

SCHOOL DISTRICT FREMONT RE-1

FINANCIAL STATEMENTS
With Independent Auditors' Report

Year Ended June 30, 2021

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
School District Fremont RE-1

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of School District Fremont RE-1, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School District Fremont RE-1's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the School District Fremont RE-1, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2021, on our consideration of the School District Fremont RE-1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering School District Fremont RE-1's internal control over financial reporting and compliance.

Hoelting & Company Inc.

Colorado Springs, Colorado
December 1, 2021

Cañon City Schools
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2021

As management of the School District Fremont RE-1 (District), doing business as Cañon City Schools, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with additional information furnished in the independent auditor's report and financial statements, which immediately follow this section.

Financial Highlights

Key financial highlights for fiscal year 2021 are as follows:

- The District's government-wide net position increased by \$28.1 million to \$8.6 million for the year ended June 30, 2021, primarily as a result of progress on new building construction.
- Governmental activities have an unrestricted net position of -\$62.4 million. This large figure is related to PERA's unfunded liability and the district's proportionate share.
- The District's primary government long-term liabilities increased by \$1 million primarily as a result of the update to the PERA liability amount.
- The District adopted and implemented the provisions of GASB 75 accounting for Other Post-Employment Benefits (OPEB). The District reported a liability of \$2.1 million for its proportionate share of the net OPEB liability.
- The District's general fund balance, which includes the general fund 10, risk management fund 18 and the Colorado Preschool fund 19, increased by \$1.6 million to \$6.8 million. This is primarily due to decreased expenses related to operations as a result of the COVID Pandemic, the District's ability to shift some expenses to federal stimulus activities, and specific ownership tax collections continuing to be somewhat higher than projected, driven by a strong local economy and by a greater share received by the district as a result of November 2017 election results.

Overview of the Financial Statements

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

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.

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For the Fiscal Year Ended June 30, 2021

- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- The governmental funds statements tell how basic services such as instruction were financed in the short-term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, such as scholarship funds and student clubs and organizations funds.

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

District-wide Statements

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

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

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

Fund Financial Statements

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

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

Cañon City Schools
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2021

the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.

- *Fiduciary funds:* The District is the agent, or *fiduciary*, for assets that belong to others, such as the scholarship and student clubs/organizations funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

Colorado school districts are primarily funded from the School Finance Act of 1994 (SFA) as amended. An individual district's funding is primarily driven by its enrollment. The District's enrollment peaked in fiscal year 2002 (October 2001 count), with a declining trend that has continued to this day.

The District's declining enrollment has negatively impacted its funding over the past few years. However, this can always be addressed by right-sizing commitments to staff. During the Great Recession the District suffered catastrophic reductions in funding due to the imposition of the Negative Factor, now known as Budget Stabilization Factor, as well as decreased enrollment driven by an increase in the number of parents choosing to home school and some students enrolling in full-time digital programs. In recent years the state has been closing the gap on the Budget Stabilization Factor, with the District's total program increasing \$1.5 million in fiscal year 2020 thanks to full-day kindergarten funding and even despite a continual reduction in pupil count. Unfortunately, the 2020 COVID pandemic resulted in the largest single year revenue cuts the district has ever experienced (nearly \$2 million). These are represented in the 20-21 Fiscal year Audit but were offset by an extra dose of federal stimulus passed on to schools by Colorado's Governor.

The District's General Fund balance increased by \$1.6 million resulting in an ending fund balance of \$6.8 million at fiscal year 2021 end. This is primarily due to decreased expenses related to operations as a result of the COVID Pandemic, the District's ability to shift some expenses to federal stimulus activities, and specific ownership tax collections continuing to be somewhat higher than projected.

In fiscal year 2021 the District's General Fund (Fund 10) fund balance was 23% of fiscal year 2021 expenditures. Industry standards call for a fund balance in the range of 8% to 15% in order to meet operating obligations, cash flow requirements and unforeseen events. For many years the District has striven to acquire a balance greater than 12% and this is the second straight year this has been accomplished. However, this increase to the fund balance is only due to the CARES and ESSER federal stimulus dollars received. These funds are being used to support instructional salaries. We expect this balance percentage to decline in the coming fiscal years.

The assets of the District are classified as current assets and capital assets. Cash, investments, receivables, inventories and prepaid expenditures are current assets. These assets are available to provide resources for the near-term operations of the District. The majority of current assets are

Cañon City Schools
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2021

the result of the property tax collection process. Capital assets are used in the operations of the District. These assets include land, buildings, equipment and vehicles.

Current and long-term liabilities are classified based on anticipated liquidation either in the near term or in the future. Current liabilities include accounts payable, accrued salaries and benefits, and deferred revenue. Long-term liabilities such as long-term debt obligations and compensated absences will be liquidated from resources that will become available after fiscal year 2020.

In total, District net position increased by \$28.1 million to \$8.6 million for the year ended June 30, 2021. This is primarily a result of the increase in net investment in capital assets from the completion of the construction of a new elementary school and continuing the remodel/repurposing of the middle school. These projects were funded through a 73% cost match from the State's Building Excellent Schools Today (BEST) program.

The District's long-term liabilities increased by \$1 million to \$88 million. \$6 million of the decrease was attributed to the paydown of capital bonds, notes and leases. \$7 million of the rise was from the increase in the district's share of the PERA net pension liability. An addition of capital leases related to transportation purchases partially offset the expected decrease from payments on capital construction bonds and other capital borrowings. Long-term debt includes bond payments, compensated absences, energy projects, QZAB Bonds, and lease purchase agreements.

Table -1- provides a summary of the District's net position and **Table -3-** provides a summary for the District's changes in net position for 2021:

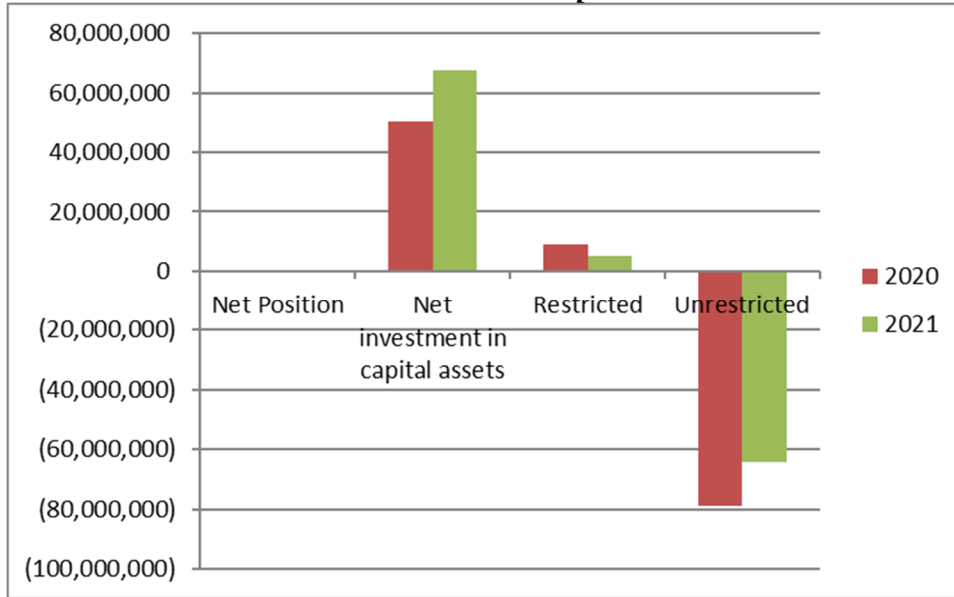
Table -1-
Statement of Net Position

	Governmental Activities	
	2019-20	2020-21
ASSETS	-	-
Current and other assets	\$31,195,124	\$20,479,774
Capital Assets	80,077,755	90,208,844
Total Assets	\$111,272,879	\$110,688,618
DEFERRED OUTFLOWS	\$6,539,447	\$18,308,374
LIABILITIES		
Long-term liabilities outstanding	\$87,044,021	\$88,011,176
Other liabilities	14,341,173	6,422,778
Total Liabilities	\$101,385,194	\$94,433,954
DEFERRED INFLOWS	\$35,951,642	\$25,988,587
NET POSITION		
Net investment in capital assets	\$53,798,515	\$64,578,087
Restricted	5,596,206	6,388,504
Unrestricted	(78,919,231)	(62,392,140)
Total net position	(\$19,524,510)	\$8,574,451

Cañon City Schools
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2021

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Table -2-
Net Position Graph



Cañon City Schools
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2021

Table -3-

	Governmental Activities	
	<u>2019-20</u>	<u>2020-21</u>
REVENUES:		
Charges for services	\$908,864	\$1,274,626
Operating and capital grants and contributions	34,706,540	22,933,551
General revenues:		
Property & specific ownership taxes	13,596,383	13,782,671
State equalization	20,436,693	17,799,979
Other	1,542,839	439,260
Total revenues	\$71,191,319	\$56,230,087
EXPENSES:		
Instruction	\$17,136,852	\$14,073,764
Other support services	11,923,274	9,433,557
Community services	618,363	635,246
Food services	1,561,739	1,867,230
Facilities acquisition & construction	1,594,957	1,233,670
Interest on long-term debt	958,411	887,659
Other debt service		
Total expenses	\$33,793,596	\$28,131,126
NET POSITION:		
Increase (decrease) in net position	\$37,397,723	\$28,098,961
Net Position - beginning	(57,290,423)	(19,524,510)
Prior period adjustment	368,190	-
Net position, beginning, as restated (deficit)	(56,922,233)	(19,524,510)
Net position, ending	(\$19,524,510)	\$8,574,451

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For the Fiscal Year Ended June 30, 2021

Table -4-

Sources of Revenues for Fiscal Year 2020-21

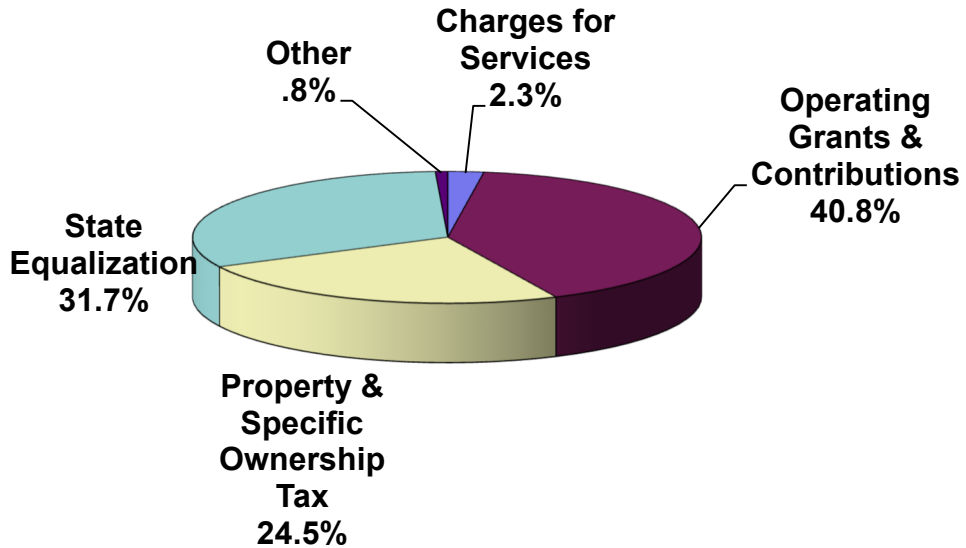
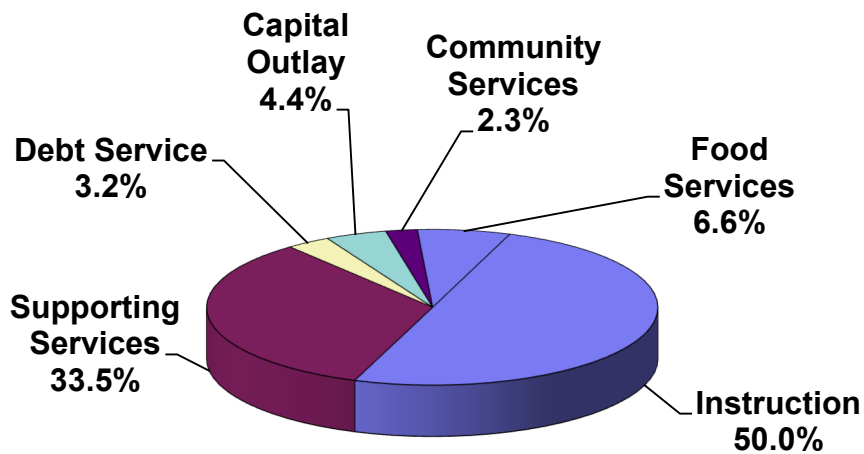


Table -5-

Expenses for Fiscal Year 2020-21



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Management's Discussion & Analysis
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State equalization accounted for 31.7 percent of the District's governmental activities total revenue. (See **Table -4-**.) Another 24.5 percent came from property and specific ownership taxes and the remainder from capital construction grants, operating grants, contributions, fees charged for services, and miscellaneous sources.

The District's expenses are predominantly related to instruction, 50.0 percent. (See **Table -5-**.) Supporting Services, including the District's student support, administrative, business, transportation, maintenance and operations activities, accounted for 33.5 percent of total costs. This is typical for most Colorado school districts.

Governmental Activities

The primary source of operating revenue for school districts comes from the School Finance Act of 1994 as amended. Under the School Finance Act the District received \$7,717 per funded student. In fiscal year 2021 the funded pupil count was 3,643.9. For the 2021 fiscal year the District continued to be one of the lowest funded districts in the state on a per pupil basis, receiving only 95% of state average per pupil funding.

