

# **SCHOOL DISTRICT FREMONT RE-1**

**FINANCIAL STATEMENTS**  
With Independent Auditors' Report

Year Ended June 30, 2020

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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, 2020, 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, 2020, 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.

## ***Adoption of new accounting standard***

As described in Note 1 to the financial statements, effective July 1, 2019, School District Fremont RE-1 adopted new accounting guidance, GASB Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 14, 2020, 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 14, 2020

**Cañon City Schools**  
***Management's Discussion & Analysis***  
**For the Fiscal Year Ended June 30, 2020**

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, 2020. 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 2020 are as follows:

- The District's government-wide net position increased by \$37.4 million to \$-19.5 million for the year ended June 30, 2020, primarily as a result of the non-employer contribution from the State that reduced PERA's unfunded liability and the district's proportionate share.
- Governmental activities have unrestricted net position of \$ -79.1 million. Again, the improvement is a result of the non-employer contribution from the State that reduced PERA's unfunded liability and the district's proportionate share.
- The District's primary government long-term liabilities decreased by \$13.7 million primarily as a result of the non-employer contribution from the State that reduced PERA's unfunded liability and the district's proportionate share.
- The District adopted and implemented the provisions of GASB 75 accounting for Other Post-Employment Benefits (OPEB). The District reported a liability of \$2.5 million for its proportionate share of the net OPEB liability.
- Fund balance of the District's general fund, which includes the general fund 10, risk management fund 18 and the Colorado Preschool fund 19, increased by \$1.3 million to \$5.2 million, primarily due to specific ownership tax collections continuing to be significantly 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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**Management's Discussion & Analysis**  
**For the Fiscal Year Ended June 30, 2020**

- 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, 2020**

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 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. In recent years the state has been closing the gap on the Budget Stabilization Factor, with the District's total program funding from 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 will be represented in the 20-21 Fiscal year Audit.

The District's General Fund balance increased by \$1.1 million resulting in an ending fund balance of \$4.6 million at fiscal year 2020 end. The fund balance increased primarily as a result of specific ownership taxes and State special education funding being more than originally projected.

In fiscal year 2020 the District's General Fund (Fund 10) fund balance was 15.0% of fiscal year 2020 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 first year in many this has been accomplished.

Prior to fiscal year 2012 the District's fund balance was approaching the desired minimum fund balance level of 8%. However, it decreased as projected in fiscal year 2012, 2013 and 2014, as it was used to cover ongoing projected budget shortfalls. General Fund balance increased in fiscal year 2016, decreased in fiscal year 2017, increased in fiscal year 2018, increased in fiscal year 2019 and increased again in fiscal year 2020.

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, 2020**

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 \$37.4 million to \$-19.5 million for the year ended June 30, 2020. This is primarily a result of the increase in net investment in capital assets from the construction of a new elementary school and the remodel/repurposing of the middle school. These projects were funded through the State's Building Excellent Schools Today (BEST) program.

The District's long-term liabilities decreased by \$13.7 million to \$87.1 million. \$2.6 million of the decrease was attributed to the paydown of capital bonds, notes and leases. \$10.6 million of the decrease was from the reduction in the district's share of the PERA net pension liability. The addition of capital leases partially offset the expected decrease from payments on the capital construction bonds and other capital borrowings. The long-term debt includes bond payments, compensated absences, energy projects and QZAB Bonds.

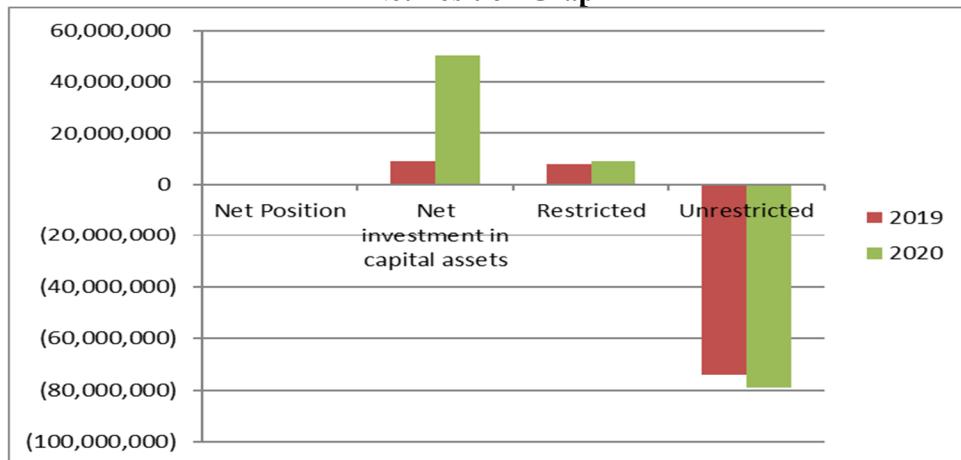
**Table -1-** provides a summary of the District's net position and **Table -3-** provides a summary for the District's changes in net position for 2020:

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

| <b>Governmental Activities</b>    |                       |                       |
|-----------------------------------|-----------------------|-----------------------|
|                                   | <b>2018-19</b>        | <b>2019-20</b>        |
| <b>ASSETS</b>                     |                       |                       |
| Current and other assets          | \$35,016,623          | \$31,195,124          |
| Capital Assets                    | 43,468,791            | 80,077,755            |
| <b>Total Assets</b>               | <b>\$78,485,414</b>   | <b>\$111,272,879</b>  |
| <b>DEFERRED OUTFLOWS</b>          | <b>\$19,250,320</b>   | <b>\$6,539,447</b>    |
| <b>LIABILITIES</b>                |                       |                       |
| Long-term liabilities outstanding | \$100,730,734         | \$87,044,021          |
| Other liabilities                 | 7,430,610             | 14,341,173            |
| <b>Total Liabilities</b>          | <b>\$108,161,344</b>  | <b>\$101,385,194</b>  |
| <b>DEFERRED INFLOWS</b>           | <b>\$46,864,813</b>   | <b>\$35,951,642</b>   |
| <b>NET POSITION</b>               |                       |                       |
| Net investment in capital assets  | \$8,916,030           | \$53,798,515          |
| Restricted                        | 7,921,894             | 5,596,206             |
| Unrestricted                      | (74,128,347)          | (78,919,231)          |
| <b>Total net position</b>         | <b>(\$57,290,423)</b> | <b>(\$19,524,510)</b> |

**Cañon City Schools**  
***Management's Discussion & Analysis***  
**For the Fiscal Year Ended June 30, 2020**

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



**Table -3-**  
**Statement of Changes in Net Position**

**Cañon City Schools**  
***Management's Discussion & Analysis***  
**For the Fiscal Year Ended June 30, 2020**

| <b>Governmental Activities</b>                 |                       |                       |
|--|-----------------------|-----------------------|
|  | <b><u>2018-19</u></b> | <b><u>2019-20</u></b> |
| <b>REVENUES:</b>                               |                       |                       |
| Charges for services                           | \$890,663             | \$908,864             |
| Operating and capital grants and contributions | 16,408,000            | 34,706,540            |
| General revenues:                              |                       |                       |
| Property & specific ownership taxes            | 12,855,402            | 13,596,383            |
| State equalization                             | 18,783,054            | 20,436,693            |
| Other  | 1,851,352             | 1,542,839             |
| <b>Total revenues</b>                          | <b>\$50,788,471</b>   | <b>\$71,191,319</b>   |
| <b>EXPENSES:</b>                               |                       |                       |
| Instruction                                    | \$16,988,175          | \$17,136,852          |
| Supporting services                            | 12,473,324            | 11,923,274            |
| Community services                             | 753,754               | 618,363               |
| Food services                                  | 1,792,707             | 1,561,739             |
| Facilities acquisition & construction          | 991,237               | 1,594,957             |
| Interest on long-term debt                     | 977,020               | 958,411               |
| <b>Total expenses</b>                          | <b>\$33,976,217</b>   | <b>\$33,793,596</b>   |
| <b>NET POSITION:</b>                           |                       |                       |
| Increase (decrease) in net position            | \$16,812,254          | \$37,397,723          |
| Net Position - beginning                       | (\$74,102,677)        | (57,290,423)          |
| Prior period adjustment                        | 0                     | 368,190               |
| Net position, beginning, as restated (deficit) | (74,102,677)          | (56,922,233)          |
| <b>Net position, ending</b>                    | <b>(\$57,290,423)</b> | <b>(\$19,524,510)</b> |

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***Management's Discussion & Analysis***  
**For the Fiscal Year Ended June 30, 2020**

Table -4-

**Sources of Revenues for Fiscal Year 2019-20**

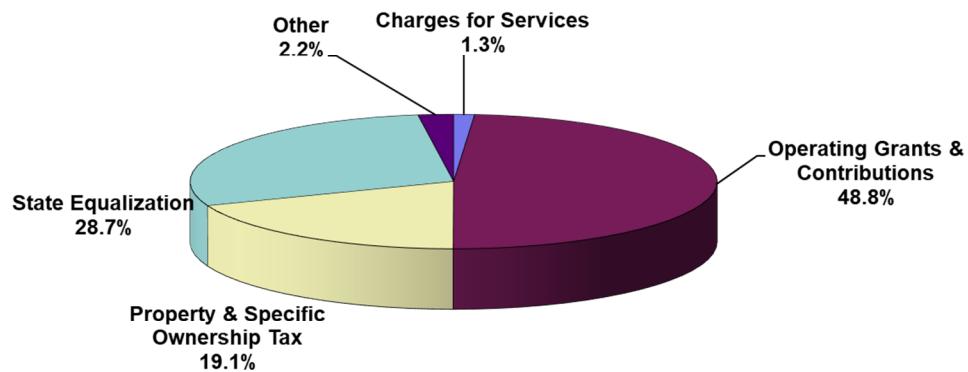
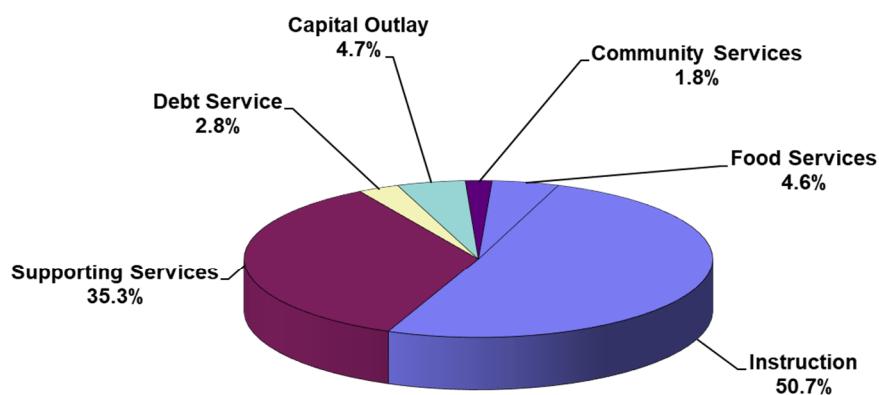


Table -5-

**Expenses for Fiscal Year 2019-20**



**Cañon City Schools**  
***Management's Discussion & Analysis***  
**For the Fiscal Year Ended June 30, 2020**

State equalization accounted for 28.7 percent of the District's governmental activities total revenue. (See **Table -4-**.) Another 19.1 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 instructing, 50.7 percent. (See **Table -5-**.) Supporting Services, including the District's student support, administrative, business, transportation, maintenance and operations activities, accounted for 35.3 percent of total costs.

