Fund 31) expenditures were within budget. Actual expenditures were less than the amended budget amount. Revenues exceeded expenditures by \$714 thousand with the Bond Fund fund balance increasing to \$3.5 million at year end. This was primarily due to increased property tax collections to service the additional payments on the CCMS and Washington General Obligation bonds
- Building Fund (Fund 41) was reactivated in FY2017-18 as the BEST Multi-Facilities building improvements projects commenced. FY2018-19 also saw commencement of the BEST CCMS and BEST Washington Elementary school replacement projects. Revenues included the issuance of the \$8 million General Obligation bond to provide the local match for the CCMS project and the \$6.2 million General Obligation bond to provide the local match for the Washington project. Actual expenditures were within the budgeted amounts for each project.
- Capital Reserve/Capital Projects Fund (Fund 43) expenditures were less than the budgeted amount as expenses for certain projects were less than projected or postponed and funds reserved for 'unknown/emergency' projects were not fully expended. Revenues were higher than originally anticipated as the District received a School Safety and Security grant award of \$514,285 to purchase additional radios, security cameras and other related items. The majority of these funds will be expended in FY19-20. The Assigned - Capital Projects unrestricted fund balance increased \$524 thousand to \$1.2 million. Again, primarily due to grant funds received in FY18-19 to be expended in FY19-20.
- Scholarships Fund (Fund 72) revenues exceeded expenditures by \$7 thousand as interest earnings and new scholarship contributions exceeded scholarship awards. Actual expenditures were less than the amended budget amount. Total fund balances for scholarship accounts at year end were \$450 thousand.

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***Management's Discussion & Analysis***  
**For the Fiscal Year Ended June 30, 2019**

- Student Clubs and Organizations Fund (Fund 74) revenues exceeded expenditures by \$56 thousand during the year. Actual expenditures were \$22 thousand more than the amended budget amount but were covered by revenues and available fund balances. Total fund balances for clubs and organizations increased to \$368 thousand at year end. These funds are property of the various clubs and organizations and are not available to support regular school district operations.
  
- Component Unit Fund (Fund 75) - tracks activity of the Fremont Schools Facilities Corporation (FSFC). FSFC was created in conjunction with the Family Center Apartments and was also used to issue Certificates of Participation for the purchase and remodel of Garden Park High School and the remodel of a portion of the old Harrison Elementary School into what is now known as the ACCESS Center.
  
- District Debt Fund (Fund 90) is a contra account used to report long-term debt. Fund 90 is used to report the District's debt associated with the 2003/2004 Capital Construction General Obligations Bonds, including the 2006, 2011 and 2014 refundings of a portion of outstanding bonds. Fund 90 will include reporting for the new \$4 million GO bonds issued in December 2017, the new \$8 million GO bonds issued in 2018 for the CCMS replacement project and the \$6.2 million GO bonds issued in 2018 for the Washington replacement project. Also, beginning in FY17-18 Fund 90 will be used to report mill levy override activity.

**Cañon City Schools**  
**Management's Discussion & Analysis**  
**For the Fiscal Year Ended June 30, 2019**

**Capital Assets and Debt Administration**

By the end of 2019 the District had invested \$43.5 million in land, buildings, equipment, and transportation vehicles. **Table -7-** shows fiscal 2018 and 2019:

**Table -7-**  
**Capital Assets at June 30**  
**(Net of Depreciation)**

	<b>Governmental Activities</b>	
	<b>2018</b>	<b>2019</b>
<b>Land</b>	<b>\$2,220,137</b>	<b>\$2,220,137</b>
<b>Construction In Progress</b>	<b>\$1,033,271</b>	<b>\$10,328,692</b>
<b>Buildings &amp; Improvements</b>	<b>27,436,540</b>	<b>26,584,941</b>
<b>Vehicles</b>	<b>468,296</b>	<b>782,744</b>
<b>Equipment</b>	<b>3,201,206</b>	<b>3,552,277</b>
<b>Total Capital Assets, Net</b>	<b>\$34,359,450</b>	<b>\$43,468,791</b>

Additional information on the District's capital assets can be found in Note (9) of this report.

**Long-Term Debt**

The outstanding principal balance on General Obligation Bonds at year end was \$29,846,818, including unamortized bond premium.

In July 2018 the district issued \$8 million in new General Obligation bonds, which will be used for the local match for the BEST grant to refurbish/replace Cañon City Middle School. In November 2018 the district issued \$6.2 million in new General Obligation bonds, which will be used for the local match for the BEST grant to replace Washington Elementary School.

At year end the District had \$4.7 million in capital leases payable. Compensated absences increased by \$91 thousand to \$1.1 million due to a decrease in the accrual of vacation and sick leave benefits.

Total Long-Term Debt decreased by \$52 million due primarily to the update of the district's allocated portion of the PERA Net Pension Liability under GASB Statement 68 and the infusion of funds by the State to reduce the PERA unfunded liability balance.

**Table -8-**  
**Outstanding Debt, at Year End**

	<b>June 30, 2018</b>	<b>June 30, 2019</b>
<b>General Obligation Bonds</b>	<b>\$15,615,463</b>	<b>\$29,846,818</b>
<b>Capital Leases Payable</b>	<b>5,151,870</b>	<b>4,705,943</b>
<b>Compensated Absences</b>	<b>1,008,884</b>	<b>1,099,359</b>
<b>Net Pension Liability</b>	<b>127,530,572</b>	<b>61,982,943</b>
<b>Net OPEB Liability</b>	<b>2,912,226</b>	<b>3,095,671</b>
<b>Total</b>	<b>\$152,219,015</b>	<b>\$100,730,734</b>

Additional information on the District's long-term debt can be found in Note (11) of this report.

**Cañon City Schools**  
***Management's Discussion & Analysis***  
**For the Fiscal Year Ended June 30, 2019**

**Factors bearing on the District's Future**

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could significantly affect its financial standing in the future:

- The District's enrollment appears to have stabilized. Though there have been minor peaks and valleys, it has been flat over the past five years. The District's enrollment peaked in October 2001 at 4,255. The District's funded pupil count for 2018-19 was 3,649.3.
- The District's accreditation rating was Priority Improvement in 2011. This was below the threshold to avoid intervention by the state. From 2012 through 2015 the district's accreditation was accredited at the Improvement level, just above this intervention threshold. In 2016 the District achieved full Accredited status and has maintained that.
- Cañon City is among the lowest funded school districts on a per pupil basis in Colorado, receiving only 95% of the statewide average.
- In November 2000 Colorado voters approved Amendment 23 establishing a school funding reserve intended to ensure increases in base funding by, at minimum, inflation plus 1% over a 10-year period, then by inflation each year thereafter. However, reductions in state revenue due to the Great Recession resulted in the imposition of a Negative Factor, now called the Budget Stabilization factor. This has resulted in a district funding gap of approximately \$3.5 million per year between the promise of voter approved Amendment 23 and what has actually been allocated annually since fiscal year 2012.
- The Colorado Public Employee Retirement Association (PERA) provides retirement and other benefits to public employees statewide, including public school employees. PERA has been actuarially underfunded. To improve PERA's financial position employer contribution rates have been increasing for several years. The 2018 legislative session addressed PERA's funding shortfall by committing more than \$220 million per year directly to the system moving forward.
- The Public-School Financial Transparency Act was signed into law during the 2010 Legislative session. This act directs local education providers to post financial information on-line for free public access. To meet the requirements of the act the District has posted required information on its website under a Financial Transparency tab. Information includes annual budgets, audit reports, quarterly financial reports, salary schedules, check registers, and credit card statements.
- Colorado's economy is one of the fastest growing in the nation. Thanks to this, and the 2017 legislative reclassification of the Hospital Provider Fee out from under the TABOR cap, public schools are experiencing some of the best funding years they have seen in decades. However, because of continued constitutional revenue collection restraints state-wide average per pupil funding is not anticipated to increase beyond the minimum Amendment 23 requirement (inflation) long-term, leaving the Budget Stabilization factor in place at more than \$550 million. To illustrate this contrast, the District's per pupil revenue increased by only \$108 in fiscal year 2017, but by \$230 in fiscal year 2018 and even more heading into fiscal year 2019. Unfortunately, the District did not realize the overall benefit of the per-pupil increase in fiscal year 2018 due to a slight decline in its funded pupil count.

**Cañon City Schools**  
***Management's Discussion & Analysis***  
**For the Fiscal Year Ended June 30, 2019**

- Statewide the Budget Stabilization Factor stands at \$572 million per year, and the District's negative factor is projected to be \$2.28 million per year at fiscal year-end.
- The district has worked diligently to secure Building Excellent Schools Today (BEST) grants to supplement its facilities repair budget. In 2014 an award was received to replace antiquated fire alarms. This project was successfully completed in the summer of 2015. In 2016 the District was awarded a grant to replace roofing at Lincoln School of Science & Technology, McKinley Elementary School and Cañon City High School. The total project cost was \$1.01 million with BEST providing \$667 thousand and the District's match being \$344 thousand. This project was successfully completed in summer 2016 and summer 2017. In May 2017, the District was awarded a grant to conduct \$7.5 million in building envelope, health, and safety and security upgrades to Cañon City High School, Cañon Exploratory School, Harrison K-8, Lincoln School of Science and Technology, and McKinley Elementary School. To execute the grant the District had to secure voter approval of its \$2.5 million match in November 2017. While doing so, the District also asked voters for cash matches to replace Washington Elementary School and to perform major upgrades to Cañon City Middle School. With voter approval and cash matches in hand, the District was then able to secure the award of two additional BEST grants that will pay 73% of the total cost of these projects. The building envelope, health, and safety and security upgrades grant work is nearing completion and the new Washington Elementary and Major CCMS upgrade projects are fully designed, costs have been calculated, and both are on track to be completed during the 2020-21 fiscal year.
- With the failure of its 2013 mill levy override and bond questions, its need to tap into fund reserves, and because of increasing expenses related to employer PERA contributions and recruiting and retaining quality staff, Cañon City Schools continued to face budget shortfalls and continued its need to defer major building maintenance projects. However, with the passage of both an override and bond question in November 2017, the District increased operations revenue by \$1.385 million per year, for the next 10 years, to support the infusion of instructional technology, replace outdated learning resources, bolster employee compensation, more effectively maintain facilities, and expand preschool services. As stated above, the 2017 Bond question, by adding contributions from Colorado's Building Excellent Schools Today program, will leverage \$18.2 million in additional local revenue to accomplish \$56 million in building improvements, including the construction of a replacement school, the significant upgrade of another, and major maintenance and upgrades on the remaining five.
- In 1995 Cañon City Schools approved the charter application for the Mountain View Core Knowledge School (MVCKS). MVCKS continues to operate a K-8 Charter School under the sponsorship of the District. In fiscal year 2017 MVCKS's fund balance remained adequate due to conservative budget practices. The passage of 2017 questions 3A and 3B will place the school on even greater financial footing by paying off its \$1.2 million building loan and by increasing its discretionary per-pupil funding by approximately \$800 per student per year.
- For fiscal years beginning July 1, 2014, the District adopted GASB Statement 68. GASB 68 requires that State and local governments record their share of pension plan unfunded liabilities. Net pension liability is reported in district-wide financial statements. For fiscal year 2019 the district's GASB 68 liability decreased \$65.5 million to \$61.9 million. This reduction was primarily a result of the State's infusion of funds into PERA that reduced the underfunded amount.

**Cañon City Schools**  
***Management's Discussion & Analysis***  
**For the Fiscal Year Ended June 30, 2019**

- In December 2015 Congress passed Every Students Succeeds Act (ESSA) as a rewrite of the Elementary and Secondary Education Act replacing No Child Left Behind (NCLB). ESSA provides new guidance and requirements for accountability, assessments, low performing school remedies, and teacher and school leader responsibility for academic improvement. The State of Colorado finalized implementation rules guidance and requirements in spring 2017 and this resulted in a \$120 thousand (roughly 10%) reduction in funding that has significantly impacted the district's budget. This reduction in funding continued through the 2018 fiscal year.
- In spring 2017 the Colorado Legislature passed the Rural Sustainability Act. This provided what was believed to be a one-time \$171 per pupil funding infusion totaling \$634 thousand. These funds were allocated to provide teacher training to conduct scientifically proven reading interventions for struggling students, adopting up to date math curriculum materials for grades K-5, addressing our most pressing facility repair needs, and upgrading outdated technology equipment. A second year of rural sustainability funding was approved in spring 2018. The district received \$615 thousand in FY2018-19. Looking ahead to 2019-20, this funding was reduces by 33% and so contributions will have a much smaller impact on the budget.
- In fiscal year 2017 the district learned a difficult lesson about the importance of its calendar year start date in relation to how it records Free and Reduced Lunch students. With an earlier school start the district pushed its 30-day Free and Reduced Lunch continued certification period beyond the annual CDE October Count Day. Because many students who would eventually qualify for Free and Reduced Lunch had not yet turned in their application forms, and because the 30-day beginning of year grace period to carry over status from the prior year had expired, the percentage of students counted as qualifying for Free and Reduced Lunch dropped significantly. We believe the resulting decrease in at-risk student funding had a larger than \$100 thousand impact on fiscal year 2017 funding. It should be noted the fiscal year 2018 district calendar was adjusted to ensure as many Free and Reduced Lunch count students could be counted as possible to secure proper funding to support them, and as a result our Free and Reduced numbers returned to roughly where they were in the 2016 fiscal year. Moving forward, the district has made a concerted effort to count EVERY child who qualifies for Free and Reduced Lunch, and early efforts indicate this will increase F and R numbers for the 2019-20 fiscal year.
- An item of significant note in how it impacts the District budget is the fact that greater than 18% of Cañon City Schools students qualify for special education services. This is the largest Special Education population, by percentage of total, in the state of Colorado. It is worth noting that since 2010 Cañon City School's costs for delivery of Special Education services has increased by \$1.3 million whole funding for such students has increased by only \$60 thousand. This has a major impact on every other area of our budget.
- In November 2018 the voters of the State of Colorado rejected Amendment 73. If it had been approved Cañon City Schools would have received an additional \$6 million per year in funding. As it is, Colorado remains one of the lowest funded states on a per student basis ranking 42<sup>nd</sup> in 2015.
- Colorado voters will have an opportunity to pass Referendum CC in November 2019. Doing so would remove TABOR restrictions on both transportation and education revenues in the state budget. This would allow the state legislature to continue to address the buy-down of the Budget Stabilization Factor.