Funding for the School Finance Act comes from property taxes, specific ownership tax and state equalization. The District receives approximately 75 percent of this funding from state equalization. State law allows school districts to obtain an additional 25 percent of SFA program funding from local property and specific ownership taxes (SOT). The District's assessed valuation generated \$13.7 million in property and SOT tax revenue under the School Finance Act in fiscal year 2021.

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

Table -6-

Governmental Activities

SCHOOL DISTRICT FREMONT RE-1		
Governmental Activities		
	<u>2020</u>	<u>2021</u>
Instruction	\$17,136,852	\$14,073,764
Supporting services	11,923,274	9,433,557
Food service operations	1,561,739	1,867,230
Community Services	618,363	635,246
Facilities acquisition	1,594,957	1,233,670
Interest on long-term debt	958,411	887,659
Total	\$33,793,596	\$28,131,126

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The cost of all *governmental* activities this year was \$28.1 million.

- Some of the cost was financed by the users of the District's programs (\$1.3 million)
- The federal and state government subsidized certain programs with grants and contributions (\$23 million).
- A portion of governmental activities was financed with \$17.8 million in state equalization from the School Finance Act of 1994 and \$13.8 million in property and specific ownership taxes.

Financial Analysis of the District's Funds

Information about the District's major funds starts on page 3. These funds are accounted for using the modified accrual basis of accounting. All governmental funds have total revenues of \$56.4 million and expenditures of \$59.0 million. This apparent over expenditure is related to grant funds received in FY 2020 that were not expended until FY 2021.

Budgetary Highlights

The District's budget is prepared according to Colorado law and is based on accounting for certain transactions on a basis of cash receipts and disbursements. The most significant budgeted fund is the General Fund. Individual Fund Statements and Schedules begin on page 56.

- Prior to the end of the fiscal year, additional budget appropriations were approved for the General Fund, the Charter School Fund, the Colorado Preschool Program fund, the Food Services fund, Grants fund, the Clubs and Organizations fund, the Building fund and the Capital Reserve Fund to cover anticipated expenditures in excess of original budgeted amounts. Generally, the additional expenditures were covered by revenues being more than originally projected.
- General Fund (Fund 10) actual revenues exceeded actual expenditures by \$1.6 million, primarily as a result of specific ownership taxes and State special education funding being greater than projected. Also, rural sustainability funds were retained in the General Fund in order to increase fund balance. Actual expenditures were less than the amended budget amount. This resulted in the General Fund balance increasing to \$6.8 million at fiscal year-end – 23% of FY201-20 expenditures. This percentage is due to the CARES and ESSER I emergency relief funds due to the pandemic. This allowed the District to allocate instructional salaries to these funds. A portion of the fund balance is reserved for future obligations related to the ten-year MLO sunset.
- Charter School Fund (Fund 11) actual revenues exceeded actual expenditures by \$169 thousand. Actual expenditures were less than the amended budget amount. The fund balance increased to \$850 thousand or 37% of FY20-21 expenditures. The school received its proportionate share of the MLO and rural schools funding. Excess fund balances are being accumulated for future capital projects.
- Risk Management Fund (Fund 18) revenues exceeded actual expenditures by \$94 thousand. Actual expenditures were less than the amended budget amount with actual

Cañon City Schools
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2021

workers compensation insurance premiums being \$33 thousand less than projected. The Risk Management Fund balance increased to \$459 thousand at year end.

- Colorado Preschool Program (CPP) Fund (Fund 19) actual revenues exceeded expenditures by \$52 thousand as revenues were somewhat more than projected and expenditures were \$117 thousand less than projected, partly due to COVID-19 effects. The CPP fund balance was \$234 thousand at year end.
- Food Service Fund (Fund 21) actual expenditures exceeded revenues by \$988 thousand. The ending fund balance is \$1.5 million at year end. Increased 1.0 million from last year. Actual revenues were \$2.8 million and expenditures were 1.8 million, this was mainly due to the impacts of COVID-19 and temporary adjustments to federal school lunch program.
- Grants Fund (Fund 22) expenditures were within the budgeted amount of \$8 million and were matched to revenues. Actual expenditures were less than the amended budget amount. Grant fund expenditures in excess of grant revenue for any particular grant were reclassified to the General Fund or other Funds. The district's grant awards, and expenditures have increased as it has continued to pursue a number of new health and wellness and innovation grant awards.
- Pupil Activity Fund (Fund 23) actual expenditures were within budget and matched to revenues with the General Fund allocation for amounts in excess of participation, gate and other revenues.
- Student Clubs and Organizations Fund (Fund 27) Actual revenues exceeded expenditures by \$15 thousand during the year. Total fund balances for clubs and organizations increased to \$440 thousand at year end. These funds are property of the various clubs and organizations and are not available to support regular school district operations.
- Bond Redemption Fund (Fund 31) expenditures were within budget. Actual expenditures were less than the amended budget amount. Revenues exceeded expenditures by \$66 thousand with the Bond Fund balance increasing to \$3.6 million at year end.
- FY2018-19 saw commencement of the BEST CCMS and Washington Elementary school replacement projects. Revenues included the issuance of the \$8 million General Obligation bond to provide the local match for the CCMS project and the \$6.2 million General Obligation bond to provide the local match for the Washington project. As of the end of FY 21 the new Washington school was 99% completed and the new CCMS was on track to wrap up construction by January 1, 2022. It is anticipated each of these projects will be finalized on the books by the end of FY 22. Actual expenditures remain within the budgeted amounts for each project. Expenditures exceeded revenues as planned by \$2.25 million as bond cash balances were drawn down to provide local BEST grant matches required for the projects.
- Capital Reserve Fund 43 - Capital Projects unrestricted fund balance decreased to \$1.1 million primarily due to the final payment of QZAB #2, capital improvement bond.

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- Scholarships Fund (Fund 72) expenditures exceeded revenues by \$25 thousand as interest earnings and new scholarship contributions decreased. Actual expenditures were less than the amended budget amount. Total fund balances for scholarship accounts at year end were \$431 thousand.
- Component Unit Fund (Fund 75) - tracks activity of the Fremont Schools Facilities Corporation (FSFC). FSFC was created in conjunction with the Family Center Apartments and was also used to issue Certificates of Participation for the purchase and remodel of Garden Park High School and the remodel of a portion of the old Harrison Elementary School into what is now known as the ACCESS Center.
- District Debt Fund (Fund 90) is a contra account used to report long-term debt. Fund 90 is used to report the District's debt associated with the 2003/2004 Capital Construction General Obligations Bonds, including the 2006, 2011 and 2014 refinancing of a portion of outstanding bonds to secure better interest rates. Fund 90 also includes reporting for the new \$4 million GO bonds issued in December 2017, the new \$8 million GO bonds issued in 2018 for the CCMS replacement project and the \$6.2 million GO bonds issued in 2018 for the Washington replacement project. Also, beginning in FY17-18 Fund 90 is used to report mill override activity.

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Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2021

Capital Assets and Debt Administration

By the end of 2021 the District had invested \$90.2 million in land, buildings, equipment, and transportation vehicles. **Table -7-** shows fiscal 2020 and 2021:

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

	Governmental Activities	
	<u>2020</u>	<u>2021</u>
Land	\$2,220,137	\$2,220,137
Construction in Progress	43,348,080	31,705,162
Improvements	29,990,533	51,370,686
Vehicles	677,350	579,874
Equipment	3,841,655	4,332,985
Net	\$80,077,755	\$90,208,844

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

Long-Term Debt

The outstanding principal balance on General Obligation Bonds at year end was \$25.2 million, including unamortized bond premium. In July 2018 the district issued \$8 million in new General Obligation bonds to be used for the local match for the BEST grant to renovate and upgrade Cañon City Middle School. In November 2018 the district issued \$6.2 million in new General Obligation bonds to be used for the local match for the BEST grant to replace Washington Elementary School.

At year end the District had \$450 thousand in capital leases payable. Compensated absences increased to \$1.5 million from \$1.1 million, due the COVID pandemic state of the emergency rules and regulations regarding employee leave.

Total Long-Term Debt increased by \$1 million due primarily to the update of the district's allocated portion of the PERA Net Pension Liability under GASB Statement 68 and the infusion of funds by the State to reduce the PERA unfunded liability balance.

Table -8-
Outstanding Debt, at Year End

	<u>June 30,2020</u>	<u>June 30,2021</u>
General Obligation Bonds	\$27,568,770	\$25,250,757
Capital Leases Payable	4,476,916	448,753
Compensated Absences	1,121,256	1,473,172
Net Pension Liability	51,352,226	58,704,357
Net OPEB Liability	2,524,853	2,134,107
Total	\$87,044,021	\$88,011,146

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

Cañon City Schools
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2021

Factors bearing on the District's Future

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

- The District's enrollment continues to slide. The District's enrollment peaked in October 2001 at 4,255. The District's funded pupil count for 2020-21 was 3,643.9. Notably, the impact of the 2020 COVID pandemic, wherein many families are enrolling in for-profit online programs or choosing to just homeschool their children, resulted in a 230-student decrease for Fiscal Year 20-21. It should be noted the pupil count for 21-22 has shown a slight increase from 20-21.
- The District's accreditation rating was Priority Improvement in 2011. This was below the threshold to avoid intervention by the state. From 2012 through 2015 the district's accreditation was at the Improvement level, just above this intervention threshold. In 2016 the District achieved full Accredited status and has maintained that rating, though this has not been updated since October 2019 due to gaps in state testing as a result of the COVID Pandemic.
- Cañon City continues to be among the lowest funded school districts on a per pupil basis in Colorado, receiving only 95% of the statewide average.
- The Colorado Public Employee Retirement Association (PERA) provides retirement and other benefits to public employees statewide, including public school employees. PERA has been actuarially underfunded. To improve PERA's financial position employer contribution rates have been increasing for several years. The 2018 legislative session addressed PERA's funding shortfall by committing more than \$220 million per year directly to the system moving forward, though this was paused during FY21 due to concerns about state revenue collections during the pandemic.
- The Public-School Financial Transparency Act was signed into law during the 2010 Legislative session. This act directs local education providers to post financial information on-line for free public access. To meet the requirements of the act the District has posted required information on its website under a Financial Transparency tab. Information includes annual budgets, audit reports, quarterly financial reports, salary schedules, check registers, and credit card statements.
- Statewide the Budget Stabilization Factor stands at \$572 million per year, and the District's negative factor is projected to be \$2.28 million per year at fiscal year-end. This is anticipated to change only slightly by the end of FY 22.
- The district worked diligently to secure Building Excellent Schools Today (BEST) grants to supplement facilities repair and upgrade. In 2014 an award was received to replace antiquated fire alarms. This project was successfully completed in the summer of 2015. In 2016 the District was awarded a grant to replace roofing at Lincoln School of Science & Technology, McKinley Elementary School and Cañon City High School. The total project cost was \$1.01 million with BEST providing \$667 thousand and the District's match being \$344 thousand. This project was successfully completed in summer 2016 and summer 2017. In May 2017, the District was awarded a grant to conduct \$7.5 million in building envelope, health, and

Cañon City Schools
Management's Discussion & Analysis
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safety and security upgrades to Cañon City High School, Cañon Exploratory School, Harrison K-8, Lincoln School of Science and Technology, and McKinley Elementary School. To execute the grant the District had to secure voter approval of its \$2.5 million match in November 2017. While doing so, the District also asked voters for cash matches to replace Washington Elementary School and to perform major upgrades to Cañon City Middle School. With voter approval and cash matches in hand, the District was able to secure the award of two additional BEST grants that paid 73% of the total cost of these projects. The building envelope, health, and safety and security upgrades grant work is complete, the new Washington Elementary is completed and the Major CCMS upgrade projects is nearing its final stages. As is indicated by this audit, these successful efforts to secure funding to address much needed facilities repairs and upgrades have given the District much more financial flexibility within other areas of its budget.

- In 1995 Cañon City Schools approved the charter application for the Mountain View Core Knowledge School (MVCKS). MVCKS continues to operate a K-8 Charter School under the sponsorship of the District. In fiscal year 2021 MVCKS's fund balance remained adequate due to conservative budget practices. The passage of 2017 questions 3A and 3B placed the school on even greater financial footing by paying off its \$1.2 million building loan and by increasing its discretionary per-pupil funding by approximately \$800 per student per year.
- For fiscal years beginning July 1, 2014, the District adopted GASB Statement 68. GASB 68 requires that State and local governments record their share of pension plan unfunded liabilities. Net pension liability is reported in district-wide financial statements. For fiscal year 2019 the district's GASB 68 liability decreased from \$61.9 million to \$51.3 million. This reduction was a result of the State's additional infusion of funds into PERA that reduced the underfunded amount. Unfortunately, this annual contribution had to be on pause during FY 21 due to pandemic finance concerns, so the underfunded amount increased once again.
- In December 2015 Congress passed Every Student Succeeds Act (ESSA) as a rewrite of the Elementary and Secondary Education Act replacing No Child Left Behind (NCLB). ESSA provides new guidance and requirements for accountability, assessments, low performing school remedies, and teacher and school leader responsibility for academic improvement. The State of Colorado finalized implementation rules guidance and requirements in spring 2017 and this resulted in a \$120 thousand (roughly 10%) reduction in funding that has significantly impacted the district's budget. This reduction in funding has continued through the 2021 fiscal year. However, McKinley Elementary School has been able to access some of these funds set aside to support Turnaround school initiatives, and work along this front has resulted in the school advancing its accreditation rating to Performance, the highest rating a school can earn in Colorado.
- In spring 2017 the Colorado Legislature passed the Rural Sustainability Act. This provided what was believed to be a one-time \$171 per pupil funding infusion totaling \$634 thousand. A second year of rural sustainability funding was approved in spring 2018 from which the district received \$615 thousand. This funding was reduced by 33% in FY19 and completely disappeared in FY 20. However, passage of Proposition EE in November 2020 has ensured similar streams of funding will return to the district for FY 21, 22, and 23.
- An item of significant note in how it impacts the District budget is the fact that roughly 18% of Cañon City Schools students qualify for special education services. This is one of the largest Special Education populations, by percentage of total student, in the state of Colorado.