***Governmental Activities***

The primary source of operating revenue for school districts comes from the School Finance Act of 1994 as amended. Under the School Finance Act the District received \$8,075 per funded student. In fiscal year 2020 the funded pupil count was 3726.2. For the 2020 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 \$13.6 million in property and SOT tax revenue under the School Finance Act in fiscal year 2020.

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

**Table -6-**

**Governmental Activities**

|                                   | <b><u>2019</u></b>  | <b><u>2020</u></b>  |
|-----------------------------------|---------------------|---------------------|
| <b>Instruction</b>                | <b>\$16,988,175</b> | <b>\$17,136,852</b> |
| <b>Supporting services</b>        | <b>12,473,324</b>   | <b>11,923,274</b>   |
| <b>Food service operations</b>    | <b>1,792,707</b>    | <b>1,561,739</b>    |
| <b>Community Services</b>         | <b>753,754</b>      | <b>618,363</b>      |
| <b>Facilities acquisition</b>     | <b>991,237</b>      | <b>1,594,957</b>    |
| <b>Interest on long-term debt</b> | <b>977,020</b>      | <b>958,411</b>      |
| <b>Total</b>                      | <b>\$33,976,217</b> | <b>\$33,793,596</b> |

**Cañon City Schools**  
**Management's Discussion & Analysis**  
**For the Fiscal Year Ended June 30, 2020**

The cost of all *governmental* activities this year was \$33.8 million.

- Some of the cost was financed by the users of the District's programs (\$909 thousand).
- The federal and state government subsidized certain programs with grants and contributions (\$34.7 million).
- A portion of governmental activities was financed with \$20.4 million in state equalization from the School Finance Act of 1994 and \$13.6 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 \$71.7 million and expenditures of \$82.9 million.

***Budgetary Highlights***

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

- Prior to the end of the fiscal year, additional budget appropriations were approved for the General Fund, the Charter School Fund, 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 \$1.1 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 \$4.7 million at fiscal year-end – 15.0% of FY2019-20 expenditures. 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 \$62 thousand. Actual expenditures were less than the amended budget amount. The fund balance increased to \$681 thousand or 28.8% of FY2019-20 expenditures. With the \$1.2 million payoff of Mountain View's building lease from proceeds of the Series 2017 General Obligation bonds, its annual expenditures are \$112 thousand less in this area as the annual debt service payments are no longer required. Also, the school received its proportionate share of the MLO and rural schools funding. Excess fund balances are being accumulated for future capital projects.

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***Management's Discussion & Analysis***  
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- Risk Management Fund (Fund 18) revenues exceeded actual expenditures by \$99 thousand. Actual expenditures were less than the amended budget amount with actual workers compensation insurance premiums being \$47 thousand less than projected. The Risk Management Fund balance increased to \$364 thousand at year end.
- Colorado Preschool Program (CPP) Fund (Fund 19) actual revenues exceeded expenditures by \$105 thousand as revenues were somewhat more than projected and expenditures were \$93 thousand less than projected, partly due to COVID-19 effects. The CPP fund balance was \$182 thousand at year end.
- Food Service Fund (Fund 21) actual expenditures exceeded revenues by \$88 thousand. The fund balance was \$526 thousand at year end. Actual revenues were \$127 thousand less than projected and actual expenditures were less than the budgeted amount by \$100 thousand mainly due to the effects of COVID-19 on operations during the fourth quarter of the school year.
- Grants Fund (Fund 22) expenditures were within the budgeted amount of \$7.5 million and were matched to revenues. Actual expenditures were less than the amended budget amount. Grant fund expenditures in excess of grant revenue for any particular grant were reclassified to the General Fund or other Funds. The district's grant awards, and expenditures have continued to increase as it has continued to receive a number of new health and wellness and innovation grant awards.
- Pupil Activity Fund (Fund 23) actual expenditures were within budget and matched to revenues with the General Fund allocation for amounts in excess of participation, gate and other revenues. Actual expenditures were \$123 less than the amended budget amount due mainly to COVID-19 and the cancellation of spring sports.
- Student Clubs and Organizations Fund (Fund 27) was formerly Fund 74, but reclassified to a special revenue due to GASB pronouncements and in turn changes to the school finance chart of accounts. Actual revenues exceeded expenditures by \$57 thousand during the year. Total fund balances for clubs and organizations increased to \$425 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 \$39 thousand with the Bond Fund balance increasing to \$3.5 million at year end.
- Building Fund (Fund 41) was reactivated in FY2017-18 as the BEST Multi-Facilities building improvements projects commenced. FY2018-19 also saw commencement of the BEST CCMS and Washington Elementary school replacement projects. Revenues included the issuance of the \$8 million General Obligation bond to provide the local match for the CCMS project and the \$6.2 million General Obligation bond to provide the local match for the Washington project. Actual expenditures were within the budgeted amounts for each project. Expenditures exceeded revenues as planned by \$12.4 million as bond cash balances were drawn down to provide local matches for the BEST projects.

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***Management's Discussion & Analysis***  
**For the Fiscal Year Ended June 30, 2020**

- Capital Reserve/Capital Projects Fund (Fund 43) expenditures exceeded the budgeted amount by \$26 thousand as some actual expenditures were more than projected. Expenditures exceeded revenues primarily due to planned expenditure of the majority of the School Safety and Security grant award of \$514,285 received in FY18-19 to purchase additional radios, security cameras and other related items. The majority of these grant funds were expended in FY19-20. The Assigned - Capital Projects unrestricted fund balance decreased \$346 thousand to \$810 thousand. Again, primarily due to grant funds received in FY18-19 that were expended in FY19-20.
- Scholarships Fund (Fund 72) revenues exceeded expenditures by \$7 thousand as interest earnings and new scholarship contributions exceeded scholarship awards. Actual expenditures were less than the amended budget amount. Total fund balances for scholarship accounts at year end were \$457 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 levy override activity.

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**Capital Assets and Debt Administration**

By the end of 2020 the District had invested \$80.1 million in land, buildings, equipment, and transportation vehicles. **Table -7-** shows fiscal 2018 and 2019:

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

|                                 | <b>Governmental Activities</b> |                     |
|---------------------------------|--------------------------------|---------------------|
|                                 | <b>2019</b>                    | <b>2020</b>         |
| <b>Land</b>                     | <b>\$2,220,137</b>             | <b>\$2,220,137</b>  |
| <b>Construction In Progress</b> | <b>\$10,328,692</b>            | <b>\$43,348,080</b> |
| <b>Improvements</b>             | <b>26,584,941</b>              | <b>29,990,533</b>   |
| <b>Vehicles</b>                 | <b>782,745</b>                 | <b>677,350</b>      |
| <b>Equipment</b>                | <b>3,552,276</b>               | <b>3,841,655</b>    |
| <b>Net</b>                      | <b>\$43,468,791</b>            | <b>\$80,077,755</b> |

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

***Long-Term Debt***

The outstanding principal balance on General Obligation Bonds at year end was \$27.6 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 \$4.5 million in capital leases payable. Compensated absences increased by \$22 thousand to \$1.1 million due to a decrease in the accrual of vacation and sick leave benefits.

Total Long-Term Debt decreased by \$13.7 million due primarily to the update of the district's allocated portion of the PERA Net Pension Liability under GASB Statement 68 and the infusion of funds by the State to reduce the PERA unfunded liability balance.

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

|                                 | <b>June 30, 2019</b> | <b>June 30, 2020</b> |
|---------------------------------|----------------------|----------------------|
| <b>General Obligation Bonds</b> | <b>\$29,846,818</b>  | <b>\$27,568,770</b>  |
| <b>Capital Leases Payable</b>   | <b>4,705,943</b>     | <b>4,476,916</b>     |
| <b>Compensated Absences</b>     | <b>1,099,359</b>     | <b>1,121,256</b>     |
| <b>Net Pension Liability</b>    | <b>61,982,943</b>    | <b>51,352,226</b>    |
| <b>Net OPEB Liability</b>       | <b>3,095,671</b>     | <b>2,524,853</b>     |
| <b>Total</b>                    | <b>\$100,730,734</b> | <b>\$87,044,021</b>  |

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

**Cañon City Schools**  
***Management's Discussion & Analysis***  
**For the Fiscal Year Ended June 30, 2020**

**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 2019-20 was 3,726.2 Kindergarten students are now counted as 1.0 FTE. 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. Should this loss of students remain, the district will have to address staffing levels to compensate for the lost revenue.
- The District's accreditation rating was Priority Improvement in 2011. This was below the threshold to avoid intervention by the state. From 2012 through 2015 the district's accreditation was accredited at the Improvement level, just above this intervention threshold. In 2016 the District achieved full Accredited status and has maintained that rating.
- 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.
- 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.
- 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 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

**Cañon City Schools**  
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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 will pay 73% of the total cost of these projects. The building envelope, health, and safety and security upgrades grant work is complete and the new Washington Elementary and Major CCMS upgrade projects are nearing completion. 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 2020 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.
- In December 2015 Congress passed Every Students Succeeds Act (ESSA) as a rewrite of the Elementary and Secondary Education Act replacing No Child Left Behind (NCLB). ESSA provides new guidance and requirements for accountability, assessments, low performing school remedies, and teacher and school leader responsibility for academic improvement. The State of Colorado finalized implementation rules guidance and requirements in spring 2017 and this resulted in a \$120 thousand (roughly 10%) reduction in funding that has significantly impacted the district's budget. This reduction in funding has continued through the 2020 fiscal year. However, McKinley Elementary School has been able to access some of these funds set aside to support Turnaround school initiatives.
- 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 greater roughly 17% of Cañon City Schools students qualify for special education services. This is the among largest Special Education population, by percentage of total, in the state of Colorado. It is worth noting that since 2010 Cañon City School's costs for delivery of Special Education services has increased by \$1.5 million 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

**Cañon City Schools**  
***Management's Discussion & Analysis***  
**For the Fiscal Year Ended June 30, 2020**

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 this fiscal year. However, next year when those federal dollars go away and the full impact of our pupil reduction hits us, along with reduced state level revenues, we could be left in a very difficult financial position.

- Finally, in November 2020 Colorado voters repealed the Gallagher Amendment. This could impact Cañon City taxpayers by requiring personal property owners to pay a larger portion of the District's operating expenses and business owners to pay less. However, it could also create greater property tax equity around the state, and this could offer the legislature more revenue to distribute to school districts across the board.