**Cañon City Schools**  
***Management's Discussion & Analysis***  
**For the Fiscal Year Ended June 30, 2019**

- Finally, the 2020 legislative session will see consider significant changes to the School Finance Formula surrounding at-risk, cost of living, size, and rural factors. There's also a chance the legislature will address mill levy inequities around Colorado. Each of these actions could result in major changes to the way we are funded, and so the district will closely and advocate for the interests of its patrons.

**Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, parents, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

By mail: Cañon City Schools  
Director of Business Services  
101 N. 14<sup>th</sup> St.  
Canon City, CO 81212

By e-mail: [buddy.lambrecht@canoncityschools.org](mailto:buddy.lambrecht@canoncityschools.org)

By phone: (719) 276-5700

Or visit our webiste: [www.canoncityschools.org](http://www.canoncityschools.org)

## **BASIC FINANCIAL STATEMENTS**

**SCHOOL DISTRICT FREMONT RE-1**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2019**

	<b>Primary</b>		
	<b>Government</b>	<b>Component Units</b>	
	<b>Governmental Activities</b>	<b>Charter School</b>	<b>Facilities Corp.</b>
<b>ASSETS</b>			
Cash and investments	\$ 8,583,772	\$ 601,709	\$ 725,294
Restricted cash and investments	22,048,039	-	-
Receivables	4,257,530	-	-
Receivable from primary government	-	188,563	-
Receivable from fiduciary funds	8,015	-	-
Inventories	111,581	-	-
Prepaid expenses	7,686	-	-
Capital assets not being depreciated:			
Sites	2,220,137	474,460	5,967
Construction in progress	10,328,692	-	-
Capital assets:			
Buildings and improvements	53,750,773	2,217,234	456,540
Vehicles	2,795,155	30,500	-
Equipment	6,674,694	108,622	-
Less: accumulated depreciation	(32,300,660)	(1,177,564)	(265,223)
Total capital assets	43,468,791	1,653,252	197,284
Total assets	78,485,414	2,443,524	922,578
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	103,174	-	-
Deferred pension outflows	18,957,462	1,030,204	-
Deferred OPEB outflows	189,684	8,039	-
Total deferred outflows of resources	19,250,320	1,038,243	-
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	3,303,887	-	-
Accrued salaries and benefits	2,920,726	171,658	-
Accrued interest payable	91,354	-	-
Payable to charter school	188,563	-	-
Unearned revenues	926,080	-	-
Long-term liabilities			
Due within one year			
Bonds, capital leases and notes	2,481,119	-	-
Due in more than one year			
Bonds, capital leases and notes	32,071,642	-	-
Compensated absences	1,099,359	-	-
Net pension liability	61,982,943	3,289,981	-
Net OPEB liability	3,095,671	164,315	-
Total liabilities	108,161,344	3,625,954	-
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred pension inflows	46,836,761	2,617,732	-
Deferred OPEB inflows	28,052	3,771	-
Total deferred inflows of resources	46,864,813	2,621,503	-
<b>NET POSITION</b>			
Net investment in capital assets	8,916,030	1,653,252	-
Restricted for:			
Emergency reserve (TABOR)	1,290,000	68,000	-
Debt service	6,554,784	-	-
Preschool program	77,110	-	-
Unrestricted	(74,128,347)	(4,486,942)	922,578
Total Net Position	\$ (57,290,423)	\$ (2,765,690)	\$ 922,578

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

**SCHOOL DISTRICT FREMONT RE-1  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019**

<b>Functions/Programs</b>	<b>Net (Expense) Revenue and Changes in Net Position</b>					
	<b>Program Revenue</b>			<b>Primary Government</b>		
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>	<b>Component Units</b>
					<b>Charter School</b>	<b>Facilities Corp.</b>
<b>Primary government</b>						
Governmental activities						
Instruction	\$ 16,599,841	\$ 50,946	\$ 14,857,000	\$ -	\$ (1,691,895)	
Athletics	388,334	118,989	-	-	(269,345)	
Supporting services						
Students	2,771,346	-	-	-	(2,771,346)	
Instructional staff	2,160,658	2,725	6,820	-	(2,151,113)	
General administration	618,300	287,091	-	-	(331,209)	
School administration	1,398,896	-	15,243	-	(1,383,653)	
Business	500,190	60,300	-	-	(439,890)	
Operations and maintenance	3,080,581	47,165	-	-	(3,033,416)	
Student transportation services	555,158	-	144,111	-	(411,047)	
Central	1,379,180	-	-	-	(1,379,180)	
Other support services	9,015	-	-	-	(9,015)	
Community services	753,754	-	-	-	(753,754)	
Food services	1,792,707	323,447	1,384,826	-	(84,434)	
Facilities acquisition and construction	991,237	-	-	-	(991,237)	
Interest on long-term debt	871,820	-	-	-	(871,820)	
Other debt service	105,200	-	-	-	(105,200)	
Total governmental activities	<u>\$ 33,976,217</u>	<u>\$ 890,663</u>	<u>\$ 16,408,000</u>	<u>\$ -</u>	<u>(16,677,554)</u>	
<b>Component units</b>						
Charter school	\$ 1,760,804	136,104	\$ 2,311	\$ 73,041	\$ (1,549,348)	
Facilities Corp.	43,643	-	-	-		\$ (43,643)
Total component units	<u>\$ 1,804,447</u>	<u>\$ 136,104</u>	<u>\$ 2,311</u>	<u>\$ 73,041</u>		
General revenues:						
Property taxes				11,102,421	-	-
Specific ownership taxes				1,752,981	-	-
State equalization				18,783,054	1,989,111	-
Grants and Contributions not restricted to specific programs				841,576	-	-
Investment earnings				473,133	10,677	(51,060)
Miscellaneous				536,643	22,409	-
Total general revenues				<u>33,489,808</u>	<u>2,022,197</u>	<u>(51,060)</u>
Change in net position				16,812,254	472,849	(94,703)
Net position - beginning				(74,102,677)	(3,238,539)	1,017,281
Net position - ending (deficit)				<u>\$ (57,290,423)</u>	<u>\$ (2,765,690)</u>	<u>\$ 922,578</u>

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

**SCHOOL DISTRICT FREMONT RE-1**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2019**

	<b>General Fund</b>	<b>Governmental Designated- Purpose Grants Fund</b>	<b>Bond Redemption Fund</b>	<b>Building Fund</b>	<b>Capital Projects Fund</b>	<b>Total Nonmajor Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>							
Cash and investments	\$ 6,726,440	\$ -	\$ -	\$ -	\$ 1,184,715	\$ 672,617	\$ 8,583,772
Restricted cash and investments	-	-	3,445,436	15,503,723	3,098,880	-	22,048,039
Receivables	866,333	588,839	184,910	2,582,830	-	34,618	4,257,530
Due from other funds	1,026,145	752,863	-	-	-	25,943	1,804,951
Inventories	65,565	-	-	-	-	46,016	111,581
Prepaid expenses	-	7,686	-	-	-	-	7,686
Total assets	<u>\$ 8,684,483</u>	<u>\$ 1,349,388</u>	<u>\$ 3,630,346</u>	<u>\$ 18,086,553</u>	<u>\$ 4,283,595</u>	<u>\$ 779,194</u>	<u>\$ 36,813,559</u>
<b>LIABILITIES</b>							
Accounts payable	\$ 272,252	\$ 7,787	\$ -	\$ 3,023,848	\$ -	\$ -	\$ 3,303,887
Accrued salaries and benefits	2,386,585	434,679	-	-	-	99,462	2,920,726
Due to other funds	1,493,068	-	-	238,574	19,030	46,264	1,796,936
Payable to charter school	188,563	-	-	-	-	-	188,563
Unearned revenue	-	906,922	-	-	-	19,158	926,080
Total liabilities	<u>4,340,468</u>	<u>1,349,388</u>	<u>-</u>	<u>3,262,422</u>	<u>19,030</u>	<u>164,884</u>	<u>9,136,192</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable revenue-property taxes	448,174	-	174,442	-	-	-	622,616
Total deferred inflows of resources	<u>448,174</u>	<u>-</u>	<u>174,442</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>622,616</u>
<b>FUND BALANCES</b>							
Nonspendable for:							
Inventories	65,565	-	-	-	-	46,016	111,581
Restricted for:							
Emergencies	1,290,000	-	-	-	-	-	1,290,000
Capital projects	-	-	-	14,824,131	-	-	14,824,131
Debt service	-	-	3,455,904	-	3,098,880	-	6,554,784
Preschool program	77,110	-	-	-	-	-	77,110
Committed for:							
Student activities	-	-	-	-	-	95	95
Food Services	-	-	-	-	-	568,199	568,199
Assigned for:							
Subsequent year insurance claims	265,126	-	-	-	-	-	265,126
Capital projects	-	-	-	-	1,165,685	-	1,165,685
Unassigned	2,198,040	-	-	-	-	-	2,198,040
Total fund balances	<u>3,895,841</u>	<u>-</u>	<u>3,455,904</u>	<u>14,824,131</u>	<u>4,264,565</u>	<u>614,310</u>	<u>27,054,751</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 8,684,483</u>	<u>\$ 1,349,388</u>	<u>\$ 3,630,346</u>	<u>\$ 18,086,553</u>	<u>\$ 4,283,595</u>	<u>\$ 779,194</u>	<u>\$ 36,813,559</u>

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

**SCHOOL DISTRICT FREMONT RE-1  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2019**

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

Total fund balance - governmental funds		\$ 27,054,751
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the fund financial statements.		
Capital assets	\$ 75,769,451	
Accumulated depreciation	<u>(32,300,660)</u>	43,468,791
Property tax receivable is not available to pay current period expenditures and, therefore, is deferred in the fund financial statements.		
		622,616
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in government funds:		
Deferred charges on refunding	\$ 103,174	
Net pension liabilities	(61,982,943)	
Pension outflows	18,957,462	
Pension inflows	(46,836,761)	
Net OPEB liabilities	(3,095,671)	
OPEB outflows	189,684	
OPEB inflows	(28,052)	
Accrued interest	(91,354)	
Compensated absences	(1,099,359)	
Capital leases	(4,705,943)	
Bonds payable	(27,839,032)	
Unamortized bond premium	(2,007,786)	<u>(128,436,581)</u>
Net position of governmental activities in the statement of net position		<u><u>\$ (57,290,423)</u></u>

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

**SCHOOL DISTRICT FREMONT RE-1**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	General Fund	Governmental Designated- Purpose Grants Fund	Bond Redemption Fund	Building Fund	Capital Projects Fund	Total Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>							
Local property taxes	\$ 7,954,038	\$ -	\$ 3,220,094	\$ -	\$ -	\$ -	\$ 11,174,132
Specific ownership taxes	1,752,981	-	-	-	-	-	1,752,981
State sources	22,166,093	1,582,330	-	6,947,067	-	38,377	30,733,867
Interest income	95,023	-	52,486	243,927	81,463	234	473,133
Federal sources	150,484	2,628,826	-	-	-	1,346,449	4,125,759
Other local sources	994,357	1,084,764	-	-	523,540	457,485	3,060,146
Total revenues	<u>33,112,976</u>	<u>5,295,920</u>	<u>3,272,580</u>	<u>7,190,994</u>	<u>605,003</u>	<u>1,842,545</u>	<u>51,320,018</u>
<b>EXPENDITURES</b>							
Instruction	18,352,551	1,895,994	-	-	180,796	27,639	20,456,980
Athletics	-	-	-	-	-	386,333	386,333
Supporting services							
Student support	1,372,023	1,787,434	-	-	-	7,194	3,166,651
Instructional staff	1,433,387	621,801	-	-	-	344,814	2,400,002
General administration	633,725	-	-	-	93,629	-	727,354
School administration	1,886,819	15,750	-	-	-	-	1,902,569
Business services	574,544	54,967	-	-	-	-	629,511
Operations and maintenance	3,748,361	292,803	-	-	-	-	4,041,164
Student transportation	593,444	-	-	-	451,636	-	1,045,080
Central support service	1,556,391	-	-	-	62,877	-	1,619,268
Other support services	-	9,015	-	-	-	-	9,015
Community services	69,590	703,156	-	-	-	-	772,746
Food services	-	-	-	-	-	1,774,134	1,774,134
Facilities acquisition	200	-	-	10,310,323	648	-	10,311,171
Debt service:							
Principal	-	-	1,635,000	-	807,927	-	2,442,927
Interest and other charges	-	-	923,907	-	15,023	-	938,930
Issuance costs	-	-	-	105,200	-	-	105,200
Total expenditures	<u>30,221,035</u>	<u>5,380,920</u>	<u>2,558,907</u>	<u>10,415,523</u>	<u>1,612,536</u>	<u>2,540,114</u>	<u>52,729,035</u>
Excess (deficiency) of revenues over expenditures	<u>2,891,941</u>	<u>(85,000)</u>	<u>713,673</u>	<u>(3,224,529)</u>	<u>(1,007,533)</u>	<u>(697,569)</u>	<u>(1,409,017)</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Proceeds from bond issuance	-	-	-	14,199,032	-	-	14,199,032
Premium on bonds	-	-	-	1,801,759	-	-	1,801,759
Proceeds from capital leases	-	-	-	-	362,000	-	362,000
Transfers in	-	85,000	-	-	1,169,805	631,942	1,886,747
Transfers out	(1,886,747)	-	-	-	-	-	(1,886,747)
Total other financing sources (uses)	<u>(1,886,747)</u>	<u>85,000</u>	<u>-</u>	<u>16,000,791</u>	<u>1,531,805</u>	<u>631,942</u>	<u>16,362,791</u>
Net change in fund balances	1,005,194	-	713,673	12,776,262	524,272	(65,627)	14,953,774
Fund balances - beginning	<u>2,890,647</u>	<u>-</u>	<u>2,742,231</u>	<u>2,047,869</u>	<u>3,740,293</u>	<u>679,937</u>	<u>12,100,977</u>
Fund balances - ending	<u>\$ 3,895,841</u>	<u>\$ -</u>	<u>\$ 3,455,904</u>	<u>\$ 14,824,131</u>	<u>\$ 4,264,565</u>	<u>\$ 614,310</u>	<u>\$ 27,054,751</u>

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

**SCHOOL DISTRICT FREMONT RE-1  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019**

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

Net change in fund balances - total governmental funds:	\$ 14,953,774
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlays	\$ 11,185,403	
Depreciation	<u>(2,076,062)</u>	9,109,341

Governmental funds do not present property tax revenues that are unavailable to pay current obligations. In contrast, such revenues are reported in the statement of activities when earned.	(71,710)
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt.