Cañon City Schools
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It is worth noting that since 2010 Cañon City School's costs for delivery of Special Education services has increased by \$1.5 million per year while funding for such students has increased by only \$60 thousand. This circumstance has a major impact on every other area of our budget.

- The 2020 legislative session, in response to the economic calamity caused by the worldwide COVID 19 pandemic, stripped significant funding from the School Finance Act. This impacted the District in the form of an approximate \$2 million funding cut. However, emergency federal funding backfills left the district in a tenable financial situation for FY 22. Even more stimulus funding followed in fall 2020 and spring 2021. These funds have allowed the district much flexibility in its effort to keep its doors open to student instruction. However, those federal dollars will go away soon and the full impact of our pupil reduction and challenged state level revenues could leave us in a very difficult financial position.
- Finally, in November 2020 Colorado voters repealed the Gallagher Amendment AND the Colorado legislature finally passed a mill-equity law. This impacted Cañon City taxpayers by requiring personal property owners pay a larger portion of the District's operating expenses and business owners to pay somewhat less. Additionally, greater property tax equity around the state means, at no extra cost to Cañon City taxpayers, more revenue will be available to distribute to school districts across the state, and systems like ours may benefit more greatly from locally passed mill overrides through a state match system much like BEST.

Contacting the District's Financial Management

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

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

By e-mail: buddy.lambrecht@canoncityschools.org

By phone: (719) 276-5714

Or visit our website: www.canoncityschools.org

BASIC FINANCIAL STATEMENTS

SCHOOL DISTRICT FREMONT RE-1
STATEMENT OF NET POSITION
JUNE 30, 2021

	Primary Government	Component Units	
	Governmental Activities	Charter School	Facilities Corp.
ASSETS			
Cash and investments	\$ 12,970,207	\$ 519,327	\$ 913,434
Restricted cash and investments	3,556,764	-	-
Cash with county treasurer	777,518	-	-
Receivables	2,779,040	6,146	-
Receivable from primary government	-	575,679	-
Receivable from fiduciary funds	38,590	-	-
Inventories and prepaid items	357,655	-	-
Capital assets, not being depreciated	33,925,299	474,460	-
Capital assets being depreciated, net	56,283,545	1,025,897	135,616
Total assets	<u>110,688,618</u>	<u>2,601,509</u>	<u>1,049,050</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	68,783	-	-
Deferred pension outflows	18,089,061	1,171,504	-
Deferred OPEB outflows	150,530	14,083	-
Total deferred outflows of resources	<u>18,308,374</u>	<u>1,185,587</u>	<u>-</u>
LIABILITIES			
Accounts payable and other current liabilities	838,841	-	-
Accrued salaries and benefits	3,840,599	251,507	-
Due to charter school	575,679	-	-
Unearned revenue	1,086,810	-	-
Accrued interest payable	80,849	-	-
Long-term liabilities:			-
Due within one year	2,390,869	-	-
Due in more than one year	24,781,843	-	-
Net pension liability	58,704,357	3,297,364	-
Net OPEB liability	2,134,107	119,839	-
Total liabilities	<u>94,433,954</u>	<u>3,668,710</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred pension inflows	25,261,777	1,436,401	-
Deferred OPEB inflows	726,810	41,621	-
Total deferred inflows of resources	<u>25,988,587</u>	<u>1,478,022</u>	<u>-</u>
NET POSITION			
Net investment in capital assets	64,578,087	1,500,357	135,616
Restricted for:			
Emergency reserve (TABOR)	1,310,000	71,000	-
Debt service	3,560,826	-	-
Capital projects	1,283,936		
Preschool program	233,742		
Unrestricted	(62,392,140)	(2,930,993)	913,434
Total net position	<u>\$ 8,574,451</u>	<u>\$ (1,359,636)</u>	<u>\$ 1,049,050</u>

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

**SCHOOL DISTRICT FREMONT RE-1
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

<u>Functions/Programs</u>	<u>Program Revenue</u>				<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>	<u>Charter School</u>	<u>Facilities Corp.</u>
Primary government							
Governmental activities							
Instruction	\$ 14,073,764	\$ 1,235,821	\$ 9,857,705	\$ -	\$ (2,980,238)	\$ -	\$ -
Supporting services	9,433,557	9,033	1,021,578	-	(8,402,946)		
Food service operations	1,867,230	29,772	2,769,954	-	932,496		
Community services	635,246	-	-	-	(635,246)		
Facilities acquisition	1,233,670	-	-	9,284,314	8,050,644		
Interest on long-term debt	887,659	-	-	-	(887,659)		
Total primary government	<u>\$ 28,131,126</u>	<u>\$ 1,274,626</u>	<u>\$ 13,649,237</u>	<u>\$ 9,284,314</u>	<u>(3,922,949)</u>		
Component units							
Charter school	\$ 1,580,064	\$ 112,674	\$ 145,319	\$ 75,338		(1,246,733)	
Facilities Corp.	51,291	-	-	-			(51,291)
Total component units	<u>\$ 1,631,355</u>	<u>\$ 112,674</u>	<u>\$ 145,319</u>	<u>\$ 75,338</u>			
General revenues:							
Property taxes					11,848,880	-	-
Specific ownership taxes					1,933,791	-	-
State equalization					17,799,979	-	-
Per pupil revenue					-	2,073,815	-
Grants and contributions not restricted to specific programs					25,000	-	-
Unrestricted investment earnings					107,429	699	22,434
Gain on involuntary conversion					-	-	64,842
Miscellaneous					306,831	79,828	-
Total general revenues					<u>32,021,910</u>	<u>2,154,342</u>	<u>87,276</u>
Change in net position					28,098,961	907,609	35,985
Net position - beginning (deficit)					<u>(19,524,510)</u>	<u>(2,267,245)</u>	<u>1,013,065</u>
Net position - ending (deficit)					<u>\$ 8,574,451</u>	<u>\$ (1,359,636)</u>	<u>\$ 1,049,050</u>

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

**SCHOOL DISTRICT FREMONT RE-1
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021**

	General Fund	Governmental Designated- Purpose Grants Fund	Bond Redemption Fund	Building Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS						
Cash and investments	\$ 9,537,174	\$ -	\$ -	\$ 1,168,428	\$ 2,264,605	\$ 12,970,207
Restricted cash and investments	-	-	3,548,234	6,922	1,608	3,556,764
Cash with county treasurer	612,405	-	165,113	-	-	777,518
Receivables	313,224	1,415,415	-	646,203	404,198	2,779,040
Due from other funds	2,929,464	49,052	-	-	555,349	3,533,865
Inventories and prepaid items	41,868	194,590	-	-	121,197	357,655
Total assets	<u>\$ 13,434,135</u>	<u>\$ 1,659,057</u>	<u>\$ 3,713,347</u>	<u>\$ 1,821,553</u>	<u>\$ 3,346,957</u>	<u>\$ 23,975,049</u>
LIABILITIES						
Accounts payable and other current liabilities	\$ 125,081	\$ 21,117	\$ -	\$ 659,807	\$ 32,836	\$ 838,841
Due to other funds	2,379,364	-	5,648	1,016,284	93,979	3,495,275
Due to charter school	575,679	-	-	-	-	575,679
Accrued salaries and benefits	3,162,367	551,130	-	-	127,102	3,840,599
Unearned revenue	-	1,086,810	-	-	-	1,086,810
Total liabilities	<u>6,242,491</u>	<u>1,659,057</u>	<u>5,648</u>	<u>1,676,091</u>	<u>253,917</u>	<u>9,837,204</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue-property taxes	396,246	-	146,873	-	-	543,119
Total deferred inflows of resources	<u>396,246</u>	<u>-</u>	<u>146,873</u>	<u>-</u>	<u>-</u>	<u>543,119</u>
FUND BALANCES						
Nonspendable for:						
Inventories and prepaid items	41,868	-	-	-	121,197	163,065
Restricted for:						
Emergency reserve (TABOR)	1,310,000	-	-	-	-	1,310,000
Debt service	-	-	3,560,826	-	-	3,560,826
Capital projects	-	-	-	145,462	1,138,474	1,283,936
Preschool	233,742	-	-	-	-	233,742
Committed for:						
Food service operations	-	-	-	-	1,393,195	1,393,195
Pupil Activities	-	-	-	-	440,174	440,174
Assigned for:						
Risk management	458,280	-	-	-	-	458,280
Unassigned	4,751,508	-	-	-	-	4,751,508
Total fund balances	<u>6,795,398</u>	<u>-</u>	<u>3,560,826</u>	<u>145,462</u>	<u>3,093,040</u>	<u>13,594,726</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 13,434,135</u>	<u>\$ 1,659,057</u>	<u>\$ 3,713,347</u>	<u>\$ 1,821,553</u>	<u>\$ 3,346,957</u>	<u>\$ 23,975,049</u>

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

SCHOOL DISTRICT FREMONT RE-1
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2021

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

Total fund balance - governmental funds	\$	13,594,726
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets, not being depreciated	\$	33,925,299
Capital assets, net of depreciation		<u>56,283,545</u>
		90,208,844
Property tax receivable is not available to pay current period expenditures and, therefore, is not reported in the funds.		
		543,119
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in government funds:		
Deferred charges on refunding	\$	68,783
Net pension liabilities		(58,704,357)
Pension outflows		18,089,061
Pension inflows		(25,261,777)
Net OPEB liabilities		(2,134,107)
OPEB outflows		150,530
OPEB inflows		(726,810)
Accrued interest		(80,849)
Compensated absences		(1,473,172)
Capital leases		(448,783)
Bonds payable		<u>(25,250,757)</u>
		<u>(95,772,238)</u>
Net position of governmental activities in the statement of net position	\$	<u><u>8,574,451</u></u>

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

SCHOOL DISTRICT FREMONT RE-1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	<u>General Fund</u>	<u>Governmental Designated- Purpose Grants Fund</u>	<u>Bond Redemption Fund</u>	<u>Building Fund</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
Local sources	\$ 11,823,807	\$ 828,540	\$ 3,253,177	\$ 64,039	\$ 592,468	\$ 16,562,031
State sources	20,618,277	1,255,315	-	9,284,314	14,952	31,172,858
Federal sources	63,674	5,875,152	-	-	2,726,752	8,665,578
Total revenues	<u>32,505,758</u>	<u>7,959,007</u>	<u>3,253,177</u>	<u>9,348,353</u>	<u>3,334,172</u>	<u>56,400,467</u>
EXPENDITURES						
Instruction	16,950,432	5,043,696	-	-	635,018	22,629,146
Supporting services	12,156,709	2,379,433	-	13,087	453,960	15,003,189
Food service operations	-	-	-	-	1,831,314	1,831,314
Community services	174,096	555,915	-	-	-	730,011
Facilities acquisition and construction	4,976	64,963	-	11,590,255	28,900	11,689,094
Debt service	-	-	3,186,898	-	3,962,914	7,149,812
Total expenditures	<u>29,286,213</u>	<u>8,044,007</u>	<u>3,186,898</u>	<u>11,603,342</u>	<u>6,912,106</u>	<u>59,032,566</u>
Excess (deficiency) of revenues over expenditures	<u>3,219,545</u>	<u>(85,000)</u>	<u>66,279</u>	<u>(2,254,989)</u>	<u>(3,577,934)</u>	<u>(2,632,099)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	85,000	-	-	1,543,639	1,628,639
Transfers out	(1,628,639)	-	-	-	-	(1,628,639)
Total other financing sources (uses)	<u>(1,628,639)</u>	<u>85,000</u>	<u>-</u>	<u>-</u>	<u>1,543,639</u>	<u>-</u>
Net change in fund balances	1,590,906	-	66,279	(2,254,989)	(2,034,295)	(2,632,099)
Fund balances - beginning	5,204,492	-	3,494,547	2,400,451	5,127,335	16,226,825
Fund balances - ending	<u>\$ 6,795,398</u>	<u>\$ -</u>	<u>\$ 3,560,826</u>	<u>\$ 145,462</u>	<u>3,093,040</u>	<u>\$ 13,594,726</u>

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

SCHOOL DISTRICT FREMONT RE-1
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

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

Net change in fund balances - total governmental funds:		\$ (2,632,099)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.</p>		
Capital outlays	\$ 12,211,195	
Depreciation	<u>(2,080,106)</u>	10,131,089
<p>Governmental funds do not present property tax revenues that are not available to pay current obligations. In contrast, such revenues are reported in the statement of activities when earned.</p>		
		(170,381)
<p>Interest expense is reported when incurred in the statement of activities but is not reported in the funds until paid.</p>		
		5,522
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Repayment of principal	\$ 6,139,391	
Accrued interest	206,755	
Accretion of bond premium	<u>(17,196)</u>	6,328,950
<p>Governmental funds measure compensated absences by the amount of financial resources used, whereas these expenses are reported in the statement of activities based on the amounts incurred during the year.</p>		
		(351,913)
<p>Certain pension and OPEB expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Pension expenses	\$ 14,621,868	
OPEB expenses	<u>165,925</u>	<u>14,787,793</u>
Change in net position of governmental activities		<u><u>\$ 28,098,961</u></u>