**Contacting the District's Financial Management**

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

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

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

By phone:          (719) 276-5714

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

## **BASIC FINANCIAL STATEMENTS**

**SCHOOL DISTRICT FREMONT RE-1**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

|  | <b>Primary<br/>Government</b>      |                           | <b>Component Units</b>      |  |
|--|------------------------------------|---------------------------|-----------------------------|--|
|  | <b>Governmental<br/>Activities</b> | <b>Charter<br/>School</b> | <b>Facilities<br/>Corp.</b> |  |
| <b>ASSETS</b>                                  |                                    |                           |                             |  |
| Cash and investments                           | \$ 16,629,451                      | \$ 536,067                | \$ 846,615                  |  |
| Restricted cash and investments                | 8,795,048                          | -                         | -                           |  |
| Cash with county treasurer                     | 1,010,750                          | -                         | -                           |  |
| Receivables                                    | 4,572,474                          | -                         | -                           |  |
| Receivable from primary government             | -                                  | 390,711                   | -                           |  |
| Internal balances                              | 20,600                             | -                         | -                           |  |
| Inventories and prepaid items                  | 166,801                            | -                         | -                           |  |
| Capital assets, not being depreciated          | 45,568,217                         | 474,460                   | -                           |  |
| Capital assets being depreciated, net          | 34,509,538                         | 1,091,524                 | 166,450                     |  |
| Total assets                                   | <u>111,272,879</u>                 | <u>2,492,762</u>          | <u>1,013,065</u>            |  |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>          |                                    |                           |                             |  |
| Deferred charge on refunding                   | 85,979                             | -                         | -                           |  |
| Deferred pension outflows                      | 6,287,807                          | 338,687                   | -                           |  |
| Deferred OPEB outflows                         | <u>165,661</u>                     | <u>7,424</u>              | <u>-</u>                    |  |
| Total deferred outflows of resources           | <u>6,539,447</u>                   | <u>346,111</u>            | <u>-</u>                    |  |
| <b>LIABILITIES</b>                             |                                    |                           |                             |  |
| Accounts payable and other current liabilities | 7,443,863                          | -                         | -                           |  |
| Accrued salaries and benefits                  | 3,373,377                          | 246,106                   | -                           |  |
| Due to charter school                          | 390,711                            | -                         | -                           |  |
| Unearned revenue                               | 3,046,849                          | -                         | -                           |  |
| Accrued interest payable                       | 86,373                             | -                         | -                           |  |
| Long-term liabilities:                         |                                    |                           |                             |  |
| Due within one year                            | 6,139,391                          | -                         | -                           |  |
| Due in more than one year                      | 27,027,551                         | -                         | -                           |  |
| Net pension liability                          | 51,352,226                         | 2,737,499                 | -                           |  |
| Net OPEB liability                             | <u>2,524,853</u>                   | <u>134,584</u>            | <u>-</u>                    |  |
| Total liabilities                              | <u>101,385,194</u>                 | <u>3,118,189</u>          | <u>-</u>                    |  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>           |                                    |                           |                             |  |
| Deferred pension inflows                       | 35,434,522                         | 1,959,081                 | -                           |  |
| Deferred OPEB inflows                          | <u>517,120</u>                     | <u>28,848</u>             | <u>-</u>                    |  |
| Total deferred inflows of resources            | <u>35,951,642</u>                  | <u>1,987,929</u>          | <u>-</u>                    |  |
| <b>NET POSITION</b>                            |                                    |                           |                             |  |
| Net investment in capital assets               | 53,798,515                         | 1,565,984                 | -                           |  |
| Restricted for:                                |                                    |                           |                             |  |
| Emergency reserve (TABOR)                      | 1,920,000                          | 73,000                    | -                           |  |
| Debt service                                   | 3,494,547                          | -                         | -                           |  |
| Preschool program                              | 181,659                            | -                         | -                           |  |
| Unrestricted                                   | <u>(78,919,231)</u>                | <u>(3,906,229)</u>        | <u>1,013,065</u>            |  |
| Total net position                             | <u>\$ (19,524,510)</u>             | <u>\$ (2,267,245)</u>     | <u>\$ 1,013,065</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, 2020**

| <b>Functions/Programs</b>                                    | <b>Program Revenue</b> |                             |   |   | <b>Net (Expense) Revenue and Changes in Net Position</b> |                       |                         |
|--|------------------------|-----------------------------|---|---|--|-----------------------|-------------------------|
|  | <b>Expenses</b>        | <b>Charges for Services</b> | <b>Operating Grants and Contributions</b> | <b>Capital Grants and Contributions</b> | <b>Primary Government</b>                                | <b>Charter School</b> | <b>Facilities Corp.</b> |
|  |                        |                             |   |   |  |                       |                         |
| <b>Primary government</b>                                    |                        |                             |   |   |  |                       |                         |
| Governmental activities                                      |                        |                             |   |   |  |                       |                         |
| Instruction  | \$ 17,136,852          | \$ 611,929                  | \$ 7,400,881                              | \$ -                                    | \$ (9,124,042)   | \$ -                  | \$ -                    |
| Supporting services  | 11,923,274             | 31,876                      | 154,040                                   | -                                       | (11,737,358)   |                       |                         |
| Food service operations                                      | 1,561,739              | 265,059                     | 1,169,076                                 | -                                       | (127,604)  |                       |                         |
| Community services   | 618,363                | -                           | -   | -                                       | (618,363)  |                       |                         |
| Facilities acquisition                                       | 1,594,957              | -                           | 23,638,876                                | 2,343,667                               | 24,387,586   |                       |                         |
| Interest on long-term debt                                   | 958,411                | -                           | -   | -                                       | (958,411)  |                       |                         |
| Total primary government                                     | <u>\$ 33,793,596</u>   | <u>\$ 908,864</u>           | <u>\$ 32,362,873</u>                      | <u>\$ 2,343,667</u>                     | <u>1,821,808</u>   |                       |                         |
| <b>Component units</b>                                       |                        |                             |   |   |  |                       |                         |
| Charter school   | \$ 1,892,235           | \$ 134,804                  | \$ -                                      | \$ 77,475                               |  | (1,679,956)           |                         |
| Facilities Corp.   | 43,636                 | -                           | -   | -                                       |  |                       | (43,636)                |
| Total component units  | <u>\$ 1,935,871</u>    | <u>\$ 134,804</u>           | <u>\$ -</u>                               | <u>\$ 77,475</u>                        |  |                       |                         |
| General revenues:  |                        |                             |   |   |  |                       |                         |
| Property taxes   |                        |                             |   | 11,788,932                              |  | -                     | -                       |
| Specific ownership taxes                                     |                        |                             |   | 1,807,451                               |  | -                     | -                       |
| State equalization   |                        |                             |   | 20,436,693                              |  | -                     | -                       |
| Per pupil revenue  |                        |                             |   | -                                       | 2,149,369  |                       | -                       |
| Grants and contributions not restricted to specific programs |                        |                             |   | 461,548                                 |  | -                     | -                       |
| Unrestricted investment earnings                             |                        |                             |   | 371,261                                 | 7,550  | 134,123               |                         |
| Miscellaneous  |                        |                             |   | 710,030                                 | 21,482   |                       | -                       |
| Total general revenues                                       |                        |                             |   | <u>35,575,915</u>                       | <u>2,178,401</u>   | <u>134,123</u>        |                         |
| Change in net position                                       |                        |                             |   | <u>37,397,723</u>                       | <u>498,445</u>   | <u>90,487</u>         |                         |
| Net position - beginning, as restated (deficit)              |                        |                             |   | <u>(56,922,233)</u>                     | <u>(2,765,690)</u>                                       | <u>922,578</u>        |                         |
| Net position - ending (deficit)                              |                        |                             |   | <u>\$ (19,524,510)</u>                  | <u>\$ (2,267,245)</u>                                    | <u>\$ 1,013,065</u>   |                         |

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

**SCHOOL DISTRICT FREMONT RE-1**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2020**

|   | <b>General Fund</b>  | <b>Governmental<br/>Designated-<br/>Purpose Grants<br/>Fund</b> | <b>Bond<br/>Redemption<br/>Fund</b> | <b>Building Fund</b> | <b>Capital<br/>Projects Fund</b> | <b>Total Nonmajor<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|---|----------------------|---|-------------------------------------|----------------------|----------------------------------|---------------------------------|---|
| <b>ASSETS</b>   |                      |   |                                     |                      |                                  |                                 |   |
| Cash and investments                                  | \$ 10,026,094        | \$ -  | \$ -                                | \$ 4,196,598         | \$ 1,204,795                     | \$ 1,201,964                    | \$ 16,629,451                           |
| Restricted cash and investments                       | -                    | -   | 3,452,475                           | 1,976,578            | 3,365,995                        | -                               | 8,795,048                               |
| Cash with county treasurer                            | 773,859              | -   | 236,891                             | -                    | -                                | -                               | 1,010,750                               |
| Receivables   | 129,358              | 530,381   | -                                   | 3,836,904            | -                                | 75,831                          | 4,572,474                               |
| Due from other funds                                  | 274,142              | 2,950,701   | 73                                  | -                    | -                                | 27,158                          | 3,252,074                               |
| Inventories and prepaid items                         | 77,027               | 22,300  | -                                   | -                    | -                                | 67,474                          | 166,801                                 |
| Total assets  | <u>\$ 11,280,480</u> | <u>\$ 3,503,382</u>   | <u>\$ 3,689,439</u>                 | <u>\$ 10,010,080</u> | <u>\$ 4,570,790</u>              | <u>\$ 1,372,427</u>             | <u>\$ 34,426,598</u>                    |
| <b>LIABILITIES</b>                                    |                      |   |                                     |                      |                                  |                                 |   |
| Accounts payable and other current liabilities        | \$ 133,357           | \$ 23,938   | \$ -                                | \$ 7,256,871         | \$ -                             | \$ 29,697                       | \$ 7,443,863                            |
| Due to other funds                                    | 2,194,397            | -   | -                                   | 352,758              | 394,897                          | 289,422                         | 3,231,474                               |
| Due to charter school                                 | 390,711              | -   | -                                   | -                    | -                                | -                               | 390,711                                 |
| Accrued salaries and benefits                         | 2,838,916            | 432,595   | -                                   | -                    | -                                | 101,866                         | 3,373,377                               |
| Unearned revenue                                      | -                    | 3,046,849   | -                                   | -                    | -                                | -                               | 3,046,849                               |
| Total liabilities                                     | <u>5,557,381</u>     | <u>3,503,382</u>  | <u>-</u>                            | <u>7,609,629</u>     | <u>394,897</u>                   | <u>420,985</u>                  | <u>17,486,274</u>                       |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                  |                      |   |                                     |                      |                                  |                                 |   |
| Unavailable revenue-property taxes                    | 518,607              | -   | 194,892                             | -                    | -                                | -                               | 713,499                                 |
| Total deferred inflows of resources                   | <u>518,607</u>       | <u>-</u>  | <u>194,892</u>                      | <u>-</u>             | <u>-</u>                         | <u>-</u>                        | <u>713,499</u>                          |
| <b>FUND BALANCES</b>                                  |                      |   |                                     |                      |                                  |                                 |   |
| Nonspendable for:                                     |                      |   |                                     |                      |                                  |                                 |   |
| Inventories and prepaid items                         | 77,027               | -   | -                                   | -                    | -                                | 67,474                          | 144,501                                 |
| Restricted for:                                       |                      |   |                                     |                      |                                  |                                 |   |
| Emergency reserve (TABOR)                             | 1,920,000            | -   | -                                   | -                    | -                                | -                               | 1,920,000                               |
| Debt service  | -                    | -   | 3,494,547                           | -                    | -                                | -                               | 3,494,547                               |
| Capital projects                                      | -                    | -   | -                                   | 2,400,451            | 3,365,995                        | -                               | 5,766,446                               |
| Preschool   | 181,659              | -   | -                                   | -                    | -                                | -                               | 181,659                                 |
| Committed for:  |                      |   |                                     |                      |                                  |                                 |   |
| Food service operations                               | -                    | -   | -                                   | -                    | -                                | 458,891                         | 458,891                                 |
| Pupil Activities                                      | -                    | -   | -                                   | -                    | -                                | 425,077                         | 425,077                                 |
| Assigned for:   |                      |   |                                     |                      |                                  |                                 |   |
| Risk management                                       | 265,126              | -   | -                                   | -                    | -                                | -                               | 265,126                                 |
| Capital projects                                      | -                    | -   | -                                   | -                    | 809,898                          | -                               | 809,898                                 |
| Unassigned  | 2,760,680            | -   | -                                   | -                    | -                                | -                               | 2,760,680                               |
| Total fund balances                                   | <u>5,204,492</u>     | <u>-</u>  | <u>3,494,547</u>                    | <u>2,400,451</u>     | <u>4,175,893</u>                 | <u>951,442</u>                  | <u>16,226,825</u>                       |
| Total liabilities, deferred inflows and fund balances | <u>\$ 11,280,480</u> | <u>\$ 3,503,382</u>   | <u>\$ 3,689,439</u>                 | <u>\$ 10,010,080</u> | <u>\$ 4,570,790</u>              | <u>\$ 1,372,427</u>             | <u>\$ 34,426,598</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, 2020**

