

cPa DIXON, WALLER & CO., INC.

FREMONT COUNTY SCHOOL

DISTRICT NUMBER RE-2

FLORENCE, COLORADO

FINANCIAL STATEMENTS

JUNE 30, 2019

DIXON, WALLER & CO., INC.

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FREMONT COUNTY SCHOOL DISTRICT RE-2

FINANCIAL STATEMENTS

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FREMONT COUNTY SCHOOL DISTRICT RE-2
ROSTER OF SCHOOL OFFICIALS
June 30, 2019

BOARD OF EDUCATION

Joe Caruso	President
Greg Dickey	Vice-President
Andy Franklin	Treasurer
Linda Schmidt	Secretary
Brad Knifong	Director

SCHOOL OFFICIALS

Brenda Krage	Superintendent
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FINANCIAL SECTION

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TRINIDAD, COLORADO 81082
(719) 846-9241 FAX (719) 846-3352

INDEPENDENT AUDITOR'S REPORT

**Board of Education
Fremont County School
District Number RE-2
Florence, Colorado 81226**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fremont County School District Number RE-2, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Fremont County School District Number RE-2, as of June 30, 2019, and the respective changes in financial position 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, budgetary comparison information and pension and post employment benefits trend data on pages i through vii, and 48 through 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 Fremont County School District Number RE-2's basic financial statements. The combining and individual fund financial statements, other schedules, and state required 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 (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The combining and individual fund financial statements, other schedules, state required 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 combining and individual fund financial statements, other schedules, state required 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 November 27, 2019, on our consideration of Fremont County School District Number RE-2'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 Fremont County School District Number RE-2's internal control over financial reporting and compliance.



November 27, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fremont RE-2 School District Management's Discussion and Analysis

As management of the Fremont RE-2 School District, we offer readers of the District's Comprehensive Annual Financial Report this narrative and analysis of the financial activities of the District for the fiscal year ending June 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information provided in the Independent Auditor's report.

Financial Highlights

- The primary government has government-wide net position deficit of (\$22,808,498) at the end of the current fiscal year due to the net pension liability of over \$23.8 million dollars
- Governmental activities have an unassigned fund balance of over \$8,614,340.
- Fund balance of the District's governmental funds decreased by \$68,727 resulting in an ending fund balance of \$8,614,340. The General Fund balance decreased from a beginning balance of \$5,834,710 to an ending balance of \$5,606,730. There are monies kept in the Non-Restricted Projects Fund (a subset of the General Fund), but are currently not available for the day-to-day operations of the District.
-

Overview of the Financial Statements

The Management's discussion and analysis is intended to be an introduction into the District's basic financial statements. The prior year's statements are provided for comparison. The Fremont RE-2 School District's basic financial statements are comprised of three components:

- 1) Government-wide financial statements
- 2) Fund financial statements
- 3) Notes to basic financial statements

The Management's Discussion and Analysis also contains other supplemental information.

Government-Wide Financial Statements

The financial statements provided are designed to supply the reader an overview of the District's financial activities similar to those statements used in the private sector. The government-wide statements relate to those activities directly related to the education of the students.

The statement of net assets presents information on all of the District's assets and liabilities. The difference between the two is reported as net assets. Changes in net assets from year-to-year may be used as an indicator of the overall financial position of the District.

The statement of activities presents the current fiscal year revenues and expenses to show how the net assets of the district changed during the year. In the statement of activities, changes in net assets are recorded when the event occurs. This could mean that information may be reported for revenues and expenses that will result in cash flow differences in future fiscal years.

Governmental activities consolidate all of the following Fremont RE-2 School District funds: general fund, Colorado preschool fund, governmental designated-purpose grants fund, capital reserve fund, insurance reserve fund, general capital projects fund, pupil activity fund, non-restricted projects fund and bond redemption fund. Business-type activities include only the food service fund.

Fund Financial Statements

Fund financial statements are designed to display compliance with finance-related legal requirements. A fund is a grouping of related accounts designed to keep control over resources segregated for specific activities or objectives. The Fremont RE-2 School District, like other governments, uses fund accounting to guarantee and prove compliance. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds

Governmental funds account for the same functions reported as governmental activities in the government-wide financial statements. However, governmental fund financial statements emphasize short-term financial resources and fund balances (spendable resources available at the end of the fiscal year). Such information is used to evaluate the District's short-term financing requirements. Comparison of the governmental funds with the government-wide funds may allow the reader to better understand the long-term impact of the District's near-term financing decisions.

Fremont RE-2 School District maintains three different governmental funds called major funds: the General fund (which combines the District's general operating fund, insurance reserve fund, general capital projects fund, non-restricted project fund and Colorado preschool fund), the Bond Redemption Fund and the Designated Purpose Grants fund. They are presented separately in the fund financial statements with the remaining governmental funds (combined into a single aggregated presentation labeled other governmental funds). Other governmental funds, called non-major funds, include the District's Capital Reserve fund and the Pupil Activity fund. Individual fund information for the non-major funds is presented as other supplemental information after the notes section of this report.

The District adopts an annual appropriated budget for each of the individual governmental funds. A budgetary comparison schedule for the general fund is included in the fund financial statements to demonstrate compliance with the adopted budget. The remaining governmental funds budgetary comparisons are reported as other supplemental information and can be found after the notes section of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held by the District for parties outside of the District. Fiduciary funds are not reflected in the government-wide financial statements because these sources of those funds are not available to support Fremont RE-2 School District's direct educational programs. The accounting method used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to understanding the data supplied in the government-wide and fund financial statements.

Other Information

In addition to the financial statements and accompanying notes, this report also contains other supplemental information concerning the District's non-major governmental funds. The combining statements of the non-major governmental funds are presented after the notes to the financial statements.

Government-Wide Financial Analysis

Government-Wide Net Position

The assets of the Fremont RE-2 School 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. Capital assets are used in the operations of the District. These assets include land, buildings, equipment and vehicles.

**Fremont RE-2 School District
Net Position**

	Net Position	
	Governmental Activities	
	FY 18	FY 19
	<u> </u>	<u> </u>
ASSETS		
Current and Other Assets	10,492,460	10,611,210
Capital Assets	12,391,760	11,579,640
Total Assets	<u>22,884,220</u>	<u>22,190,850</u>
Deferred Outflows	<u>15,462,970</u>	<u>9,526,470</u>
LIABILITIES		
Current and Other Liabilities	1,710,089	3,577,860
Long Term Liabilities	<u>59,277,853</u>	<u>30,740,463</u>
Total Liabilities	<u>60,987,942</u>	<u>34,318,323</u>
Deferred Inflows	<u>3,601,734</u>	<u>20,207,495</u>
NET POSITION		
Net Investment in Capital Assets	4,412,044	4,534,419
Restricted for:		
Tabor Reserve	371,700	403,000
Debt Service	2,591,110	2,620,471
Food Service	183,335	313,273
Preschool	21,119	28,617
Unrestricted	<u>(33,550,931)</u>	<u>(30,708,278)</u>
	<u>(25,971,623)</u>	<u>(22,808,498)</u>

Government-Wide Activities

Governmental activities increased the net assets of the District by \$3,163,125 during the current fiscal year ending June 30, 2018.

	Changes in Net Position	
	Governmental Activities	
	FY 18	FY 19
Revenues		
Charges for Services	235,320	56,783
Operating Grants and Contributions	2,042,038	2,903,866
Capital Grants and Contributions	-	-
Property taxes	4,196,638	4,105,545
Specific Ownership Taxes	727,365	695,334
Equalization	7,813,128	8,181,109
Earnings on investments	100,153	181,670
Other Revenues	128,480	67,071
Transfers	-	-
TOTAL REVENUES	15,243,122	16,191,378
Expenses		
Instructional services	8,726,994	9,391,670
Supporting services:		
Students	635,144	689,096
Instructional staff	87,715	76,866
District administration	536,671	641,784
School administration	817,943	921,489
Business	164,204	181,567
Operation and maintenance of facilities	1,820,253	1,823,363
Transportation	881,761	906,625
Central	414,488	228,568
Facility	-	-
Food Service	763,468	694,536
Capital outlay	96,400	170,911
Interest and Fees	240,696	200,561
Issue Costs	-	-
Pension and OPEB Changes	8,686,837	(2,898,783)
TOTAL EXPENSES	23,872,574	13,028,253
Increase (Decrease in Net Position)	(8,629,452)	3,163,125

	Total Cost of Service		Net Cost of Service	
	FY18	FY19	FY18	FY19
Instructional services	8,726,994	9,391,670	(7,386,100)	(7,376,487)
Supporting services:				
Students	635,144	689,096	(635,144)	(689,096)
Instructional staff	87,715	76,866	(87,715)	(76,866)
District administration	536,671	641,784	(536,671)	(641,784)
School administration	817,943	921,489	(817,943)	(921,489)
Business	164,204	181,567	(164,204)	(181,567)
Operation and maintenance of facilities	1,820,253	1,823,363	(1,819,053)	(1,823,363)
Transportation	881,761	906,625	(698,224)	(777,258)
Central	414,488	228,568	(414,488)	(228,568)
Facility	-	-	-	-
Food Service	763,468	694,536	(11,741)	121,563
Capital outlay	96,400	170,911	(96,400)	(170,911)
Interest and Fees	240,696	200,561	(240,696)	(200,561)
Pension and OPEB Changes	8,686,837	(2,898,783)	(8,686,837)	2,898,783
Total	<u>23,872,574</u>	<u>13,028,253</u>	<u>(21,595,216)</u>	<u>(10,067,604)</u>

Capital Assets (Net of Depreciation)	Governmental <u>2018-2019</u>	Governmental <u>2017-2018</u>
Land & Sites	1,007,850	1,007,850
Buildings & Improvements	10,166,897	11,230,440
Equipment & Vehicles	401,415	415,481
Food Service	3,478	8,852
Total Capital Assets	<u>11,579,640</u>	<u>12,662,623</u>

Business-Type Activities

Business-type activities of the District's accounts have been combined with the General Fund Activities per state requirement for the 2018-2019 fiscal year.

Financial Analysis of the Government Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of Fremont RE-2 School District's net resources available for spending at the end of the fiscal year.

The combined general fund is the major governmental fund of Fremont RE-2 School District. The combined general fund under GASB 34 reporting requirements includes the general fund, non-restricted projects fund, the insurance reserve fund, the general capital projects fund, the Colorado preschool fund, and the food service fund. As of June 30, 2019, the combined general fund shows an ending fund balance of \$5,606,730 down from the combined fund balance of \$5,834,710 for the prior year.

General Fund Budgetary Highlights

Fremont RE-2 School District began budget development for the 2018-2019 fiscal year in February 2018 with preliminary analysis of salary requirements related to teacher negotiations. After reviewing enrollment projections and the most current revenue assumptions, the Superintendent and her senior staff prepared a preliminary budget by prioritizing the needs expressed in the hearings' process. Teacher, administrative, and classified employees' salary increases were put into effect as stated in the District's Negotiated Agreement. It was decided to give step increases to all employees who were eligible. The preliminary budget was presented to the Board of Education in May 2018. Adoption of the 2018-2019 District budget occurred in June of 2018 with a Final Budget adopted in December of 2018.