Issuance of debt	\$ (16,362,791)	
Repayment of principal	<u>2,442,927</u>	(13,919,864)

Governmental funds measure compensated absences by the amount of financial resources used, whereas these expenses are reported in the statement of activities based on the amounts earned during the year.	(90,475)
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Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This is the net effect of these differences.

Accrued interest	\$ 134,436	
Amortization of deferred on refunding	(49,903)	
Accretion of bond premium	<u>(17,196)</u>	67,337

Certain expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Net Pension expenses	\$ 6,817,747	
Net OPEB expenses	<u>(53,896)</u>	<u>6,763,851</u>

Change in net position of governmental activities	<u><u>\$ 16,812,254</u></u>
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The accompanying notes are an integral part of these financial statements.

**SCHOOL DISTRICT FREMONT RE-1  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE, 30 2019**

	<b>Private-Purpose Trust Fund</b>	<b>Agency Fund</b>
<b>ASSETS</b>		
Cash and investments	\$ 93,856	\$ 355,786
Restricted cash and investments	376,740	-
Due from primary government	-	12,403
	470,596	368,189
<b>LIABILITIES</b>		
Due to primary government	20,418	-
Due to student organizations	-	368,189
	20,418	\$ 368,189
<b>NET POSITION</b>		
Held in trust for individuals		
Nonexpendable	376,740	
Expendable	73,438	
	\$ 450,178	

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

**SCHOOL DISTRICT FREMONT RE-1  
STATEMENT OF CHANGES IN NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE, 30 2019**

	<b>Private-Purpose Trust Fund</b>
<b>ADDITIONS</b>	
Investment income	\$ 9,267
Donations	3,108
Total additions	12,375
<b>DEDUCTIONS</b>	
Scholarship awards	5,125
Total deductions	5,125
Change in net position	7,250
Net position - beginning	442,928
Net position - ending	\$ 450,178

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

**SCHOOL DISTRICT FREMONT RE-1  
STATEMENT OF FINANCIAL POSITION  
FREMONT SCHOOLS FACILITIES CORPORATION  
DECEMBER 31, 2018**

**ASSETS**

Current assets

Cash and investments	\$ 725,294
	725,294

Non-current assets

Capital assets, net of accumulated depreciation	197,284
	197,284

Total assets	\$ 922,578
	922,578

**LIABILITIES AND NET POSITION**

Total liabilities	\$ -
	-

Net position

Unrestricted	922,578
	922,578

Total net position	922,578
	922,578

Total liabilities and net position	\$ 922,578
	922,578

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

**SCHOOL DISTRICT FREMONT RE-1  
STATEMENT OF ACTIVITIES  
FREMONT SCHOOLS FACILITIES CORPORATION  
YEAR ENDED DECEMBER 31, 2018**

**UNRESTRICTED NET POSITION**

Support and revenue	
Investment earnings	\$ 46,192
Gain (loss) on sale of investments	(97,252)
Total support and revenue	<u>(51,060)</u>
Expenses	
Program expenses	43,643
Total expenses	<u>43,643</u>
Change in net position	(94,703)
Net position - beginning	<u>1,017,281</u>
Net position - ending	<u><u>\$ 922,578</u></u>

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

**SCHOOL DISTRICT FREMONT RE-1  
STATEMENT OF CASH FLOWS  
FREMONT SCHOOLS FACILITIES CORPORATION  
YEAR ENDED DECEMBER 31, 2018**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net position	\$ (94,703)
Adjustments to reconcile change in net position to net cash provided (used) by operating activities:	
Depreciation	30,834
Loss on sale of assets	97,252
	33,383
Net cash provided (used) by operating activities	33,383
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds on sale of investments	2,859
Purchase of investments	(44,623)
	(41,764)
Net cash provided (used) by investing activities	(41,764)
Net increase (decrease) in cash and cash equivalents	(8,381)
Cash and cash equivalents - beginning	8,997
Cash and cash equivalents - ending	\$ 616

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

## **NOTES TO FINANCIAL STATEMENTS**

**SCHOOL DISTRICT FREMONT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

School District Fremont RE-1 (the District) was organized in 1866. The District provides educational services to residents in the eastern section of Fremont County. The District is governed by a five-member Board of Education, which is the policy-making body of the District.

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the District are discussed below.

*A. DESCRIPTION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS*

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

*B. REPORTING ENTITY*

The inclusion or exclusion of component units is based on a determination of the elected official's financial accountability to their constituents, and whether the financial reporting entity follows the same accountability. Further, the financial statements of the reporting entity should enable the reader to distinguish between the primary government (including its blended component units, which are in substance, part of the primary government) and discretely presented component units. The criteria used for determining whether an entity should be included, either blended or discretely presented, includes but is not limited to fiscal dependency, imposition of will, legal standing, and the primary recipient of services.

*Mountain View Core Knowledge School*

The District Board of Education approved a charter school for operation, which started during fiscal year 1996-97. Mountain View Core Knowledge School (the Charter School) was formed in accordance with state statutes for operation as a District charter school. The respective members of the charter school governing board are appointed separately from the District. The Charter School is deemed to be fiscally dependent upon the District since the District provides the majority of support to the Charter School in the form of Per-Pupil Operating Revenue. The Charter School is deemed to be a separate legal entity based on the formation of the school in accordance with state statutes. The Charter School is presented as a discrete component unit of the District as the potential exists that their exclusion from the District's financial reporting entity would result in misleading financial reporting. Financial statements for the Charter School may be obtained by writing the Charter School.

**SCHOOL DISTRICT FREMONT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*B. REPORTING ENTITY (CONTINUED)*

*Fremont Schools Facilities Corporation*

The Fremont Schools Facilities Corporation (the Facilities Corp.) was created under provisions of Colorado State Statutes. The Facilities Corp. was formed to provide services to School District Fremont RE-1 and the City of Canon City. The Facilities Corp. was created by the District and its governing board is approved by the Board of Education. The Board of Education is able to impose its will on the Facilities Corp. The District is not responsible for any debt incurred by the Facilities Corp. The year-end of the Facilities Corp. is December 31. The Facilities Corp. is presented as a discrete component unit of the District as the potential exists that their exclusion from the District's financial reporting entity would result in misleading financial reporting. Separate financial statements have not been prepared for the Facilities Corp.

*C. BASIS OF PRESENTATION—GOVERNMENT-WIDE FINANCIAL STATEMENTS*

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

The statement of activities demonstrates the degree to which direct expenses of given functions or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities.

*D. BASIS OF PRESENTATION—FUND FINANCIAL STATEMENTS*

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained by the District is consistent with legal and managerial requirements.

The emphasis of fund financial statements is on major governmental and enterprise funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

**SCHOOL DISTRICT FREMONT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*D. BASIS OF PRESENTATION—FUND FINANCIAL STATEMENTS (CONTINUED)*

The District reports the following major governmental funds:

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

The *Special Revenue Funds* account for revenue sources that are legally restricted to expenditure for specific purposes (not including major capital projects).

The *Governmental Designated-Purpose Grants Fund* is used to record financial transactions for grants received for designated programs funded by federal, state or local governments.

The *Bond Redemption Fund* accounts for the servicing of long-term debt not being financed by the capital reserve or other funds.

The *Building Fund* accounts is used to account for all resources available for acquiring capital sites, building and equipment.

The *Capital Projects Fund* is used to account for the purposes of acquisition of sites, buildings, equipment, and vehicles.

Additionally, the District reports the following fund types:

The *Special Revenue Funds* account for revenue sources that are legally restricted to expenditure for specific purposes (not including major capital projects).

The *Food Service Fund* accounts for the District's food service program. This fund is required to account for USDA school breakfast and lunch money received by the District.

The *Pupil Activity Fund* is used to account for the revenues and expenditures related to school sponsored student intrascholastic and interscholastic athletic and other related activities. This fund may receive subsidies from the General Fund.

*Fiduciary Funds* account for assets held by the government in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the government under the terms of a formal trust agreement.

The *Private-Purpose Trust Fund* is used to report any trust arrangement under which the principal and/or income benefit individuals or organizations and the funds are not used as part of the operations of the District. The District uses this fund to report on its scholarship programs.

The *Agency Fund* is custodial in nature and does not present results of operations or a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the government holds for others in an agency capacity.

**SCHOOL DISTRICT FREMONT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*D. BASIS OF PRESENTATION—FUND FINANCIAL STATEMENTS (CONTINUED)*

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

*E. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING*

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the period or soon enough thereafter to pay liabilities of the current fiscal period. For this purpose, the government considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

**SCHOOL DISTRICT FREMONT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*E. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)*

Those revenues susceptible to accrual are property taxes, interest revenue and charges for services. Specific ownership taxes collected and held by the county at year-end on behalf of the District are also recognized as revenue. Other revenues, such as transportation, vocational and special education, are not susceptible to accrual because, generally, they are not measurable until received in cash. Entitlements and shared revenues are recorded at the time of receipt or earlier if the accrual criteria are met. Expenditure-driven grants recognize revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

The private-purpose trust fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

*F. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE*

*Cash and Investments*

The District pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the cash account is available to meet current operating requirements. Surplus or temporary surplus money in each separate fund may be invested, but no mixing between funds is allowed. Cash and cash equivalents include cash on hand and in the bank, certificates of deposit and short-term investments with original maturities of three months or less from the date of acquisition. Investments are stated at fair value.

*Receivables*

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

*Inventory and prepaid items*

Inventory is valued at the lower of cost or market using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

In the Food Service Fund, commodity inventories are stated at USDA's assigned values, which approximate fair value at the date of receipt. Expenses for food items are recorded when used. The federal government donates surplus commodities to supplement the national school lunch programs.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**SCHOOL DISTRICT FREMONT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*F. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE (CONTINUED)*

*Restricted Cash and Investments*

Certain cash and investments items are classified as restricted assets on the balance sheet because they are maintained in separate accounts and their use is limited by applicable trust and debt agreements.

*Capital Assets*

Capital assets, which include land, buildings and improvements, vehicles, and equipment, are reported in the governmental column in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 in all funds. Donated capital assets are valued at their estimated fair market value on the date received. Major outlays for capital assets and improvements are capitalized as projects are constructed.

If proprietary fund assets are constructed, interest is capitalized on the assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. The costs of normal maintenance and repairs that do not add to the value of the asset, or materially extend asset lives, are not capitalized.

Capital assets of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	20 to 50 years
Vehicles	10 years
Equipment	5 to 15 years

*Pensions*

School District Fremont RE-1 participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/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.

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*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. A brief description of some of the major changes to plan provisions required by SB 18-200 for the SCHDTF are listed below. A full copy of the bill can be found online at [www.leg.colorado.gov](http://www.leg.colorado.gov).

**SCHOOL DISTRICT FREMONT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*F. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE (CONTINUED)*

*Pensions (continued)*

- Increases employer contribution rates for the SCHDTF by 0.25 percent on July 1, 2019.
- Increases employee contribution rates for the SCHDTF by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).
- As specified in C.R.S. § 24-51-413, the State is required to contribute \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SCHDTF is considered a nonemployer contribution for financial reporting purposes.
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, increases 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.

*Health Care Trust Fund*

*OPEB.* School District Fremont RE-1 participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

*Deferred outflows/inflows of resources*

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

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

**SCHOOL DISTRICT FREMONT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*F. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE (CONTINUED)*

*Long-term liabilities*

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the governmental activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the debt using the straight-line method. Bonds payable are reported net of the applicable premium or discount.

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

*Net position flow assumption*

The District may fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted—net position and unrestricted—net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted—net position to have been depleted before unrestricted—net position is applied.

*Fund balance flow assumption*

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

*Fund balance classification*

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications available to be used in the governmental fund financial statements are as follows:

**Nonspendable** – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

**Restricted** – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

**SCHOOL DISTRICT FREMONT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*F. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE (CONTINUED)*

*Fund balance classification (continued)*

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Education. These amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action that was used when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification includes amounts that are constrained by the District’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Education or through the Board of Education delegating this responsibility to management through the budgetary process. This classification also includes the remaining positive fund balance for any governmental funds except for the General Fund.

Unassigned – This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The District would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

*G. REVENUES AND EXPENDITURES/EXPENSES*

*Program revenues*

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

*Compensated Absences*

It is the District’s policy to permit employees to accumulate a limited amount of earned but unused vacation and sick leave benefits, which will be paid to employees upon separation from District service.

The current portion of these liabilities represents the amount that would be liquidated with expendable available financial resources. This liability is recognized in the General Fund. The long-term portion of this liability is recorded in the government-wide financial statements.

*H. ESTIMATES*

The preparation of financial statements in conformity with generally accepted accounting principals in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**SCHOOL DISTRICT FREMONT RE-1  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

*Budgetary Information*

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Budgetary internal control is established and maintained at the individual building level. Actual expenditures of each fund may not legally exceed budgeted expenditures on an individual fund level.
2. Prior to the June board meeting of the Board of Education, the Superintendent of Schools submits to the Board of Education, a proposed operating and capital budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
3. Public hearings are conducted at Board of Education meetings to obtain taxpayer comment.
4. The District’s mill levy is formally certified to the Fremont County Board of County Commissioners prior to the 15th day of December, based on the budget.
5. Prior to June 30, the budget is legally enacted through passage of resolution.
6. Authorization to transfer budgeted amounts between funds and revisions that alter the total expenditures of any fund must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year in the General, Special Revenue, Debt Service, Proprietary and Fiduciary Funds.
8. Budgets for the General, Special Revenue, Debt Service, Proprietary and Fiduciary Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
9. Budgeted amounts in this report are as originally adopted, or as amended by the District throughout the year.
10. All annual appropriations lapse at the end of the fiscal year.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

A summary of deposits and investments as of June 30, 2019 is as follows:

Deposits	\$ 458,093
Investments	<u>30,173,718</u>
Total	<u>\$ 30,631,811</u>

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

Cash and investments	\$ 8,583,772
Restricted cash and investments	<u>22,048,039</u>
Total	<u>\$ 30,631,811</u>

**SCHOOL DISTRICT FREMONT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)**

*Deposits*

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits might not be recovered. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

The carrying amount of the District's deposits at June 30, 2019 was \$458,093 and the bank balances were \$1,547,187. Of the bank balances, \$250,000 was covered by federal deposit insurance and \$1,297,187 was uninsured but collateralized in accordance with the provisions of the Colorado Public Deposit Protection Act (PDPA). The collateral is pooled and held in trust for all uninsured deposits as a group.