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

|   |                        |
|---|------------------------|
| Total fund balance - governmental funds   | \$ 16,226,825          |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.                 |                        |
| Capital assets, not being depreciated   | \$ 45,568,217          |
| Capital assets, net of depreciation   | <u>34,509,538</u>      |
| Property tax receivable is not available to pay current period expenditures and, therefore, is not reported in the funds.                 |                        |
|   | 713,499                |
| 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   | \$ 85,979              |
| Net pension liabilities   | (51,352,226)           |
| Pension outflows  | 6,287,807              |
| Pension inflows   | (35,434,522)           |
| Net OPEB liabilities  | (2,524,853)            |
| OPEB outflows   | 165,661                |
| OPEB inflows  | (517,120)              |
| Accrued interest  | (86,373)               |
| Compensated absences  | (1,121,256)            |
| Capital leases  | (4,476,916)            |
| Bonds payable   | <u>(27,568,770)</u>    |
|   | <u>(116,542,589)</u>   |
| Net position of governmental activities in the statement of net position  | <u>\$ (19,524,510)</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, 2020**

|   | General Fund        | Governmental<br>Designated-<br>Purpose Grants<br>Fund | Bond<br>Redemption<br>Fund | Building Fund       | Capital<br>Projects Fund | Total Nonmajor<br>Funds | Total<br>Governmental<br>Funds |
|---|---------------------|---|----------------------------|---------------------|--------------------------|-------------------------|--------------------------------|
| <b>REVENUES</b>                                   |                     |   |                            |                     |                          |                         |                                |
| Local sources                                     | \$ 11,213,071       | \$ 428,366  | \$ 3,248,606               | \$ 129,468          | \$ 173,054               | \$ 1,349,842            | \$ 16,542,407                  |
| State sources                                     | 23,733,724          | 1,316,505   | -                          | 25,877,601          | 104,943                  | 30,511                  | 51,063,284                     |
| Federal sources                                   | <u>131,010</u>      | <u>2,800,320</u>                                      | <u>-</u>                   | <u>-</u>            | <u>-</u>                 | <u>1,138,565</u>        | <u>4,069,895</u>               |
| Total revenues                                    | <u>35,077,805</u>   | <u>4,545,191</u>                                      | <u>3,248,606</u>           | <u>26,007,069</u>   | <u>277,997</u>           | <u>2,518,918</u>        | <u>71,675,586</u>              |
| <b>EXPENDITURES</b>                               |                     |   |                            |                     |                          |                         |                                |
| Instruction                                       | 19,456,388          | 2,271,378   | -                          | -                   | 97,958                   | 1,008,284               | 22,834,008                     |
| Supporting services                               | 12,544,601          | 1,853,129   | -                          | -                   | 563,690                  | 606,801                 | 15,568,221                     |
| Food service operations                           | -                   | -   | -                          | -                   | -                        | 1,536,524               | 1,536,524                      |
| Community services                                | 177,173             | 475,729   | -                          | -                   | -                        | 100                     | 653,002                        |
| Facilities acquisition and construction           | 4,258               | 29,955  | -                          | 38,430,749          | 349,605                  | -                       | 38,814,567                     |
| Debt service                                      | -                   | -   | <u>3,209,963</u>           | <u>-</u>            | <u>351,077</u>           | <u>-</u>                | <u>3,561,040</u>               |
| Total expenditures                                | <u>32,182,420</u>   | <u>4,630,191</u>                                      | <u>3,209,963</u>           | <u>38,430,749</u>   | <u>1,362,330</u>         | <u>3,151,709</u>        | <u>82,967,362</u>              |
| Excess (deficiency) of revenues over expenditures | <u>2,895,385</u>    | <u>(85,000)</u>                                       | <u>38,643</u>              | <u>(12,423,680)</u> | <u>(1,084,333)</u>       | <u>(632,791)</u>        | <u>(11,291,776)</u>            |
| <b>OTHER FINANCING<br/>SOURCES (USES)</b>         |                     |   |                            |                     |                          |                         |                                |
| Transfers in                                      | -                   | 85,000  | -                          | -                   | 900,000                  | 601,734                 | 1,586,734                      |
| Transfers out                                     | (1,586,734)         | -   | -                          | -                   | -                        | -                       | (1,586,734)                    |
| Other sources                                     | -                   | -   | -                          | -                   | 95,661                   | -                       | 95,661                         |
| Total other financing sources (uses)              | <u>(1,586,734)</u>  | <u>85,000</u>   | <u>-</u>                   | <u>-</u>            | <u>995,661</u>           | <u>601,734</u>          | <u>95,661</u>                  |
| Net change in fund balances                       | 1,308,651           | -   | 38,643                     | (12,423,680)        | (88,672)                 | (31,057)                | (11,196,115)                   |
| Fund balances - beginning, as restated            | 3,895,841           | -   | 3,455,904                  | -                   | 14,824,131               | -                       | 4,264,565                      |
| Fund balances - ending                            | <u>\$ 5,204,492</u> | <u>\$ -</u>   | <u>\$ 3,494,547</u>        | <u>\$ 2,400,451</u> | <u>\$ 4,175,893</u>      | <u>951,442</u>          | <u>\$ 16,226,825</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, 2020**

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

|   |                 |
|---|-----------------|
| Net change in fund balances - total governmental funds: | \$ (11,196,115) |
|---|-----------------|

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.

|                 |                    |
|-----------------|--------------------|
| Capital outlays | \$ 38,597,801      |
| Depreciation    | <u>(1,988,837)</u> |
|                 | 36,608,964         |

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. 90,882

Interest expense is reported when incurred in the statement of activities but is not reported in the funds until paid. 4,983

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.

|                           |                 |
|---------------------------|-----------------|
| Issuance of debt          | \$ (108,479)    |
| Repayment of principal    | 2,481,118       |
| Accrued interest          | 134,436         |
| Accretion of bond premium | <u>(17,195)</u> |
|                           | 2,489,880       |

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. (21,897)

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.

|                  |               |
|------------------|---------------|
| Pension expenses | \$ 9,363,299  |
| OPEB expenses    | <u>57,727</u> |
|                  | 9,421,026     |

|   |                      |
|---|----------------------|
| Change in net position of governmental activities | <u>\$ 37,397,723</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 2020**

|                                    | <b><u>Private-Purpose<br/>Trust Fund</u></b> |
|------------------------------------|--|
| <b>ASSETS</b>                      |  |
| Cash and investments               | \$ 197,548                                   |
| Restricted cash and investments    | <u>279,831</u>                               |
| Total assets                       | <u>\$ 477,379</u>                            |
| <b>LIABILITIES</b>                 |  |
| Due to primary government          | <u>\$ 20,600</u>                             |
| Total liabilities                  | <u>20,600</u>                                |
| <b>NET POSITION</b>                |  |
| Held in trust for individuals:     |  |
| Nonexpendable                      | 279,831                                      |
| Expendable                         | <u>176,948</u>                               |
| Total net position                 | <u>456,779</u>                               |
| Total liabilities and net position | <u>\$ 477,379</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 2020**

|                          | <b>Private-Purpose<br/>Trust Fund</b> |
|--------------------------|---------------------------------------|
| <b>ADDITIONS</b>         |                                       |
| Investment income        | \$ 6,756                              |
| Donations                | <u>8,244</u>                          |
| Total additions          | <u>15,000</u>                         |
| <b>DEDUCTIONS</b>        |                                       |
| Scholarship awards       | <u>8,399</u>                          |
| Total deductions         | <u>8,399</u>                          |
| Change in net position   | 6,601                                 |
| Net position - beginning | <u>450,178</u>                        |
| Net position - ending    | <u>\$ 456,779</u>                     |

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, 2019**

**ASSETS**

|  |                     |
|--|---------------------|
| Current assets                         |                     |
| Cash and investments                   | \$ 846,615          |
| Non-current assets                     |                     |
| Capitalized costs, net of amortization | <u>166,450</u>      |
| Total assets                           | <u>\$ 1,013,065</u> |

**LIABILITIES AND NET POSITION**

|                                    |                     |
|------------------------------------|---------------------|
| Total liabilities                  | <u>\$ -</u>         |
| Net position                       |                     |
| Unrestricted                       | <u>1,013,065</u>    |
| Total liabilities and net position | <u>\$ 1,013,065</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, 2019**

**UNRESTRICTED NET POSITION**

|                                    |                     |
|------------------------------------|---------------------|
| Support and revenue                |                     |
| Investment earnings                | \$ 38,672           |
| Gain (loss) on sale of investments | <u>95,451</u>       |
| Total support and revenue          | <u>134,123</u>      |
| Expenses                           |                     |
| Program expenses                   | <u>43,636</u>       |
| Change in net position             | 90,487              |
| Net position - beginning           | <u>922,578</u>      |
| Net position - ending              | <u>\$ 1,013,065</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, 2019**

**CASH FLOWS FROM OPERATING ACTIVITIES**

|   |                 |
|---|-----------------|
| Change in net position  | \$ 90,487       |
| Adjustments to reconcile change in net position<br>to net cash provided (used) by operating activities: |                 |
| Depreciation  | 30,834          |
| Gain on sale of assets  | <u>(95,451)</u> |
| Net cash provided (used) by operating activities  | <u>25,870</u>   |

**CASH FLOWS FROM INVESTING ACTIVITIES**

|  |                 |
|--|-----------------|
| Proceeds on sale of investments                      | 12,851          |
| Purchase of investments                              | <u>(38,671)</u> |
| Net cash provided (used) by investing activities     | <u>(25,820)</u> |
| Net increase (decrease) in cash and cash equivalents | 50              |
| Cash and cash equivalents - beginning                | <u>616</u>      |
| Cash and cash equivalents - ending                   | <u>\$ 666</u>   |

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, 2020**

**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, 2020**

**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, 2020**

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

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

The District reports the following major governmental funds:

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

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

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

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

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

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

Additionally, the District reports the following fund types:

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

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

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

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.