Capital Assets and Debt Administration

The District's investment in capital assets for its business-type activities has been combined with the general fixed assets as of July 1, 2019. The amount capitalized has decreased dramatically due to funding.. The District spent over \$18,000,000 on the construction of a new high school. The investments were made possible due to the passage of a \$22,000,000 bond in November 2003. The Bond Redemption schedule is not to exceed \$1,920,000 per year for the 20 years from 2004-2023. During the 2006-2007 fiscal year, \$9,465,000 in 2004 General Obligations Bonds were refinanced to take advantage of lower interest rates on longer term bonds. The refinancing provided the district a present value savings of \$384,582, which translates into a projected Net Future Value Savings of \$607,345. Additionally in 2015 the District refinanced the 2006 G.O. Bonds for an accumulative savings of over \$1,000,000. Additional information on the District's capital assets can be found in this report.

Long Term Liabilities

The District has a long term debt liability which is not due or payable during this period. The District's portion of the net pension obligation for PERA is reported on the statement of net position and not as a liability in the funds. The amount obligated to PERA is \$23,846,946.

Economic Factors and Next Year's Budgets

The General Fund fund balance demonstrates that the District is financially stable. The District continues to be in a situation of declining enrollment but has made the necessary adjustments to keep expenditures in line with revenues. In light of the current economy in the State of Colorado, and the fact that the majority of the District's revenue is flow through money from State Equalization, the District along with the Eastern Fremont Education Association and the Classified Association agreed to fund incremental raises for the 2018-2019 school year.

It is our opinion that the District's revenue stream for the General Fund will continue to drop drastically over the next several years. The District continues to be in a state of declining enrollment and over the past few years Amendment 23 has helped stabilize the revenue stream. Amendment 23 guarantees that K-12 funding will be increased at a rate of the Denver-Boulder CPI plus 1%. In past years, inflation increased so funding has stayed level with declining enrollment (stable revenues). For the budget year 2016-2017, the inflation rate is 1.9%, but is expected to remain the same in 2018-19. The CPI for 2018-2019 was a

negative percentage (deflation) of 2.1%. In spite of Amendment 23, state funding for schools has continued to decline.

As a result of the prolonged economic conditions that exist in the state, the State of Colorado has been unable to fully fund school districts beginning with school year 2009-2010. The actual funded Total Program for school districts has declined 8.26% from the high in 2009-2010. The continued gap in funding has created a projected negative factor of 12.795% for the 2015-2016 school year. The district was not required to make any cuts for the current 2018-2019 school year. The future negotiations between District and the Associations will be important to the financial stability of the District. The other governmental funds should not be affected by the economy as they are all tied to property tax revenues generated by mill levies.

Requests for Information

This financial report is designed to provide a general overview of the Fremont RE-2 School District's finances for all those with an interest in the District. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Jacque Corsentino, Director of Business Services
Fremont RE-2 School District
403 W. 5th Street
Florence, Colorado 81226

BASIC FINANCIAL STATEMENTS

FREMONT COUNTY SCHOOL DISTRICT RE-2
STATEMENT OF NET POSITION
June 30, 2019

	Governmental Activities	Total
<u>ASSETS</u>		
Cash and Equivalents	9,719,693	9,719,693
Accounts Receivable	92,779	92,779
Accrued Revenue	130,278	130,278
Property Taxes Receivable	651,100	651,100
Inventories	17,360	17,360
Capital Assets	38,892,862	38,892,862
Accumulated Depreciation	(27,313,222)	(27,313,222)
Unamortized Bond Discount	-	-
<u>Total Assets</u>	<u>22,190,850</u>	<u>22,190,850</u>
<u>DEFERRED OUTFLOW OF RESOURCES</u>		
Pensions	9,251,821	9,251,821
Other Post Employment Benefits	84,634	84,634
Deferred Refunding	190,015	190,015
<u>Total Deferred Outflow of Resources</u>	<u>9,526,470</u>	<u>9,526,470</u>
<u>LIABILITIES</u>		
Accounts Payable	93,504	93,504
Accrued Salaries	1,297,529	1,297,529
Accrued Interest Payable	22,100	22,100
Compensated Absences	313,579	313,579
Unearned Revenues	46,037	46,037
Unamortized Bond Premium	462,416	462,416
Debt – Within 1 Year	1,342,695	1,342,695
Debt – More Than 1 Year	5,702,526	5,702,526
Net Pension Liability	23,846,946	23,846,946
Net OPEB Liability	1,190,991	1,190,991
<u>Total Liabilities</u>	<u>34,318,323</u>	<u>34,318,323</u>
<u>DEFERRED INFLOW OF RESOURCES</u>		
Pensions	20,185,755	20,185,755
Other Post Employment Benefits	21,740	21,740
<u>Total Deferred Inflow of Resources</u>	<u>20,207,495</u>	<u>20,207,495</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	4,534,419	4,534,419
Restricted for:		
TABOR Reserve	403,000	403,000
Preschool	28,617	28,617
Debt Service	2,620,471	2,620,471
Food Service	313,273	313,273
Unrestricted	(30,708,278)	(30,708,278)
<u>TOTAL NET POSITION</u>	<u>(22,808,498)</u>	<u>(22,808,498)</u>

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

FREMONT COUNTY SCHOOL DISTRICT RE-2
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

	<u>Net (Expenses) Revenue and Changes</u>			
	<u>in Net Position</u>			
	<u>Program Revenues</u>		<u>Primary Government</u>	
	<u>Charges for</u>	<u>Operating</u>	<u>Capital Grants</u>	
	<u>Services</u>	<u>Contributions</u>	<u>and</u>	<u>Governmental</u>
			<u>Contributions</u>	<u>Activities</u>
				<u>Total</u>
FUNCTIONS				
Instructional Services	9,391,670	1,958,400	-	(7,376,487)
Supporting Services:				
Students	689,096	-	-	(689,096)
Instructional Staff	76,866	-	-	(76,866)
District Administration	641,784	-	-	(641,784)
School Administration	921,489	-	-	(921,489)
Business	181,567	-	-	(181,567)
Operation & Maintenance				
of Facilities	1,823,363	-	-	(1,823,363)
Transportation	906,625	129,367	-	(777,258)
Central	228,568	-	-	(228,568)
Facility	-	-	-	-
Food Service	694,536	620,267	-	121,563
Capital Outlay	170,911	-	-	(170,911)
Interest and Fees	200,561	-	-	(200,561)
Pension and OPEB Charges	(2,898,783)	-	-	2,898,783
<u>Total Governmental Activities</u>	<u>13,028,253</u>	<u>2,708,034</u>	<u>-</u>	<u>(10,067,604)</u>
<u>Total School District</u>	<u>13,028,253</u>	<u>2,708,034</u>	<u>-</u>	<u>(10,067,604)</u>
<u>General Revenues</u>				
Property Taxes Levied for General Purpose				4,105,545
Specific Ownership Taxes				695,334
Equalization				8,181,109
Earnings on Investments				181,670
Other Revenues				67,071
<u>Total General Revenues</u>				<u>13,230,729</u>
<u>Change in Net Position</u>				<u>3,163,125</u>
<u>Net Position, Beginning</u>				<u>(25,971,623)</u>
<u>Net Position, Ending</u>				<u>(22,808,498)</u>

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

FREMONT COUNTY SCHOOL DISTRICT RE-2
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

	<u>General</u>	<u>Bond</u>	<u>Designated Purpose Grants</u>
<u>ASSETS</u>			
Cash and Equivalents	6,683,409	2,576,939	51,953
Accounts Receivable	92,462	-	-
Accrued Revenue	-	-	130,278
Due From Other Funds	104,067	29,291	-
Property Taxes Receivable	390,000	261,100	-
Inventories	-	-	-
<u>Total Assets</u>	<u>7,269,938</u>	<u>2,867,330</u>	<u>182,231</u>
<u>LIABILITIES</u>			
Accounts Payable	110,171	-	2,300
Accrued Salaries	1,166,743	-	80,249
Due To Other Funds	44,291	13,059	76,008
Other Payables	-	-	-
Unearned Revenues	16,003	-	23,674
<u>Total Liabilities</u>	<u>1,337,208</u>	<u>13,059</u>	<u>182,231</u>
<u>DEFERRED INFLOW OF RESOURCES</u>			
Property Taxes	<u>326,000</u>	<u>233,800</u>	<u>-</u>
<u>FUND BALANCES:</u>			
Nonspendable:			
Inventories	-	-	-
Restricted for:			
Emergencies	403,000	-	-
Preschool	28,617	-	-
Debt Service	-	2,620,471	-
Food Service	-	-	-
Committed for:			
Capital Outlay	3,031,913	-	-
Insurance	2,971	-	-
Assigned for:			
Pupil Activities	-	-	-
Capital Outlay	-	-	-
Unassigned	2,140,229	-	-
<u>Total Fund Balances</u>	<u>5,606,730</u>	<u>2,620,471</u>	<u>-</u>
<u>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u>			
	<u>7,269,938</u>	<u>2,867,330</u>	<u>182,231</u>

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

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
407,392	9,719,693
317	92,779
-	130,278
-	133,358
-	651,100
<u>17,360</u>	<u>17,360</u>
<u>425,069</u>	<u>10,744,568</u>
-	112,471
31,570	1,278,562
-	133,358
-	-
<u>6,360</u>	<u>46,037</u>
<u>37,930</u>	<u>1,570,428</u>
<u>-</u>	<u>559,800</u>
17,360	17,360
-	403,000
-	28,617
-	2,620,471
313,273	313,273
-	3,031,913
-	2,971
56,506	56,506
-	-
-	<u>2,140,229</u>
<u>387,139</u>	<u>8,614,340</u>
<u>425,069</u>	<u>10,744,568</u>

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

**FREMONT COUNTY SCHOOL DISTRICT RE-2
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO 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	8,614,340
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$38,892,862 and the accumulated depreciation is \$27,313,222.	11,579,640
Property tax revenues is recognized when earned (claim to resources established) rather than when “available”. All of the deferred property tax revenue is not available in the fund financial statements.	559,800
Compensated absences are not reported as a liability in the funds.	(313,579)
Long term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(7,045,221)
Accrued interest on long term debt is not reported in the funds.	(22,100)
Unamortized bond premium is not reported in the funds.	(462,416)
Unamortized bond discount is not reported in the funds.	-
Deferred Refunding is not reported in the funds.	190,015
The District’s portion of the net pension liability for PERA is reported on the statement of net position is not reported as a liability in the funds.	(23,846,946)
The District’s portion of the net OPEB liability reported on the statement of net position is not reported as a liability in the funds.	(1,190,991)
Deferred flows for contributions made toward the net pension liability from December 31, 2018 until June 30, 2019 is not reported in the funds.	761,798
Deferred flows for contributions made toward the net OPEB liability from December 31, 2018 until June 30, 2019 is not reported in the funds.	40,619
Net deferred pension flows – Plan Level	(8,270,375)
Net deferred pension flows – Employer Level	(3,425,357)
Net deferred OPEB flows – Plan Level	17,711
Net deferred OPEB flows – Employer Level	<u>4,564</u>
<u>TOTAL NET POSITION – GOVERNMENTAL ACTIVITIES</u>	<u>(22,808,498)</u>

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

FREMONT COUNTY SCHOOL DISTRICT RE-2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