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

**SCHOOL DISTRICT FREMONT RE-1
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE, 30 2021**

	<u>Private-Purpose Trust Fund</u>
ASSETS	
Cash and investments	\$ 190,189
Restricted cash and investments	<u>279,831</u>
Total assets	<u><u>\$ 470,020</u></u>
LIABILITIES	
Due to primary government	<u>\$ 38,590</u>
Total liabilities	<u>38,590</u>
NET POSITION	
Held in trust for individuals:	
Nonexpendable	279,831
Expendable	<u>151,599</u>
Total net position	<u>431,430</u>
Total liabilities and net position	<u><u>\$ 470,020</u></u>

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

**SCHOOL DISTRICT FREMONT RE-1
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE, 30 2021**

	Private-Purpose Trust Fund
ADDITIONS	
Investment income	\$ 455
Total additions	455
DEDUCTIONS	
Scholarship awards	25,804
Total deductions	25,804
Change in net position	(25,349)
Net position - beginning	456,779
Net position - ending	\$ 431,430

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

**SCHOOL DISTRICT FREMONT RE-1
STATEMENT OF FINANCIAL POSITION
FREMONT SCHOOLS FACILITIES CORPORATION
DECEMBER 31, 2020**

ASSETS

Current assets	
Cash and investments	\$ 913,434
Non-current assets	
Capitalized costs, net of amortization	<u>135,616</u>
Total assets	<u><u>\$ 1,049,050</u></u>

LIABILITIES AND NET POSITION

Total liabilities	<u>\$ -</u>
Net position	
Investment in capital assets	135,616
Unrestricted	<u>913,434</u>
Total net position	<u>1,049,050</u>
Total liabilities and net position	<u><u>\$ 1,049,050</u></u>

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

SCHOOL DISTRICT FREMONT RE-1
STATEMENT OF ACTIVITIES
FREMONT SCHOOLS FACILITIES CORPORATION
YEAR ENDED DECEMBER 31, 2020

UNRESTRICTED NET POSITION

Support and revenue	
Investment earnings	\$ 22,434
Gain (loss) on sale of investments	64,842
Total support and revenue	<u>87,276</u>
 Expenses	
Program expenses	<u>51,291</u>
Change in net position	35,985
Net position - beginning	<u>1,013,065</u>
Net position - ending	<u><u>\$ 1,049,050</u></u>

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

**SCHOOL DISTRICT FREMONT RE-1
STATEMENT OF CASH FLOWS
FREMONT SCHOOLS FACILITIES CORPORATION
YEAR ENDED DECEMBER 31, 2020**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net position	\$ 35,985
Adjustments to reconcile change in net position to net cash provided (used) by operating activities:	
Depreciation	30,834
Gain on sale of assets	(64,842)
	1,977
Net cash provided (used) by operating activities	1,977
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds on sale of investments	15,844
Purchase of investments	(17,846)
	(2,002)
Net cash provided (used) by investing activities	(2,002)
Net increase (decrease) in cash and cash equivalents	(25)
Cash and cash equivalents - beginning	666
Cash and cash equivalents - ending	\$ 641

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

NOTES TO FINANCIAL STATEMENTS

SCHOOL DISTRICT FREMONT RE-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. DESCRIPTION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

B. REPORTING ENTITY

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

Mountain View Core Knowledge School

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

SCHOOL DISTRICT FREMONT RE-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. REPORTING ENTITY (CONTINUED)

Fremont Schools Facilities Corporation

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

C. BASIS OF PRESENTATION—GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

D. BASIS OF PRESENTATION—FUND FINANCIAL STATEMENTS

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

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

SCHOOL DISTRICT FREMONT RE-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The District reports the following major governmental funds:

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

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

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

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

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

Additionally, the District reports the following fund types:

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

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

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

The *Activities – Special Revenue Fund* is used to record financial transactions related to school-sponsored pupil intra-scholastic and interscholastic athletic and related events. These activities are supported by revenues from pupils, gate receipts and other fund-raising activities.

Capital Projects Funds account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays acquisition or construction of major capital facilities and other capital assets.

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

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

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

SCHOOL DISTRICT FREMONT RE-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

E. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the period or soon enough thereafter to pay liabilities of the current fiscal period. For this purpose, the government considers revenues to be available if they are collected within 30 days of the end of the current fiscal period, except for grants which have a 120 availability period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

SCHOOL DISTRICT FREMONT RE-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

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

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

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

Cash and cash equivalents

The District's cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The District considers their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, and other nonparticipating investments are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

Local government investment pools in Colorado must be organized under Colorado Revised Statutes, which allows certain types of governments within the state to pool their funds for investment purposes. Investments in such pools are valued at the pool's share price, the price at which the investment could be sold.

Receivables

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

Inventory and prepaid items

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

SCHOOL DISTRICT FREMONT RE-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Inventory and prepaid items (continued)

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

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

Restricted Cash and Investments

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

Capital Assets

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

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

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

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

Pensions

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

SCHOOL DISTRICT FREMONT RE-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Pensions (continued)

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. SB 18-200 made changes to certain benefit provisions. Most of these changes were in effect as of June 30, 2021.

Health Care Trust Fund

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

Deferred outflows/inflows of resources

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

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

Long-term liabilities

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

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

SCHOOL DISTRICT FREMONT RE-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Net position flow assumption

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

Fund balance flow assumption

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

Fund balance classification

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

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

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

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

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

SCHOOL DISTRICT FREMONT RE-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fund balance classification (continued)

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

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

G. REVENUES AND EXPENDITURES/EXPENSES

Program revenues

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

Compensated Absences

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

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

H. ESTIMATES

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

SCHOOL DISTRICT FREMONT RE-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

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

SCHOOL DISTRICT FREMONT RE-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3 - DEPOSITS AND INVESTMENTS

A summary of deposits and investments as of June 30, 2021 is as follows:

Deposits	\$ 403,200
Investments	<u>16,123,771</u>
Total	<u>\$ 16,526,971</u>

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

Cash and investments	\$ 12,970,207
Restricted cash and investments	<u>3,556,764</u>
Total	<u>\$ 16,526,971</u>

Deposits

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits might not be recovered. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA.

PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

The carrying amount of the District's deposits at June 30, 2021 was \$403,200 and the bank balances were \$2,170,013. Of the bank balances, \$250,000 was covered by federal deposit insurance and \$1,920,013 was uninsured but collateralized in accordance with the provisions of the Colorado Public Deposit Protection Act (PDPA). The collateral is pooled and held in trust for all uninsured deposits as a group.

Investments

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

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

SCHOOL DISTRICT FREMONT RE-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (continued)

At June 30, 2021 the District's investment balances were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
ColoTrust	\$ 16,115,241	0.00
Money Market	7,836	0.00
Commercial Paper	<u>694</u>	<u>0.22</u>
Total fair value	<u>\$ 16,123,771</u>	
Portfolio weighted average maturity		0.00

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

Interest Rate Risk – The District has a board approved investment policy that limits investment maturities to five years or less, as a means of managing its exposure to fair value loss resulting from increasing interest rates. The Colorado revised statute 24-75-601 also limits investment maturities to five years or less.

Credit Risk – State law limits investments for school districts to U.S. treasury issues, other federally backed notes and credits, and other agency offerings. Other investment instruments including bank obligations, general obligation bonds, and commercial paper are limited to at least one of the highest rating categories of at least one nationally recognized rating agency. State law further limits investments in money market funds to those institutions with over \$1 billion in assets or the highest credit rating from one or more of a nationally recognized rating agency. The District has no investment policy that would further limit its investment choices. ColoTrust net assets were over \$3 billion on December 31, 2020. The entity maintains a constant net asset value of \$1 per share. Financial statements for ColoTrust may be obtained from the www.ColoTrust.com website.

Facilities Corp Deposits and Investments

The deposits and investments of the Facilities Corp at December 31, 2020 consist of the following:

Deposits	\$ 641
Investments	<u>912,793</u>
Total cash and investments	<u>\$ 913,434</u>

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

Cash and investments	\$ 913,434
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The carrying amount of the Facilities Corp.'s deposits at December 31, 2020 was \$641 and the bank balances were \$641. All of the bank balances were covered by federal deposit insurance.

**SCHOOL DISTRICT FREMONT RE-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 4 – FAIR VALUE MEASUREMENT

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

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

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

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

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
ColoTrust	\$ 16,115,241	\$ -	\$ -	\$ 16,115,241
Money markets	7,836	-	-	7,836
Commercial Paper	<u>-</u>	<u>694</u>	<u>-</u>	<u>694</u>
Total Investments	<u>\$ 16,123,077</u>	<u>\$ 694</u>	<u>\$ -</u>	<u>\$ 16,123,771</u>

SCHOOL DISTRICT FREMONT RE-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5 – RECEIVABLES

Receivables as of June 30, 2021 for the government’s individual major and non-major funds in the aggregate, are as follows:

	<u>General</u>	<u>Designated Purpose Grants</u>	<u>Building Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total</u>
Grant proceeds	\$ 56,884	\$ 1,415,415	\$ 646,203	\$ 404,198	\$ 2,522,700
Other	<u>256,340</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>256,340</u>
Total	<u>\$ 313,224</u>	<u>\$ 1,415,415</u>	<u>\$ 646,203</u>	<u>\$ 404,198</u>	<u>\$ 2,779,040</u>

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

NOTE 6 – TAXES

Property Tax

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

The District is permitted to levy taxes on the assessed valuation for general governmental services and for the payment of principal and interest on long-term debt. The combined tax rate to finance general governmental services for the year ended December 31, 2021, is 32.345 mills for general operating expenses and 11.989 mills for the payment of long-term debt. The District’s assessed valuation for the collection year 2021 was \$267,938,282.

Specific Ownership Tax

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

NOTE 7 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Receivables and Payables

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

**SCHOOL DISTRICT FREMONT RE-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

The composition of interfund balances at June 30, 2021 is as follows:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 2,929,464	\$ 2,379,364
Grants Fund	49,052	-
Bond Redemption Fund	-	5,648
Building Fund	-	1,016,284
Non-major Governmental Funds	555,349	93,979
Fiduciary Funds	<u>-</u>	<u>38,590</u>
Total	<u>\$ 3,533,865</u>	<u>\$ 3,533,865</u>

Due to/from primary government and component units:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Component unit—Charter School	Primary government	<u>\$ 575,679</u>

Transfers

Interfund transfer activity for the year ended June 30, 2021 is as follows:

<u>Transfer Out</u>	<u>Transfer In</u>		<u>Total</u>
	<u>Grants Fund</u>	<u>Pupil Activity Fund</u>	
General Fund	<u>\$ 85,000</u>	<u>\$ 1,543,639</u>	<u>\$ 1,628,639</u>

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

NOTE 8 - INVENTORIES

Inventories for non-food service fund governmental fund types consist of instructional supplies, audio visual supplies and non-issued instructional equipment. Inventories are accounted for using the consumption method and are valued at lower of cost or market and amounted to \$41,868 at June 30, 2021.

SCHOOL DISTRICT FREMONT RE-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8 – INVENTORIES (CONTINUED)

Inventories for the Food Service Fund consist of purchases and donated commodities and non-food supplies. Purchased inventories are stated at cost. Donated inventories, received at no cost under programs supported by the U.S. government, are recorded at their estimated fair market value at date of receipt and amounted to \$121,197 at June 30, 2021.

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 was as follows:

	<u>Balance</u> <u>06/30/20</u>	<u>Additions</u>	<u>Sales and</u> <u>Retirements</u>	<u>Balance</u> <u>06/30/21</u>
<i>Governmental Activities</i>				
Capital assets not being depreciated:				
Land	\$ 2,220,137	\$ -	\$ -	\$ 2,220,137
Construction in progress	<u>43,348,080</u>	<u>11,737,948</u>	<u>(23,380,866)</u>	<u>31,705,162</u>
Total non-depreciable assets	<u>45,568,217</u>	<u>11,737,948</u>	<u>(23,380,866)</u>	<u>33,925,299</u>
Capital assets being depreciated:				
Buildings and improvements	58,675,527	22,942,657	-	81,618,184
Vehicles	2,801,356	6,000	(144,048)	2,663,308
Equipment	<u>7,322,153</u>	<u>905,456</u>	<u>-</u>	<u>8,227,609</u>
Total depreciable assets	<u>68,799,036</u>	<u>23,854,113</u>	<u>(144,048)</u>	<u>92,509,101</u>
Less accumulated depreciation for:				
Buildings and improvements	(28,684,994)	(1,562,504)	-	(30,247,498)
Vehicles	(2,124,006)	(103,476)	144,048	(2,083,434)
Equipment	<u>(3,480,498)</u>	<u>(414,126)</u>	<u>-</u>	<u>(3,894,624)</u>
Total accumulated depreciation	<u>(34,289,498)</u>	<u>(2,080,106)</u>	<u>144,048</u>	<u>(36,225,556)</u>
Total capital assets being depreciated, net	<u>34,509,538</u>	<u>21,774,007</u>	<u>-</u>	<u>56,283,545</u>
<i>Governmental activities capital assets, net</i>	<u>\$ 80,077,755</u>	<u>\$ 33,511,955</u>	<u>\$ (23,380,866)</u>	<u>\$ 90,208,844</u>

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

Governmental Activities

Instruction	\$ 638,817
School Administration	43,530
Operations & maintenance	39,048
Transportation	93,230
Central	77,285
Facilities acquisition	1,163,730
Food Service	<u>24,466</u>
	<u>\$ 2,080,106</u>

SCHOOL DISTRICT FREMONT RE-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 - CAPITAL ASSETS (CONTINUED)

Facilities Corp Capital Assets

Capital asset activity for the year ended June 30, 2021 was as follows:

	Balance <u>06/30/20</u>	<u>Additions</u>	Sales and <u>Retirements</u>	Balance <u>06/30/21</u>
Buildings and improvements	\$ 462,506	\$ -	\$ -	\$ 462,506
Less accumulated depreciation	<u>(296,056)</u>	<u>(30,834)</u>	<u>-</u>	<u>(326,890)</u>
Total depreciable assets, net	<u>\$ 166,450</u>	<u>\$ (30,834)</u>	<u>\$ -</u>	<u>\$ 135,616</u>

NOTE 10 - ACCRUED COMPENSATION

Salaries and retirement benefits of certain school-based personnel are paid over a twelve-month period beginning in September, but are earned during a school year of approximately ten months. The salaries and benefits earned, but unpaid, as of June 30, 2021 are \$3,840,599. Accordingly, the accrued compensation is reflected as a liability of the respective funds in the accompanying financial statements.