*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, 2020**

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

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

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

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

**E. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

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

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

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

**SCHOOL DISTRICT FREMONT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**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, 2020**

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

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

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

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

*Pensions*

School District Fremont RE-1 participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**SCHOOL DISTRICT FREMONT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**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 makes changes to certain benefit provisions. Some, but not all, of these changes were in effect as of June 30, 2020.

*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 and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

*Deferred outflows/inflows of resources*

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

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

*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, 2020**

**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, 2020**

**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 principals in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**SCHOOL DISTRICT FREMONT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

*I. ADOPTION OF NEW ACCOUNTING STANDARD*

The District implemented GASB Statement No. 84, *Fiduciary Activities*, effective July 1, 2019. This Statement establishes specific criteria for identifying activities that should be reported as fiduciary activities. As a result, net position at June 30, 2019, was restated to reflect the cumulative effect of adopting this standard.

Restatements had the following impact on previously reported balances:

| <i>Governmental Activities</i>                     |                               |
|--|-------------------------------|
| Net Position, June 30, 2019, as originally stated  | \$ (57,290,423)               |
| Adoption of new accounting standard                | <u>368,190</u>                |
| Net Position, June 30, 2019, as Restated (deficit) | <u><u>\$ (56,922,233)</u></u> |

| <i>Governmental Funds</i>                                |                             |
|--|-----------------------------|
| Total fund balances, June 30, 2019, as originally stated | \$ 27,054,751               |
| Adoption of new accounting standard                      | <u>368,190</u>              |
| Fund Balance, June 30, 2019, as Restated                 | <u><u>\$ 27,422,941</u></u> |

**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.

*Excess of Expenditures over Appropriations*

For the year ended June 30, 2020, expenditures exceeded appropriations in the Capital Projects Fund by \$26,462. These over expenditures were funded by greater than anticipated revenues.

**SCHOOL DISTRICT FREMONT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 3 - DEPOSITS AND INVESTMENTS**

A summary of deposits and investments as of June 30, 2020 is as follows:

|             |                             |
|-------------|-----------------------------|
| Deposits    | \$ 926,751                  |
| Investments | <u>24,497,748</u>           |
| Total       | <u><u>\$ 25,424,499</u></u> |

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

|                                 |                             |
|---------------------------------|-----------------------------|
| Cash and investments            | \$ 16,629,451               |
| Restricted cash and investments | <u>8,795,048</u>            |
| Total                           | <u><u>\$ 25,424,499</u></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, 2020 was \$926,751 and the bank balances were \$1,944,054. Of the bank balances, \$250,000 was covered by federal deposit insurance and \$1,694,054 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, 2020**

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

*Investments (continued)*

At June 30, 2020 the District's investment balances were as follows:

| <u>Investment Type</u>              | <u>Fair Value</u>    | <u>Weighted Average Maturity (Years)</u> |
|-------------------------------------|----------------------|--|
| ColoTrust                           | \$ 19,155,175        | 0.00                                     |
| Money Market                        | 1,977,491            | 0.00                                     |
| Commercial Paper                    | <u>3,365,082</u>     | <u>0.39</u>                              |
| Total fair value                    | <u>\$ 24,497,748</u> |  |
| Portfolio weighted average maturity |                      | 0.05                                     |

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, 2019. The entity maintains a constant net asset value of \$1 per share. Financial statements for ColoTrust may be obtained from the [www.ColoTrust.com](http://www.ColoTrust.com) website.

*Facilities Corp Deposits and Investments*

The deposits and investments of the Facilities Corp at December 31, 2019 consist of the following:

|                            |                   |
|----------------------------|-------------------|
| Deposits                   | \$ 666            |
| Investments                | <u>845,949</u>    |
| Total cash and investments | <u>\$ 846,615</u> |

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

|                      |            |
|----------------------|------------|
| Cash and investments | \$ 846,615 |
|----------------------|------------|

The carrying amount of the Facilities Corp.'s deposits at December 31, 2019 was \$666 and the bank balances were \$666. All of the bank balances were covered by federal deposit insurance.

**SCHOOL DISTRICT FREMONT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**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         | \$ 19,155,175        | \$ -                | \$ -           | \$ 19,155,175        |
| Money markets     | 1,977,491            | -                   | -              | 1,977,491            |
| Commercial Paper  | <u>-</u>             | <u>3,365,082</u>    | <u>-</u>       | <u>3,365,082</u>     |
| Total Investments | <u>\$ 21,132,666</u> | <u>\$ 3,365,082</u> | <u>\$ -</u>    | <u>\$ 24,497,748</u> |

**SCHOOL DISTRICT FREMONT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 5 – RECEIVABLES**

Receivables as of June 30, 2020 for the government's individual major and non-major funds in the aggregate, are as follows:

|                | General                  | Designated<br>Purpose<br>Grants | Bond<br>Redemption<br>Fund | Building<br>Fund           | Non-major<br>Governmental<br>Funds | Total                      |
|----------------|--------------------------|---------------------------------|----------------------------|----------------------------|------------------------------------|----------------------------|
| Receivables:   |                          |                                 |                            |                            |                                    |                            |
| Property tax   | \$ 773,859               | \$ -                            | \$ 236,891                 | \$ -                       | \$ -                               | \$ 1,010,750               |
| Grant proceeds | -                        | 530,381                         | -                          | 3,836,904                  | 75,823                             | 4,443,108                  |
| Other          | <u>129,358</u>           | <u>-</u>                        | <u>-</u>                   | <u>-</u>                   | <u>8</u>                           | <u>129,366</u>             |
| Total          | <u><u>\$ 903,217</u></u> | <u><u>\$ 530,381</u></u>        | <u><u>\$ 236,891</u></u>   | <u><u>\$ 3,836,904</u></u> | <u><u>\$ 75,831</u></u>            | <u><u>\$ 5,583,224</u></u> |

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

**NOTE 6 - TAXES**

*Property Tax*

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

The District is permitted to levy taxes on the assessed valuation for general governmental services and for the payment of principal and interest on long-term debt. The combined tax rate to finance general governmental services for the year ended December 31, 2020, is 32.238 mills for general operating expenses and 12.115 mills for the payment of long-term debt. The District's assessed valuation for the collection year 2020 was \$265,795,582.

*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, 2020**

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

The composition of interfund balances at June 30, 2020 is as follows:

|                              | <u>Due From<br/>Other Funds</u> | <u>Due to<br/>Other Funds</u> |
|------------------------------|---------------------------------|-------------------------------|
| General Fund                 | \$ 274,142                      | \$ 2,194,397                  |
| Grants Fund                  | 2,950,701                       | -                             |
| Bond Redemption Fund         | 73                              | -                             |
| Building Fund                | -                               | 352,758                       |
| Capital Projects Fund        | -                               | 394,897                       |
| Non-major Governmental Funds | 27,158                          | 289,422                       |
| Fiduciary Funds              | <u>—</u>                        | <u>20,600</u>                 |
| <br>Total                    | <br><u>\$ 3,252,074</u>         | <br><u>\$ 3,252,074</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>\$ 390,711</u> |

*Transfers*

Interfund transfer activity for the year ended June 30, 2020 is as follows:

| <u>Transfer Out</u> | <u>Transfer In</u>               |                        |                                | <u>Total</u>        |
|---------------------|----------------------------------|------------------------|--------------------------------|---------------------|
|                     | <u>Capital Projects<br/>Fund</u> | <u>Grants<br/>Fund</u> | <u>Pupil Activity<br/>Fund</u> |                     |
| General Fund        | <u>\$ 900,000</u>                | <u>\$ 85,000</u>       | <u>\$ 601,734</u>              | <u>\$ 1,586,734</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 \$77,027 at June 30, 2020.

**SCHOOL DISTRICT FREMONT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**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 \$67,474 at June 30, 2020.

**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2020 was as follows:

|  | <u>Balance<br/>06/30/19</u> | <u>Additions</u>     | <u>Sales and<br/>Retirements</u> | <u>Balance<br/>06/30/20</u> |
|--|-----------------------------|----------------------|----------------------------------|-----------------------------|
| <i>Governmental Activities</i>                     |                             |                      |                                  |                             |
| Capital assets not being depreciated:              |                             |                      |                                  |                             |
| Land   | \$ 2,220,137                | \$ -                 | \$ -                             | \$ 2,220,137                |
| Construction in progress                           | <u>10,328,692</u>           | <u>37,944,142</u>    | <u>(4,924,754)</u>               | <u>43,348,080</u>           |
| Total non-depreciable assets                       | <u>12,548,829</u>           | <u>37,944,142</u>    | <u>(4,924,754)</u>               | <u>45,568,217</u>           |
| Capital assets being depreciated::                 |                             |                      |                                  |                             |
| Buildings and improvements                         | 53,750,773                  | 4,924,754            | -                                | 58,675,527                  |
| Vehicles   | 2,795,155                   | 6,201                | -                                | 2,801,356                   |
| Equipment  | <u>6,674,694</u>            | <u>647,459</u>       | <u>-</u>                         | <u>7,322,153</u>            |
| Total depreciable assets                           | <u>63,220,622</u>           | <u>5,578,414</u>     | <u>-</u>                         | <u>68,799,036</u>           |
| Less accumulated depreciation for:                 |                             |                      |                                  |                             |
| Buildings and improvements                         | (27,165,832)                | (1,519,162)          | -                                | (28,684,994)                |
| Vehicles   | (2,012,410)                 | (111,596)            | -                                | (2,124,006)                 |
| Equipment  | <u>(3,122,418)</u>          | <u>(358,080)</u>     | <u>-</u>                         | <u>(3,480,498)</u>          |
| Total accumulated depreciation                     | <u>(32,300,660)</u>         | <u>(1,988,838)</u>   | <u>-</u>                         | <u>(34,289,498)</u>         |
| Total capital assets being depreciated, net        | <u>30,919,962</u>           | <u>3,589,576</u>     | <u>-</u>                         | <u>34,509,538</u>           |
| <i>Governmental activities capital assets, net</i> | <u>\$ 43,468,791</u>        | <u>\$ 41,533,718</u> | <u>\$ (4,924,754)</u>            | <u>\$ 80,077,755</u>        |

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

*Governmental Activities*

|                          |                     |
|--------------------------|---------------------|
| Instruction              | \$ 891,952          |
| School Administration    | 25,407              |
| Operations & maintenance | 27,742              |
| Transportation           | 100,959             |
| Central                  | 92,813              |
| Facilities acquisition   | 825,499             |
| Food Service             | <u>24,466</u>       |
|                          | <u>\$ 1,988,838</u> |