	<u>General</u>	<u>Bond</u>	<u>Designated Purpose Grants</u>
<u>REVENUES</u>			
Property Taxes	2,459,751	1,533,294	-
Specific Ownership Taxes	695,334	-	-
Earnings on Investments	121,316	50,315	-
Other Local Sources	481,048	-	31,567
State Aid	9,065,846	-	279,308
Federal Aid	-	-	488,217
<u>Total Revenues</u>	<u>12,823,295</u>	<u>1,583,609</u>	<u>799,092</u>
<u>EXPENDITURES</u>			
Current:			
Instructional Services	7,151,875	-	799,092
Supporting Services:			
Students	681,626	-	-
Instructional Staff	73,647	-	-
District Administration	641,784	-	-
School Administration	914,751	-	-
Business	181,121	-	-
Operation & Maintenance of Facilities	2,069,376	-	-
Transportation	813,435	-	-
Central	228,568	-	-
Food Service	-	-	-
Debt Service:			
Principal	-	1,265,000	-
Interest and Fees	-	289,248	-
Capital Outlay	308,915	-	-
<u>Total Expenditures</u>	<u>13,065,098</u>	<u>1,554,248</u>	<u>799,092</u>
<u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u>	<u>(241,803)</u>	<u>29,361</u>	<u>-</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers	(85,000)	-	-
Proceeds from Debt	98,823	-	-
<u>Total Other Financing Sources (Uses)</u>	<u>13,823</u>	<u>-</u>	<u>-</u>
<u>NET CHANGE IN FUND BALANCES</u>	<u>(227,980)</u>	<u>29,361</u>	<u>-</u>
<u>FUND BALANCES, Beginning</u>	<u>5,834,710</u>	<u>2,591,110</u>	<u>-</u>
<u>FUND BALANCES, Ending</u>	<u>5,606,730</u>	<u>2,620,471</u>	<u>-</u>

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

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
-	3,993,045
-	695,334
-	171,631
252,615	765,230
14,524	9,359,678
<u>605,743</u>	<u>1,093,960</u>
<u>872,882</u>	<u>16,078,878</u>
138,828	8,089,795
-	681,626
-	73,647
-	641,784
-	914,751
-	181,121
-	2,069,376
-	813,435
-	228,568
689,162	689,162
-	1,265,000
-	289,248
-	308,915
<u>827,990</u>	<u>16,246,428</u>
<u>44,892</u>	<u>(167,550)</u>
85,000	-
-	98,823
<u>85,000</u>	<u>98,823</u>
129,892	(68,727)
<u>257,247</u>	<u>8,683,067</u>
<u>387,139</u>	<u>8,614,340</u>

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

FREMONT COUNTY SCHOOL DISTRICT RE-2
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 **(68,727)**

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital Outlays more than \$5,000	397,218	
Depreciation Expense	<u>(1,480,201)</u>	(1,082,983)

Property tax revenues received prior to the year for which they are being levied or are not “available” at year end are reported as deferred revenue in the governmental funds. They are, however recorded as revenues in the statement of activities. Deferred property tax revenues changed this year. 112,500

In the statement of activities compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amount paid). During the year, compensated absences changed by this amount. 9,507

The governmental funds report debt proceeds as an other financing source, while repayment of debt principal is reported as an expenditure. The effect of premiums, discounts and deferred refunding amounts are recognized when the debt is issued in governmental funds, whereas these amounts are deferred and amortized in the statement of activities. Interest expense is recognized as it accrues in the statement of activities regardless of when it is due. The net effect of these differences follows:

Principal Payment		1,304,181
Interest Expense		3,077
Deferred Refunding Amount		(64,552)
Bond Discount		(267)
Bond Premium		150,429
Lease Proceeds		(98,823)

The statement of activities reports changes in net pension and OPEB liability and related deferred flows which are not reported in the fund financial statements.

Change in Net Pension Liability		25,441,933
Change in Net OPEB Liability		(65,441)
Deferred Flows from Net Pension Liability		(22,523,964)
Deferred Flows from Net OPEB Liability		<u>46,255</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **3,163,125**

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

**FREMONT COUNTY SCHOOL DISTRICT RE-2
STATEMENT OF FIDUCIARY NET POSITION
TRUST AND AGENCY FUNDS
June 30, 2019**

	<u>Scholarship Trust Fund</u>	<u>Student Activities Fund</u>
<u>ASSETS</u>		
Cash and Investments	1,845,038	166,118
Due From Other Funds	-	-
Accrued Interest	-	-
Deposits Held by Others	-	-
<u>Total Assets</u>	<u>1,845,038</u>	<u>166,118</u>
<u>LIABILITIES</u>		
Due To Student Groups	-	166,118
Other	-	-
<u>Total Liabilities</u>	<u>-</u>	<u>166,118</u>
<u>NET POSITION</u>		
Restricted for Scholarship	<u>1,845,038</u>	

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

FREMONT COUNTY SCHOOL DISTRICT RE-2
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
BUDGET AND ACTUAL
TRUST FUNDS
For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Scholarship Trust Fund</u>	<u>Variance- Favorable (Unfavorable)</u>
<u>ADDITIONS</u>			
Other Local	500	3,050	2,550
Earnings on Investments	70,250	100,001	29,751
Unrealized Gain on Investments	-	37,215	37,215
<u>Total Additions</u>	<u>70,750</u>	<u>140,266</u>	<u>69,516</u>
<u>DEDUCTIONS</u>			
Scholarships	180,750	167,125	13,625
Fees	22,000	20,072	1,928
Unrealized Loss on Investments	50,000	-	50,000
Other	<u>1,709,969</u>	-	<u>1,709,969</u>
<u>Total Deductions</u>	<u>1,962,719</u>	<u>187,197</u>	<u>1,775,522</u>
<u>NET DECREASE</u>	(1,891,969)	(46,931)	
<u>NET POSITION – BEGINNING OF YEAR</u>	<u>1,891,969</u>	<u>1,891,969</u>	
<u>NET POSITION – END OF YEAR</u>	<u>-</u>	<u>1,845,038</u>	

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

NOTES TO BASIC FINANCIAL STATEMENTS

FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Fremont County School District RE-2 (District) conform with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

The District operates under an elected Board of Education with five members.

The District is the lowest level of government, which is considered to be financially accountable over all activities related to public school education in Fremont County School District RE-2. The District receives funding from local, state, and federal government sources and must comply with requirements of these funding source entities. The Board of Education members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

A. Reporting Entity

Governmental Accounting Standards Board (GASB) Statement No. 14 (as amended by Statements No. 34, No. 39 and No. 61), "*The Financial Reporting Entity*" (GASB No. 14) describes the financial reporting entity as it relates to governmental accounting. According to this Statement, the financial reporting entity consists of a) the primary government, b) organizations for which the primary government is financially accountable, and c) other organizations whose exclusion from the reporting entity's financial statements would cause those statements to be misleading or incomplete. Any organizations that can be described by these last two items are included with the primary government in the financial statements as component units.

This District is not included in any other governmental "reporting entity" as defined in GASB No. 14 and does not include any other component unit as part of its "reporting entity". As required by accounting principles generally accepted in the USA, these basic financial statements present the District (the primary government) and its component units.

FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

B. Government-Wide and Fund Financial Statements

The Government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds (General Fund, Designated Purpose Grant Fund and Bond Funds) and individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the District's governmental and business-type activities. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, operating statements present increases and decreases in net current assets and unassigned fund balance as a measure of available spendable resources. This means that only current liabilities are generally included on their balance sheets.

FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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

All governmental fund types use the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. Revenues are considered to be available if collected within 60 days after year-end.

Property and automotive ownership taxes are reported as receivables and deferred revenue when levied and as revenues when due for collection in the following year and determined to be available.

Grants and entitlement revenues are recognized when compliance with matching requirements is met. A receivable is established when the related expenditures exceed revenue receipts.

Expenditures are recorded when the related fund liability is incurred with the exception of general obligation and capital lease debt service which is recognized when due and certain accrued sick and personal pay which are accounted for as expenditures when expected to be liquidated with expendable available financial resources.

Proprietary fund types are accounted for on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. The measurement focus in these funds is on the flow of economic resources and emphasizes the determination of net income. All assets and all liabilities associated with their activity are included on their statements of position. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net position.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing goods and services in connection with a proprietary fund's ongoing operations. The principal operating revenues of the District's proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

D. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred flows, fund equity, revenues and expenditures, or expenses, as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The major funds presented in the accompanying basic financial statements are as follows:

• **Major Governmental Funds**

1. **General Fund** – the general operating fund of the District; used to account for all resources that are not required legally or by sound financial management to be accounted for in another fund.
2. **Bond Redemption Debt Service Fund** – used to account for the accumulation of resources for, and the payment of, long term general obligation debt principal, interest, and related costs.
3. **Governmental Designated – Purpose Grants Fund** – this fund is provided to maintain a separate accounting for federal and state grant funded programs which normally have a different fiscal period than that of the District.

Additionally, the District reports the following fund type:

Trust and Agency Funds

The Student Activity Fund – this fund is used to account for the activities of student clubs and organizations held in a fiduciary capacity by the District.

Scholarship Trust Fund – this fund is used to award scholarships to students of the District.

E. Cash and Investments

Cash represents amounts on deposit with financial institutions or held by the District. The District is allowed to invest in the following types of investments: short-term certificates of deposit, repurchase agreements, money market deposit accounts, mutual funds, government pools, and U.S. Treasury Obligations. The District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments are recorded at fair value in accordance with GASB Statement No. 72 *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

F. Receivables

Property taxes levied in 2018 but uncollected in 2019 are identified as property taxes receivable. Amounts of property taxes that are not available at June 30, 2019 are recorded as deferred inflows, and are presented net of an allowance for uncollectible taxes. Program grants are recorded as receivables and revenues at the time reimbursable project costs are incurred.

FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

G. Inventories

Materials and supplies inventories are stated at cost. Inventories recorded in the Food Services Fund consist of purchased and donated commodities. Purchased inventories are stated at cost. Donated inventories, received at no cost under a program supported by the Federal Government, are recorded at their estimated fair value at the date of receipt.

The cost of all inventories is recorded as an asset when the individual inventory items are purchased, and as an expenditure or expense when consumed.

H. Capital Assets

Capital assets, which include property, vehicles and equipment, are utilized for general District operations and are capitalized at actual or estimated cost. Donations of such assets are recorded at estimated fair value at the time of donation. Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Maintenance, repairs, and minor renovations are recorded as expenditures when incurred. Major additions and improvements are capitalized. When assets used in the operation of the governmental fund types are sold, the proceeds of the sale are recorded as revenues in the appropriate fund. The District does not capitalize interest on the construction of capital assets in governmental funds. However, the District does capitalize interest on the construction of capital assets in business-type activities.

The monetary threshold for capitalization of assets is \$5,000. The District's capital assets are depreciated using the straight-line method over the estimated useful lives of the fixed assets (5-40 years). Depreciation of all capital assets is charged as an expense against their operations. Depreciation is recorded in the year of acquisition and any remaining depreciation is recorded in the year of disposition.

I. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or proprietary fund type statement of net position. The District records long-term debt of governmental funds at the face value. General obligation bonds are serviced from property taxes and other revenues of the Debt Service Fund. Capital leases are serviced from property taxes and other revenues of the General Fund. The long-term accumulated unpaid accrued sick leave is serviced from property taxes and other revenues by the respective fund type from future appropriations.

**FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Constitutional Amendment

In November 1992, Colorado voters approved Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer’s Bill of Rights (TABOR). TABOR contains revenue, spending, tax and debt limitations, which apply to the State of Colorado and local governments. It requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of an expiring tax, or tax policy change directly causing a net tax revenue gain to any entity.