NOTE 11 - LONG-TERM LIABILITIES

General Obligation Bonds

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

General Obligation bonds payable at June 30, 2021 are as follows:

	<u>Principal Balance</u>
2011A refunding bonds in the original amount of \$7,135,000 due in varying annual installments through December 1, 2024 and interest rates from 2.00% to 3.5%.	\$ 2,385,000
2014 refunding bonds in the original amount of \$7,500,000 due in varying annual installments through December 1, 2024 and interest rates from 2.00% to 3.00%.	4,295,000
2017 refunding bonds in the original amount of \$4,000,000 due in varying annual installments through December 1, 2037 and an interest rate at 3.22%.	3,545,000
2018N refunding bonds in the original amount of \$6,199,032 due in varying annual installments through December 1, 2038 and an interest rate of 3.893%	5,766,843
2018A refunding bonds in the original amount of \$8,000,000 due in varying annual installments through December 1, 2038 and interest rates from 5.00% to 6.00%.	<u>7,520,000</u>
Total General Obligation Bonds	<u>\$ 23,511,843</u>

**SCHOOL DISTRICT FREMONT RE-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 11 - LONG-TERM LIABILITIES (CONTINUED)

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

<u>Fiscal Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 2,242,086	\$ 932,968
2023	2,315,926	856,674
2024	2,390,111	777,261
2025	2,479,653	693,435
2026	759,567	634,424
2027 – 2031	4,320,586	2,646,318
2032 – 2036	5,398,163	1,536,002
2037 – 2039	<u>3,605,751</u>	<u>260,379</u>
Total	<u>\$ 23,511,843</u>	<u>\$ 8,337,461</u>

The bonds are payable from property tax levies collected in the Bond Redemption Fund. The bond resolutions require that tax levies be sufficient to generate enough revenue to pay the interest and the bond installments of principal as they become due. At June 30, 2021 there was \$3,560,826 available in the Bond Redemption Fund to service the general obligation bonds.

Capital Leases

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

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

SCHOOL DISTRICT FREMONT RE-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 11 - LONG-TERM LIABILITIES (CONTINUED)

Series 2004-QZAB. The District issued the Series 2004-QZAB's on November 18, 2004 in the amount of \$778,324. The Series 2004-QZAB's matured in full on November 20, 2020 for the original \$778,324 issue amount. The Series 2004-QZAB is collateralized by real estate at Lincoln Elementary School and improvements at Canon City High School, Canon City Middle School, Lincoln Elementary School and Skyline Elementary School. The forward delivery agreement issued concurrently with the QZAB's requires annual deposits of \$40,443 beginning May 18, 2006 through May 18, 2020. This lease was paid off during the 2020/2021 fiscal year.

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

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

Lighting System. The District entered into a lease agreement as lessee in July of 2011 for financing the acquisition of a lighting system. The lease requires annual payments of \$19,047 beginning July 18, 2011 through July 18, 2020. Upon full satisfaction of the lease, the ownership of this equipment will transfer to the District. This lease was paid off during the 2020/2021 fiscal year.

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

US Bancorp – Buses. The District entered into a lease agreement on July 1, 2018 in the amount of \$362,000 to finance the acquisition of three buses. The lease requires annual payments of \$124,687 beginning July 2, 2018 through July 2, 2020. Upon full satisfaction of the lease, the ownership of the buses will transfer to the District. This lease was paid off during the 2020/2021 fiscal year.

SCHOOL DISTRICT FREMONT RE-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 11 - LONG-TERM LIABILITIES (CONTINUED)

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Asset:	
Buildings and improvements	\$ 4,410,189
Equipment	765,326
Vehicles	793,202
Less: Accumulated depreciation	<u>(5,395,616)</u>
Total	<u>\$ 573,101</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2021, were as follows

	<u>Year Ending June 30</u>
2022	\$ 149,807
2023	100,000
2024	100,000
2025	<u>100,000</u>
Total minimum lease payments	449,807
Less: amount representing interest	<u>(1,024)</u>
Present value of minimum lease payments	<u>\$ 448,783</u>

Compensated Absences Payable

Compensated absences consisted of the following as of June 30, 2021:

Vacation benefits	\$ 1,131,268
Sick leave benefits	<u>341,904</u>
Total	<u>\$ 1,473,172</u>

**SCHOOL DISTRICT FREMONT RE-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 11 - LONG-TERM LIABILITIES (CONTINUED)

Changes in Long-term Liabilities

The following is a summary of long-term debt transactions of the District for the year ended June 30, 2021:

	<u>Balance</u> <u>06/30/20</u>	<u>Debt Issued</u> <u>And Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/21</u>	<u>Due Within</u> <u>One year</u>
Bonds payable:					
General obligation bonds	\$ 25,695,420	\$ -	\$ 2,183,577	\$ 23,511,843	\$ 2,242,086
Unamortized bond premium	<u>1,873,350</u>	<u>-</u>	<u>134,436</u>	<u>1,738,914</u>	<u>-</u>
	27,568,770	-	2,318,013	25,250,757	2,242,086
Capital leases payable	<u>4,476,916</u>	<u>-</u>	<u>4,028,133</u>	<u>448,783</u>	<u>148,783</u>
Total bond and capital leases	32,045,686	-	6,346,146	25,699,540	2,390,869
Compensated absences	<u>1,121,256</u>	<u>351,916</u>	<u>-</u>	<u>1,473,172</u>	<u>-</u>
Total	<u>\$ 33,166,942</u>	<u>\$ 351,916</u>	<u>\$ 6,346,146</u>	<u>\$ 27,172,712</u>	<u>\$ 2,390,869</u>

NOTE 12 – OPERATING LEASES

The District leases office equipment under non-cancelable operating leases. Total costs for such leases were \$158,700 for the year ended June 30, 2021. The future minimum lease payments for these leases are as follows:

<u>Year Ending June 30</u>	
2022	\$ 158,700
2023	158,700
2024	<u>158,700</u>
Total minimum lease payments	<u>\$ 476,100</u>

NOTE 13 – DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan description. Eligible employees of the School District Fremont RE-1 are provided with pensions through the 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 (Annual Report) that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided as of December 31, 2020. 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.

**SCHOOL DISTRICT FREMONT RE-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 13 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

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

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

As of December 31, 2020, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S., once certain criteria are met. Pursuant to SB 18-200, eligible benefit recipients under the PERA benefit structure who began membership before January 1, 2007, and all eligible benefit recipients of the DPS benefit structure will receive an annual increase of 1.25 percent unless adjusted by the automatic adjustment provision (AAP) pursuant to C.R.S. § 24-51-413. Eligible benefit recipients under the PERA benefit structure who began membership on or after January 1, 2007, will receive the lessor of an annual increase of 1.25 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SCHDTF. The AAP may raise or lower the aforementioned annual increase by up to 0.25 percent based on the parameters specified in C.R.S. § 24-51-413.

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

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

**SCHOOL DISTRICT FREMONT RE-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 13 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Contributions provisions as of June 30, 2021: Eligible employees of, School District Fremont RE-1 and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Eligible employees are required to contribute 10.00 percent of their PERA-includable salary during the period of July 1, 2020 through June 30, 2021. Employer contribution requirements are summarized in the table below:

	July 1, 2020 Through June 30, 2021
Employer contribution rate	10.90%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02)%
Amount apportioned to the SCHDTF	9.88%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.50%
Total employer contribution rate to the SCHDTF	19.88%

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

As specified in C.R.S. § 24-51-414, the State is required to contribute \$225 million (actual dollars) 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. House Bill (HB) 20-1379 suspended the \$225 million (actual dollars) direct distribution payable on July 1, 2020 for the State's 2020-21 fiscal year.

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the School District Fremont RE-1 is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from School District Fremont RE-1 were \$4,128,031 for the year ended June 30, 2021.

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, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll-forward the total pension liability to December 31, 2020. The School District Fremont RE-1 proportion of the net pension liability was based on School District Fremont RE-1 contributions to the SCHDTF for the calendar year 2020 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

**SCHOOL DISTRICT FREMONT RE-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 13 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Due to the aforementioned suspension of the July 1, 2020, direct distribution payment, the nonemployer contributing entity's proportion is zero percent. Pursuant to C.R.S. § 24-51-414, the direct distribution payment from the State of Colorado is to recommence annually starting on July 1, 2021. For purposes of GASB 68 paragraph 15, a circumstance exists in which a nonemployer contributing entity is legally responsible for making contributions to the SCHDTF and is considered to meet the definition of a special funding situation.

At June 30, 2021, the School District Fremont RE-1 reported a liability of \$58,704,357 for its proportionate share of the net pension liability. The amount recognized by the School District Fremont RE-1 as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with School District Fremont RE-1 were as follows:

School District Fremont RE-1 proportionate share of the net pension liability	\$ 58,704,357
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the School District Fremont RE-1	-
Total	\$ 58,704,357

At December 31, 2020, the School District Fremont RE-1 proportion was 0.3883081270 percent, which was an increase of 0.0445800661 from its proportion measured as of December 31, 2019.

For the year ended June 30, 2021, the School District Fremont RE-1 recognized pension expense of (\$14,621,868). At June 30, 2021, the School District Fremont RE-1 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 3,225,513	\$ -
Changes of assumptions or other inputs	5,647,177	9,867,706
Net difference between projected and actual earnings on pension plan investments	-	12,922,164
Changes in proportion and differences between contributions recognized and proportionate share of contributions	7,140,443	2,471,907
Contributions subsequent to the measurement date	2,075,928	N/A
Total	\$ 18,089,061	\$ 25,261,777

**SCHOOL DISTRICT FREMONT RE-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 13 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

\$2,075,928 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, 2022. 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:	
2022	\$ (9,542,574)
2023	3,503,125
2024	(1,170,651)
2025	(2,038,544)
2026	-
Thereafter	-

Actuarial assumptions. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% – 9.70%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (compounded annually)	1.25%
PERA benefit structure hired after 12/31/06 ¹	Financed by the AIR

¹ Post-retirement benefit increases are provided by the AIR, accounted separately within each Division Trust Fund, and subject to moneys being available; therefore, liabilities related to increases for members of these benefit tiers can never exceed available assets.

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

**SCHOOL DISTRICT FREMONT RE-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 13 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Post-retirement non-disabled mortality assumptions 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.

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

The actuarial assumptions used in the December 31, 2019, valuation 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 PERA’s Board during the November 18, 2016, Board meeting.

Based on the 2020 experience analysis, dated October 28, 2020, for the period January 1, 2016, through December 31, 2019, revised economic and demographic assumptions were adopted by PERA’s Board on November 20, 2020, and were effective as of December 31, 2020. The assumptions shown below were reflected in the roll forward calculation of the total pension liability from December 31, 2019, to December 31, 2020.

Actuarial cost method	Entry age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation:	3.40%-11.00%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (compounded annually)	1.25%
PERA benefit structure hired after 12/31/06 ¹	Financed by the AIR

¹ Post-retirement benefit increases are provided by the AIR, accounted separately within each Division Trust Fund, and subject to moneys being available; therefore, liabilities related to increases for members of these benefit tiers can never exceed available assets.

SCHOOL DISTRICT FREMONT RE-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 13 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Salary scale assumptions were revised to align with revised economic assumptions and to more closely reflect actual experience.

Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.

The pre-retirement mortality assumptions were based upon the PubT-2010 Employee Table with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions were based upon the PubT-2010 Healthy Retiree Table, adjusted as follows:

- Males: 112 percent of the rates prior to age 80 and 94 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- Females: 83 percent of the rates prior to age 80 and 106 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows:

- Males: 97 percent of the rates for all ages, with generational projection using scale MP-2019.
- Females: 105 percent of the rates for all ages, with generational projection using scale MP-2019.

Disabled mortality assumptions were based upon the PubNS-2010 Disabled Retiree Table using 99 percent of the rates for all ages with generational projection using scale MP-2019.

The mortality tables described above are generational mortality tables on a benefit-weighted basis.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020. As a result of the November 20, 2020, PERA Board meeting, the following economic assumptions were changed, effective December 31, 2020:

- Price inflation assumption decreased from 2.40 percent per year to 2.30 percent per year.
- Real rate of investment return assumption increased from 4.85 percent per year, net of investment expenses to 4.95 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.50 percent per year to 3.00 percent per year.

Several factors are considered in evaluating the long-term rate of return assumption, 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 percentages and then adding expected inflation.