**SCHOOL DISTRICT FREMONT RE-1  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

*Facilities Corp Capital Assets*

Capital asset activity for the year ended June 30, 2020 was as follows:

|                               | Balance<br>06/30/19 | Additions          | Sales and<br>Retirements | Balance<br>06/30/20 |
|-------------------------------|---------------------|--------------------|--------------------------|---------------------|
| Buildings and improvements    | \$ 462,506          | \$ -               | \$ -                     | \$ 462,506          |
| Less accumulated depreciation | <u>(265,222)</u>    | <u>(30,834)</u>    | <u>-</u>                 | <u>(296,056)</u>    |
| Total depreciable assets, net | <u>\$ 197,284</u>   | <u>\$ (30,834)</u> | <u>\$ -</u>              | <u>\$ 166,450</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, 2020 are \$3,373,377. 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, 2020 are as follows:

|   | Principal<br>Balance |
|---|----------------------|
| 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%.  | \$ 2,940,000         |
| 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%.  | 5,305,000            |
| 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%.           | 3,700,000            |
| 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%          | 5,985,420            |
| 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>7,765,000</u>     |
| Total General Obligation Bonds  | <u>\$ 25,695,420</u> |

**SCHOOL DISTRICT FREMONT RE-1  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

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

| <u>Fiscal Year<br/>Ending June 30</u> | <u>Governmental Activities</u> |                     |
|---------------------------------------|--------------------------------|---------------------|
|                                       | <u>Principal</u>               | <u>Interest</u>     |
| 2021                                  | \$ 2,183,577                   | \$ 1,003,321        |
| 2022                                  | 2,242,086                      | 932,968             |
| 2023                                  | 2,315,926                      | 856,674             |
| 2024                                  | 2,390,111                      | 777,261             |
| 2025                                  | 2,479,653                      | 693,435             |
| 2026 – 2030                           | 4,139,919                      | 2,829,991           |
| 2031 – 2035                           | 5,155,784                      | 1,783,403           |
| 2036 – 2039                           | <u>4,788,364</u>               | <u>463,729</u>      |
| Total                                 | <u>\$ 25,695,420</u>           | <u>\$ 9,340,782</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, 2020 there was \$3,494,547 available in the Bond Redemption Fund to service the general obligation bonds.

*Capital Leases*

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

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

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

**SCHOOL DISTRICT FREMONT RE-1  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

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

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

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

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

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

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

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

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

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

**SCHOOL DISTRICT FREMONT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

The assets acquired through capital leases are as follows:

|                                | <u>Governmental<br/>Activities</u> |
|--------------------------------|------------------------------------|
| Asset:                         |                                    |
| Buildings and improvements     | \$ 4,410,189                       |
| Equipment                      | 765,326                            |
| Vehicles                       | 793,202                            |
| Less: Accumulated depreciation | <u>(5,029,779)</u>                 |
| Total                          | <u>\$ 938,938</u>                  |

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2020, were as follows:

| <u>Year Ending June 30</u>              |                     |
|---|---------------------|
| 2021                                    | \$ 3,962,914        |
| 2022                                    | 185,967             |
| 2023                                    | 136,160             |
| 2024                                    | 100,000             |
| 2025                                    | <u>100,000</u>      |
| Total minimum lease payments            | 4,485,041           |
| Less: amount representing interest      | <u>(8,125)</u>      |
| Present value of minimum lease payments | <u>\$ 4,476,916</u> |

*Compensated Absences Payable*

Compensated absences consisted of the following as of June 30, 2020:

|                     |                     |
|---------------------|---------------------|
| Vacation benefits   | \$ 290,451          |
| Sick leave benefits | <u>830,805</u>      |
| Total               | <u>\$ 1,121,256</u> |

**SCHOOL DISTRICT FREMONT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**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, 2020:

|                               | <u>Balance<br/>06/30/19</u> | <u>Debt Issued<br/>And Additions</u> | <u>Reductions</u>   | <u>Balance<br/>06/30/20</u> | <u>Due Within<br/>One year</u> |
|-------------------------------|-----------------------------|--------------------------------------|---------------------|-----------------------------|--------------------------------|
| Bonds payable:                |                             |                                      |                     |                             |                                |
| General obligation bonds      | \$ 27,839,032               | \$ -                                 | \$ 2,143,612        | \$ 25,695,420               | \$ 2,183,577                   |
| Unamortized bond premium      | <u>2,007,786</u>            | <u>-</u>                             | <u>134,436</u>      | <u>1,873,350</u>            | <u>-</u>                       |
|                               | 29,846,818                  | -                                    | 2,278,048           | 27,568,770                  | 2,183,577                      |
| Capital leases payable        | <u>4,705,943</u>            | <u>108,479</u>                       | <u>337,506</u>      | <u>4,476,916</u>            | <u>3,955,814</u>               |
| Total bond and capital leases | 34,552,761                  | 108,479                              | 2,615,554           | 32,045,686                  | 6,139,391                      |
| Compensated absences          | <u>1,099,359</u>            | <u>21,897</u>                        | <u>-</u>            | <u>1,121,256</u>            | <u>-</u>                       |
| Total                         | <u>\$ 35,652,120</u>        | <u>\$ 130,376</u>                    | <u>\$ 2,615,554</u> | <u>\$ 33,166,942</u>        | <u>\$ 6,139,391</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, 2020. The future minimum lease payments for these leases are as follows:

| <u>Year Ending June 30</u>   |                   |
|------------------------------|-------------------|
| 2021                         | \$ 158,700        |
| 2022                         | 158,700           |
| 2023                         | 158,700           |
| 2024                         | <u>158,700</u>    |
| Total minimum lease payments | <u>\$ 634,800</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 (CAFR) that can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

*Benefits provided as of December 31, 2019.* 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, 2020**

**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, 2019, 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, the annual increase for 2019 is 0.00 percent for all benefit recipients. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007, and all benefit recipients of the DPS benefit structure will receive an annual increase of 1.25 percent unless adjusted by the automatic adjustment provision (AAP) pursuant to C.R.S. § 24-51-413. Benefit recipients under the PERA benefit structure who began eligible employment on or after January 1, 2007, will receive the lesser 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, 2020**

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

*Contributions provisions as of June 30, 2020:* 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 8.75 percent of their PERA-includable salary during the period of July 1, 2019 through June 30, 2020. Employer contribution requirements are summarized in the table below:

|  | July 1, 2019<br>Through<br>June 30, 2020 |
|--|--|
| Employer contribution rate   | 10.40%                                   |
| 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   | 9.38%                                    |
| 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%                                    |
| <b>Total employer contribution rate to the SCHDTF</b>  | <b>19.38%</b>                            |

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

As specified in C.R.S. § 24-51-414, the State is required to contribute \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SCHDTF is considered a nonemployer contribution for financial reporting purposes.

Subsequent to the SCHDTF's December 31, 2019, measurement date, HB 20-1379 *Suspend Direct Distribution to PERA Public Employees Retirement Association for 2020-21 Fiscal Year*, was passed into law during the 2020 legislative session and signed by Governor Polis on June 29, 2020. This bill suspends the July 1, 2020, \$225 million direct distribution allocated to the State, School, Judicial, and DPS Divisions, as required under Senate Bill-200.

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 \$4,004,132 for the year ended June 30, 2020.

*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, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll-forward the total pension liability to December 31, 2019. 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 2019 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, 2020**

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

At June 30, 2020, the School District Fremont RE-1 reported a liability of \$51,352,226 for its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity. The amount recognized by the School District Fremont RE-1 as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with School District Fremont RE-1 were as follows:

|  |               |
|--|---------------|
| School District Fremont RE-1 proportionate share of the net pension liability  | \$ 51,352,226 |
| The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with School District Fremont RE-1 | 6,513,377     |
| Total  | \$ 57,865,603 |

At December 31, 2019, the School District Fremont RE-1 proportion was 0.3437280609 percent, which was a decrease of 0.0063185516 percent from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the School District Fremont RE-1 recognized pension expense of (\$9,363,299) and revenue (\$206,027) for support from the State as a nonemployer contributing entity. At June 30, 2020, the School District Fremont RE-1 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---------------------------------------|--------------------------------------|
| Difference between expected and actual experience   | \$ 2,798,730                          | \$ -                                 |
| Changes of assumptions or other inputs  | 1,466,028                             | 23,292,883                           |
| Net difference between projected and actual earnings on pension plan investments                                | -                                     | 6,083,182                            |
| Changes in proportion and differences between contributions recognized and proportionate share of contributions | -                                     | 6,058,457                            |
| Contributions subsequent to the measurement date  | 2,023,049                             | N/A                                  |
| Total   | \$ 6,287,807                          | \$ 35,434,522                        |

**SCHOOL DISTRICT FREMONT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

\$2,023,049 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, 2021. 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: |                 |
|---------------------|-----------------|
| 2021                | \$ (17,123,166) |
| 2022                | (11,880,719)    |
| 2023                | (96,561)        |
| 2024                | (2,069,318)     |
| 2025                | -               |
| Thereafter          | -               |

*Actuarial assumptions.* The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

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

<sup>1</sup> For 2019, the annual increase was 0.00 percent.

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.

Post-retirement non-disabled mortality assumptions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 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.

**SCHOOL DISTRICT FREMONT RE-1  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

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

The actuarial assumptions used in the December 31, 2018, 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 the PERA Board during the November 18, 2016, Board meeting.

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

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

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

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

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

**SCHOOL DISTRICT FREMONT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

*Discount rate.* The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50 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 and the additional 0.50 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. 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 and the additional 0.50 percent, resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. Employer contributions also include the 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.
- As specified in law, the State provides an annual direct distribution of \$225 million, which commenced July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- The projected benefit payments reflect the lowered annual increase cap, from 1.50 percent to 1.25 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020.
- Benefit payments and contributions were assumed to be made at the middle of the year.

**SCHOOL DISTRICT FREMONT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

Based on the above assumptions and methods, the projection test indicates the SCHDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal bond 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<br>(6.25%) | Current Discount<br>Rate (7.25%) | 1% Increase<br>(8.25%) |
|--|------------------------|----------------------------------|------------------------|
| Proportionate share of the net pension liability | \$ 68,104,047          | \$ 51,352,226                    | \$ 37,287,613          |

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

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

*Health Care Trust Fund*

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

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

**SCHOOL DISTRICT FREMONT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

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

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

*PERA Benefit Structure*

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

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

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 \$210,747 for the year ended June 30, 2020.

**SCHOOL DISTRICT FREMONT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

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

At June 30, 2020, the School District Fremont RE-1 reported a liability of \$2,524,853 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2019. 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 2019 relative to the total contributions of participating employers to the HCTF.