*Investments*

The District is authorized by Colorado statutes to invest in the following:

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

**SCHOOL DISTRICT FREMONT RE-1  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)**

*Investments (continued)*

At June 30, 2019 the District's investment balances were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
ColoTrust	\$ 21,064,666	0.00
Money Market	6,011,319	0.00
<u>Commercial Paper</u>	<u>3,097,733</u>	<u>0.39</u>
Total fair value	<u>\$ 30,173,718</u>	
Portfolio weighted average maturity		0.04

The District's investments are subject to interest rate risk and credit risk as described below:

Interest Rate Risk: State law limits maturities for US Treasuries and US Agencies to no more than five years from the date of purchase. The District does not have a formal investment policy that would further limit investment maturities as a means of managing its exposure to fair value losses from increasing interest rates. The District does not hold any US Treasuries or US Agencies that exceed maturity limits.

Credit Risk: State law limits investments to those described above. The District does not have an investment policy that would further limit its investment choices. As of June 30, 2019, Standard & Poor's rated ColoTrust AAAM and all other investments held by the District AAA.

COLOTRUST and CSAFE are investment vehicles established for local government entities in Colorado pursuant to Part 7 of Article 75 of Title 24 of the Colorado Revised Statutes, to pool surplus funds for investment purposes. The investment vehicle operates similarly to money market funds and each share is equal in value to \$1.00. The fair value of the position in the pool is the same as the value of the pool shares.

The designated custodial bank provides safekeeping and depository services to COLOTRUST and CSAFE in connection with the direct investment and withdrawal functions of COLOTRUST and CSAFE. Substantially all securities owned by COLOTRUST and CSAFE are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by COLOTRUST and CSAFE. Investments of COLOTRUST and CSAFE consist of U.S. Treasury bills, notes and note strips, and repurchase agreements collateralized by U.S. Treasury Notes. However, the District does not categorize investments with COLOTRUST or CSAFE because they are not evidenced by securities that exist in physical or book entry form.

**SCHOOL DISTRICT FREMONT RE-1  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)**

*Facilities Corp Deposits and Investments*

The deposits and investments of the Facilities Corp at December 31, 2018 consist of the following:

Deposits	\$	616
Investments		<u>724,678</u>
 Total cash and investments	 \$	 <u>725,294</u>

The carrying amount of the Facilities Corp.'s deposits at December 31, 2018 was \$616 and the bank balances were \$616. All of the bank balances were covered by federal deposit insurance.

**NOTE 4 – FAIR VALUE MEASUREMENT**

The District records assets and liabilities in accordance with GASB 72, which establishes general principles for measuring fair value, provides additional fair value application guidance and enhances disclosures about fair value measurements.

GASB 72 defines fair value as 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 is a market-based measurement for a particular asset or liability based on assumptions that market participants would use in pricing the asset or liability. Such assumptions include observable and unobservable inputs of market data, as well as assumptions about risk and the risk inherent in the inputs to the valuation technique. As a basis for considering market participant assumptions in fair value measurements, GASB 72 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels.

- Level 1 inputs reflect prices quoted in active markets.
- Level 2 inputs reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.
- Level 3 inputs reflect prices based upon unobservable sources.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

Investments classified in Level 1 of the fair value hierarchy are valued directly from a predetermined primary external pricing vendor. Investments classified in Level 2 are subject to pricing by an alternative pricing source due to lack of information available by the primary vendor.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Commercial Paper	\$ <u>          -</u>	\$ <u>3,097,733</u>	\$ <u>          -</u>	\$ <u>3,097,733</u>

**SCHOOL DISTRICT FREMONT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 5 – RECEIVABLES**

Receivables as of June 30, 2019 for the government’s individual major and non-major funds in the aggregate, are as follows:

	<u>General</u>	<u>Designated Purpose Grants</u>	<u>Bond Redemption Fund</u>	<u>Building Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total</u>
Receivables:						
Property tax	\$ 620,280	\$ -	\$ 184,910	\$ -	\$ -	\$ 805,190
Grant proceeds	-	588,839	-	2,582,830	34,618	3,206,287
Other	<u>246,053</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>246,053</u>
Total	<u>\$ 866,333</u>	<u>\$ 588,839</u>	<u>\$ 184,910</u>	<u>\$ 2,582,830</u>	<u>\$ 34,618</u>	<u>\$ 4,257,530</u>

The District expects uncollectible amounts to be insignificant; accordingly, no allowance for uncollectible accounts has been made.

**NOTE 6 - TAXES**

*Property Tax*

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on December 31, and are payable in full by April 30, or are payable in two equal installments due February 28 and June 15. The Fremont County Treasurer bills and collects the District’s property tax. District property tax revenues are recognized when levied to the extent they result in current receivables.

The District is permitted to levy taxes on the assessed valuation for general governmental services and for the payment of principal and interest on long-term debt. The combined tax rate to finance general governmental services for the year ended December 31, 2019, is 32.832 mills for general operating expenses and 13.618 mills for the payment of long-term debt. The District’s assessed valuation for the collection year 2019 was \$240,065,006.

*Specific Ownership Tax*

Specific ownership taxes are collected by Fremont County for motor vehicles and other personal property registered in the District’s assessment area. The tax receipts collected by the county are remitted to the District in the subsequent month. Specific ownership taxes are recorded as revenue when collected by the county.

**SCHOOL DISTRICT FREMONT RE-1  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 7 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

*Receivables and Payables*

All interfund receivables and payables are created in conjunction with the District’s pooled cash and investment portfolios. Balances are routinely cleared as a matter of practice.

The composition of interfund balances at June 30, 2019 is as follows:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 1,026,145	\$ 1,493,068
Grants Fund	752,863	-
Building Fund	-	238,574
Capital Projects Fund	-	19,030
Non-major Governmental Funds	25,943	46,264
Fiduciary Funds	<u>12,403</u>	<u>20,418</u>
 Total	 <u>\$ 1,817,354</u>	 <u>\$ 1,817,354</u>

Due to/from primary government and component units:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Component unit—Charter School	Primary government	<u>\$ 188,563</u>

*Transfers*

Interfund transfer activity for the year ended June 30, 2019 is as follows:

	<u>Transfer In</u>			
<u>Transfer Out</u>	<u>Capital Projects Fund</u>	<u>Grants Fund</u>	<u>Pupil Activity Fund</u>	<u>Total</u>
General Fund	<u>\$ 1,169,805</u>	<u>\$ 85,000</u>	<u>\$ 631,942</u>	<u>\$ 1,886,747</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and (3) to move capital assets from one fund to another fund when the fund using the capital assets changes.

**SCHOOL DISTRICT FREMONT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 8 - INVENTORIES**

Inventories for non-food service fund governmental fund types consist of instructional supplies, audio visual supplies and non-issued instructional equipment. Inventories are accounted for using the consumption method and are valued at lower of cost or market and amounted to \$65,565 at June 30, 2019.

Inventories for the Food Service Fund consist of purchases and donated commodities and non-food supplies. Purchased inventories are stated at cost. Donated inventories, received at no cost under programs supported by the U.S. government, are recorded at their estimated fair market value at date of receipt and amounted to \$46,016 at June 30, 2019.

**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2019 was as follows:

	<u>Balance</u> <u>06/30/18</u>	<u>Additions</u>	<u>Sales and</u> <u>Retirements</u>	<u>Balance</u> <u>06/30/19</u>
<i>Governmental Activities</i>				
Non-depreciable assets:				
Land	\$ 2,220,137	\$ -	\$ -	\$ 2,220,137
Construction in progress	<u>1,033,271</u>	<u>10,429,120</u>	<u>(1,133,699)</u>	<u>10,328,692</u>
Total non-depreciable assets	<u>3,253,408</u>	<u>10,429,120</u>	<u>(1,133,699)</u>	<u>12,548,829</u>
Depreciable assets:				
Buildings and improvements	52,990,274	760,499	-	53,750,773
Vehicles	2,343,519	451,636	-	2,795,155
Equipment	<u>5,996,847</u>	<u>677,847</u>	<u>-</u>	<u>6,674,694</u>
Total depreciable assets	<u>61,330,640</u>	<u>1,889,982</u>	<u>-</u>	<u>63,220,622</u>
Less accumulated depreciation	<u>(30,224,598)</u>	<u>(2,076,062)</u>	<u>-</u>	<u>(32,300,660)</u>
Total depreciable assets, net	<u>31,106,042</u>	<u>(186,080)</u>	<u>-</u>	<u>30,919,962</u>
<i>Governmental activities capital assets, net</i>	<u>\$ 34,359,450</u>	<u>\$ 10,243,040</u>	<u>\$ (1,133,699)</u>	<u>\$ 43,468,791</u>

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

*Governmental Activities*

Instruction	\$ 954,607
School Administration	10,937
Operations & maintenance	25,370
Transportation	126,862
Central	109,783
Facilities acquisition	824,805
Food Service	<u>23,698</u>
	<u>\$ 2,076,062</u>

**SCHOOL DISTRICT FREMONT RE-1  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 9 - CAPITAL ASSETS (CONTINUED)**

*Facilities Corp Capital Assets*

Capital asset activity for the year ended June 30, 2019 was as follows:

	Balance <u>06/30/18</u>	<u>Additions</u>	Sales and <u>Retirements</u>	Balance <u>06/30/19</u>
Buildings and improvements	\$ 462,506	\$ -	\$ -	\$ 462,506
Less accumulated depreciation	<u>(234,388)</u>	<u>(30,834)</u>	<u>-</u>	<u>(265,222)</u>
Total depreciable assets, net	<u>\$ 228,117</u>	<u>\$ (30,834)</u>	<u>\$ -</u>	<u>\$ 197,284</u>

**NOTE 10 - ACCRUED COMPENSATION**

Salaries and retirement benefits of certain school-based personnel are paid over a twelve-month period beginning in September, but are earned during a school year of approximately ten months. The salaries and benefits earned, but unpaid, as of June 30, 2019 are \$2,920,726. Accordingly, the accrued compensation is reflected as a liability of the respective funds in the accompanying financial statements.

**NOTE 11 - LONG-TERM LIABILITIES**

*General Obligation Bonds*

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. All general obligation bonds have been issued for governmental activities.

General Obligation bonds payable at June 30, 2019 are as follows:

	<u>Principal Balance</u>
2011A refunding bonds in the original amount of \$7,135,000 due in varying annual installments through December 1, 2024 and interest rates from 2.00% to 3.5%.	\$ 3,490,000
2014 refunding bonds in the original amount of \$7,500,000 due in varying annual installments through December 1, 2024 and interest rates from 2.00% to 3.00%.	6,300,000
2017 refunding bonds in the original amount of \$4,000,000 due in varying annual installments through December 1, 2037 and an interest rate at 3.22%.	3,850,000
2018N refunding bonds in the original amount of \$6,199,032 due in varying annual installments through December 1, 2038 and an interest rate of 3.893%	6,199,032
2018A refunding bonds in the original amount of \$8,000,000 due in varying annual installments through December 1, 2038 and interest rates from 5.00% to 6.00%.	<u>8,000,000</u>
Total General Obligation Bonds	<u>\$ 27,839,032</u>

**SCHOOL DISTRICT FREMONT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 11 - LONG-TERM LIABILITIES (CONTINUED)**

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 2,143,613	\$ 1,066,350
2021	2,183,577	1,003,321
2022	2,242,086	932,968
2023	2,315,926	856,674
2024	2,390,111	777,261
2025 – 2029	5,721,337	3,029,979
2030 – 2034	4,925,930	2,019,004
2035 – 2039	<u>5,916,452</u>	<u>721,575</u>
Total	<u>\$ 27,839,032</u>	<u>\$ 10,407,132</u>

The bonds are payable from property tax levies collected in the Bond Redemption Fund. The bond resolutions require that tax levies be sufficient to generate enough revenue to pay the interest and the bond installments of principal as they become due. At June 30, 2019 there was \$3,455,904 available in the Bond Redemption Fund to service the general obligation bonds.

*Capital Leases*

District-wide Energy Project. The District entered into a lease agreement as lessee on August 9, 2004 for financing district-wide replacement and installation of heating, ventilation and air conditioning improvements. This lease qualifies as a capital lease. The lease requires quarterly payments of \$22,679 beginning January 1, 2005 through October 1, 2019. Upon full satisfaction of the lease, the ownership of this equipment will transfer to the District.

Qualified Zone Academy Bonds. During the year-ended June 30, 2005 the District issued Qualified Zone Academy Bonds (QZAB) in the amount of \$778,324 and \$2,854,889. QZAB's, created under Section 226 of the Taxpayer Relief Act of 1997, are a unique financing instrument available to public schools meeting certain eligibility requirements as specified in Section 1397E of the Internal Revenue Code. The QZAB's bear a stated interest rate of 0%, however the holder of a QZAB is generally allowed annual federal income tax credits while the debt is outstanding. These credits are intended to compensate the holder of the QZAB's for lending money to the issuer and function as "interest" on the debt.

The QZAB's were issued to finance a portion of the cost of district-wide replacement and installation of heating, ventilation and air conditioning improvements. The financing agreements for the Series 2004-QZAB's and Series 2005-QZAB's include the sale and lease back of District property and qualify as capital leases. Under separate forward delivery agreements, the District is required to make annual sinking fund deposits. The forward delivery agreements provide guaranteed investment returns whereby the required deposits, along with accrued interest, will be sufficient to redeem the leases at maturity. The invested assets accumulated pursuant to the forward delivery agreements are held under trust agreements until the leases mature. The QZAB's are collateralized by the assets held under the trust agreements in the event of cancellation or default.

**SCHOOL DISTRICT FREMONT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 11 - LONG-TERM LIABILITIES (CONTINUED)**

Series 2004-QZAB. The District issued the Series 2004-QZAB's on November 18, 2004 in the amount of \$778,324. The Series 2004-QZAB's will mature in full on November 20, 2020 for the original \$778,324 issue amount. The Series 2004-QZAB is collateralized by real estate at Lincoln Elementary School and improvements at Canon City High School, Canon City Middle School, Lincoln Elementary School and Skyline Elementary School. The forward delivery agreement issued concurrently with the QZAB's requires annual deposits of \$40,443 beginning May 18, 2006 through May 18, 2020.