On November 5, 1996 the registered voters approved a ballot resolution authorizing Fremont County School District RE-2 to collect, retain and expend all revenues from any source provided that no property tax mill levy be increased or any new tax be imposed.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future years. TABOR requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be three percent or more of fiscal year spending (excluding bonded debt service). As of June 30, 2019 the District reserved \$403,000 for this purpose.

Spending and revenue limits are determined based on the prior fiscal year’s spending adjusted for inflation in the prior calendar year plus annual increases in funded student enrollment. Fiscal year spending is generally defined as expenditures and reserve increases with certain exceptions.

K. Property Taxes

Under Colorado law, all property taxes are due and payable in the year following the year levied. The 2018 property tax calendar for Fremont County was as follows:

Levy Date	December 15, 2018
Lien Date	January 1, 2019
Tax Bills Mailed	January 1, 2019
First Installment Due	February 28, 2019
Second Installment Due	June 15, 2019
If Paid in Full, Due	April 30, 2019
Tax Sale – 2017 Delinquent Property Taxes	October 25, 2018

L. Accumulated Sick Leave

Compensated absences are made up of accumulated sick leave reported as non-current liabilities in the government-wide financial statements. As of June 30, 2019, the District has recorded an estimated liability of \$313,579 relating to accrued sick leave payable.

A summary of changes in compensated absences is as follows:

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>
Accumulated Sick Leave	<u>323,086</u>	<u> -</u>	<u>9,507</u>	<u>313,579</u>

FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

M. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

N. GASB Statement No. 54

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

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

1. Nonspendable such as fund balances associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned).
2. Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
3. Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School District Board of Directors (the District's highest level of decision-making authority).
4. Assigned fund balance classification is intended to be used by the government for specific purposes that do not meet the criteria to be classified as restricted or committed.
5. Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

Fund Balance Classification Policies and Procedures

Committed Fund Balance Policy:

The District's Committed Fund Balance is fund balance reporting required by the School Board, either because of a School Board Policy in the School Board Policy Manual, or because of motions that passed at School Board meetings.

Assigned Fund Balance Policy:

The District's Assigned Fund Balance is fund balance reporting occurring by School Board Administration authority, under the direction of the Chief Business Officer.

FREMONT COUNTY SCHOOL DISTRICT RE-2
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2019

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

N. **GASB Statement No. 54 (Continued)**

Order of Fund Balance Spending Policy

The District's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year by adjusting journal entries.

First, non-spendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then unrestricted fund balances are determined following the order of committed, assigned, and unassigned.

Fund Balance Classification by Fund:

	<u>General</u> <u>Fund</u>	<u>Bond</u> <u>Fund</u>	<u>Food</u> <u>Service</u>	<u>Pupil</u> <u>Activities</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<u>Nonspendable:</u>					
Inventories	-	-	17,360	-	17,360
<u>Restricted:</u>					
Emergencies	403,000	-	-	-	403,000
Preschool	28,617	-	-	-	28,617
Debt Service	-	2,620,471	-	-	2,620,471
Food Service	-	-	313,273	-	313,273
<u>Committed:</u>					
Capital Outlay	3,031,913	-	-	-	3,031,913
Insurance	2,971	-	-	-	2,971
<u>Assigned:</u>					
Pupil Activities	-	-	-	56,506	56,506
<u>Unassigned</u>	<u>2,140,229</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,140,229</u>
<u>Total Fund Balances</u>	<u>5,606,730</u>	<u>2,620,471</u>	<u>330,633</u>	<u>56,506</u>	<u>8,614,340</u>

O. **Deferred Outflows / Inflows of Resources**

In addition to assets, the statement of financial position and the balance sheet 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 and the balance sheet 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.

FREMONT COUNTY SCHOOL DISTRICT RE-2
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2019

NOTE 2 **RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The governmental funds balance sheet includes a reconciliation between *fund balances – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. Additionally, the governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balances – total government funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities.

These reconciliations detail items that require adjustment to convert from the current resources measurement and modified accrual basis for governmental fund statements to the economic resources measurement and full accrual basis used for government-wide statements. However, certain items having no effect on measurement and basis were eliminated from the government fund statements during the consolidation of governmental activities.

	<u>Items Eliminated</u>	
	<u>Transfers To Other Funds</u>	<u>Transfers From Other Funds</u>
General Fund	85,000	-
Pupil Activity	-	85,000
	<u>85,000</u>	<u>85,000</u>

	<u>Items Eliminated</u>	
	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	104,067	44,291
Designated Grants	-	76,008
Bond Fund	29,291	13,059
	<u>133,358</u>	<u>133,358</u>

FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 3 **BUDGETARY INFORMATION**

Revenues and expenditures are controlled by budgetary accounting systems in accordance with various legal requirements. The budgeted revenues and expenditures represent the original adopted budget as subsequently adjusted by the Board of Education in accordance with Colorado School Laws. Budgets are generally prepared on the same basis as that used for accounting purposes.

The District has set procedures to be followed in establishing the budgetary data reflected in the financial statements:

1. Prior to June 1, the Business Manager submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public notices are released to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted through passage of a resolution.
4. The Business Manager is authorized to transfer budgeted amounts between categories within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.
5. Formal budgetary integration should be employed as a management control device during the year for the General Fund, Special Revenue Funds and Debt Service Funds.
6. Budgets for the General, Special Revenue and Debt Service Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgets have been adopted for Trust and Agency Funds.

All appropriations lapse at the end of each fiscal year. Authorization to transfer budgeted amounts between programs and/or departments within any fund and the reallocation of budget line items within any program and/or department rests with the Superintendent of Schools and may be delegated to an appropriate level of management. Revisions and/or supplemental appropriations that alter the total expenditures of any fund must be approved by the Board of Education.

Budgetary amounts reported in the accompanying basic financial statements are as originally adopted and amended by the Superintendent and/or the Board of Education throughout the year.

NOTE 4 **CASH AND INVESTMENTS**

Deposits

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 regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. 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 the aggregate uninsured deposits.

**FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019**

NOTE 4 CASH AND INVESTMENTS (Continued)

Deposits (Continued)

At June 30, 2019, the District's bank balance and corresponding carrying balance were as follows:

	<u>Carrying Balance</u>	<u>Bank Balance</u>
Insured (FDIC)	439,736	494,685
Uninsured, Collateralized under the Public Deposit Protection Act of the State of Colorado	945,427	1,228,914
Cash with County Treasurer	125,432	-
Cash with Fiscal Agent	2,551,563	-
ColoTrust – Cash Equivalent	5,850,892	-
Cash on Hand	<u>1,980</u>	<u>-</u>
<u>Total Cash and Deposits</u>	<u>9,915,030</u>	<u>1,723,599</u>

As presented above, deposits with a bank balance of \$1,228,914 and a carrying balance of \$945,427, as of June 30, 2019 are uninsured, are exposed to custodial risk, and are collateralized with securities held by the pledging financial institution.

Investments

At June 30, 2019, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
Raymond James Investment	-	1,815,819

Interest Rate Risk – The District does not have a formal investment policy that limits investment maturities for managing possible fair value losses due to increasing interest rates.

Credit Risk – State Law limits the type of investments allowable. The investment in COLOTRUST Plus were rated AAAM by Standard and Poor's.

Investments Held by Fiduciary Scholarship Trust Fund – The scholarship trust fund has various investments held by Raymond James which are subject to market fluctuations and have been marked to market at 6/30/19. An unrealized gain of \$37,215 was recorded at year end. These investments are insured under SPIC up to \$500,000. The District is not responsible for the investment of these funds.

Concentration of Credit Risk – the District has no policy restricting the amount that can be invested in any issuer.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of June 30, 2019:

- Raymond James Investment of \$1,815,819 is valued using quoted market prices (Level 1 inputs)

FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 5 **CAPITAL ASSETS**

A summary of changes in capital assets is as follows:

Governmental Activities

	<u>Balance</u>			<u>Balance</u>
	<u>July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2019</u>
<u>Capital Assets Not Being</u>				
<u>Depreciated</u>				
Land	1,007,850	-	-	1,007,850
Construction In Progress	-	-	-	-
<u>Total Capital Assets Not Being</u>				
<u>Depreciated</u>	<u>1,007,850</u>	-	-	<u>1,007,850</u>
<u>Capital Assets Being</u>				
<u>Depreciated</u>				
Buildings & Site Improvements	33,527,280	290,395	-	33,817,675
Equipment & Vehicles	3,482,808	106,823	-	3,589,631
Food Service	477,706	-	-	477,706
<u>Total Capital Assets Being</u>				
<u>Depreciated</u>	<u>37,487,794</u>	<u>397,218</u>	-	<u>37,885,012</u>
<u>Less Accumulated</u>				
<u>Depreciation for:</u>				
Building & Site Improvements	22,296,840	1,353,938	-	23,650,778
Equipment & Vehicles	3,067,327	120,889	-	3,188,216
Food Service	468,854	5,374	-	474,228
<u>Total Accumulated Depreciation</u>	<u>25,833,021</u>	<u>1,480,201</u>	-	<u>27,313,222</u>
<u>Total Capital Assets Being</u>				
<u>Depreciated, Net</u>	<u>11,654,773</u>	<u>(1,082,983)</u>	-	<u>10,571,790</u>
<u>Governmental Activities Capital</u>				
<u>Assets, Net</u>	<u>12,662,623</u>	<u>(1,082,983)</u>	-	<u>11,579,640</u>

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

Governmental Activities:

Instruction	1,311,382
Student Support	7,470
Instructional Support	3,219
School Administration	6,738
Business Services Support	446
Operations and Maintenance	52,382
Transportation	93,190
Food Service	5,374
<u>Total Depreciation Expense – Governmental Activities</u>	<u>1,480,201</u>

FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 6 **PENSION PLAN**

Defined Benefit Pension Plan

Summary of Significant Accounting Policies

Pensions. Fremont County School District RE-2 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.

- 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.

FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 6 **PENSION PLAN (Continued)**

General Information about the Pension Plan

Plan description. Eligible employees of the Fremont County School District RE-2 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.

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.**

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

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

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

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

FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 6 **PENSION PLAN (Continued)**

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 SB18-200, 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.

Contribution provisions as of June 30, 2019. Eligible employees, Fremont County School District RE-2 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.

	July 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%
Total employer contribution rate to the SCHDTF	19.13%	19.13%

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

**FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019**

NOTE 6 PENSION PLAN (Continued)

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 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 Fremont County School District RE-2 is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from Fremont County School District RE-2 were \$1,478,641 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 Fremont County School District RE-2 proportion of the net pension liability was based on Fremont County School District RE-2 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.

At June 30, 2019, the Fremont County School District RE-2 reported a liability of \$23,846,946 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 Fremont County School District RE-2 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 Fremont County School District RE-2 were as follows:

Fremont County School District RE-2 proportionate share of the net pension liability	\$ 23,846,946
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the Fremont County School District RE-2	\$ 3,260,746
Total	\$ 27,107,692

At December 31, 2018, the Fremont County School District RE-2 proportion was 0.135 percent, which was a decrease of 0.0178 from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the Fremont County School District RE-2 recognized pension income of \$2,917,969 and revenue of \$193,666 for support from the State as a nonemployer contributing entity. At June 30, 2019, the Fremont County School District RE-2 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 6 **PENSION PLAN (Continued)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	808,915	-
Changes of assumptions or other inputs	4,451,137	(14,830,235)
Net difference between projected and actual earnings on pension plan investments	3,229,971	(1,930,163)
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	(3,425,357)
Contributions subsequent to the measurement date	761,798	N/A
Total	9,251,821	(20,185,755)

\$761,798 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,	
2020	(4,811,776)
2021	(2,918,359)
2022	(3,942,715)
2023	(22,882)
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

FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 6

PENSION PLAN (Continued)

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.