**SCHOOL DISTRICT FREMONT RE-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 13 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

The PERA Board first adopted the 7.25 percent long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the Board's November 15, 2019, meeting, to be effective January 1, 2020. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global Equity	54.00%	5.60%
Fixed Income	23.00%	1.30%
Private Equity	8.50%	7.10%
Real Estate	8.50%	4.40%
Alternatives ¹	6.00%	4.70%
Total	100.00%	

¹ The Opportunity Fund's name changed to Alternatives, effective January 1, 2020.

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 nominal rate of return assumption of 7.25 percent.

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 3.00 percent.
- 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 current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103 percent, at which point the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

**SCHOOL DISTRICT FREMONT RE-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 13 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

- As specified in law, the State, as a nonemployer contributing entity, 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. HB 20-1379 suspended the \$225 million (actual dollars) direct distribution payable on July 1, 2020, for the State’s 2020-21 fiscal year.
- 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 FNP, 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 FNP 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 SCHDTF's FNP 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 rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent. There was no change in the discount rate from the prior measurement date.

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$ 80,077,550	\$ 58,704,357	\$ 40,893,443

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

**SCHOOL DISTRICT FREMONT RE-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

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

Health Care Trust Fund

Plan description. Eligible employees of the School District Fremont RE-1 are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report (Annual Report) that can be obtained at www.copera.org/investments/pera-financial-reports.

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

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

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

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 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.

**SCHOOL DISTRICT FREMONT RE-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

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

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.

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

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the School District Fremont RE-1 is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from School District Fremont RE-1 were \$211,744 for the year ended June 30, 2021.

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

At June 30, 2021, the School District Fremont RE-1 reported a liability of \$2,134,107 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2020. The School District Fremont RE-1 proportion of the net OPEB liability was based on School District Fremont RE-1 contributions to the HCTF for the calendar year 2020 relative to the total contributions of participating employers to the HCTF.

At December 31, 2020, the School District Fremont RE-1 proportion was 0.2245896271 percent, which was a decrease of 0.0000418272 from its proportion measured as of December 31, 2019.

**SCHOOL DISTRICT FREMONT RE-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

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

For the year ended June 30, 2021, the School District Fremont RE-1 recognized OPEB expense of (\$165,925). At June 30, 2021, the School District Fremont RE-1 reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 5,664	\$ 469,179
Changes of assumptions or other inputs	15,946	130,862
Net difference between projected and actual earnings on OPEB plan investments	-	87,201
Changes in proportion and differences between contributions recognized and proportionate share of contributions	22,465	39,568
Contributions subsequent to the measurement date	106,455	N/A
Total	\$ 150,530	\$ 726,810

\$106,455 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, 2022. 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:	
2022	\$ (160,462)
2023	(148,262)
2024	(159,086)
2025	(154,521)
2026	(56,801)
Thereafter	(3,603)

**SCHOOL DISTRICT FREMONT RE-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

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

Actuarial assumptions. The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50%in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00%
PERACare Medicare plans	8.10% in 2020, gradually decreasing to 4.50 percent in 2029
Medicare Part A premiums	3.50% in 2020, gradually increasing to 4.50 percent in 2029
DPS benefit structure:	
Service-based premium subsidy	0.00%
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

In determining the additional liability for PERACare enrollees who are age 65 or older and who are not eligible for premium-free Medicare Part A in the December 31, 2019, valuation, the following monthly costs/premiums (actual dollars) are assumed for 2020 for the PERA Benefit Structure:

Medicare Plan	Initial Costs for Members without Medicare Part A		
	Monthly Cost	Monthly Premium	Monthly Cost Adjusted to Age 65
Medicare Advantage/Self- Insured Rx	\$588	\$227	\$550
Kaiser Permanente Medicare Advantage HMO	621	232	586

The 2020 Medicare Part A premium is \$458 (actual dollars) per month

**SCHOOL DISTRICT FREMONT RE-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

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

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

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2019, 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
2020	8.10%	3.50%
2021	6.40%	3.75%
2022	6.00%	3.75%
2023	5.70%	3.75%
2024	5.50%	4.00%
2025	5.30%	4.00%
2026	5.10%	4.00%
2027	4.90%	4.25%
2028	4.70%	4.25%
2029+	4.50%	4.50%

Mortality assumptions used in the December 31, 2019 valuation for the determination of the total pension liability for each of the Division Trust Funds as shown below were applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

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

**SCHOOL DISTRICT FREMONT RE-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

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

Post-retirement non-disabled 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.

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

The actuarial assumptions used in the December 31, 2019, valuation were based on the results of the 2016 experience analysis for the period January 1, 2012, through December 31, 2015, as well as the October 28, 2016, actuarial assumptions workshop and were adopted by PERA’s Board during the November 18, 2016, Board meeting.

Based on the 2020 experience analysis, dated October 28, 2020, and November 4, 2020, for the period of January 1, 2016, through December 31, 2019, revised economic and demographic assumptions were adopted by PERA’s Board on November 20, 2020, and were effective as of December 31, 2020. The assumptions shown below were reflected in the roll forward calculation of the total OPEB liability from December 31, 2019, to December 31, 2020.

	Trust Fund			
	State Division	School Division	Local Government Division	Judicial Division
Actuarial cost method	Entry age	Entry age	Entry age	Entry age
Price inflation	2.30%	2.30%	2.30%	2.30%
Real wage growth	0.70%	0.70%	0.70%	0.70%
Wage inflation	3.00%	3.00%	3.00%	3.00%
Salary increases, including wage inflation:				
Members other than State Troopers	3.30%-10.90%	3.40%-11.00%	3.20%-11.30%	2.80%-5.30%
State Troopers	3.20%-12.40%	N/A	3.20%-12.40% ¹	N/A

¹ C.R.S. § 24-51-101 (46), as amended, expanded the definition of “State Troopers” to include certain employees within the Local Government Division, effective January 1, 2020. See Note 4 of the Notes to the Financial Statements in PERA’s 2020 Annual Report for more information.

SCHOOL DISTRICT FREMONT RE-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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

The long-term rate of return, net of OPEB plan investment expenses, including price inflation and discount rate assumptions were 7.25 percent.

Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.

Mortality assumptions used in the roll forward calculations for the determination of the total pension liability for each of the Division Trust Funds as shown below were applied, as applicable, in the roll forward calculation for the HCTF, using a headcount-weighted basis.

Pre-retirement mortality assumptions for the State and Local Government Divisions (Members other than State Troopers) were based upon the PubG-2010 Employee Table with generational projection using scale MP-2019.

Pre-retirement mortality assumptions for State Troopers were based upon the PubS-2010 Employee Table with generational projection using scale MP-2019.

The pre-retirement mortality assumptions for the School Division were based upon the PubT-2010 Employee Table with generational projection using scale MP-2019.

Pre-retirement mortality assumptions for the Judicial Division were based upon the PubG-2010(A) Above-Median Employee Table with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for the State and Local Government Divisions (Members other than State Troopers) were based upon the PubG-2010 Healthy Retiree Table, adjusted as follows:

- Males: 94 percent of the rates prior to age 80 and 90 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- Females: 87 percent of the rates prior to age 80 and 107 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Healthy Retiree Table, with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for the School Division were based upon the PubT-2010 Healthy Retiree Table, adjusted as follows:

- Males: 112 percent of the rates prior to age 80 and 94 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- Females: 83 percent of the rates prior to age 80 and 106 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.

SCHOOL DISTRICT FREMONT RE-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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

Post-retirement non-disabled mortality assumptions for the Judicial Division were based upon the unadjusted PubG-2010(A) Above-Median Healthy Retiree Table with generational projection using scale MP-2019.

Post-retirement non-disabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows:

- Males: 97 percent of the rates for all ages, with generational projection using scale MP-2019.
- Females: 105 percent of the rates for all ages, with generational projection using scale MP-2019.

Disabled mortality assumptions for Members other than State Troopers were based upon the PubNS-2010 Disabled Retiree Table using 99 percent of the rates for all ages with generational projection using scale MP-2019.

Disabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Disabled Retiree Table with generational projection using scale MP-2019.

The mortality tables described above are generational mortality tables on a head-count weighted basis.

The following health care costs assumptions were updated and used in the roll forward calculation 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 2020 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.

Actuarial assumptions pertaining to per capita health care costs and their related trend rates are analyzed and updated annually by the Board's actuary, as discussed above.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020. As a result of the November 20, 2020, PERA Board meeting, the following economic assumptions were changed, effective December 31, 2020:

- Price inflation assumption decreased from 2.40 percent per year to 2.30 percent per year.
- Real rate of investment return assumption increased from 4.85 percent per year, net of investment expenses to 4.95 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.50 percent per year to 3.00 percent per year.

Several factors are considered in evaluating the long-term rate of return assumption, 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 percentages and then adding expected inflation.

**SCHOOL DISTRICT FREMONT RE-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

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

The PERA Board first adopted the 7.25 percent long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the Board's November 15, 2019, meeting, to be effective January 1, 2020. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global Equity	54.00%	5.60%
Fixed Income	23.00%	1.30%
Private Equity	8.50%	7.10%
Real Estate	8.50%	4.40%
Alternatives ¹	6.00%	4.70%
Total	100.00%	

¹ The Opportunity Fund's name changed to Alternatives, effective January 1, 2020.

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 nominal rate of return assumption of 7.25 percent.

Sensitivity of the School District Fremont RE-1 proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates. The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate	7.10%	8.10%	9.10%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.50%	3.50%	4.50%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	\$2,078,948	\$2,134,107	\$2,198,319

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, 2020, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00 percent.

**SCHOOL DISTRICT FREMONT RE-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

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

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ 2,444,658	\$ 2,134,107	\$ 1,868,765

OPEB plan fiduciary net position. Detailed information about the HCTF’s fiduciary net position is available in PERA’s Annual Report which can be obtained at www.copera.org/investments/pera-financial-reports.

NOTE 15 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; workers’ compensation; general liability; unemployment; and employee benefit expenses related to health programs. The District provides for these risks through the purchase of commercial insurance in the General Fund. Settled claims resulting from these risks have not exceeded the insurance coverage during any of the last three fiscal years.

SCHOOL DISTRICT FREMONT RE-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 16 - COMMITMENTS AND CONTINGENCIES

Grants

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

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

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

NOTE 18 - TAX, SPENDING, AND DEBT LIMITATIONS

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

The Amendment requires Emergency Reserves to be established. These reserves must be at least 3 percent of Fiscal Year Spending. The entity is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary or benefit increases. At June 30, 2021, the District's reserve of \$1,310,000 was reported as restricted fund balance in the General Fund.

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

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

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

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

NOTE 19 – SUBSEQUENT EVENT

The District entered into a lease agreement on July 20, 2021 in the amount of \$341,515, to finance the acquisition of three buses and one compact excavator. The lease requires annual payments of 115,267 beginning on July 20, 2021 through July 20, 2023. Upon full satisfaction of the lease, the ownership of the vehicles will transfer to the District.

REQUIRED SUPPLEMENTARY INFORMATION

SCHOOL DISTRICT FREMONT RE-1
SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2021

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability (asset)	0.3883081270%	0.3437280609%	0.3500466125%	0.3943864836%	0.3988370590%	0.3990759031%	0.4009413828%	0.4029943282%
District's proportionate share of the net pension liability (asset)	\$ 58,704,357	\$ 51,352,226	\$ 61,982,943	\$ 127,530,572	\$ 118,749,215	\$ 61,035,842	\$ 54,341,025	\$ 51,401,818
State's proportionate share of the net pension liability (asset) associated with the District	-	6,513,377	8,475,307	-	-	-	-	-
Total	<u>\$ 58,704,357</u>	<u>\$ 57,865,603</u>	<u>\$ 70,458,250</u>	<u>\$ 127,530,572</u>	<u>\$ 118,749,215</u>	<u>\$ 61,035,842</u>	<u>\$ 54,341,025</u>	<u>\$ 51,401,818</u>
District's covered payroll	\$ 20,767,262	\$ 20,197,923	\$ 19,243,942	\$ 18,192,582	\$ 17,900,521	\$ 17,391,636	\$ 16,796,568	\$ 16,245,985
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	282.68%	254.25%	322.09%	701.00%	663.38%	350.95%	323.52%	316.40%
Plan fiduciary net position as a percentage of the total pension liability	67.0%	64.5%	57.0%	44.0%	43.1%	59.2%	62.8%	64.1%

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

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

See the accompanying independent auditors' report.

SCHOOL DISTRICT FREMONT RE-1
SCHEDULE OF THE EMPLOYER'S PAYROLL CONTRIBUTIONS - PENSION
JUNE 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 4,128,031	\$ 4,004,132	\$ 3,786,110	\$ 3,496,575	\$ 3,333,610	\$ 3,113,705	\$ 2,805,821	\$ 2,482,935
Contributions in relation to the contractually required contribution	<u>(4,128,031)</u>	<u>(4,004,132)</u>	<u>(3,786,110)</u>	<u>(3,496,575)</u>	<u>(3,333,610)</u>	<u>(3,113,705)</u>	<u>(2,805,821)</u>	<u>(2,482,935)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 20,764,746	\$ 20,661,138	\$ 19,791,478	\$ 18,519,996	\$ 18,137,162	\$ 17,561,786	\$ 16,622,163	\$ 15,537,768
Contributions as a percentage of covered payroll	19.88%	19.38%	19.13%	18.88%	18.38%	17.73%	16.88%	15.98%

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

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

See the accompanying independent auditors' report.