At December 31, 2019, the School District Fremont RE-1 proportion was 0.2246314543 percent, which was a decrease of 0.0029007421 percent from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the School District Fremont RE-1 recognized OPEB expense of (\$57,727). At June 30, 2020, 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<br/>Resources</u> | <u>Deferred Inflows of<br/>Resources</u> |
|---|---|--|
| Difference between expected and actual experience   | \$ 8,379                                  | \$ 424,268                               |
| Changes of assumptions or other inputs  | 20,947                                    | -  |
| Net difference between projected and actual earnings on OPEB plan investments                                   | -   | 42,143                                   |
| Changes in proportion and differences between contributions recognized and proportionate share of contributions | 29,855                                    | 50,709                                   |
| Contributions subsequent to the measurement date  | 106,480                                   | N/A                                      |
| Total   | \$ 165,661                                | \$ 517,120                               |

**SCHOOL DISTRICT FREMONT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

\$106,480 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, 2021. 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: |             |
|---------------------|-------------|
| 2021                | \$ (94,430) |
| 2022                | (94,426)    |
| 2023                | (82,224)    |
| 2024                | (93,052)    |
| 2025                | (88,480)    |
| Thereafter          | (5,327)     |

*Actuarial assumptions.* The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

|  |  |
|--|--|
| Actuarial cost method  | Entry age  |
| Price inflation  | 2.40 percent   |
| Real wage growth   | 1.10 percent   |
| Wage inflation   | 3.50 percent   |
| Salary increases, including wage inflation   | 3.50 percent in aggregate  |
| Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation | 7.25 percent   |
| Discount rate  | 7.25 percent   |
| Health care cost trend rates   |  |
| PERA benefit structure:  |  |
| Service-based premium subsidy  | 0.00 percent   |
| PERACare Medicare plans  | 5.60 percent in 2019, gradually decreasing to 4.50 percent in 2029 |
| Medicare Part A premiums   | 3.50 percent in 2019, gradually increasing to 4.50 percent in 2029 |
| DPS benefit structure:   |  |
| Service-based premium subsidy  | 0.00 percent   |
| PERACare Medicare plans  | N/A  |
| Medicare Part A premiums   | N/A  |

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

The actuarial assumptions used in the December 31, 2018, 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 the PERA Board during the November 18, 2016, Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA's actuary, as discussed below.

**SCHOOL DISTRICT FREMONT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

In determining the additional liability for PERACare enrollees who are age sixty-five or older and who are not eligible for premium-free Medicare Part A, the following monthly costs/premiums are assumed for 2019 for the PERA Benefit Structure:

| Medicare Plan                                | Cost for Members Without Medicare Part A | Premiums for Members Without Medicare Part A |
|--|--|--|
| Medicare Advantage/Self-Insured Prescription | \$601                                    | \$240  |
| Kaiser Permanente Medicare Advantage HMO     | 605                                      | 237  |

The 2019 Medicare Part A premium is \$437 per month.

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

| Medicare Plan                                | Cost for Members Without Medicare Part A |
|--|--|
| Medicare Advantage/Self-Insured Prescription | \$562                                    |
| Kaiser Permanente Medicare Advantage HMO     | 571                                      |

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, 2018, 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.

**SCHOOL DISTRICT FREMONT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

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

| Year  | PERACare<br>Medicare Plans | Medicare Part A<br>Premiums |
|-------|----------------------------|-----------------------------|
| 2019  | 5.60%                      | 3.50%                       |
| 2020  | 8.60%                      | 3.50%                       |
| 2021  | 7.30%                      | 3.50%                       |
| 2022  | 6.00%                      | 3.75%                       |
| 2023  | 5.70%                      | 3.75%                       |
| 2024  | 5.50%                      | 3.75%                       |
| 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 for the determination of the total pension liability for each of the Division Trust Funds as shown below are applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

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

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.

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

**SCHOOL DISTRICT FREMONT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

The following health care costs assumptions were updated and used in the measurement of the obligations for the HCTF:

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2019 plan year.
- The morbidity assumptions were updated to reflect the assumed standard aging factors.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

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

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

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

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

**SCHOOL DISTRICT FREMONT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

*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<br>Trend Rates | Current Trend Rates | 1% Increase in<br>Trend Rates |
|---------------------------------------|-------------------------------|---------------------|-------------------------------|
| Initial PERACare Medicare trend rate  | 4.60%                         | 5.60%               | 6.60%                         |
| 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                    | \$2,464,876                   | \$ 2,524,853        | \$ 2,594,161                  |

*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, 2019, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50 percent.
- 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.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

**SCHOOL DISTRICT FREMONT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

*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<br>(6.25%) | Current Discount<br>Rate (7.25%) | 1% Increase<br>(8.25%) |
|---|------------------------|----------------------------------|------------------------|
| Proportionate share of the net OPEB liability | \$ 2,854,855           | \$ 2,524,853                     | \$ 2,242,633           |

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

**NOTE 15 - RISK MANAGEMENT**

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

**NOTE 16 - COMMITMENTS AND CONTINGENCIES**

*Grants*

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

**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.

**SCHOOL DISTRICT FREMONT RE-1  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**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, 2020, the District's reserve of \$1,920,000 was reported as restricted fund balance in the General Fund.

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

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

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

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

## **REQUIRED SUPPLEMENTARY INFORMATION**

**SCHOOL DISTRICT FREMONT RE-1**  
**SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**JUNE 30, 2020**

|  | <b>2019</b>          | <b>2018</b>          | <b>2017</b>           | <b>2016</b>           | <b>2015</b>          | <b>2014</b>          | <b>2013</b>          |
|--|----------------------|----------------------|-----------------------|-----------------------|----------------------|----------------------|----------------------|
| District's proportion of the net pension liability (asset)   | 0.3437280609%        | 0.3500466125%        | 0.3943864836%         | 0.3988370590%         | 0.3990759031%        | 0.4009413828%        | 0.4029943282%        |
| District's proportionate share of the net pension liability (asset)  | \$ 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            | -                     | -                     | -                    | -                    | -                    |
| <b>Total</b>   | <b>\$ 57,865,603</b> | <b>\$ 70,458,250</b> | <b>\$ 127,530,572</b> | <b>\$ 118,749,215</b> | <b>\$ 61,035,842</b> | <b>\$ 54,341,025</b> | <b>\$ 51,401,818</b> |
| District's covered payroll   | \$ 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 | 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                                 | 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, 2020**

|  | <b>2020</b>   | <b>2019</b>   | <b>2018</b>   | <b>2017</b>   | <b>2016</b>   | <b>2015</b>   | <b>2014</b>   |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Contractually required contribution                                  | \$ 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 | (4,004,132)   | (3,786,110)   | (3,496,575)   | (3,333,610)   | (3,113,705)   | (2,805,821)   | (2,482,935)   |
| Contribution deficiency (excess)                                     | <u>\$ -</u>   |
| District's covered payroll   | \$ 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                     | 19.38%        | 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, 2020**

|   | <b>2019</b>   | <b>2018</b>   | <b>2017</b>   | <b>2016</b>   |
|---|---------------|---------------|---------------|---------------|
| District's proportion of the net OPEB liability (asset)   | 0.2246314543% | 0.2275321964% | 0.2240863723% | 0.2267039213% |
| District's proportionate share of the net OPEB liability (asset)  | \$ 2,524,853  | \$ 3,095,671  | \$ 2,912,226  | \$ 2,939,293  |
| District's covered payroll  | \$ 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 | 12.50%        | 16.09%        | 16.01%        | 16.42%        |
| Plan fiduciary net position as a percentage of the total OPEB liability                                 | 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, 2020**

|  | <b>2020</b>      | <b>2019</b>      | <b>2018</b>      | <b>2017</b>      |
|--|------------------|------------------|------------------|------------------|
| Contractually required contribution                                  | \$ 210,747       | \$ 201,873       | \$ 189,384       | \$ 184,991       |
| Contributions in relation to the contractually required contribution | <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>      |
| District's covered payroll   | \$ 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%            |

\* 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, 2020**

|  | <b>Budgeted Amounts</b> |                     |                     | <b>Variance with<br/>Final Budget -<br/>Positive<br/>(Negative)</b> |
|--|-------------------------|---------------------|---------------------|---|
|  | <b>Original</b>         | <b>Final</b>        | <b>Actual</b>       |   |
|  |                         |                     |                     |   |
| <b>REVENUES</b>                                      |                         |                     |                     |   |
| Local sources:                                       |                         |                     |                     |   |
| Property taxes                                       | \$ 6,875,656            | \$ 7,516,084        | \$ 8,492,964        | \$ 976,880  |
| Specific ownership taxes                             | 1,035,501               | 1,500,000           | 1,807,451           | 307,451   |
| Other local sources                                  | <u>2,418,600</u>        | <u>912,600</u>      | <u>912,656</u>      | <u>56</u>   |
| Total local sources                                  | <u>10,329,757</u>       | <u>9,928,684</u>    | <u>11,213,071</u>   | <u>1,284,387</u>  |
| State sources:                                       |                         |                     |                     |   |
| State equalization                                   | 24,813,880              | 25,928,490          | 20,436,693          | (5,491,797)   |
| Other state funding                                  | -                       | -                   | 3,297,031           | 3,297,031   |
| Total state sources                                  | <u>24,813,880</u>       | <u>25,928,490</u>   | <u>23,733,724</u>   | <u>(2,194,766)</u>  |
| Federal sources                                      | <u>144,000</u>          | <u>144,000</u>      | <u>131,010</u>      | <u>(12,990)</u>   |
| Total revenues                                       | <u>35,287,637</u>       | <u>36,001,174</u>   | <u>35,077,805</u>   | <u>(923,369)</u>  |
| <b>EXPENDITURES</b>                                  |                         |                     |                     |   |
| Instruction  | 18,719,437              | 19,460,823          | 19,456,388          | 4,435   |
| Supporting services:                                 |                         |                     |                     |   |
| Student services                                     | 1,374,816               | 1,410,106           | 1,488,072           | (77,966)  |
| Instructional staff                                  | 1,576,223               | 1,633,982           | 1,567,185           | 66,797  |
| General administration                               | 696,976                 | 684,405             | 729,850             | (45,445)  |
| School administration                                | 2,006,904               | 2,077,907           | 2,091,951           | (14,044)  |
| Business services                                    | 1,264,706               | 1,294,306           | 667,457             | 626,849   |
| Operation and maintenance                            | 4,016,263               | 4,054,271           | 3,946,590           | 107,681   |
| Student transportation                               | 635,826                 | 668,429             | 658,368             | 10,061  |
| Central services                                     | 1,364,781               | 1,470,135           | 1,395,128           | 75,007  |
| Community services                                   | 82,621                  | 265,922             | 177,173             | 88,749  |
| Facilities acquisition and construction              | 16,380                  | 13,045              | 4,258               | 8,787   |
| Contingency reserves                                 | <u>915,347</u>          | <u>942,595</u>      | <u>-</u>            | <u>942,595</u>  |
| Total expenditures                                   | <u>32,670,280</u>       | <u>33,975,926</u>   | <u>32,182,420</u>   | <u>1,793,506</u>  |
| Excess (deficiency) of<br>revenues over expenditures | <u>2,617,357</u>        | <u>2,025,248</u>    | <u>2,895,385</u>    | <u>870,137</u>  |
| <b>OTHER FINANCING</b>                               |                         |                     |                     |   |
| <b>SOURCES (USES)</b>                                |                         |                     |                     |   |
| Transfers in   | 1,244,811               | 1,611,235           | -                   | (1,611,235)   |
| Transfers out  | <u>(4,982,131)</u>      | <u>(5,375,828)</u>  | <u>(1,586,734)</u>  | <u>3,789,094</u>  |
| Total other financing sources (uses)                 | <u>(3,737,320)</u>      | <u>(3,764,593)</u>  | <u>(1,586,734)</u>  | <u>2,177,859</u>  |
| Net change in fund balance                           | (1,119,963)             | (1,739,345)         | 1,308,651           | 3,047,996   |
| Fund balance - beginning                             | <u>2,974,092</u>        | <u>3,895,841</u>    | <u>3,895,841</u>    | <u>-</u>  |
| Fund balance - ending                                | <u>\$ 1,854,129</u>     | <u>\$ 2,156,496</u> | <u>\$ 5,204,492</u> | <u>\$ 3,047,996</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, 2020**