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.

FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 6 **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:

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

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

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.

**FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019**

NOTE 6 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 Fremont County School District RE-2 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	30,317,312	23,846,946	18,417,217

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.

FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 6

PENSION PLAN (Continued)
Defined Contribution Pension Plan

Voluntary Investment Program

Plan Description – Employees of the Fremont County School District RE-2 that are also members of the SCHDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report which includes additional information on the Voluntary Investment Program. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy – The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions, employer contributions and investment earnings. For the year ended June 30, 2019, program members contributed \$52,614.

NOTE 7

OTHER POST EMPLOYMENT BENEFITS

Defined Benefit Other Post Employment Benefit (OPEB) Plan

Summary of Significant Accounting Policies

OPEB. Fremont County School District RE-2 participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the OPEB Plan

Plan description. Eligible employees of the Fremont County School District RE-2 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.

FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 7

OTHER POST EMPLOYMENT BENEFITS (Continued)

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.

FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 7

OTHER POST EMPLOYMENT BENEFITS (Continued)

DPS Benefit Structure

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

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

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 Fremont County School District RE-2 is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from Fremont County School District RE-2 were \$78,840 for the year ended June 30, 2019.

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

At June 30, 2019, the Fremont County School District RE-2 reported a liability of \$1,190,991 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 Fremont County School District RE-2 proportion of the net OPEB liability was based on Fremont County School District RE-2 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 Fremont County School District RE-2 proportion was 0.087 percent, which was an increase of 0.0009 from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the Fremont County School District RE-2 recognized OPEB expense of \$19,186. At June 30, 2019, the Fremont County School District RE-2 reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 7

OTHER POST EMPLOYMENT BENEFITS (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	4,322	(1,813)
Changes of assumptions or other inputs	8,355	-
Net difference between projected and actual earnings on OPEB plan investments	21,123	(14,276)
Changes in proportion and differences between contributions recognized and proportionate share of contributions	10,215	(5,651)
Contributions subsequent to the measurement date	40,619	N/A
Total	84,634	(21,740)

\$40,619 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,	
2020	3,523
2021	3,523
2022	3,523
2023	8,280
2024	3,290
Thereafter	136

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 pension 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

**FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019**

NOTE 7 OTHER POST EMPLOYMENT BENEFITS (Continued)

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:

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

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

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:

Medicare Plan	Cost for Members Without Medicare Part A
Self-Funded Medicare Supplement Plans	\$289
Kaiser Permanente Medicare Advantage HMO	300
Rocky Mountain Health Plans Medicare HMO	270
United Healthcare 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.

**FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019**

NOTE 7

OTHER POST EMPLOYMENT BENEFITS (Continued)

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:

Year	PERACare Medicare Plans	Medicare Part A Premiums
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.

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

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

FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 7

OTHER POST EMPLOYMENT BENEFITS (Continued)

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

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

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

The following 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.

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:

**FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019**

NOTE 7 OTHER POST EMPLOYMENT BENEFITS (Continued)

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

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

Sensitivity of the Fremont County School District RE-2 proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates. The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A trend rate	3.25%	4.25%	5.25%
Net OPEB Liability	1,158,103	1,190,991	1,228,818

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.

**FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019**

NOTE 7 OTHER POST EMPLOYMENT BENEFITS (Continued)

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- 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 Fremont County School District RE-2 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	1,332,615	1,190,991	1,069,916

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.

FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 8 **RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God.

The District maintains commercial insurance for all risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 9 **COLORADO SCHOOL DISTRICT SELF INSURANCE POOL**

The District belongs to the Colorado School District's Self-Insurance Pool. The Pool was established by the Colorado Association of School Boards (CASB) to provide insurance coverage to participants in the areas of General Liability, Errors and Omissions, Automobile Liability, Auto Physical Damage, Auto Personal Injury Protection, Real and Personal Property, Crime, Workers' Compensation and other coverage. The Board of Directors is composed of eight persons; seven of whom are appointed by the Board of Directors of CASB and the Executive Director of CASB. The Pool is managed by an independent manager chosen by the Board of Directors. Each member's initial contribution and subsequent contributions are determined by the Pool based on factors including, but not limited to, the Aggregate Pool claims, the cost of Administrative and other operating expenses, the number of participants, the adequacy of both Operating and Reserve Funds and other factors touching on the status of the Pool or an individual participant, and as approved by the Colorado Insurance Commissioner.

As the District did not exercise oversight responsibility nor have sufficient control over Pool activities, the Pool is not a component unit of the District and only the District's share of contributions to the Pool is recorded as Expenditures in the Insurance Reserve Fund.

The District's share in the Pool is not determinable from current information, but is estimated to be less than 1%. The District's share, if calculated, would not be material to the Pool's financial information at June 30, 2019.

FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 9 **COLORADO SCHOOL DISTRICT SELF INSURANCE POOL (Continued)**

An audited summary of the Colorado School District's Pool financial information at June 30, 2018 and for the year then ended (latest information available) follows:

Total Assets	<u>44,237,852</u>
Total Liabilities	<u>16,614,537</u>
Total Equity	<u>27,623,315</u>
Revenue	15,844,221
Underwriting Expenses	<u>19,487,647</u>
Underwriting Gain (Loss)	(3,643,426)
Net Investment Income	517,310
Other Income	-
Net Income (Loss) Before Dividend	<u>(3,126,116)</u>
Dividend	-
Net Income	<u>(3,126,116)</u>
Transfer of Capital Contributions	-
Change in Non Admitted Assets	<u>130,742</u>
Capital Contributions from Members	-
Unassigned Surplus	<u>27,623,315</u>

NOTE 10 **LITIGATION**

None.

NOTE 11 **SUMMARY DISCLOSURE OF SIGNIFICANT COMMITMENTS AND CONTINGENCIES**

Claims and Judgments - The District participates in a number of federal, state and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2019, significant amounts of grant expenditures have not been audited by the grantor but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual government funds or the overall financial position of the District.

NOTE 12 **JOINT VENTURES**

Not reflected in the accompanying financial statements is the District's participation in the Pikes Peak Board of Cooperative Educational Services (BOCES). The BOCES is an organization that provides member districts educational services at a shared lower cost per District.

FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 12 **JOINT VENTURES (Continued)**

The District has one member on the Board. The Board has final authority for all budgeting and financing of the joint venture. The District's share of the joint venture is not determinable at June 30, 2019. The joint venture summary audited financial information as of June 30, 2018 is as follows:

Assets and Deferred Outflows	<u>29,013,458</u>
Liabilities and Deferred Inflows	<u>41,921,725</u>
Net Position	<u>(12,908,267)</u>
	<u>29,013,458</u>
Revenues	<u>11,285,021</u>
Expenses	<u>12,315,508</u>
Changes in Net Position	<u>(1,030,487)</u>

The BOCES is not included as a component unit of the District as the financial responsibility is minimal, there is no financial interdependency, the District does not have the ability to significantly influence the operations of the BOCES and the District is not accountable for fiscal matters of the BOCES. The BOCES is audited annually and files a report with the Colorado State Auditor's Office.

NOTE 13 **LONG-TERM DEBT**

The following is a summary of the transactions in the school district's long-term debt:

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>	<u>Current</u> <u>Portion</u>
Vehicle Lease	-	98,823	28,602	70,221	32,695
Furniture Lease 2017	10,579	-	10,579	-	-
G.O. Bonds Series 2011	325,000	-	325,000	-	-
G.O. Bonds Series 2015	7,915,000	-	940,000	6,975,000	1,310,000
Deferred Refunding	<u>(254,567)</u>	-	<u>(64,552)</u>	<u>(190,015)</u>	<u>(52,527)</u>
	<u>7,996,012</u>	<u>98,823</u>	<u>1,239,629</u>	<u>6,855,206</u>	<u>1,290,168</u>

General Obligation Refunding Series 2011

On October 27, 2011, the District issued \$5,455,000 in General Obligation Refunding Bonds with an average interest rate of 2.28% to advance refund \$5,035,000 of outstanding 2004 General Obligation Bonds bearing interest rates ranging from 5.00% to 5.25%. Refunding proceeds of \$6,381,994 were deposited with an escrow agent to provide debt service payments of \$5,035,000 in principal and \$1,346,994 in interest on the 2004 Series Bonds. As result, that portion of 2004 Bonds is considered to be defeased and the liability for the issue has been removed from the financial statements. The defeased debt balance at June 30, 2019 was \$-0-.

The District completed the advance refunding to reduce the total debt service payments over 8 years by \$347,057 and to obtain an economic gain (difference between the present value of the old and new debt service payments) of \$228,249.

FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 13 **LONG-TERM DEBT (Continued)**

General Obligation Refunding Series 2011 (Continued)

As a result of the difference between the reacquisition price and the carrying amount of the old debt (including unamortized issue costs and unamortized premium), a deferred refunding was recorded in the amount of \$378,770. It is being amortized against interest costs of the refunding issue. During the year ended June 30, 2019 this debt was paid in full.

General Obligation Refunding Series 2015

On October 21, 2015, the District issued \$7,915,000 in General Obligation Refunding Bonds with an average interest rate of 3.79% to advance refund \$8,800,000 of outstanding 2006 General Obligation Bonds bearing interest rates ranging from 3.75% to 4.00%. Refunding proceeds of \$8,972,078 were deposited with an escrow agent to provide debt service payments of \$8,800,000 in principal and \$2,125,965 in interest on the 2006 Series Bonds. As result, that portion of 2006 Bonds is considered to be defeased and the liability for the issue has been removed from the financial statements. The defeased debt balance at June 30, 2019 was \$0.

The District completed the advance refunding to reduce the total debt service payments over 8 years by \$1,278,185 and to obtain an economic gain (difference between the present value of the old and new debt service payments) of \$1,031,176.

As a result of the difference between the reacquisition price and the carrying amount of the old debt a deferred refunding was recorded in the amount of \$418,305. It will be amortized against interest costs of the refunding issue.

Below is a schedule of debt service requirements to maturity:

2015 Refunding Issue

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2020	1,310,000	239,200
2021	1,360,000	192,600
2022	1,385,000	144,500
2023	1,455,000	87,700
2024	<u>1,465,000</u>	<u>29,300</u>
Total	<u>6,975,000</u>	<u>693,300</u>

FREMONT COUNTY SCHOOL DISTRICT RE-2
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2019

NOTE 13 **LONG-TERM DEBT (Continued)**

Capital Leases

Lease Purchase Vehicle

During the fiscal year ended June 30, 2019 the District executed a lease purchase agreement of \$98,481 to purchase a school bus. The lease purchase agreement is for a period of 36 months with interest at a rate of 5.554% per annum and a monthly payment of \$2,980.95.

Lease Purchase Office Furniture

During the fiscal year ended June 30, 2017, the District executed a lease purchase agreement of \$42,248 to purchase office furniture. The lease purchase agreement is for a period of 24 months with interest at a rate of .31% per annum and a monthly payment of \$1,765.16. The lease was paid in full during the year ended June 30, 2019.