Series 2005-QZAB. The District issued the Series 2005-QZAB's on May 18, 2005 in the amount of \$2,854,889. The Series 2005-QZAB's will mature in full on May 18, 2021 for the original \$2,854,889 issue amount. The Series 2005-QZAB's are collateralized by real estate and improvements at McKinley Elementary School. The forward delivery agreement issued concurrently with the Series 2005-QZAB's requires annual deposits of \$143,443 beginning November 18, 2006 through November 18, 2020.

2008 Qualified Zone Academy Bonds. The District issued Qualified Zone Academy Bonds on June 24, 2008 in the amount of \$1,000,000 for financing construction of school facilities. The 2008 QZAB's require annual payments ranging from \$71,929 to \$76,584 beginning June 24, 2009 through June 24, 2023. The 2008 QZAB's are treated as a capital lease, where the ownership of property will transfer to the District upon full satisfaction of the lease. This lease was paid off during the year.

Lighting System. The District entered into a lease agreement as lessee in July of 2011 for financing the acquisition of a lighting system. The lease requires annual payments of \$19,047 beginning July 18, 2011 through July 18, 2020. Upon full satisfaction of the lease, the ownership of this equipment will transfer to the District.

2014 QZAB Program. The District entered into a lease agreement on June 23, 2014 in the amount of \$1,000,000 to finance the acquisition of a lighting system. This lease qualifies as a capital lease. Rental payments of \$100,000 will be made annually beginning July 1, 2015 through July 1, 2024. Upon full satisfaction of the lease, the ownership of this equipment will transfer to the District.

US Bancorp – Technology Refresh. The District entered into a lease agreement on July 1, 2016 in the amount of \$206,000 to finance the upgrade of technology. The lease requires annual payments of \$70,007 beginning July 1, 2016 through July 1, 2018. Upon full satisfaction of the lease, the ownership will transfer to the District.

US Bancorp – Phone System. The District entered into a lease agreement on July 1, 2017 in the amount of \$239,004 to finance the upgrade of the phone system. The lease requires annual payments of \$49,808 beginning July 1, 2017 through July 1, 2021. Upon full satisfaction of the lease, the ownership will transfer to the District.

US Bancorp – Chrome Books. The District entered into a lease agreement on December 29, 2017 in the amount of \$36,750 to finance the acquisition of chrome books. The lease requires annual payments of \$12,889 beginning December 29, 2017 through December 29, 2019. Upon full satisfaction of the lease, the ownership will transfer to the District.

US Bancorp – Buses. The District entered into a lease agreement on July 1, 2018 in the amount of \$362,000 to finance the acquisition of three buses. The lease requires annual payments of \$124,687 beginning July 2, 2018 through July 2, 2020. Upon full satisfaction of the lease, the ownership of the buses will transfer to the District.

**SCHOOL DISTRICT FREMONT RE-1  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 11 - LONG-TERM LIABILITIES (CONTINUED)**

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Asset:	
Buildings and improvements	\$ 4,410,189
Equipment	765,326
Vehicles	793,202
Less: Accumulated depreciation	<u>(4,634,667)</u>
Total	<u>\$ 1,334,050</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2019, were as follows

<u>Year Ending June 30</u>	
2020	\$ 351,789
2021	3,926,755
2022	149,807
2022	100,000
2024	100,000
2025	<u>100,000</u>
Total minimum lease payments	4,728,351
Less: amount representing interest	<u>(22,408)</u>
Present value of minimum lease payments	<u>\$ 4,705,943</u>

*Compensated Absences Payable*

Compensated absences consisted of the following as of June 30, 2019:

Vacation benefits	\$ 300,255
Sick leave benefits	<u>799,104</u>
Total	<u>\$ 1,099,359</u>

**SCHOOL DISTRICT FREMONT RE-1  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 11 - LONG-TERM LIABILITIES (CONTINUED)**

*Changes in Long-term Liabilities*

The following is a summary of long-term debt transactions of the District for the year ended June 30, 2019:

	<u>Balance 06/30/18</u>	<u>Debt Issued And Additions</u>	<u>Reductions</u>	<u>Balance 06/30/19</u>	<u>Due Within One year</u>
Bonds payable:					
General obligation bonds	\$15,275,000	\$ 14,199,032	\$ 1,635,000	\$ 27,839,032	\$ 2,143,613
Unamortized bond premium	<u>340,463</u>	<u>1,801,759</u>	<u>134,436</u>	<u>2,007,786</u>	<u>-</u>
	15,615,463	16,000,791	1,769,436	29,846,818	2,143,613
Capital leases payable	<u>5,151,870</u>	<u>362,000</u>	<u>807,927</u>	<u>4,705,943</u>	<u>337,506</u>
Total bond and capital leases	20,767,333	16,362,791	2,577,363	34,552,761	2,481,119
Compensated absences	<u>1,008,884</u>	<u>90,475</u>	<u>-</u>	<u>1,099,359</u>	<u>-</u>
Total	<u>\$ 21,776,217</u>	<u>\$ 16,453,266</u>	<u>\$ 2,577,363</u>	<u>\$ 35,652,120</u>	<u>\$ 2,481,119</u>

**NOTE 12 – OPERATING LEASES**

The District leases office equipment under non-cancelable operating leases. Total costs for such leases were \$158,700 for the year ended June 30, 2019. The future minimum lease payments for these leases are as follows:

<u>Year Ending June 30</u>	
2020	\$ 158,700
2021	158,700
2022	158,700
2023	158,700
2024	<u>158,700</u>
Total minimum lease payments	<u>\$ 793,500</u>

**NOTE 13 - DEFINED BENEFIT PENSION PLAN**

*General Information about the Pension Plan*

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

**SCHOOL DISTRICT FREMONT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)**

*Benefits provided as of December 31, 2018.* PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

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

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

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

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

As of December 31, 2018, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments in certain years, referred to as annual increases in the C.R.S. Pursuant to SB 18-200, there are no annual increases (AI) for 2018 and 2019 for all benefit recipients. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure will receive an annual increase, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 1.5 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 will receive the lesser of an annual increase of 1.5 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SCHDTF. The automatic adjustment provision may raise or lower the aforementioned AI for a given year by up to one-quarter of 1 percent based on the parameters specified C.R.S. § 24-51-413.

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

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

**SCHOOL DISTRICT FREMONT RE-1  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)**

*Contributions provisions as of June 30, 2019:* Eligible employees, School District Fremont RE-1 and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Eligible employees are required to contribute 8 percent of their PERA-includable salary during the period of July 1, 2018 through June 30, 2019. Employer contribution requirements are summarized in the table below:

	January 1, 2018 Through December 31, 2018	January 1, 2019 Through June 30, 2019
Employer contribution rate	10.15%	10.15%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02)%	(1.02)%
Amount apportioned to the SCHDTF	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.50%	5.50%
<b>Total employer contribution rate to the SCHDTF</b>	<b>19.13%</b>	<b>19.13%</b>

Contribution rates for the SCHDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

As specified in C.R.S. § 24-51-413, the State is required to contribute \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SCHDTF is considered a nonemployer contribution for financial reporting purposes.

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the School District Fremont RE-1 is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from School District Fremont RE-1 were \$3,786,110 for the year ended June 30, 2019.

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

The net pension liability for the SCHDTF was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll-forward the total pension liability to December 31, 2018. The School District Fremont RE-1 proportion of the net pension liability was based on School District Fremont RE-1 contributions to the SCHDTF for the calendar year 2017 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

**SCHOOL DISTRICT FREMONT RE-1  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)**

At June 30, 2019, the School District Fremont RE-1 reported a liability of \$61,982,943 for its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity. The amount recognized by the School District Fremont RE-1 as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with School District Fremont RE-1 were as follows:

School District Fremont RE-1 proportionate share of the net pension liability	\$ 61,982,943
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the School District Fremont RE-1	8,475,307
Total	\$ 70,458,250

At December 31, 2018, the School District Fremont RE-1 proportion was 0.3500466125 percent, which was a decrease of 0.0443398711 from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the School District Fremont RE-1 recognized pension expense of \$3,031,637 and revenue of \$43,541 for support from the State as a nonemployer contributing entity. At June 30, 2019, the School District Fremont RE-1 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 2,102,530	\$ -
Changes of assumptions or other inputs	11,569,387	38,546,723
Net difference between projected and actual earnings on pension plan investments	3,378,457	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	8,290,038
Contributions subsequent to the measurement date	1,907,088	N/A
Total	\$ 18,957,462	\$ 46,836,761

**SCHOOL DISTRICT FREMONT RE-1  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)**

\$1,907,088 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30, 2019:	
2020	\$ (5,733,209)
2021	(15,607,887)
2022	(10,293,372)
2023	1,848,081
2024	-
Thereafter	-

*Actuarial assumptions.* The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 9.70 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	4.78 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (automatic)	2.00 percent compounded annually
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

The revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2017 to December 31, 2018:

Discount rate	7.25 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic)	0% through 2019 and 1.5% compounded annually, thereafter
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

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.

**SCHOOL DISTRICT FREMONT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)**

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

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

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

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

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

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

**SCHOOL DISTRICT FREMONT RE-1  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 13 - 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 asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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

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

*Discount rate.* The discount rate used to measure the total pension liability was 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:

- 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 member contribution rates in effect for each year, including the scheduled increases in SB 18-200. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200. Employer contributions also include the 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.

**SCHOOL DISTRICT FREMONT RE-1  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)**

- As specified in law, the State will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- Employer contributions and the amount of total service costs for future plan members were based upon a process 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. 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 middle of the year.

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

As of the prior measurement date, the long-term expected rate of return on plan investments of 7.25 percent and the municipal bond index rate of 3.43 percent were used in the discount rate determination resulting in a discount rate of 4.78 percent, 2.47 percent lower compared to the current measurement date.

*Sensitivity of the School District Fremont RE-1 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 7.25 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 (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 pension liability	\$ 78,800,708	\$ 61,982,943	\$ 47,870,001

*Pension plan fiduciary net position.* Detailed information about the SCHDTF's fiduciary net position is available in PERA's CAFR which can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**SCHOOL DISTRICT FREMONT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 14 – DEFINED BENEFIT OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLAN**

*Health Care Trust Fund*

*Plan description.* Eligible employees of the School District Fremont RE-1 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 (CAFR) that can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

*Benefits provided.* The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. For members who retire having service credit with employers in the Denver Public Schools (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.

*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.

**SCHOOL DISTRICT FREMONT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 14 – DEFINED BENEFIT OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLAN  
(CONTINUED)**

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

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the School District Fremont RE-1 is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from School District Fremont RE-1 were \$201,873 for the year ended June 30, 2019.

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

At June 30, 2019, the School District Fremont RE-1 reported a liability of \$3,095,671 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2018. The School District Fremont RE-1 proportion of the net OPEB liability was based on School District Fremont RE-1 contributions to the HCTF for the calendar year 2018 relative to the total contributions of participating employers to the HCTF.

At December 31, 2018, the School District Fremont RE-1 proportion was 0.2275321964 percent, which was an increase of 0.0034458241 from its proportion measured as of December 31, 2017.

**SCHOOL DISTRICT FREMONT RE-1  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 14 – DEFINED BENEFIT OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLAN  
(CONTINUED)**

For the year ended June 30, 2019, the School District Fremont RE-1 recognized OPEB expense of \$255,768. At June 30, 2019, the School District Fremont RE-1 reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 11,236	\$ 4,712
Changes of assumptions or other inputs	21,716	-
Net difference between projected and actual earnings on OPEB plan investments	17,802	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	37,245	23,340
Contributions subsequent to the measurement date	101,685	N/A
Total	\$ 189,684	\$ 28,052

\$101,685 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30, 2019:	
2020	\$ 9,164
2021	9,164
2022	9,169
2023	21,528
2024	10,493
Thereafter	429

**SCHOOL DISTRICT FREMONT RE-1  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 14 – DEFINED BENEFIT OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLAN  
(CONTINUED)**

*Actuarial assumptions.* The total OPEB liability in the December 31, 2017 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	3.25 percent for 2018, gradually rising to 5.00 percent in 2025
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.

The actuarial assumptions used in the December 31, 2017, 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 discussed below.

In determining the additional liability for PERACare enrollees who are age sixty–five or older and who are not eligible for premium–free Medicare Part A, the following monthly costs/premiums are assumed for 2018 for the PERA Benefit Structure:

<b>Medicare Plan</b>	<b>Cost for Members Without Medicare Part A</b>	<b>Premiums for Members Without Medicare Part A</b>
Self-Funded Medicare Supplement Plans	\$736	\$367
Kaiser Permanente Medicare Advantage HMO	602	236
Rocky Mountain Health Plans Medicare HMO	611	251
UnitedHealthcare Medicare HMO	686	213

The 2018 Medicare Part A premium is \$422 per month.

**SCHOOL DISTRICT FREMONT RE-1  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 14 – DEFINED BENEFIT OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLAN  
(CONTINUED)**

In determining the additional liability for PERACare enrollees in the PERA Benefit Structure who are age sixty–five or older and who are not eligible for premium–free Medicare Part A, the following chart details the initial expected value of Medicare Part A benefits, age adjusted to age 65 for the year following the valuation date:

<b>Medicare Plan</b>	<b>Cost for Members Without Medicare Part A</b>
Self-Funded Medicare Supplement Plans	\$289
Kaiser Permanente Medicare Advantage HMO	300
Rocky Mountain Health Plans Medicare HMO	270
UnitedHealthcare Medicare HMO	400

All costs are subject to the health care cost trend rates, as discussed below.

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, 2017, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

<b>Year</b>	<b>PERACare Medicare Plans</b>	<b>Medicare Part A Premiums</b>
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.25%
2023	5.00%	4.50%
2024	5.00%	4.75%
2025+	5.00%	5.00%

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.

**SCHOOL DISTRICT FREMONT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 14 – DEFINED BENEFIT OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLAN  
(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 health care costs assumptions were updated and used in the measurement of the obligations for the HCTF:

- 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 2018 plan year.
- 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 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.

**SCHOOL DISTRICT FREMONT RE-1  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 14 – DEFINED BENEFIT OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLAN  
(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%
<b>Total</b>	<b>100.00%</b>	

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

*Sensitivity of the School District Fremont RE-1 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	2.25%	3.25%	4.25%
Ultimate Medicare Part A trend rate	4.00%	5.00%	6.00%
Net OPEB Liability	\$ 3,010,187	\$ 3,095,671	\$ 3,193,992

*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, 2018, 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%.