**SCHOOL DISTRICT FREMONT RE-1
SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
JUNE 30, 2021**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
District's proportion of the net OPEB liability (asset)	0.2245896271%	0.2246314543%	0.2275321964%	0.2240863723%	0.2267039213%
District's proportionate share of the net OPEB liability (asset)	\$ 2,134,107	\$ 2,524,853	\$ 3,095,671	\$ 2,912,226	\$ 2,939,293
District's covered payroll	\$ 20,767,262	\$ 20,197,923	\$ 19,243,942	\$ 18,192,582	\$ 17,900,521
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	10.28%	12.50%	16.09%	16.01%	16.42%
Plan fiduciary net position as a percentage of the total OPEB liability	24.5%	24.5%	17.0%	17.5%	16.7%

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

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

See the accompanying independent auditors' report.

SCHOOL DISTRICT FREMONT RE-1
SCHEDULE OF THE EMPLOYER'S PAYROLL CONTRIBUTIONS - OPEB
JUNE 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 211,744	\$ 210,747	\$ 201,873	\$ 189,384	\$ 184,991
Contributions in relation to the contractually required contribution	<u>(211,744)</u>	<u>(210,747)</u>	<u>(201,873)</u>	<u>(189,384)</u>	<u>(184,991)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 20,764,746	\$ 20,661,138	\$ 19,791,478	\$ 18,519,996	\$ 18,137,162
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%	1.02%	1.02%

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

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

See the accompanying independent auditors' report.

GENERAL FUND

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

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

**SCHOOL DISTRICT FREMONT RE-1
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local sources:				
Property taxes	\$ 8,165,601	\$ 8,203,929	\$ 8,770,445	\$ 566,516
Specific ownership taxes	1,800,429	1,808,880	1,933,791	124,911
Other local sources	1,057,361	1,059,854	1,119,571	59,717
Total local sources	<u>11,023,391</u>	<u>11,072,663</u>	<u>11,823,807</u>	<u>751,144</u>
State sources:				
State equalization	19,735,801	19,622,818	17,700,692	(1,922,126)
Other state funding	-	-	2,917,585	2,917,585
Total state sources	<u>19,735,801</u>	<u>19,622,818</u>	<u>20,618,277</u>	<u>995,459</u>
Federal sources	156,000	156,000	63,674	(92,326)
Total revenues	<u>30,915,192</u>	<u>30,851,481</u>	<u>32,505,758</u>	<u>1,654,277</u>
EXPENDITURES				
Instruction	17,311,061	17,248,373	16,950,432	297,941
Supporting services:				
Student services	1,618,710	1,628,654	1,621,058	7,596
Instructional staff	1,692,678	1,593,107	1,311,944	281,163
General administration	633,881	653,173	602,701	50,472
School administration	2,050,259	2,007,329	1,978,068	29,261
Business services	684,454	695,747	634,640	61,107
Operation and maintenance	4,095,715	4,048,836	3,766,026	282,810
Student transportation	713,203	699,972	737,601	(37,629)
Central services	1,490,517	1,614,500	1,504,671	109,829
Community services	224,713	252,447	174,096	78,351
Facilities acquisition and construction	18,065	16,385	4,976	11,409
Contingency reserves	867,643	865,401	-	865,401
Total expenditures	<u>31,400,899</u>	<u>31,323,924</u>	<u>29,286,213</u>	<u>2,037,711</u>
Excess (deficiency) of revenues over expenditures	(485,707)	(472,443)	3,219,545	3,691,988
OTHER FINANCING SOURCES (USES)				
Transfers out	(550,401)	(540,060)	(1,628,639)	(1,088,579)
Net change in fund balance	(1,036,108)	(1,012,503)	1,590,906	2,603,409
Fund balance - beginning	3,906,173	5,204,492	5,204,492	-
Fund balance - ending	<u>\$ 2,870,065</u>	<u>\$ 4,191,989</u>	<u>\$ 6,795,398</u>	<u>\$ 2,603,409</u>

See the accompanying independent auditors' report.

GOVERNMENTAL DESIGNATED-PURPOSE GRANTS FUND

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

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

SCHOOL DISTRICT FREMONT RE-1
GOVERNMENTAL DESIGNATED-PURPOSE GRANTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Local sources	\$ 1,200,000	\$ 915,000	\$ 828,540	\$ (86,460)
State sources	6,215,000	3,000,000	1,255,315	(1,744,685)
Federal sources	-	6,000,000	5,875,152	(124,848)
Total revenues	<u>7,415,000</u>	<u>9,915,000</u>	<u>7,959,007</u>	<u>(1,955,993)</u>
EXPENDITURES				
Instruction	3,400,000	5,025,000	5,043,696	(18,696)
Supporting services:				
Student services	2,090,000	2,465,000	1,080,086	1,384,914
Instructional staff	860,000	1,035,000	633,519	401,481
General administration	27,000	27,000	25,298	1,702
Business services	100,000	100,000	217,411	(117,411)
Operation and maintenance	9,000	9,000	360,636	(351,636)
Central services	10,000	260,000	54,456	205,544
Other support services	10,000	10,000	8,027	1,973
Community services	994,000	1,069,000	555,915	513,085
Facilities acquisition and construction	-	-	64,963	(64,963)
Total expenditures	<u>7,500,000</u>	<u>10,000,000</u>	<u>8,044,007</u>	<u>1,955,993</u>
Excess (deficiency) of revenues over expenditures	<u>(85,000)</u>	<u>(85,000)</u>	<u>(85,000)</u>	<u>-</u>
OTHER FINANCING				
SOURCES (USES)				
Transfers in	85,000	85,000	85,000	-
Net change in fund balance	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See the accompanying independent auditors' report.

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

BOND REDEMPTION FUND

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

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

**SCHOOL DISTRICT FREMONT RE-1
BOND REDEMPTION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Local sources:			
Property taxes	\$ -	\$ 3,248,815	\$ 3,248,815
Other local sources	3,186,909	4,362	(3,182,547)
Total local sources	<u>3,186,909</u>	<u>3,253,177</u>	<u>66,268</u>
EXPENDITURES			
Debt service	<u>3,191,900</u>	<u>3,186,898</u>	<u>5,002</u>
Net change in fund balance	(4,991)	66,279	71,270
Fund balance - beginning	<u>3,494,547</u>	<u>3,494,547</u>	<u>-</u>
Fund balance - ending	<u>\$ 3,489,556</u>	<u>\$ 3,560,826</u>	<u>\$ 71,270</u>

See the accompanying independent auditors' report.

BUILDING FUND

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

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

**SCHOOL DISTRICT FREMONT RE-1
BUILDING FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021**

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Local sources	\$ 60,000	\$ 64,039	\$ 4,039
State sources	12,000,000	9,284,314	(2,715,686)
Total revenues	<u>12,060,000</u>	<u>9,348,353</u>	<u>(2,711,647)</u>
EXPENDITURES			
Operation and maintenance	15,790	13,087	(2,703)
Facilities acquisition and construction	13,984,210	11,590,255	2,393,955
Total expenditures	<u>14,000,000</u>	<u>11,603,342</u>	<u>2,391,252</u>
Net change in fund balance	(1,940,000)	(2,254,989)	(320,395)
Fund balance - beginning	<u>2,400,451</u>	<u>2,400,451</u>	<u>-</u>
Fund balance - ending	<u>\$ 460,451</u>	<u>\$ 145,462</u>	<u>\$ (320,395)</u>

See the accompanying independent auditors' report.

NON-MAJOR GOVERNMENTAL FUNDS

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

Special Revenue Funds

Food Service Fund

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

Pupil Activity Fund

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

Activities – Special Revenue Fund

Used to record financial transactions related to school-sponsored pupil intra-scholastic and interscholastic athletic and related events. These activities are supported by revenues from pupils, gate receipts and other fund-raising activities.

Capital Projects Fund

The Capital Projects

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

SCHOOL DISTRICT FREMONT RE-1
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2021

	Food Service Fund	Pupil Activity Fund	Activities- Special Revenue Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
ASSETS					
Cash and investments	\$ 593,586	\$ 95	\$ 464,340	\$ 1,206,584	\$ 2,264,605
Restricted cash and investments	-	-	-	1,608	1,608
Receivables	404,198	-	-	-	404,198
Due from other funds	511,743	43,606	-	-	555,349
Inventories and prepaid items	121,197	-	-	-	121,197
	<u>\$ 1,630,724</u>	<u>\$ 43,701</u>	<u>\$ 464,340</u>	<u>\$ 1,208,192</u>	<u>\$ 3,346,957</u>
LIABILITIES					
Accounts payable and other current liabilities	\$ 32,836	\$ -	\$ -	\$ -	\$ 32,836
Accrued salaries and benefits	83,496	43,606	-	-	127,102
Due to other funds	-	-	24,261	69,718	93,979
	<u>116,332</u>	<u>43,606</u>	<u>24,261</u>	<u>69,718</u>	<u>253,917</u>
FUND BALANCES					
Nonspendable for:					
Inventories and prepaid items	121,197	-	-	-	121,197
Restricted for:					
Capital projects	-	-	-	1,138,474	1,138,474
Committed for:					
Food service operations	1,393,195	-	-	-	1,393,195
Pupil activities	-	95	440,079	-	440,174
	<u>1,514,392</u>	<u>95</u>	<u>440,079</u>	<u>1,138,474</u>	<u>3,093,040</u>
Total fund balances	<u>\$ 1,514,392</u>	<u>\$ 95</u>	<u>\$ 440,079</u>	<u>\$ 1,138,474</u>	<u>\$ 3,093,040</u>
Total liabilities and fund balances	<u>\$ 1,630,724</u>	<u>\$ 43,701</u>	<u>\$ 464,340</u>	<u>\$ 1,208,192</u>	<u>\$ 3,346,957</u>

See the accompanying independent auditors' report.

**SCHOOL DISTRICT FREMONT RE-1
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2021**

	Food Service Fund	Pupil Activity Fund	Activities- Special Revenue Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
REVENUES					
Local sources	\$ 77,637	\$ 56,973	\$ 318,105	\$ 139,753	\$ 592,468
State sources	14,952	-	-	-	14,952
Federal sources	2,726,752	-	-	-	2,726,752
Total revenues	2,819,341	56,973	318,105	139,753	3,334,172
EXPENDITURES					
Instruction	-	329,462	216,195	89,361	635,018
Supporting services	-	271,150	86,813	95,997	453,960
Food service operations	1,831,314	-	-	-	1,831,314
Facilities acquisition and construction	-	-	-	28,900	28,900
Debt service	-	-	-	3,962,914	3,962,914
Total expenditures	1,831,314	600,612	303,008	4,177,172	6,912,106
Excess (deficiency) of revenues over expenditures	988,027	(543,639)	15,097	(4,037,419)	(3,577,934)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	543,639	-	1,000,000	1,543,639
Net change in fund balances	988,027	-	15,097	(3,037,419)	(2,034,295)
Fund balances - beginning	526,365	95	424,982	4,175,893	5,127,335
Fund balances - ending	<u>\$ 1,514,392</u>	<u>\$ 95</u>	<u>\$ 440,079</u>	<u>\$ 1,138,474</u>	<u>\$ 3,093,040</u>

See the accompanying independent auditors' report.

**SCHOOL DISTRICT FREMONT RE-1
FOOD SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021**

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Local sources	\$ 360,180	\$ 77,637	\$ (282,543)
State sources	34,850	14,952	(19,898)
Federal sources	1,290,750	2,726,752	1,436,002
Total revenues	1,685,780	2,819,341	1,133,561
EXPENDITURES			
Food service operations	1,900,000	1,831,314	68,686
Net change in fund balance	(214,220)	988,027	1,202,247
Fund balance - beginning	526,365	526,365	-
Fund balance - ending	\$ 312,145	\$ 1,514,392	\$ 1,202,247

See the accompanying independent auditors' report.

**SCHOOL DISTRICT FREMONT RE-1
PUPIL ACTIVITY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021**

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Local sources	\$ 123,100	\$ 56,973	\$ (66,127)
EXPENDITURES			
Instruction	450,516	329,462	121,054
Supporting services:			
Student services	-	3,245	(3,245)
Instructional staff	394,147	267,905	126,242
Total expenditures	844,663	600,612	244,051
Excess (deficiency) of revenues over expenditures	(721,563)	(543,639)	177,924
OTHER FINANCING SOURCES (USES)			
Transfers in	721,563	543,639	(177,924)
Net change in fund balance	-	-	-
Fund balance - beginning	95	95	-
Fund balance - ending	\$ 95	\$ 95	\$ -

See the accompanying independent auditors' report.

**SCHOOL DISTRICT FREMONT RE-1
ACTIVITIES - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Local sources	\$ 650,000	\$ 318,105	\$ (331,895)
EXPENDITURES			
Instruction	650,000	216,194	433,806
Supporting services:			
Student services	-	72,015	(72,015)
Instructional staff	-	14,799	(14,799)
Total expenditures	<u>650,000</u>	<u>303,008</u>	<u>346,992</u>
Net change in fund balance	-	15,097	15,097
Fund balance - beginning	<u>424,982</u>	<u>424,982</u>	<u>-</u>
Fund balance - ending	<u>\$ 424,982</u>	<u>\$ 440,079</u>	<u>\$ 15,097</u>

See the accompanying independent auditors' report.