Annual debt service requirements to maturity for the lease purchase agreements are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual Payment</u>
2020	32,695	3,076	35,771
2021	34,558	1,213	35,771
2022	2,968	14	<u>2,982</u>
			74,524
			<u>(4,303)</u>
			<u>70,221</u>
			Less Amount Representing Interest
			Present Value of Future Minimum Lease Payments

NOTE 14 **INTERFUND BALANCES**

Interfund Balances

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
<u>Major Funds</u>		
General Fund	104,067	44,291
Bond Fund	29,291	13,059
Designated Grant Fund	-	76,008
 <u>Non Major Governmental Funds</u>		
	<u>-</u>	<u>-</u>
	<u>133,358</u>	<u>133,358</u>

These interfund balances occurred due to expenditures paid on behalf of another fund.

Interfund balances are expected to be paid within one year from the date of the financial statements.

FREMONT COUNTY SCHOOL DISTRICT RE-2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 14 **INTERFUND BALANCES (Continued)**

<u>Transfers</u>	<u>Transfer In</u>	<u>Transfer Out</u>
<u>Major Governmental Fund</u>		
General Fund	-	85,000
<u>Nonmajor Governmental Funds</u>		
Pupil Activities Fund	<u>85,000</u>	<u>-</u>
	<u>85,000</u>	<u>85,000</u>

These transfers were to assist with operations.

NOTE 15 **ACCRUED SALARIES AND BENEFITS**

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve month period from September to August, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, as of June 30, 2019, are estimated to be \$1,297,529 and will be paid during the 2018-2019 fiscal year. Accordingly, the accrued compensation is reflected as a liability in the accompanying financial statements.

NOTE 16 **INVENTORIES**

Food Service Fund inventories at June 30, 2019, consisted of USDA, purchased food, and non-food amounting to \$17,360. Purchased inventories are stated at cost. Donated inventories, received at no cost under a program supported by the United States Government, are recorded at their estimated fair market value at the date of receipt.

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISONS

General Fund

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

Special Revenue Fund

Designated Grants Fund – used to account for federal and state grant programs.

PENSION AND OPEB TREND DATA

**FREMONT COUNTY SCHOOL DISTRICT RE-2
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
For the Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
<u>Local Sources</u>				
Property Taxes	2,147,465	2,185,811	2,459,751	273,940
Specific Ownership Taxes	587,815	620,136	695,334	75,198
Earnings on Investments	55,250	55,250	131,355	76,105
Delinquent Taxes & Interest	20,000	-	5,614	5,614
Other	609,847	329,958	465,395	135,437
<u>State Sources</u>				
Equalization	8,775,633	8,221,885	8,181,109	(40,776)
Transportation	183,000	168,049	129,367	(38,682)
Vocational Education	130,000	130,000	88,368	(41,632)
Special Education	75,000	75,000	158,360	83,360
Other	303,325	313,326	508,642	195,316
<u>Federal Sources</u>				
Other	-	20,175	-	(20,175)
<u>TOTAL REVENUES</u>	<u>12,887,335</u>	<u>12,119,590</u>	<u>12,823,295</u>	<u>703,705</u>
<u>EXPENDITURES</u>				
<u>Instruction</u>				
Regular Programs				
Salaries	5,262,301	4,995,923	4,832,949	162,974
Employee Benefits	1,750,154	1,717,554	1,691,510	26,044
Purchased Services – Professional	78,000	78,000	4,515	73,485
Purchased Services - Property	35,500	26,008	28,279	(2,271)
Purchased Services – Other	457,391	455,891	337,844	118,047
Supplies and Materials	245,171	247,621	186,448	61,173
Property	246,107	235,038	70,330	164,708
Other Objects	-	-	-	-
<u>Total Instruction</u>	<u>8,074,624</u>	<u>7,756,035</u>	<u>7,151,875</u>	<u>604,160</u>

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

FREMONT COUNTY SCHOOL DISTRICT RE-2
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>SUPPORTING SERVICES</u>				
<u>Student Supporting Services</u>				
Salaries	523,556	560,410	501,062	59,348
Employee Benefits	165,759	194,005	173,869	20,136
Purchased Services - Professional	-	-	-	-
Purchased Services - Property	-	-	-	-
Purchased Services - Other	-	-	-	-
Supplies and Materials	11,050	11,050	6,695	4,355
Property	-	-	-	-
Other Objects	500	500	-	500
<u>Total Student Services</u>	<u>700,865</u>	<u>765,965</u>	<u>681,626</u>	<u>84,339</u>
<u>Instructional Staff</u>				
Salaries	37,673	35,463	37,639	(2,176)
Employee Benefits	23,891	20,144	19,111	1,033
Purchased Services - Professional	9,750	8,751	6,226	2,525
Purchased Services - Property	-	-	-	-
Purchased Services - Other	1,000	-	-	-
Supplies and Materials	9,050	8,650	7,831	819
Property	11,000	11,000	2,840	8,160
Other Objects	-	-	-	-
<u>Total Instructional Staff</u>	<u>92,364</u>	<u>84,008</u>	<u>73,647</u>	<u>10,361</u>
<u>General Administration</u>				
Salaries	324,938	320,467	326,564	(6,097)
Employee Benefits	91,289	93,288	98,941	(5,653)
Purchased Services – Professional	116,000	108,925	85,416	23,509
Purchased Services – Property	-	-	-	-
Purchased Services – Other	199,730	182,890	130,863	52,027
Supplies and Materials	-	-	-	-
Property	-	-	-	-
Other Objects	500	500	-	500
<u>Total General Administration</u>	<u>732,457</u>	<u>706,070</u>	<u>641,784</u>	<u>64,286</u>

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

**FREMONT COUNTY SCHOOL DISTRICT RE-2
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
For the Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>School Administration</u>				
<u>Office of the Principal</u>				
Salaries	666,181	645,557	678,565	(33,008)
Employee Benefits	210,606	203,796	219,621	(15,825)
Purchased Services – Professional	-	-	-	-
Purchased Services – Property	6,550	6,550	9,447	(2,897)
Purchased Services – Other	-	-	-	-
Supplies and Materials	9,000	8,000	5,343	2,657
Property	2,000	2,000	1,775	225
Other Objects	-	-	-	-
<u>Total School Administration</u>	<u>894,337</u>	<u>865,903</u>	<u>914,751</u>	<u>(48,848)</u>
<u>Business Services</u>				
Salaries	71,425	70,340	71,400	(1,060)
Employee Benefits	25,566	25,344	26,005	(661)
Purchased Services – Professional	25,500	25,500	34,790	(9,290)
Purchased Services - Property	43,500	43,500	42,706	794
Purchased Services - Other	-	-	-	-
Supplies and Materials	12,000	12,000	6,220	5,780
Property	5,000	5,000	-	5,000
Other Objects	-	-	-	-
<u>Total Business Services</u>	<u>182,991</u>	<u>181,684</u>	<u>181,121</u>	<u>563</u>
<u>Operations and Maintenance</u>				
Salaries	566,926	521,047	492,745	28,302
Employee Benefits	205,169	187,436	176,591	10,845
Purchased Services – Professional	115,250	115,250	84,259	30,991
Purchased Services - Property	293,250	293,250	225,047	68,203
Purchased Services - Other	154,000	170,840	157,384	13,456
Supplies and Materials	745,750	745,750	651,144	94,606
Property	325,250	325,250	282,206	43,044
Other Objects	<u>2,390,009</u>	<u>2,390,009</u>	-	<u>2,390,009</u>
<u>Total Operations and Maintenance</u>	<u>4,795,604</u>	<u>4,748,832</u>	<u>2,069,376</u>	<u>2,679,456</u>

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

FREMONT COUNTY SCHOOL DISTRICT RE-2
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Student Transportation</u>				
Salaries	504,526	485,313	475,626	9,687
Employee Benefits	155,050	163,684	156,789	6,895
Purchased Services – Property	26,500	26,500	28,446	(1,946)
Purchased Services – Other	8,000	8,000	5,461	2,539
Supplies and Materials	166,000	166,000	142,702	23,298
Property	5,000	5,000	4,411	589
<u>Total Student Transportation</u>	<u>865,076</u>	<u>854,497</u>	<u>813,435</u>	<u>41,062</u>
<u>Central Support</u>				
Salaries	129,746	128,125	128,886	(761)
Employee Benefits	37,055	37,055	37,576	(521)
Purchased Services – Property	40,000	40,000	27,500	12,500
Purchased Services – Other	15,000	15,000	16,800	(1,800)
Property	120,000	120,000	17,806	102,194
<u>Total Central Support</u>	<u>341,801</u>	<u>340,180</u>	<u>228,568</u>	<u>111,612</u>
<u>Facility</u>				
Property	899,327	743,327	308,915	434,412
<u>Total Facility</u>	<u>899,327</u>	<u>743,327</u>	<u>308,915</u>	<u>434,412</u>
<u>Total Supporting Services</u>	<u>9,504,822</u>	<u>9,290,466</u>	<u>5,913,223</u>	<u>3,377,243</u>
<u>Appropriated Reserves</u>	<u>864,511</u>	<u>837,199</u>	<u>-</u>	<u>837,199</u>
<u>TOTAL EXPENDITURES</u>	<u>18,443,957</u>	<u>17,883,700</u>	<u>13,065,098</u>	<u>4,818,602</u>
<u>REVENUES OVER (UNDER) EXPENDITURES</u>	<u>(5,556,622)</u>	<u>(5,764,110)</u>	<u>(241,803)</u>	
<u>OTHER FINANCING SOURCES (USES)</u>				
Proceeds from Debt	14,400	14,400	98,823	84,423
Transfers	(456,224)	(85,000)	(85,000)	-
<u>Total Other Financing Sources (Uses)</u>	<u>(441,824)</u>	<u>(70,600)</u>	<u>13,823</u>	<u>84,423</u>
<u>REVENUES OVER (UNDER) EXPENDITURES AND OTHER SOURCES (USES)</u>	<u>(5,998,446)</u>	<u>(5,834,710)</u>	<u>(227,980)</u>	
<u>FUND BALANCE, July 1</u>	<u>5,998,446</u>	<u>5,834,710</u>	<u>5,834,710</u>	
<u>FUND BALANCE, June 30</u>	<u>-</u>	<u>-</u>	<u>5,606,730</u>	

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

**FREMONT COUNTY SCHOOL DISTRICT RE-2
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
DESIGNATED PURPOSE GRANTS
MAJOR SPECIAL REVENUE FUND
For the Year Ended June 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
<u>REVENUES</u>			
Local Sources	32,575	31,567	(1,008)
State Sources	278,407	279,308	901
Federal Sources	<u>529,848</u>	<u>488,217</u>	<u>(41,631)</u>
<u>Total Revenues</u>	<u>840,830</u>	<u>799,092</u>	<u>(41,738)</u>
<u>EXPENDITURES:</u>			
Salaries	497,017	495,294	1,723
Employee Benefits	156,516	147,337	9,179
Purchased Services – Professional	65,256	79,548	(14,292)
Purchased Services – Property	2,000	104	1,896
Purchased Services – Other	45,927	27,950	17,977
Supplies and Materials	55,162	44,837	10,325
Property	4,250	4,022	228
Other Objects	<u>14,702</u>	<u>-</u>	<u>14,702</u>
<u>Total Expenditures</u>	<u>840,830</u>	<u>799,092</u>	<u>41,738</u>
<u>REVENUES OVER (UNDER) EXPENDITURES</u>	<u>-</u>	<u>-</u>	
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers	<u>-</u>	<u>-</u>	<u>-</u>
<u>Total Other Financing Sources (Uses)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)</u>	<u>-</u>	<u>-</u>	
<u>FUND BALANCE, July 1</u>	<u>-</u>	<u>-</u>	
<u>FUND BALANCE, June 30</u>	<u>-</u>	<u>-</u>	