**SCHOOL DISTRICT FREMONT RE-1  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 14 – DEFINED BENEFIT OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)**

- 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.
- Employer contributions and the amount of total service costs for future plan members were based upon a process 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 middle of the year.

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

*Sensitivity of the School District Fremont RE-1 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	\$ 3,463,786	\$ 3,095,671	\$ 2,780,967

*OPEB plan fiduciary net position.* Detailed information about the HCTF’s fiduciary net position is available in PERA’s CAFR which can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**NOTE 15 - 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; workers’ compensation; general liability; unemployment; and employee benefit expenses related to health programs. The District provides for these risks through the purchase of commercial insurance in the General Fund. Settled claims resulting from these risks have not exceeded the insurance coverage during any of the last three fiscal years.

**NOTE 16 - COMMITMENTS AND CONTINGENCIES**

*Grants*

The District has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to a request for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. District management believes disallowances, if any, will be immaterial.

**SCHOOL DISTRICT FREMONT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 17 – COLORADO SCHOOL DISTRICT/BOCES, ELECTRONIC DATA INTEGRITY CHECK FIGURES**

The School Finance Act requires inclusion of the Colorado School District/BOCES, Electronic Financial Data Integrity Check Figures as a supplemental schedule to the audited financial statements. The Report is based on a prescribed basis of accounting that demonstrates compliance with the financial policies and procedures of the Colorado Department of Education.

**NOTE 18 - TAX, SPENDING, AND DEBT LIMITATIONS**

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations including revenue raising, spending abilities and other specific requirements of state and local governments.

The Amendment requires Emergency Reserves to be established. These reserves must be at least 3 percent of Fiscal Year Spending. The entity is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary or benefit increases. At June 30, 2019, the District's reserve of \$1,290,000 was reported as restricted fund balance in the General Fund.

Spending and revenue limits are determined based on the prior year's spending adjusted for inflation and local growth. Revenue in excess of the limit must be refunded unless the voters approve retention of such revenue.

On November 2, 1999 voters within the District authorized the District to retain and expend all revenues and all other funds collected during the fiscal year ended June 30, 1999 and each subsequent year from any source, notwithstanding the limitations of Article X, Section 20 of the Colorado Constitution, provided, however, that no property tax mill levy shall be increased at any time nor shall any new tax be imposed without the prior approval of the voters of the District.

On November 7, 2017, voters within the District authorized the District to increase taxes \$1,385,000 annually, limited to a 10 year period starting in collection year 2018 and ending after collection year 2027 and to increase debt \$18.2 million, with a repayment cost of up to \$30.9 million, and increase taxes by up to \$1.55 million annually.

The Amendment is complex and subject to judicial interpretation. The entity believes it is in compliance with the requirements of the amendment. However, the District has made certain interpretations to the amendment's language in order to determine its compliance.

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHOOL DISTRICT FREMONT RE-1**  
**SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**JUNE 30, 2019**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability (asset)	0.3500466125%	0.3943864836%	0.3988370590%	0.3990759031%	0.4009413828%	0.4029943282%
District's proportionate share of the net pension liability (asset)	\$ 61,982,943	\$ 127,530,572	\$ 118,749,215	\$ 61,035,842	\$ 54,341,025	\$ 51,401,818
State's proportionate share of the net pension liability (asset) associated with the District	8,475,307	-	-	-	-	-
<b>Total</b>	<u>\$ 70,458,250</u>	<u>\$ 127,530,572</u>	<u>\$ 118,749,215</u>	<u>\$ 61,035,842</u>	<u>\$ 54,341,025</u>	<u>\$ 51,401,818</u>
District's covered payroll	\$ 19,243,942	\$ 18,192,582	\$ 17,900,521	\$ 17,391,636	\$ 16,796,568	\$ 16,245,985
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	322.09%	701.00%	663.38%	350.95%	323.52%	316.40%
Plan fiduciary net position as a percentage of the total pension liability	57.0%	44.0%	43.1%	59.2%	62.8%	64.1%

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

\* Complete 10-year information to be presented in future years as it becomes available.

See the accompanying independent auditors' report.

**SCHOOL DISTRICT FREMONT RE-1**  
**SCHEDULE OF THE EMPLOYER'S PAYROLL CONTRIBUTIONS - PENSION**  
**JUNE 30, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 3,786,110	\$ 3,496,575	\$ 3,333,610	\$ 3,113,705	\$ 2,805,821	\$ 2,482,935
Contributions in relation to the contractually required contribution	<u>(3,786,110)</u>	<u>(3,496,575)</u>	<u>(3,333,610)</u>	<u>(3,113,705)</u>	<u>(2,805,821)</u>	<u>(2,482,935)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 19,791,478	\$ 18,519,996	\$ 18,137,162	\$ 17,561,786	\$ 16,622,163	\$ 15,537,768
Contributions as a percentage of covered payroll	19.13%	18.88%	18.38%	17.73%	16.88%	15.98%

\* The amounts presented for each fiscal year were determined as of 6/30.

\* Complete 10-year information to be presented in future years as it becomes available.

See the accompanying independent auditors' report.

**SCHOOL DISTRICT FREMONT RE-1  
SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE  
OF THE NET OPEB LIABILITY  
JUNE 30, 2019**

	<u>2018</u>	<u>2017</u>	<u>2016</u>
District's proportion of the net OPEB liability (asset)	0.2275321964%	0.2240863723%	0.2267039213%
District's proportionate share of the net OPEB liability (asset)	\$ 3,095,671	\$ 2,912,226	\$ 2,939,293
District's covered payroll	\$ 19,243,941	\$ 18,192,377	\$ 17,900,534
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	16.09%	16.01%	16.42%
Plan fiduciary net position as a percentage of the total OPEB liability	17.0%	17.5%	16.7%

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

\* Complete 10-year information to be presented in future years as it becomes available.

See the accompanying independent auditors' report.

**SCHOOL DISTRICT FREMONT RE-1**  
**SCHEDULE OF THE EMPLOYER'S PAYROLL CONTRIBUTIONS - OPEB**  
**JUNE 30, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 201,873	\$ 189,384	\$ 184,991
Contributions in relation to the contractually required contribution	<u>(201,873)</u>	<u>(189,384)</u>	<u>(184,991)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 19,791,489	\$ 18,567,080	\$ 18,136,405
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%

\* The amounts presented for each fiscal year were determined as of 6/30.

\* Complete 10-year information to be presented in future years as it becomes

See the accompanying independent auditors' report.

**SCHOOL DISTRICT FREMONT RE-1**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local property taxes	\$ 7,608,461	\$ 7,656,348	\$ 7,954,038	\$ 297,690
Specific ownership taxes	1,676,820	1,687,373	1,752,981	65,608
State sources	21,203,050	21,336,498	22,166,093	829,595
Federal sources	143,946	144,852	150,484	5,632
Investment earnings	90,895	91,467	95,023	3,556
Other local sources	951,155	957,141	994,357	37,216
	31,674,327	31,873,679	33,112,976	1,239,297
<b>EXPENDITURES</b>				
Instruction	18,048,763	18,139,161	18,352,551	(213,390)
Supporting services				
Student support	1,190,162	1,195,062	1,372,023	(176,961)
Instructional staff	1,406,224	1,416,173	1,433,387	(17,214)
General administration	757,759	765,959	633,725	132,234
School administration	1,888,827	1,926,530	1,886,819	39,711
Business services	894,821	866,190	574,544	291,646
Operations and maintenance	3,811,161	3,813,961	3,748,361	65,600
Student transportation	609,525	609,525	593,444	16,081
Central support service	1,276,295	1,577,445	1,556,391	21,054
Facilities acquisition	18,714	14,594	200	14,394
Community services	67,271	67,271	69,590	(2,319)
Contingency reserves	854,067	865,923	-	865,923
Other financing uses				
Transfers out	1,671,126	1,681,155	1,886,747	(205,592)
	32,494,715	32,938,949	32,107,782	831,167
Net change in fund balances	(820,388)	(1,065,270)	1,005,194	2,070,464
Fund balances - beginning	2,447,719	2,890,648	2,890,647	(1)
Fund balances - ending	\$ 1,627,331	\$ 1,825,378	\$ 3,895,841	\$ 2,070,463

See the accompanying independent auditors' report.

**SCHOOL DISTRICT FREMONT RE-1**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**GOVERNMENTAL DESIGNATED-PURPOSE GRANTS FUND**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts,</u> <u>Budgetary</u> <u>Basis</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
State sources	\$ 2,000,000	\$ 2,000,000	\$ 1,582,330	\$ (417,670)
Federal sources	2,800,000	2,800,000	2,628,826	(171,174)
Other local sources	1,200,000	1,200,000	1,084,764	(115,236)
	<u>6,000,000</u>	<u>6,000,000</u>	<u>5,295,920</u>	<u>(704,080)</u>
<b>EXPENDITURES</b>				
Instruction	1,900,000	1,900,000	1,895,994	4,006
Supporting services				
Student support	2,090,000	2,090,000	1,787,434	302,566
Instructional staff	860,000	860,000	621,801	238,199
School administration	27,000	27,000	15,750	11,250
Business services	100,000	100,000	54,967	45,033
Operations and maintenance	9,000	9,000	292,803	(283,803)
Central support service	10,000	10,000	-	10,000
Other support services	10,000	10,000	9,015	985
Community services	994,000	994,000	703,156	290,844
	<u>6,000,000</u>	<u>6,000,000</u>	<u>5,380,920</u>	<u>619,080</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	85,000	(85,000)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - beginning	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See the accompanying independent auditors' report.

**INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

## **GENERAL FUND**

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

The General Fund is deemed to be a major fund for financial reporting purposes.

**SCHOOL DISTRICT FREMONT RE-1**  
**SCHEDULE OF REVENUE COMPARED TO BUDGET**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Local sources			
Local property taxes	\$ 7,656,348	\$ 7,954,038	\$ 297,690
Specific ownership taxes	1,687,373	1,752,981	65,608
Earnings on investments	91,467	95,023	3,556
Other local sources	957,141	994,357	37,216
Total local sources	<u>10,392,329</u>	<u>10,796,399</u>	<u>404,070</u>
State sources			
State equalization	18,080,074	18,783,054	702,980
Vocational education	31,511	32,736	1,225
Transportation	138,717	144,111	5,394
Special education	1,117,459	1,160,907	43,448
Other state sources	1,968,738	2,045,285	76,547
Total state sources	<u>21,336,498</u>	<u>22,166,093</u>	<u>829,595</u>
Federal sources			
Other federal sources	<u>144,852</u>	<u>150,484</u>	<u>5,632</u>
Total federal sources	<u>144,852</u>	<u>150,484</u>	<u>5,632</u>
Total revenues	<u>\$ 31,873,679</u>	<u>\$ 33,112,976</u>	<u>\$ 1,239,297</u>

See the accompanying independent auditors' report.

**SCHOOL DISTRICT FREMONT RE-1**  
**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES**  
**COMPARED TO BUDGET**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>EXPENDITURES</b>			
<b>Instruction</b>			
Salaries	\$ 11,924,860	\$ 11,847,202	\$ 77,658
Employee benefits	3,305,972	3,558,611	(252,639)
Purchased services	2,013,170	2,149,252	(136,082)
Supplies	357,262	233,575	123,687
Capital outlay	514,503	524,544	(10,041)
Other expenses	23,394	39,367	(15,973)
Total instruction	<u>18,139,161</u>	<u>18,352,551</u>	<u>(213,390)</u>
<b>Supporting services</b>			
<b>Student support:</b>			
Salaries	921,540	1,015,388	(93,848)
Employee benefits	243,927	314,798	(70,871)
Purchased services	18,500	35,736	(17,236)
Supplies	10,095	6,099	3,996
Capital outlay	1,000	2	998
Total student support	<u>1,195,062</u>	<u>1,372,023</u>	<u>(176,961)</u>
<b>Instructional staff</b>			
Salaries	565,194	620,197	(55,003)
Employee benefits	154,671	181,129	(26,458)
Purchased services	292,302	328,916	(36,614)
Supplies	387,006	286,515	100,491
Capital outlay	7,000	7,086	(86)
Other expenses	10,000	9,544	456
Total instructional staff	<u>1,416,173</u>	<u>1,433,387</u>	<u>(17,214)</u>
<b>General administration</b>			
Salaries	374,380	277,838	96,542
Employee benefits	107,379	74,103	33,276
Purchased services	226,050	224,751	1,299
Supplies	26,600	31,406	(4,806)
Capital outlay	3,050	697	2,353
Other expenses	28,500	24,930	3,570
Total general administration	<u>\$ 765,959</u>	<u>\$ 633,725</u>	<u>\$ 132,234</u>

See the accompanying independent auditors' report.

**SCHOOL DISTRICT FREMONT RE-1**  
**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES**  
**COMPARED TO BUDGET**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>School administration</b>			
Salaries	\$ 1,319,938	\$ 1,312,921	\$ 7,017
Employee benefits	350,150	392,319	(42,169)
Purchased services	210,058	115,894	94,164
Supplies	45,069	63,256	(18,187)
Capital outlay	1,315	2,429	(1,114)
Total school administration	<u>1,926,530</u>	<u>1,886,819</u>	<u>39,711</u>
<b>Business services</b>			
Salaries	313,657	333,140	(19,483)
Employee benefits	77,688	94,287	(16,599)
Purchased services	74,800	84,921	(10,121)
Supplies	64,300	49,365	14,935
Capital outlay	4,500	190	4,310
Other expenses	331,245	12,641	318,604
Total business services	<u>866,190</u>	<u>574,544</u>	<u>291,646</u>
<b>Operations and maintenance</b>			
Salaries	1,432,731	1,461,042	(28,311)
Employee benefits	403,830	452,398	(48,568)
Purchased services	882,700	860,675	22,025
Supplies	1,077,400	934,622	142,778
Capital outlay	17,300	39,624	(22,324)
Total operations and maintenance	<u>3,813,961</u>	<u>3,748,361</u>	<u>65,600</u>
<b>Student transportation</b>			
Salaries	383,094	422,176	(39,082)
Employee benefits	120,545	148,230	(27,685)
Purchased services	42,600	25,592	17,008
Supplies	199,000	159,727	39,273
Capital outlay	5,000	4,785	215
Other expenses	(140,714)	(167,066)	26,352
Total student transportation	<u>\$ 609,525</u>	<u>\$ 593,444</u>	<u>\$ 16,081</u>

See the accompanying independent auditors' report.