CAPITAL PROJECTS FUND

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

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

**SCHOOL DISTRICT FREMONT RE-1
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Local sources	\$ 102,000	\$ 139,753	\$ 37,753
EXPENDITURES			
Instruction	45,000	89,361	(44,361)
Supporting services:			
Operation and maintenance	7,000	6,000	1,000
Central services	100,000	89,997	10,003
Facilities acquisition and construction	234,000	28,900	205,100
Debt service	3,999,079	3,962,914	36,165
Total expenditures	<u>4,385,079</u>	<u>4,177,172</u>	<u>207,907</u>
Excess (deficiency) of revenues over expenditures	(4,283,079)	(4,037,419)	245,660
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>800,000</u>	<u>1,000,000</u>	<u>200,000</u>
Net change in fund balance	(3,483,079)	(3,037,419)	445,660
Fund balance - beginning	<u>4,175,893</u>	<u>4,175,893</u>	<u>-</u>
Fund balance - ending	<u>\$ 692,814</u>	<u>\$ 1,138,474</u>	<u>\$ 445,660</u>

See the accompanying independent auditors' report.

FIDUCIARY FUNDS

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

Private-Purpose Trust Fund

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

**SCHOOL DISTRICT FREMONT RE-1
SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
BUDGET AND ACTUAL
PRIVATE-PURPOSE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	Final Budget	Actual	Variance Favorable (Unfavorable)
ADDITIONS			
Investment income	\$ 6,000	\$ 455	\$ (5,545)
DEDUCTIONS			
Scholarship awards	32,000	25,804	6,196
Change in net position	(26,000)	(25,349)	651
Net position - beginning	456,779	456,779	-
Net position - ending	<u>\$ 430,779</u>	<u>\$ 431,430</u>	<u>\$ 651</u>

See the accompanying independent auditors' report.

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

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

SCHOOL DISTRICT FREMONT RE-1
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE
JUNE 30, 2021

Governmental fund capital assets:	
Sites	\$ 2,220,137
Buildings and improvements	81,618,184
Vehicles	2,663,308
Equipment	8,227,609
Construction in progress	<u>31,705,162</u>
Total governmental fund capital assets	<u><u>\$ 126,434,400</u></u>
Investments in governmental funds capital assets by source:	
General fund	\$ 790,582
Capital projects fund	14,226,294
Food Service	506,856
Designated-purpose grants fund	1,522,763
Activity fund	16,807
Bond fund	19,708,298
Building fund	<u>89,662,800</u>
Total governmental funds capital assets	<u><u>\$ 126,434,400</u></u>

See the accompanying independent auditors' report.

SCHOOL DISTRICT FREMONT RE-1
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
JUNE 30, 2021

<u>Function and Activity</u>	<u>Sites</u>	<u>Buildings and Improvements</u>	<u>Vehicles</u>	<u>Equipment</u>	<u>Construction in Progress</u>	<u>Depreciation</u>	<u>Total</u>
Instruction	\$ 1,949,061	\$ 20,538,445	\$ -	\$ 4,547,037	\$ -	\$ 18,175,302	\$ 8,859,241
School administration	53,733	703,444	-	488,878	-	559,107	686,948
Operation and maintenance	-	9,100	268,859	566,280	-	312,881	531,358
Student transportation	76,297	-	2,382,749	-	-	1,864,004	595,042
Central support services	141,046	742,282	-	2,024,909	-	2,085,245	822,992
Facilities acquisition	-	59,624,913	-	110,067	31,705,162	12,932,217	78,507,925
Food Service	-	-	11,700	490,438	-	296,800	205,338
 Total governmental funds capital assets	 <u>\$ 2,220,137</u>	 <u>\$ 81,618,184</u>	 <u>\$ 2,663,308</u>	 <u>\$ 8,227,609</u>	 <u>\$ 31,705,162</u>	 <u>\$ 36,225,556</u>	 <u>\$ 90,208,844</u>

See the accompanying independent auditors' report.

SCHOOL DISTRICT FREMONT RE-1
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
JUNE 30, 2021

<u>Function and Activity</u>	Balance 6/30/2020	Additions	Depreciation and Retirements	Balance 6/30/2021
Instruction	\$ 8,917,288	\$ 580,770	\$ 638,817	\$ 8,859,241
School administration	730,478	-	43,530	686,948
Operation and maintenance	198,961	371,445	39,048	531,358
Student transportation	688,272	-	93,230	595,042
Central support services	835,578	64,699	77,285	822,992
Facilities acquisition & construction	68,509,208	34,543,314	24,544,597	78,507,925
Food Service	197,970	31,834	24,466	205,338
Total governmental funds capital assets	<u>\$ 80,077,755</u>	<u>\$ 35,592,062</u>	<u>\$ 25,460,973</u>	<u>\$ 90,208,844</u>

See the accompanying independent auditors' report.

EXPENDITURES OF FEDERAL AWARDS

**SCHOOL DISTRICT FREMONT RE-1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Agriculture				
<i>Child Nutrition Cluster</i>				
Passed Through Colorado Department of Education				
National School Lunch Program	10.555	4555		\$ 475,892
Summer Food Service Program	10.559	4559		2,129,937
Passed Through Colorado Department of Human Services				
National School Lunch Program	10.555	4555		114,440
<i>Total Child Nutrition Cluster</i>				<u>2,720,269</u>
<i>Forest Service Schools and Roads Cluster</i>				
Passed Through Fremont County, Colorado				
Schools and Roads - Grants to States	10.665	7665		4,403
<i>Total Forest Service Schools and Roads Cluster</i>				<u>4,403</u>
Total U.S. Department of Agriculture				<u>2,724,672</u>
U.S. Department of Defense Direct Program				
Reserve Officer Training Corps	12.unknown	9001		<u>59,271</u>
U.S. Department of Treasury				
Passed Through Colorado Department of Education				
Coronavirus Relief Fund	21.019	4012, 5012		<u>1,816,030</u>
U.S. Department of Education				
<i>Special Education Cluster (IDEA)</i>				
Passed Through Colorado Department of Education				
Special Education: Grants to States IDEA Part B	84.027	4027		780,956
Special Education: Preschool Grants	84.173	4173		44,642
<i>Total Special Education Cluster</i>				<u>825,598</u>
No Child Left Behind, Title I, Part A	84.010	4010, 5010, 7010		1,281,568
Rural Education	84.358	6358		81,476
Teacher and Principal Training and Recruiting Fund	84.367	4367		180,304
Student Support and Academic Enrichment Program	84.424	4424		62,365
Education Stabilization Fund	84.425D	4420, 4425		1,238,362
Passed Through Colorado Community College System				
Vocational Education - Basic Grants to States	84.048	4048		46,101
Total U.S. Department of Education				<u>3,715,774</u>
U.S. Department of Health and Human Services				
<i>CCDF Cluster</i>				
Passed Through Colorado Department of Human Services				
Child Care and Development Block Grant	93.575	7575		86,698
<i>Total CCDF Cluster</i>				<u>86,698</u>
Total U.S. Department of Health and Human Services				<u>86,698</u>
Total Federal Awards				<u>\$ 8,402,445</u>

See the accompanying independent auditors' report.

**SCHOOL DISTRICT FREMONT RE-1
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of School District Fremont RE-1 under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of School District Fremont RE-1, it is not intended to and does not present the financial position, changes in net position, or cash flows of School District Fremont RE-1.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

NOTE 3 – INDIRECT COST RATE

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

NOTE 4 – NON-CASH ASSISTANCE

During the year end June 30, 2021, School District Fremont RE-1 received \$114,440 in non-cash assistance in the form of food commodities. Valuation of commodities is based on fair market value at the time of receipt.



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

To the Board of Education
School District Fremont RE-1

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of School District Fremont RE-1, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise School District Fremont RE-1’s basic financial statements, and have issued our report thereon dated December 1, 2021.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency: 2021-001.

Compliance and Other Matters

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

School District Fremont RE-1's Response to Findings

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

Purpose of this Report

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

Hoelting & Company Inc.

Colorado Springs, Colorado
December 1, 2021



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

To the Board of Education
School District Fremont RE-1

Report on Compliance for Each Major Federal Program

We have audited School District Fremont RE-1's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of School District Fremont RE-1's major federal programs for the year ended June 30, 2021. School District Fremont RE-1's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of School District Fremont RE-1's compliance.

Opinion on Each Major Federal Program

In our opinion, School District Fremont RE-1, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

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

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

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

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

Purpose of this Report

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

Hoelting & Company, Inc.

Colorado Springs, Colorado
December 1, 2021

**SCHOOL DISTRICT FREMONT RE-1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

Section I—Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? ___ yes x no

Federal Awards

Internal control over major programs?

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
CFDA 10.555 & 10.559	Child Nutrition Cluster
CFDA 21.019	Coronavirus Relief Fund
CFDA 84.425D	Educational Stabilization Fund

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

Auditee qualified as low-risk auditee? x yes ___ no

**SCHOOL DISTRICT FREMONT RE-1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

Section II—Financial Statement Findings

2021-001 Segregation of Duties

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

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

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

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

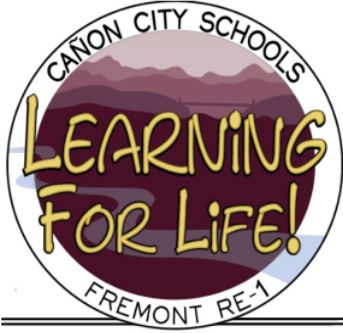
Cause: Some control procedures over segregation of duties were not followed. Controls over authorization, initiation and recording have not been properly implemented.

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

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

Section III—Findings and Questioned Costs for Federal Awards

No findings reported.



CAÑON CITY SCHOOLS

SCHOOL DISTRICT FREMONT RE-1

101 North 14th Street
Cañon City, Colorado 81212

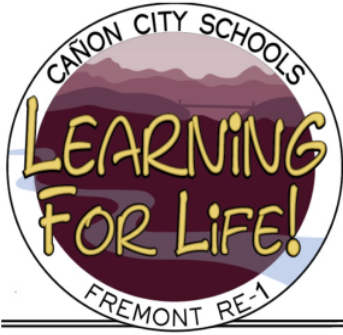
Phone (719) 276-5700
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ADMINISTRATIVE STAFF

GEORGE WELSH
Superintendent of Schools
ADAM HARTMAN
Superintendent Designee
BUDDY LAMBRECHT
Director of Business Services
JAMIE DAVIS
Director of Human Resources
BRIAN ZAMARRIPA
Director of Curriculum and Assessment
TIM RENN
Director of Special Services
SHAUN KOHL
Director of Technology
PAULA BUSER
Director of Support Services
JEFF PETERSON
Director of Operations

The Summary Schedule of Prior Audit Findings (the Summary) summarizes the status of the audit findings reported in the School District Fremont RE-1 Schedule of Findings and Questioned Costs for the year ended June 30, 2020. If the prior audit finding was fully addressed, the Summary indicates that the corrective action described in the prior audit report was taken or that corrective action is no longer needed. Otherwise, the Summary references the page number of the June 30, 2021 single audit report where a repeat recommendation, description of the planned corrective action, or reason for not implementing the recommendation is presented.

<u>Finding Number</u>	<u>CFDA Number</u>	<u>Program/ Cluster Title</u>	<u>Finding</u>	<u>Status of Finding</u>
2020-001	N/A	N/A	Segregation of Duties	Not corrected. Reported as finding 2021-001. See page 77.



CAÑON CITY SCHOOLS

SCHOOL DISTRICT FREMONT RE-1

101 North 14th Street
Cañon City, Colorado 81212

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

ADMINISTRATIVE STAFF

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Director of Special Services
SHAUN KOHL
Director of Technology
PAULA BUSER
Director of Support Services
JEFF PETERSON
Director of Operations

CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2021

2021-001 Segregation of Duties

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

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

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

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

Anticipated Completion Date: NA.

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

HC
Hoelting & Company, Inc.
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Education
School District Fremont RE-1

We have audited the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of School District Fremont RE-1, as of and for the year ended June 30, 2021, which collectively comprise School District Fremont RE-1's basic financial statements, and our report thereon dated December 1, 2021, which expressed an unmodified opinion on those financial statement, appears as listed in the table of contents.

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

Hoelting & Company Inc.

Colorado Springs, Colorado
December 9, 2021



Colorado Department of Education
Auditors Integrity Report
 District: 1140 - Canon City RE-1
 Fiscal Year 2020-21
 Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental	+		-	=
10 General Fund	4,658,587	29,261,752	27,816,962	6,103,376
18 Risk Mgmt Sub-Fund of General Fund	364,246	550,741	456,707	458,280
19 Colorado Preschool Program Fund	181,659	1,064,627	1,012,544	233,742
Sub- Total	5,204,492	30,877,120	29,286,214	6,795,398
11 Charter School Fund	680,672	2,487,673	2,318,700	849,645
20,26-29 Special Revenue Fund	424,982	318,105	303,007	440,079
06 Supplemental Cap Const, Tech, Main. Fund	0	0	0	0
07 Total Program Reserve Fund	0	0	0	0
21 Food Service Spec Revenue Fund	526,365	2,819,341	1,831,314	1,514,392
22 Govt Designated-Purpose Grants Fund	0	8,044,007	8,044,007	0
23 Pupil Activity Special Revenue Fund	95	600,612	600,612	95
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	3,494,547	3,253,176	3,186,898	3,560,826
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	2,400,451	9,348,353	11,603,341	145,463
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	4,175,893	1,139,753	4,177,172	1,138,474
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
Totals	16,907,496	58,888,141	61,351,265	14,444,372
Proprietary				
50 Other Enterprise Funds	1,507,204	0	60,918	1,446,287
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	0	0	0	0
Totals	1,507,204	0	60,918	1,446,287
Fiduciary				
70 Other Trust and Agency Funds	1,013,064	87,277	51,291	1,049,050
72 Private Purpose Trust Fund	456,779	455	25,804	431,430
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	0	0	0	0
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
Totals	1,469,844	87,732	77,095	1,480,480

FINAL