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

FREMONT COUNTY SCHOOL DISTRICT NUMBER RE-2
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
For The Last 10 Fiscal Years (As Available)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
District's proportion of the net pension liability (asset)	0.1347%	0.1524%	0.1535%	0.1589%	0.1591%	0.1624%	-	-	-	-
District's proportionate share of the net pension liability (asset)	\$23,846,946	\$49,288,879	\$45,705,541	\$24,302,722	\$21,569,787	\$20,716,850	-	-	-	-
District's covered payroll	\$7,729,433	\$7,189,244	\$6,869,591	\$6,917,132	\$6,834,583	\$6,666,810	-	-	-	-
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	308%	686%	665%	351%	316%	311%	-	-	-	-
Plan fiduciary net position as a percentage of the total pension liability	57.01%	43.96%	43.1%	59.2%	62.80%	64.06%	-	-	-	-

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

**FREMONT COUNTY SCHOOL DISTRICT NUMBER RE-2
SCHEDULE OF DISTRICT CONTRIBUTIONS - PENSION
For The Last 10 Fiscal Years (As Available)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractually required contributions	\$ 1,478,641	\$ 1,357,581	\$ 1,262,803	\$ 1,226,519	\$ 1,152,971	\$ 1,094,181	\$ 999,654	-	-	-
Contributions in relation to the contractually required contributions	<u>\$(1,478,641)</u>	<u>\$(1,357,581)</u>	<u>\$(1,262,803)</u>	<u>\$(1,226,519)</u>	<u>\$(1,152,971)</u>	<u>\$1,094,181</u>	<u>\$ (999,654)</u>	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	-	-
District's covered payroll	\$ 7,729,433	\$ 7,189,244	\$ 6,869,591	\$ 6,917,133	\$ 6,834,583	\$ 6,666,810	\$ 6,628,145	-	-	-
Contributions as a percentage of covered payroll	19.13%	18.88%	18.38%	17.73%	16.87%	16.41%	15.08%	-	-	-

FREMONT COUNTY SCHOOL DISTRICT NUMBER RE-2
SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY
For The Last 10 Fiscal Years (As Available)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
District's proportion of the net OPEB liability (asset)	0.0875%	0.0866%	0.0873%	-	-	-	-	-	-	-
District's proportionate share of the net OPEB liability (asset)	\$1,190,991	\$1,125,550	\$1,131,308	-	-	-	-	-	-	-
District's covered payroll	\$7,729,433	\$7,189,244	\$6,869,591	-	-	-	-	-	-	-
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	15.41%	15.66%	16.47%	-	-	-	-	-	-	-
Plan fiduciary net position as a percentage of the total OPEB liability	17.03%	17.53%	16.72%	-	-	-	-	-	-	-

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

FREMONT COUNTY SCHOOL DISTRICT NUMBER RE-2
SCHEDULE OF DISTRICT CONTRIBUTIONS - OPEB
For The Last 10 Fiscal Years (As Available)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractually required contributions	\$ 78,840	\$ 73,330	\$ 70,070	-	-	-	-	-	-	-
Contributions in relation to the contractually required contributions	<u>\$(78,840)</u>	<u>\$(73,330)</u>	<u>\$(70,070)</u>	-	-	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	-	-	-	-	-	-	-
District's covered payroll	\$7,729,433	\$7,189,244	\$6,869,591	-	-	-	-	-	-	-
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%	-	-	-	-	-	-	-

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

COMBINING AND INDIVIDUAL FUND STATEMENTS AND OTHER SCHEDULES

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – NonMajor Governmental Funds

Bond Redemption Debt Service Fund – Major Fund

Bond Redemption Debt Service Fund – Use to account for the accumulation of resources for, and the payment of, long-term general obligation debt principal, interest, and related costs.

NON MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

Pupil Activities - This fund accounts for financial transactions of all schools in the District through individual school activity accounts.

Food Service Fund – This fund accounts for all financial activities associated with the District's school breakfast and lunch programs.

Pupil Activity Agency Fund

Student Activity – Agency Fund – This fund is used to account for amounts held in a fiduciary capacity for various student clubs and organizations.

FREMONT COUNTY SCHOOL DISTRICT RE-2
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2019

	<u>Pupil Activities</u>	<u>Food Service</u>	<u>Total Non-Major Governmental Funds</u>
<u>ASSETS</u>			
Cash and Equivalents	56,506	350,886	407,392
Accounts Receivable	-	317	317
Accrued Revenue	-	-	-
Due From Other Funds	-	-	-
Property Taxes Receivable	-	-	-
Inventories	-	17,360	17,360
<u>Total Assets</u>	<u>56,506</u>	<u>368,563</u>	<u>425,069</u>
<u>LIABILITIES & FUND BALANCES</u>			
Liabilities:			
Accounts Payable	-	-	-
Accrued Salaries	-	31,570	31,570
Due To Other Funds	-	-	-
Other Payables	-	-	-
Unearned Revenue	-	6,360	6,360
<u>Total Liabilities</u>	<u>-</u>	<u>37,930</u>	<u>37,930</u>
Fund Balances			
Nonspendable			
Inventories	-	17,360	17,360
Restricted			
Food Service	-	313,273	313,273
Assigned			
Student Activities	56,506	-	56,506
Unassigned			
<u>Total Fund Balances</u>	<u>56,506</u>	<u>330,633</u>	<u>387,139</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>56,506</u>	<u>368,563</u>	<u>425,069</u>

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

FREMONT COUNTY SCHOOL DISTRICT RE-2
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

	<u>Pupil Activities</u>	<u>Food Service</u>	<u>Total Non-Major Governmental Funds</u>
<u>REVENUES</u>			
Other Local Sources	56,783	195,832	252,615
State Aid	-	14,524	14,524
Federal Aid	-	605,743	605,743
<u>Total Revenues</u>	<u>56,783</u>	<u>816,099</u>	<u>872,882</u>
<u>EXPENDITURES</u>			
Instructional Services	138,828	-	138,828
Supporting Services:			
Food Service	-	689,162	689,162
<u>Total Expenditures</u>	<u>138,828</u>	<u>689,162</u>	<u>827,990</u>
<u>REVENUES OVER (UNDER) EXPENDITURES</u>	<u>(82,045)</u>	<u>126,937</u>	<u>44,892</u>
<u>OTHER FINANCING SOURCE (USES)</u>			
Transfers	85,000	-	85,000
<u>Total Other Financing Sources (Uses)</u>	<u>85,000</u>	<u>-</u>	<u>85,000</u>
<u>NET CHANGE IN FUND BALANCES</u>	2,955	126,937	129,892
<u>FUND BALANCES – Beginning</u>	<u>53,551</u>	<u>203,696</u>	<u>257,247</u>
<u>FUND BALANCES – Ending</u>	<u>56,506</u>	<u>330,633</u>	<u>387,139</u>

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

**FREMONT COUNTY SCHOOL DISTRICT RE-2
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (GAAP BASIS)
PUPIL ACTIVITIES – SPECIAL REVENUE FUND
For the Year Ended June 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
<u>REVENUES</u>			
Local Sources	125,000	56,783	(68,217)
State Sources	-	-	-
Federal Sources	-	-	-
<u>Total Revenues</u>	<u>125,000</u>	<u>56,783</u>	<u>(68,217)</u>
<u>EXPENDITURES:</u>			
Activity Expenditures	263,551	138,828	124,723
<u>Total Expenditures</u>	<u>263,551</u>	<u>138,828</u>	<u>124,723</u>
<u>REVENUES OVER (UNDER) EXPENDITURES</u>	<u>(138,551)</u>	<u>(82,045)</u>	
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers	85,000	85,000	-
<u>Total Other Financing Sources (Uses)</u>	<u>85,000</u>	<u>85,000</u>	<u>-</u>
<u>NET CHANGE IN FUND BALANCES</u>	<u>(53,551)</u>	<u>2,955</u>	
<u>FUND BALANCES, Beginning</u>	<u>53,551</u>	<u>53,551</u>	
<u>FUND BALANCES, Ending</u>	<u>-</u>	<u>56,506</u>	

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

**FREMONT COUNTY SCHOOL DISTRICT RE-2
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (GAAP BASIS)
BOND REDEMPTION FUND
MAJOR DEBT SERVICE FUND
For the Year Ended June 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<u>REVENUES</u>			
Property Taxes	1,589,250	1,533,294	(55,956)
Specific Ownership Taxes	-	-	-
Earnings on Investments	5,000	50,315	45,315
Other Local Sources	-	-	-
<u>Total Revenues</u>	<u>1,594,250</u>	<u>1,583,609</u>	<u>(10,641)</u>
 <u>EXPENDITURES:</u>			
Debt Service:			
Principal Retirement	1,219,500	1,265,000	(45,500)
Interest and Fiscal Charges	383,000	289,248	93,752
Other	4,000	-	4,000
Contingency	<u>2,578,860</u>	-	<u>2,578,860</u>
<u>Total Expenditures</u>	<u>4,185,360</u>	<u>1,554,248</u>	<u>2,631,112</u>
 <u>REVENUES OVER (UNDER) EXPENDITURES</u>	<u>(2,591,110)</u>	<u>29,361</u>	
 <u>FUND BALANCES, July 1</u>	<u>2,591,110</u>	<u>2,591,110</u>	
 <u>FUND BALANCES, June 30</u>	<u>-</u>	<u>2,620,471</u>	

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

**FREMONT COUNTY SCHOOL DISTRICT RE-2
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOOD SERVICE – SPECIAL REVENUE FUND
For the Year Ended June 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
<u>REVENUES</u>			
<u>Local Sources</u>			
Food Sales	164,500	185,868	21,368
Earnings on Investments	-	-	-
Other	7,500	9,964	2,464
<u>State Sources</u>			
School Lunches	9,400	14,524	5,124
<u>Federal Sources</u>			
School Lunches	493,991	567,822	73,831
Commodities	<u>15,000</u>	<u>37,921</u>	<u>22,921</u>
<u>Total Revenues</u>	<u>690,391</u>	<u>816,099</u>	<u>125,708</u>
<u>EXPENDITURES</u>			
Salaries	204,481	195,277	9,204
Employee Benefits	109,710	70,340	39,370
Purchased Services – Professional	500	2,238	(1,738)
Purchased Services – Property	16,000	11,435	4,565
Purchased Services - Other	3,650	1,436	2,214
Supplies and Materials	477,500	370,515	106,985
Capital Outlay	10,000	-	10,000
Other	72,248	-	72,248
Commodities	-	<u>37,921</u>	<u>(37,921)</u>
<u>Total Expenditures</u>	<u>894,089</u>	<u>689,162</u>	<u>204,927</u>
<u>REVENUES OVER (UNDER) EXPENDITURES</u>	(203,698)	126,937	
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers	-	-	-
<u>REVENUES AND SOURCES OVER (UNDER) EXPENDITURES AND USES</u>	(203,698)	126,937	
<u>FUND BALANCE, Beginning</u>	<u>203,698</u>	<u>203,696</u>	
<u>FUND BALANCE, Ending</u>	<u>-</u>	<u>330,633</u>	