**SCHOOL DISTRICT FREMONT RE-1**  
**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES**  
**COMPARED TO BUDGET**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Final Budget	Actual	Variance Favorable (Unfavorable)
Central support services			
Salaries	\$ 883,085	\$ 888,729	\$ (5,644)
Employee benefits	160,305	185,700	(25,395)
Purchased services	376,400	311,388	65,012
Supplies	139,449	142,966	(3,517)
Capital outlay	13,206	26,935	(13,729)
Other expenses	5,000	673	4,327
Total central support services	<u>1,577,445</u>	<u>1,556,391</u>	<u>21,054</u>
Other supporting services			
Salaries	50,226	50,318	(92)
Employee benefits	17,045	16,868	177
Supplies	-	2,404	(2,404)
Total other supporting services	<u>67,271</u>	<u>69,590</u>	<u>(2,319)</u>
Total supporting services	<u>12,238,116</u>	<u>11,868,284</u>	<u>369,832</u>
Facilities acquisition			
Purchased services	3,000	200	2,800
Property	11,594	-	-
Total facilities acquisition	<u>14,594</u>	<u>200</u>	<u>2,800</u>
Contingency reserves	<u>865,923</u>	<u>-</u>	<u>865,923</u>
Other financing uses			
Transfers out	<u>1,681,155</u>	<u>1,886,747</u>	<u>(205,592)</u>
Total expenditures and other financing uses	<u>\$ 32,938,949</u>	<u>\$ 32,107,782</u>	<u>\$ 819,573</u>

See the accompanying independent auditors' report.

## **GOVERNMENTAL DESIGNATED-PURPOSE GRANTS FUND**

This fund is authorized by Colorado state law for the purpose of accounting for financial assistance from certain state and federal grants.

For financial reporting purposes, the Governmental Designated-Purpose Grants Fund was determined to be a major fund of the District for the current fiscal year.

**SCHOOL DISTRICT FREMONT RE-1**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**GOVERNMENTAL DESIGNATED-PURPOSE GRANTS FUND**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
State sources	\$ 2,000,000	\$ 1,582,330	\$ (417,670)
Federal sources	2,800,000	2,628,826	(171,174)
Other local sources	1,200,000	1,084,764	(115,236)
<b>Total revenues</b>	<b>6,000,000</b>	<b>5,295,920</b>	<b>(704,080)</b>
<b>EXPENDITURES</b>			
Instruction	1,900,000	1,895,994	4,006
Supporting services			
Student support	2,090,000	1,787,434	302,566
Instructional staff	860,000	621,801	238,199
School administration	27,000	15,750	11,250
Business services	100,000	54,967	45,033
Operations and maintenance	9,000	292,803	(283,803)
Central support service	10,000	-	10,000
Other support services	10,000	9,015	985
Community services	994,000	703,156	290,844
<b>Total expenditures</b>	<b>6,000,000</b>	<b>5,380,920</b>	<b>619,080</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	85,000	(85,000)
<b>Net change in fund balances</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fund balances - beginning	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See the accompanying independent auditors' report.

## **BOND REDEMPTION FUND**

This fund is used to account for the accumulation of resources for and the payment of principal, interest, and related expenses on long-term general obligation debt or long-term voter-approved lease-purchase debt.

The Bond Redemption Fund is deemed to be a major fund for financial reporting purposes.

**SCHOOL DISTRICT FREMONT RE-1**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**BOND REDEMPTION FUND**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Local property taxes	\$ 2,515,000	\$ 3,220,094	\$ 705,094
Interest income	24,000	52,486	28,486
 Total revenues	 2,539,000	 3,272,580	 733,580
<b>EXPENDITURES</b>			
Debt service:			
Principal	1,635,000	1,635,000	-
Interest and other charges	928,908	923,907	5,001
 Total expenditures	 2,563,908	 2,558,907	 5,001
 Net change in fund balances	 (24,908)	 713,673	 738,581
 Fund balances - beginning	 2,742,231	 2,742,231	 -
 Fund balances - ending	 \$ 2,717,323	 \$ 3,455,904	 \$ 738,581

See the accompanying independent auditors' report.

## **BUILDING FUND**

This fund is used to account for all resources available for acquiring capital sites, buildings, and equipment.

The Building Fund is deemed to be a major fund for financial reporting purposes.

**SCHOOL DISTRICT FREMONT RE-1  
BUILDING FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2019**

	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Local sources	\$ 12,000	\$ 243,927	\$ 231,927
State sources	10,912,495	6,947,067	(3,965,428)
Total revenues	<u>10,924,495</u>	<u>7,190,994</u>	<u>(3,733,501)</u>
<b>EXPENDITURES</b>			
Supporting services	15,950,005	10,310,323	5,639,682
Debt service	<u>210,000</u>	<u>105,200</u>	<u>104,800</u>
Total expenditures	<u>16,160,005</u>	<u>10,415,523</u>	<u>5,744,482</u>
Excess (deficiency) of revenues over expenditures	<u>(5,235,510)</u>	<u>(3,224,529)</u>	<u>2,010,981</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Bond proceeds	<u>16,002,000</u>	<u>16,000,791</u>	<u>1,209</u>
Net change in fund balances	10,766,490	12,776,262	2,012,190
Fund balance - beginning	<u>2,047,869</u>	<u>2,047,869</u>	<u>-</u>
Fund balance - ending	<u><u>\$ 12,814,359</u></u>	<u><u>\$ 14,824,131</u></u>	<u><u>\$ 2,012,190</u></u>

See the accompanying independent auditors' report.

## **CAPITAL PROJECTS FUND**

The Capital Projects Fund is used to account for significant capital expenditures of the District.

The Capital Projects Fund is deemed to be a major fund for financial reporting purposes.

**SCHOOL DISTRICT FREMONT RE-1**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**CAPITAL PROJECTS FUND**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Investment earnings	\$ 49,200	\$ 81,463	\$ 32,263
Other local sources	-	523,540	523,540
<b>Total revenues</b>	<b>49,200</b>	<b>605,003</b>	<b>555,803</b>
<b>EXPENDITURES</b>			
Instruction	137,000	180,796	(43,796)
Supporting services			
General administration	-	93,629	(93,629)
Operations and maintenance	40,000	-	40,000
Student transportation	412,000	451,636	(39,636)
Central support service	100,000	62,877	37,123
Other support services	100,000	-	100,000
Facilities acquisition and construction	-	648	(648)
Debt service:			
Principal	808,242	807,927	315
Interest and other charges	20,952	15,023	5,929
<b>Total expenditures</b>	<b>1,618,194</b>	<b>1,612,536</b>	<b>5,658</b>
Excess (deficiency) of revenues over expenditures	(1,568,994)	(1,007,533)	561,461
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from capital leases	362,000	362,000	-
Transfers in	1,036,636	1,169,805	133,169
<b>Total other financing sources (uses)</b>	<b>1,398,636</b>	<b>1,531,805</b>	<b>133,169</b>
<b>Net change in fund balances</b>	<b>(170,358)</b>	<b>524,272</b>	<b>694,630</b>
Fund balances - beginning	3,740,293	3,740,293	-
Fund balances - ending	\$ 3,569,935	\$ 4,264,565	\$ 694,630

See the accompanying independent auditors' report.

## **NON-MAJOR GOVERNMENTAL FUNDS**

In addition to the funds identified as major governmental funds for financial reporting, the District reports the following non-major funds:

### **Special Revenue Funds**

#### *Food Service Fund*

This fund accounts for all financial activities associated with the District's school lunch program.

#### *Pupil Activity Fund*

This fund is used to account for the revenues and expenditures related to school sponsored student intrascholastic and interscholastic athletic and other related activities.

**SCHOOL DISTRICT FREMONT RE-1  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2019**

	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	<u>Food Service Fund</u>	<u>Pupil Activity Fund</u>	
<b>ASSETS</b>			
Cash and investments	\$ 672,522	\$ 95	\$ 672,617
Receivables	34,618	-	34,618
Due from other funds	-	25,943	25,943
Inventories	46,016	-	46,016
	<u>753,156</u>	<u>26,038</u>	<u>779,194</u>
Total assets	<u>\$ 753,156</u>	<u>\$ 26,038</u>	<u>\$ 779,194</u>
<b>LIABILITIES</b>			
Accrued salaries and benefits	\$ 73,519	\$ 25,943	\$ 99,462
Due to other funds	46,264	-	46,264
Unearned revenue	19,158	-	19,158
	<u>138,941</u>	<u>25,943</u>	<u>164,884</u>
Total liabilities	<u>138,941</u>	<u>25,943</u>	<u>164,884</u>
<b>FUND BALANCES</b>			
Nonspendable for:			
Inventories	46,016	-	46,016
Committed for:			
Student activities	-	95	95
Food services	568,199	-	568,199
	<u>614,215</u>	<u>95</u>	<u>614,310</u>
Total fund balances	<u>614,215</u>	<u>95</u>	<u>614,310</u>
Total liabilities and fund balances	<u>\$ 753,156</u>	<u>\$ 26,038</u>	<u>\$ 779,194</u>

See the accompanying independent auditors' report.

**SCHOOL DISTRICT FREMONT RE-1**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Food Service Fund	Pupil Activity Fund	
<b>REVENUES</b>			
State sources	\$ 38,377	\$ -	\$ 38,377
Interest income	234	-	234
Federal sources	1,346,449	-	1,346,449
Other local sources	323,447	134,038	457,485
	<u>1,708,507</u>	<u>134,038</u>	<u>1,842,545</u>
<b>EXPENDITURES</b>			
Instruction	-	27,639	27,639
Athletics	-	386,333	386,333
Supporting services			
Student support	-	7,194	7,194
Instructional staff	-	344,814	344,814
Food services	1,774,134	-	1,774,134
	<u>1,774,134</u>	<u>765,980</u>	<u>2,540,114</u>
Excess (deficiency) of revenues over expenditures	<u>(65,627)</u>	<u>(631,942)</u>	<u>(697,569)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	631,942	631,942
	<u>(65,627)</u>	<u>-</u>	<u>(65,627)</u>
Fund balances - beginning	<u>679,842</u>	<u>95</u>	<u>679,937</u>
Fund balances - ending	<u>\$ 614,215</u>	<u>\$ 95</u>	<u>\$ 614,310</u>

See the accompanying independent auditors' report.

**SCHOOL DISTRICT FREMONT RE-1**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**FOOD SERVICE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
State sources	\$ 40,450	\$ 38,377	\$ (2,073)
Interest income	100	234	134
Federal sources	1,484,550	1,346,449	(138,101)
Other local sources	423,730	323,447	(100,283)
Total revenues	<u>1,948,830</u>	<u>1,708,507</u>	<u>(240,323)</u>
<b>EXPENDITURES</b>			
Salaries	657,782	645,299	12,483
Employee benefits	242,713	217,650	25,063
Purchased services	21,900	25,564	(3,664)
Supplies	968,350	878,082	90,268
Equipment	5,300	7,539	(2,239)
Indirect costs	34,785	-	34,785
Total expenditures	<u>1,930,830</u>	<u>1,774,134</u>	<u>156,696</u>
Net change in fund balances	18,000	(65,627)	(83,627)
Fund balances - beginning	<u>679,842</u>	<u>679,842</u>	<u>-</u>
Fund balances - ending	<u><u>\$ 697,842</u></u>	<u><u>\$ 614,215</u></u>	<u><u>\$ (83,627)</u></u>

See the accompanying independent auditors' report.

**SCHOOL DISTRICT FREMONT RE-1**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**PUPIL ACTIVITY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Local sources	\$ 133,600	134,038	\$ 438
Total revenues	133,600	134,038	438
<b>EXPENDITURES</b>			
Instruction	29,516	27,639	1,877
Athletics	394,536	386,333	8,203
Supporting services			
Student support	7,497	7,194	303
Instructional staff	346,570	344,814	1,756
Total expenditures	778,119	765,980	12,139
Excess (deficiency) of revenues over expenditures	(644,519)	(631,942)	12,577
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	644,519	631,942	(12,577)
Net change in fund balances	-	-	-
Fund balances - beginning	95	95	-
Fund balances - ending	\$ 95	\$ 95	\$ -

See the accompanying independent auditors' report.

## **FIDUCIARY FUNDS**

Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private and student groups. The District has the following fiduciary funds:

### *Private-Purpose Trust Fund*

This fund is used to record financial transactions where both the principal and revenues earned on that principal may be expended for purposes designated by the trust agreement.

### *Agency Fund*

This fund was created to act as custodian for various student groups and activity funds.

**SCHOOL DISTRICT FREMONT RE-1  
SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION  
BUDGET AND ACTUAL  
PRIVATE-PURPOSE TRUST FUND  
FOR THE YEAR ENDED JUNE 30, 2019**

	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>ADDITIONS</b>			
Investment income	\$ -	\$ 9,267	\$ 9,267
Donations	6,000	3,108	(2,892)
Total additions	6,000	12,375	6,375
<b>DEDUCTIONS</b>			
Scholarship awards	25,000	5,125	19,875
Total deductions	25,000	5,125	19,875
Change in net position	(19,000)	7,250	26,250
Net position - beginning	442,928	442,928	-
Net position - ending	<u>\$ 423,928</u>	<u>\$ 450,178</u>	<u>\$ 26,250</u>

See the accompanying independent auditors' report.

**SCHOOL DISTRICT FREMONT RE-1**  
**STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Balance</u> <u>6/30/2018</u>	<u>Additions/</u> <u>Revenues</u>	<u>Deletions/</u> <u>Expenditures</u>	<u>Balance</u> <u>6/30/2019</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 243,100	\$ 615,648	\$ 502,962	\$ 355,786
Due from primary government	<u>68,824</u>	<u>12,403</u>	<u>68,824</u>	<u>12,403</u>
Total assets	<u>\$ 311,924</u>	<u>\$ 628,051</u>	<u>\$ 571,786</u>	<u>\$ 368,189</u>
 <b>LIABILITIES</b>				
Due to student organizations	<u>\$ 311,924</u>	<u>\$ 628,051</u>	<u>\$ 571,786</u>	<u>\$ 368,189</u>
Total liabilities	<u>\$ 311,924</u>	<u>\$ 628,051</u>	<u>\$ 571,786</u>	<u>\$ 368,189</u>

See the accompanying independent auditors' report.

## **CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**

Capital Assets reported in this section represent capitalized land, buildings and improvements, vehicles, and equipment owned by the District and used in the operation of Governmental Funds.

**SCHOOL DISTRICT FREMONT RE-1**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE BY SOURCE**  
**JUNE 30, 2019**

Governmental fund capital assets:	
Sites	\$ 2,220,137
Buildings and improvements	53,750,773
Vehicles	2,795,155
Equipment	6,674,694
Construction in progress	<u>10,328,692</u>
Total governmental fund capital assets	<u><u>\$ 75,769,451</u></u>
Investments in governmental funds capital assets by source:	
General fund	\$ 713,852
Capital projects fund	13,473,509
Food Service	506,856
Designated-purpose grants fund	963,375
Activity fund	10,832
Bond fund	19,708,298
Building fund	<u>40,392,729</u>
Total governmental funds capital assets	<u><u>\$ 75,769,451</u></u>

See the accompanying independent auditors' report.

**SCHOOL DISTRICT FREMONT RE-1**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE BY FUNCTION AND ACTIVITY**  
**JUNE 30, 2019**

<u>Function and Activity</u>	<u>Sites</u>	<u>Buildings and Improvements</u>	<u>Vehicles</u>	<u>Equipment</u>	<u>Construction in Progress</u>	<u>Depreciation</u>	<u>Total</u>
Instruction	\$ 1,949,060	\$ 20,401,154	\$ -	\$ 4,091,609	\$ -	\$ 16,644,534	\$ 9,797,289
School administration	53,733	703,444	-	-	-	490,171	267,006
Operation and maintenance	-	-	256,659	164,271	-	246,092	174,838
Student transportation	76,298	-	2,526,796	-	-	1,813,863	789,231
Central support services	141,046	742,282	-	1,960,210	-	1,915,147	928,391
Facilities acquisition	-	31,903,893	-	-	10,328,692	10,942,986	31,289,599
Food Service	-	-	11,700	458,604	-	247,867	222,437
 Total governmental funds capital assets	 <u>\$ 2,220,137</u>	 <u>\$ 53,750,773</u>	 <u>\$ 2,795,155</u>	 <u>\$ 6,674,694</u>	 <u>\$ 10,328,692</u>	 <u>\$ 32,300,660</u>	 <u>\$ 43,468,791</u>

See the accompanying independent auditors' report.

**SCHOOL DISTRICT FREMONT RE-1**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY**  
**JUNE 30, 2019**

<u>Function and Activity</u>	<u>Balance 6/30/2018</u>	<u>Additions</u>	<u>Depreciation and Retirements</u>	<u>Balance 6/30/2019</u>
Instruction	\$ 9,343,436	\$ 1,408,460	\$ 954,607	\$ 9,797,289
School administration	277,944	-	10,937	267,007
Operation and maintenance	160,161	40,048	25,370	174,839
Student transportation	504,504	411,588	126,862	789,230
Central support services	1,038,175	-	109,782	928,393
Facilities acquisition & construction	22,799,899	10,448,203	1,958,504	31,289,598
Food Service	235,331	10,802	23,698	222,436
	<hr/>	<hr/>	<hr/>	<hr/>
Total governmental funds capital assets	<u>\$ 34,359,450</u>	<u>\$ 12,319,101</u>	<u>\$ 3,209,760</u>	<u>\$ 43,468,791</u>

See the accompanying independent auditors' report.

## **EXPENDITURES OF FEDERAL AWARDS**

**SCHOOL DISTRICT FREMONT RE-1  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019**

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Passed Through to Subrecipients</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Agriculture</b>				
<i>Child Nutrition Cluster</i>				
Passed Through Colorado Department of Education				
School Breakfast Program	10.553	4553		\$ 354,401
National School Lunch Program	10.555	4555		798,462
Summer Food Service Program	10.559	4559		59,152
Passed Through Colorado Department of Human Services				
National School Lunch Program	10.555	4555		112,132
<i>Total Child Nutrition Cluster</i>				<u>1,324,147</u>
<i>Forest Service Schools and Roads Cluster</i>				
Passed Through Fremont County, Colorado				
Schools and Roads - Grants to States	10.665	7665		75,032
<i>Total Forest Service Schools and Roads Cluster</i>				<u>75,032</u>
Passed Through Colorado Department of Education				
National School Lunch Program	10.579	5579		5,125
Summer Food Service Program	10.582	4582		17,178
Total U.S. Department of Agriculture				<u>1,421,482</u>
<b>U.S. Department of Defense Direct Program</b>				
Reserve Officer Training Corps	12.unknown	9001		<u>75,452</u>
<b>U.S. Department of Education</b>				
<i>Special Education Cluster (IDEA)</i>				
Passed Through Colorado Department of Education				
Special Education: Grants to States IDEA Part B	84.027	4027		789,565
Special Education: Preschool Grants	84.173	4173		40,314
<i>Total Special Education Cluster</i>				<u>829,879</u>
No Child Left Behind, Title I, Part A	84.010	4010, 5010, 7010		1,102,067
Rural Education	84.358	6358		58,908
Teacher and Principal Training and Recruiting Fund	84.367	4367		141,869
Student Support and Academic Enrichment Program	84.424	4424		61,716
Passed Through Colorado Community College System				
Vocational Education - Basic Grants to States	84.048	4048		39,785
Total U.S. Department of Education				<u>2,234,224</u>
<b>U.S. Department of Health and Human Services</b>				
<i>CCDF Cluster</i>				
Passed Through Colorado Department of Human Services				
Child Care and Development Block Grant	93.575	7575		153,640
<i>Total CCDF Cluster</i>				<u>153,640</u>
Total U.S. Department of Health and Human Services				<u>153,640</u>
<b>Total Federal Awards</b>				<u><u>\$ 3,884,798</u></u>

See the accompanying independent auditors' report.

**SCHOOL DISTRICT FREMONT RE-1**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of School District Fremont RE-1 under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of School District Fremont RE-1, it is not intended to and does not present the financial position, changes in net position, or cash flows of School District Fremont RE-1.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the modified-accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Pass-through entity identifying numbers are presented where available. ROTC does not have a CFDA number, so the Federal CFDA number on the Schedule of Expenditures of Federal Awards identifies the Department followed by "Unknown".

**NOTE 3 – INDIRECT COST RATE**

School District Fremont RE-1 has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE 4 – NON-CASH ASSISTANCE**

During the year end June 30, 2019, School District Fremont RE-1 received \$132,428 in non-cash assistance in the form of food commodities. Valuation of commodities is based on fair market value at the time of receipt.



**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education  
School District Fremont RE-1

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of School District Fremont RE-1, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise School District Fremont RE-1’s basic financial statements, and have issued our report thereon dated October 25, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered School District Fremont RE-1’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of School District Fremont RE-1’s internal control. Accordingly, we do not express an opinion on the effectiveness of School District Fremont RE-1’s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency: 2019-001.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether School District Fremont RE-1's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

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

*Hoelting & Company Inc.*

Colorado Springs, Colorado  
October 25, 2019



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

To the Board of Education  
School District Fremont RE-1

**Report on Compliance for Each Major Federal Program**

We have audited School District Fremont RE-1's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of School District Fremont RE-1's major federal programs for the year ended June 30, 2019. School District Fremont RE-1's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of School District Fremont RE-1's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about School District Fremont RE-1'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 School District Fremont RE-1's compliance.

***Opinion on Each Major Federal Program***

In our opinion, School District Fremont RE-1, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

## Report on Internal Control Over Compliance

Management of School District Fremont RE-1 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered School District Fremont RE-1's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of School District Fremont RE-1's internal control over compliance.

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

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

School District Fremont RE-1's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. School District Fremont RE-1's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### Purpose of this Report

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.

*Hoelting & Company Inc.*

Colorado Springs, Colorado  
October 25, 2019

**SCHOOL DISTRICT FREMONT RE-1  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019**

Section I—Summary of Auditors’ Results

*Financial Statements*

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_ yes  x  no
- Significant deficiency(ies) identified?  x  yes \_\_\_ none reported

Noncompliance material to financial statements noted? \_\_\_ yes  x  no

*Federal Awards*

Internal control over major programs?

- Material weakness(es) identified? \_\_\_ yes  x  no
- Significant deficiency(ies) identified? \_\_\_ yes  x  none reported

Type of auditors’ report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_ yes  x  no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
CFDA 84.010	No Child Left Behind, Title I, Part A

Dollar threshold used to distinguish between type A and type B programs? \$750,000

Auditee qualified as low-risk auditee?  x  yes \_\_\_ no

**SCHOOL DISTRICT FREMONT RE-1  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019**

Section II—Financial Statement Findings

2019-001 Segregation of Duties

*Criteria:* Segregation of duties should be implemented throughout the accounting department. There should be proper segregation of duties ensuring that no one person has the ability to initiate, authorize and record financial transactions.

*Condition:* A single member of management has the ability to record adjusting journal entries, authorize and initiate payments and perform reconciliations.

*Context:* This finding was noted during procedures to understand and test control procedures.

*Effect:* There is a heightened risk of misstatements due to error or fraud exists under this condition.

*Cause:* Some control procedures over segregation of duties were not followed. Controls over authorization, initiation and recording have not been properly implemented.

*Recommendation:* The District should consider allocating additional staffing resources to the Finance Department so that appropriate segregation of duties can be obtained.

*Views of responsible officials and planned corrective action:* Management agrees with this finding and will improve control procedures related to segregation of duties as staff availability allows.

Section III—Findings and Questioned Costs for Federal Awards

No findings reported.



# CAÑON CITY SCHOOLS

SCHOOL DISTRICT FREMONT RE-1

101 North 14th Street  
Cañon City, Colorado 81212

Phone (719) 276-5700  
Fax (719) 276-5739

## ADMINISTRATIVE STAFF

**GEORGE WELSH**  
Superintendent of Schools  
**ADAM HARTMAN**  
Assistant Superintendent of Schools  
**BUDDY LAMBRECHT**  
Director of Business Services  
**MISTY MANCHESTER**  
Director of Human Resources  
**TIM RENN**  
Director of Special Services  
**SHAUN KOHL**  
Director of Technology  
**PAULA BUSER**  
Director of Support Services  
**JEFF PETERSON**  
Director of Operations

The Summary Schedule of Prior Audit Findings (the Summary) summarizes the status of the audit findings reported in the School District Fremont RE-1 Schedule of Findings and Questioned Costs for the year ended June 30, 2018. If the prior audit finding was fully addressed, the Summary indicates that the corrective action described in the prior audit report was taken or that corrective action is no longer needed. Otherwise, the Summary references the page number of the June 30, 2019 single audit report where a repeat recommendation, description of the planned corrective action, or reason for not implementing the recommendation is presented.

<u>Finding Number</u>	<u>CFDA Number</u>	<u>Program/Cluster Title</u>	<u>Finding</u>	<u>Status of Finding</u>
2018-001	N/A	N/A	Segregation of Duties	Not corrected. Reported as finding 2019-001. See page 81.



# CAÑON CITY SCHOOLS

SCHOOL DISTRICT FREMONT RE-1

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Director of Support Services  
**JEFF PETERSON**  
Director of Operations

## CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2019

### 2019-001 Segregation of Duties

*Criteria:* Segregation of duties should be implemented throughout the accounting department. There should be proper segregation of duties ensuring that no one person has the ability to initiate, authorize and record financial transactions.

*Condition:* A single member of management has the ability to record adjusting journal entries, authorize and initiate payments and perform reconciliations.

*Management Response and Planned Corrective Actions:* Management agrees with the finding but currently has insufficient personnel/budget resources to implement this control.

*Responsibility for Corrective Action:* Leslie F. Lambrecht, Director of Business Services

*Anticipated Completion Date:* NA.

**COLORADO SCHOOL DISTRICT/BOCES AUDITORS'  
DATA INTEGRITY REPORT**

**H*c***  
**Hoelting & Company, Inc.**  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON  
COLORADO SCHOOL DISTRICT/BOCES  
AUDITOR'S INTEGRITY REPORT**

To the Board of Education  
School District Fremont RE-1

We have audited the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of School District Fremont RE-1, as of and for the year ended June 30, 2019, which collectively comprise School District Fremont RE-1's basic financial statements, and our report thereon dated October 25, 2019, which expressed an unmodified opinion on those financial statement, appears as listed in the table of contents.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District Fremont RE-1's financial statements. The accompanying *Colorado School District/BOCES, Auditor's Integrity Report* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Hoelting & Company Inc.*

Colorado Springs, Colorado  
October 25, 2019



**Colorado Department of Education**  
**Auditors Integrity Report**  
 District: 1140 - Canon City RE-1  
 Fiscal Year 2018-19  
 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	2,658,404	29,679,588	28,784,388	3,553,605
18 Risk Mgmt Sub-Fund of General Fund	208,606	474,060	417,540	265,126
19 Colorado Preschool Program Fund	23,637	1,072,582	1,019,109	77,110
<b>Sub- Total</b>	<b>2,890,648</b>	<b>31,226,230</b>	<b>30,221,036</b>	<b>3,895,841</b>
11 Charter School Fund	413,328	2,260,949	2,055,663	618,614
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	679,841	1,708,507	1,774,134	614,214
22 Govt Designated-Purpose Grants Fund	0	5,380,920	5,380,920	0
23 Pupil Activity Special Revenue Fund	95	765,979	765,979	95
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	2,742,231	3,272,580	2,558,907	3,455,904
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	2,047,869	23,191,785	10,415,523	14,824,131
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	3,740,293	2,136,808	1,612,536	4,264,565
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
<b>Totals</b>	<b>12,514,306</b>	<b>69,943,757</b>	<b>54,784,699</b>	<b>27,673,364</b>
<b>Proprietary</b>				
50 Other Enterprise Funds	1,631,845	-2,889	60,918	1,568,038
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	0	0	0	0
<b>Totals</b>	<b>1,631,845</b>	<b>-2,889</b>	<b>60,918</b>	<b>1,568,038</b>
<b>Fiduciary</b>				
70 Other Trust and Agency Funds	1,017,282	-51,061	43,643	922,578
72 Private Purpose Trust Fund	442,928	12,375	5,125	450,178
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	311,924	628,051	571,786	368,189
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
<b>Totals</b>	<b>1,772,134</b>	<b>589,365</b>	<b>620,554</b>	<b>1,740,945</b>

FINAL