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

FREMONT COUNTY SCHOOL DISTRICT RE-2
SCHEDULE OF ACTIVITIES – BUDGET AND ACTUAL
PUPIL ACTIVITY - AGENCY FUND
For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	Variance- Favorable (Unfavorable)
<u>ADDITIONS</u>			
Earnings on Investments	-	-	-
Other Local Sources	<u>315,000</u>	<u>339,250</u>	<u>24,250</u>
<u>Total Additions</u>	<u>315,000</u>	<u>339,250</u>	<u>24,250</u>
<u>DEDUCTIONS</u>			
Activity Expenditures	350,000	366,502	(16,502)
Contingency	<u>158,370</u>	-	<u>158,370</u>
<u>Total Deductions</u>	<u>508,370</u>	<u>366,502</u>	<u>141,868</u>
Net Increase (Decrease) in Deposits Held for Others	(193,370)	(27,252)	
Deposits Held for Others – Beginning of Year	<u>193,370</u>	<u>193,370</u>	
Deposits Held for Others – End of Year	<u>-</u>	<u>166,118</u>	

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

STATE REQUIRED SCHEDULES

Auditor's Integrity Report (Revenues, Expenditures, and Fund Balance by Fund)

Bolded Balance Sheet



Colorado Department of Education
Auditors Integrity Report
 District: 1150 - Fremont RE-2
 Fiscal Year 2018-19
 Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6680*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6680*) Ending Fund Balance
Governmental				
10 General Fund	5,793,018	12,462,209	12,680,085	5,575,142
18 Risk Mgmt Sub-Fund of General Fund	20,573	108,017	125,619	2,971
19 Colorado Preschool Program Fund	21,119	266,890	259,383	28,617
Sub Total	5,834,711	12,837,116	13,065,088	5,606,729
11 Charter Schools Fund	0	0	0	0
20 26-29 Special Revenue Fund	0	0	0	0
66 Supplemental Cap Const. Tech. Main Fund	0	0	0	0
21 Food Service Spec Revenue Fund	203,698	816,058	689,163	330,634
22 Govt Designated-Purpose Grants Fund	0	799,092	799,092	0
23 Pupil Activity Special Revenue Fund	53,551	141,783	138,828	56,506
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	2,757,110	1,583,609	1,554,248	2,620,471
34 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	0	0	0	0
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	0	0	0	0
45 Supplemental Cap Const. Tech. Main Fund	0	0	0	0
Totals	8,637,079	16,177,603	16,245,218	9,614,340
Proprietary				
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0	0
69 65-69 Other Internal Service Funds	0	0	0	0
Totals	0	0	0	0
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	1,891,969	140,766	187,197	1,845,539
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	193,370	339,250	366,502	166,118
79 GASB 34-Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
Totals	2,085,339	479,516	553,699	2,011,957
FINAL				



Colorado Department of Education
Bolded Balance Sheet Report
 District 1150 - Fremont RE-2
 Fiscal Year 2018-19
 Colorado School District/BOCES

	Governmental						Proprietary					Fiduciary			
	General Funds 10.12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
ASSETS															
Cash and Investments (8100-8104,8111)	6,496,533	0	109,895	108,459	0	350,886	2,551,563	0	0	0	0	195,337	0	9,812,673	
Cash with Fiscal Agent (8105)	76,981	0	0	0	0	0	25,375	0	0	0	0	0	0	102,356	
Other Investment Accounts (8112-8115)	0	0	0	0	0	0	0	0	0	0	0	1,815,820	0	1,815,820	
Taxes Receivable (8121,8122)	390,000	0	0	0	0	0	261,100	0	0	0	0	0	0	651,100	
Interfund Loans Receivable (8131,8132)	166,378	0	0	0	0	0	29,291	0	0	0	0	0	0	195,670	
Grants Accounts Receivable (8142)	0	0	0	130,278	0	0	0	0	0	0	0	0	0	130,278	
Other Receivables (8151-8154,8161)	92,462	0	0	0	0	317	0	0	0	0	0	0	0	92,779	
Inventories (8171,8172,8173)	0	0	0	0	0	17,360	0	0	0	0	0	0	0	17,360	
Machinery and Equipment (8241,8242,8251)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Total Assets	7,221,354	0	109,895	238,737	0	368,563	2,867,330	0	0	0	0	2,011,157	0	12,818,036	

Governmental

Proprietary

Fiduciary

FUND EQUITY

	General Funds 10.12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20.22-29	Supplemental Cap Const Fund 06	Food Service Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45.47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50.52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
Non-spendable Fund Balance 6710	0	0	0	0	0	17,360	0	0	0	0	0	0	0	0	17,360
Restricted Fund Balance 6720	0	0	0	0	0	313,274	2,620,471	0	0	0	0	0	1,845,039	0	4,778,783
TABOR 3% Emergency Reserve 6721	403,000	0	0	0	0	0	0	0	0	0	0	0	0	0	403,000
TABOR Multi-Year 6722	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
District Emergency Reserve (letter of credit or real estate) 6723	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Coloiaso Pre-school Program (CPP) Reserve 6724	0	0	28,617	0	0	0	0	0	0	0	0	0	0	0	28,617
Full-Day Kindergarten Reserve 6725	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Risk-Related / Restricted Capital Reserve 6726	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
95ST Capital Reserve 6727	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Committed Fund Balance 6750	3,034,884	0	0	0	0	0	0	0	0	0	0	0	0	0	3,034,884
Assigned Fund Balance 6760	0	0	0	58,506	0	0	0	0	0	0	0	0	0	0	58,506
Unassigned Fund Balance 6770	2,140,229	0	0	0	0	0	0	0	0	0	0	0	166,118	0	2,306,346
Invested in Capital Assets, Net of Related Debt 6790	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Restricted Net Assets 6791	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Unrestricted Net Assets 6792	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Prior Period Adjustment 6880	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Fund Equity	5,578,113	0	28,617	58,506	0	330,634	2,620,471	0	0	0	0	0	2,011,157	0	10,625,456

	General Funds 10.12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20.22-29	Supplemental Cap Const Fund 06	Food Service Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45.47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50.52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
Total Liabilities & Fund Equity	7,222,354	0	109,895	238,737	0	368,563	2,867,330	0	0	0	0	0	2,011,157	0	12,818,036

	General Funds 10.12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20.22-29	Supplemental Cap Const Fund 06	Food Service Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45.47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50.52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
Do Assets=liability+Fund Equity	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

For Each Fund Type:
Do Assets=liability+Fund Equity

SINGLE AUDIT SECTION

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

**Board of Education
Fremont County School District RE-2
Florence, CO 81226**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Fremont County School District RE-2 as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Fremont County School District RE-2's basic financial statements, and have issued our report thereon dated November 27, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Fremont County School District RE-2's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fremont County School District RE-2's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fremont County School District RE-2's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fremont County School District RE-2'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.



November 27, 2019

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

**Board of Education
Fremont County School District Number RE-2
Florence, Colorado 81226**

Report on Compliance for Each Major Federal Program

We have audited Fremont County School District RE-2'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 Fremont County School District RE-2's major federal programs for the year ended June 30, 2019. Fremont County School District RE-2'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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Fremont County School District RE-2'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 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 Fremont County School District RE-2'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 Fremont County School District RE-2's compliance.

Opinion on Each Major Federal Program

In our opinion, Fremont County School District RE-2 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 Fremont County School District RE-2 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 Fremont County School District RE-2'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 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 Fremont County School District RE-2's internal control over compliance.

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

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

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



November 27, 2019

**FREMONT COUNTY SCHOOL DISTRICT NUMBER RE-2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019**

SECTION I - SUMMARY OF AUDITOR'S RESULTS:

FINANCIAL STATEMENTS

Auditor's Report

An unmodified report has been issued on the financial statements of Fremont County School District Number RE-2.

Internal Control Over Financial Reporting

No significant deficiencies or material weaknesses were identified.

Noncompliance Material to Financial Statements

No instances of noncompliance in amounts material to the financial statements of Fremont County School District Number RE-2 were disclosed by the audit.

FEDERAL AWARDS

Internal Control Over Major Programs

No significant deficiencies or material weaknesses were identified.

Auditor's Report on Compliance for Major Programs

An unmodified report has been issued on Fremont County School District Number RE-2 compliance for major programs.

Audit Findings

No findings requiring disclosure in accordance with 2 CFR Section 200.516(a) were disclosed by the audit.

Major Programs

Child Nutrition Cluster

Dollar Threshold to Distinguish Type A and Type B Programs

\$750,000.

Qualification as low-risk auditee

The District qualifies as a low-risk auditee for fiscal year 2018/2019.

**FREMONT COUNTY SCHOOL DISTRICT NUMBER RE-2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019**

(Continued)

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

**FREMONT COUNTY SCHOOL DISTRICT NUMBER RE-2
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2019**

None

**FREMONT COUNTY SCHOOL DISTRICT NUMBER RE-2
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2019**

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>State Code</u>	<u>Provided to Subrecipient</u>	<u>Expenditures</u>
<u>U.S. Department of Agriculture</u>				
<u>Child Nutrition Cluster - Cluster</u>				
(Passed through Colorado Department of Education)				
National School Breakfast Program	10.553	4553	-	120,179
National School Lunch Program	10.555	4555	-	447,643
(Passed through Colorado Department of Human Services)				
Food Distribution (Food Donations Program)	10.550	4555	-	<u>37,921</u>
<u>Total Child Nutrition Cluster - Cluster</u>			-	<u>605,743</u>
<u>Total U.S. Department of Agriculture</u>				<u>605,743</u>
 <u>U.S. Department of Education</u>				
(Passed through Colorado Department of Education)				
Title I, ECEA Education Handicapped Children	84.010	4010	-	364,276
Title I, ECEA Education Handicapped Children	85.010	5010	-	15,500
Title II Part A – Professional Development	84.367	4367	-	61,410
Title IV A	84.424	4424	-	29,911
(Passed through Colorado Community College & Occ. Ed.)				
Allocated Vocational Education	84.048	4048	-	<u>17,120</u>
<u>Total U.S. Department of Education</u>			-	<u>488,217</u>
 <u>TOTAL EXPENDITURES OF FEDERAL AWARDS</u>			<u>-</u>	<u>1,093,960</u>

The accompanying notes are an integral part of this schedule

FREMONT COUNTY SCHOOL DISTRICT NUMBER RE-2
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2019

NOTE 1 **Basis of Presentation**

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

NOTE 2 **INDIRECT COST RATES**

All grants being charged indirect cost have been received through the Colorado Department of Education. The Department calculates an allowable indirect cost rate for individual sub-recipients and mandates that the rate be used as the maximum for the recovery of indirect cost. The District has recovered indirect cost from grant funds at an amount no greater than that allowed by the Colorado Department of Education and has not elected to use the 10% de minimis indirect cost rate allowed by Uniform Guidance.

NOTE 3 **Food Distribution**

Non-monetary assistance is reported in the schedule at the fair market value of commodities received.

NOTE 4 **SUBRECIPIENT PAYMENTS**

No amounts of federal financial assistance were passed through to subrecipients in the year ended June 30, 2019.