|  | <b>Budgeted Amounts</b> |                  |                  | <b>Variance with<br/>Final Budget -<br/>Positive<br/>(Negative)</b> |
|--|-------------------------|------------------|------------------|---|
|  | <b>Original</b>         | <b>Final</b>     | <b>Actual</b>    |   |
|  |                         |                  |                  |   |
| <b>REVENUES</b>                                      |                         |                  |                  |   |
| Local sources  | \$ 1,200,000            | \$ 915,000       | \$ 428,366       | \$ (486,634)  |
| State sources  | 4,715,000               | 3,000,000        | 1,316,505        | (1,683,495)   |
| Federal sources                                      | -                       | 3,500,000        | 2,800,320        | (699,680)   |
| Total revenues                                       | <u>5,915,000</u>        | <u>7,415,000</u> | <u>4,545,191</u> | <u>(2,869,809)</u>  |
| <b>EXPENDITURES</b>                                  |                         |                  |                  |   |
| Instruction  | 1,900,000               | 2,825,000        | 2,271,378        | 553,622   |
| Supporting services:                                 |                         |                  |                  |   |
| Student services                                     | 2,090,000               | 2,465,000        | 1,238,760        | 1,226,240   |
| Instructional staff                                  | 860,000                 | 985,000          | 487,832          | 497,168   |
| School administration                                | 27,000                  | 27,000           | 20,082           | 6,918   |
| Business services                                    | 100,000                 | 100,000          | 72,516           | 27,484  |
| Operation and maintenance                            | 9,000                   | 9,000            | 24,927           | (15,927)  |
| Central services                                     | 10,000                  | 10,000           | 2,565            | 7,435   |
| Other support services                               | 10,000                  | 10,000           | 6,447            | 3,553   |
| Community services                                   | 994,000                 | 1,069,000        | 475,729          | 593,271   |
| Facilities acquisition and construction              | -                       | -                | 29,955           | (29,955)  |
| Total expenditures                                   | <u>6,000,000</u>        | <u>7,500,000</u> | <u>4,630,191</u> | <u>2,869,809</u>  |
| Excess (deficiency) of<br>revenues over expenditures | <u>(85,000)</u>         | <u>(85,000)</u>  | <u>(85,000)</u>  | <u>-</u>  |
| <b>OTHER FINANCING</b>                               |                         |                  |                  |   |
| <b>SOURCES (USES)</b>                                |                         |                  |                  |   |
| 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, 2020**

|                            | <b>Final<br/>Budget</b>    | <b>Actual</b>              | <b>Variance<br/>Favorable<br/>(Unfavorable)</b> |
|----------------------------|----------------------------|----------------------------|---|
| <b>REVENUES</b>            |                            |                            |   |
| Local sources:             |                            |                            |   |
| Property taxes             | \$ -                       | \$ 3,205,084               | \$ 3,205,084                                    |
| Other local sources        | <u>3,096,145</u>           | <u>43,522</u>              | <u>(3,052,623)</u>                              |
| Total local sources        | <u>3,096,145</u>           | <u>3,248,606</u>           | <u>152,461</u>                                  |
| <b>EXPENDITURES</b>        |                            |                            |   |
| Debt service               | <u>3,215,145</u>           | <u>3,209,963</u>           | <u>5,182</u>                                    |
| Net change in fund balance | <u>(119,000)</u>           | <u>38,643</u>              | <u>157,643</u>                                  |
| Fund balance - beginning   | <u>3,455,904</u>           | <u>3,455,904</u>           | <u>-</u>  |
| Fund balance - ending      | <u><u>\$ 3,336,904</u></u> | <u><u>\$ 3,494,547</u></u> | <u><u>\$ 157,643</u></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, 2020**

|   | <u>Final<br/>Budget</u> | <u>Actual</u>       | <b>Variance<br/>Favorable<br/>(Unfavorable)</b> |
|---|-------------------------|---------------------|---|
| <b>REVENUES</b>                         |                         |                     |   |
| Local sources                           | \$ 120,000              | \$ 129,468          | \$ (9,468)                                      |
| State sources                           | <u>30,117,556</u>       | <u>25,877,601</u>   | <u>4,239,955</u>                                |
| Total revenues                          | <u>30,237,556</u>       | <u>26,007,069</u>   | <u>4,230,487</u>                                |
| <b>EXPENDITURES</b>                     |                         |                     |   |
| Facilities acquisition and construction | 42,037,255              | 38,430,749          | 3,606,506                                       |
| Net change in fund balance              | (11,799,699)            | (12,423,680)        | 7,836,993                                       |
| Fund balance - beginning                | <u>14,824,131</u>       | <u>14,824,131</u>   | <u>-</u>  |
| Fund balance - ending                   | <u>\$ 3,024,432</u>     | <u>\$ 2,400,451</u> | <u>\$ 7,836,993</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, 2020**

|  | <u>Final<br/>Budget</u> | <u>Actual</u>       | <b>Variance<br/>Favorable<br/>(Unfavorable)</b> |
|--|-------------------------|---------------------|---|
| <b>REVENUES</b>                                      |                         |                     |   |
| Local sources  | \$ 102,000              | \$ 173,054          | \$ 71,054                                       |
| State sources  | -                       | 104,943             | 104,943   |
| Total revenues                                       | <u>102,000</u>          | <u>277,997</u>      | <u>175,997</u>                                  |
| <b>EXPENDITURES</b>                                  |                         |                     |   |
| Instruction  | 111,000                 | 97,958              | 13,042  |
| Supporting services:                                 |                         |                     |   |
| General administration                               | 420,656                 | 420,656             | -   |
| Operation and maintenance                            | 25,000                  | -                   | 25,000  |
| Central services                                     | 100,000                 | 134,894             | (34,894)  |
| Other support services                               | -                       | 8,140               | (8,140)   |
| Facilities acquisition and construction              | 327,420                 | 349,605             | (22,185)  |
| Debt service   | <u>351,792</u>          | <u>351,077</u>      | <u>715</u>                                      |
| Total expenditures                                   | <u>1,335,868</u>        | <u>1,362,330</u>    | <u>(26,462)</u>                                 |
| Excess (deficiency) of<br>revenues over expenditures | (1,233,868)             | (1,084,333)         | 149,535   |
| <b>OTHER FINANCING</b>                               |                         |                     |   |
| <b>SOURCES (USES)</b>                                |                         |                     |   |
| Transfers in   | 800,000                 | 900,000             | 100,000   |
| Other sources  | <u>96,000</u>           | <u>95,661</u>       | <u>(339)</u>                                    |
| Total other financing sources (uses)                 | <u>896,000</u>          | <u>995,661</u>      | <u>99,661</u>                                   |
| Net change in fund balance                           | (337,868)               | (88,672)            | 249,196   |
| Fund balance - beginning                             | 4,264,565               | 4,264,565           | -   |
| Fund balance - ending                                | <u>\$ 3,926,697</u>     | <u>\$ 4,175,893</u> | <u>\$ 249,196</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.

**SCHOOL DISTRICT FREMONT RE-1**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 2020**

|  | <b>Food Service<br/>Fund</b> | <b>Pupil Activity<br/>Fund</b> | <b>Activities-<br/>Special<br/>Revenue Fund</b> | <b>Total<br/>Nonmajor<br/>Governmental<br/>Funds</b> |
|--|------------------------------|--------------------------------|---|--|
| <b>ASSETS</b>                                  |                              |                                |   |  |
| Cash and investments                           | \$ 660,794                   | \$ 95                          | \$ 541,075                                      | \$ 1,201,964   |
| Receivables                                    | 75,823                       | 8                              | -   | 75,831   |
| Due from other funds                           | -                            | 27,158                         | -   | 27,158   |
| Inventories and prepaid items                  | <u>67,474</u>                | -                              | -   | <u>67,474</u>  |
| <br>Total assets                               | <u><u>\$ 804,091</u></u>     | <u><u>\$ 27,261</u></u>        | <u><u>\$ 541,075</u></u>                        | <u><u>\$ 1,372,427</u></u>                           |
| <b>LIABILITIES</b>                             |                              |                                |   |  |
| Accounts payable and other current liabilities | \$ 29,697                    | \$ -                           | \$ -  | \$ 29,697  |
| Accrued salaries and benefits                  | 74,700                       | 27,166                         | -   | 101,866  |
| Due to other funds                             | <u>173,329</u>               | -                              | 116,093   | <u>289,422</u>                                       |
| <br>Total liabilities                          | <u><u>277,726</u></u>        | <u><u>27,166</u></u>           | <u><u>116,093</u></u>                           | <u><u>420,985</u></u>                                |
| <b>FUND BALANCES</b>                           |                              |                                |   |  |
| Nonspendable for:                              |                              |                                |   |  |
| Inventories and prepaid items                  | 67,474                       | -                              | -   | 67,474   |
| Committed for:                                 |                              |                                |   |  |
| Food service operations                        | 458,891                      | -                              | -   | 458,891  |
| Pupil activities                               | -                            | 95                             | 424,982   | 425,077  |
| <br>Total fund balances                        | <u><u>526,365</u></u>        | <u><u>95</u></u>               | <u><u>424,982</u></u>                           | <u><u>951,442</u></u>                                |
| <br>Total liabilities and fund balances        | <u><u>\$ 804,091</u></u>     | <u><u>\$ 27,261</u></u>        | <u><u>\$ 541,075</u></u>                        | <u><u>\$ 1,372,427</u></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, 2020**

|   | <b>Food Service<br/>Fund</b> | <b>Pupil Activity<br/>Fund</b> | <b>Activities-<br/>Special<br/>Revenue Fund</b> | <b>Total<br/>Nonmajor<br/>Governmental<br/>Funds</b> |
|---|------------------------------|--------------------------------|---|--|
| <b>REVENUES</b>                                   |                              |                                |   |  |
| Local sources                                     | \$ 277,643                   | \$ 106,629                     | \$ 965,570                                      | \$ 1,349,842   |
| State sources                                     | 30,511                       | -                              | -   | 30,511   |
| Federal sources                                   | 1,138,565                    | -                              | -   | 1,138,565  |
| Total revenues                                    | <u>1,446,719</u>             | <u>106,629</u>                 | <u>965,570</u>                                  | <u>2,518,918</u>                                     |
| <b>EXPENDITURES</b>                               |                              |                                |   |  |
| Instruction                                       | -                            | 380,630                        | 627,654   | 1,008,284  |
| Supporting services                               | -                            | 327,733                        | 279,068   | 606,801  |
| Food service operations                           | 1,534,569                    | -                              | 1,955   | 1,536,524  |
| Community services                                | -                            | -                              | 100   | 100  |
| Total expenditures                                | <u>1,534,569</u>             | <u>708,363</u>                 | <u>908,777</u>                                  | <u>3,151,709</u>                                     |
| Excess (deficiency) of revenues over expenditures | <u>(87,850)</u>              | <u>(601,734)</u>               | <u>56,793</u>                                   | <u>(632,791)</u>                                     |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                              |                                |   |  |
| Transfers in                                      | -                            | 601,734                        | -   | 601,734  |
| Net change in fund balances                       | (87,850)                     | -                              | 56,793  | (31,057)   |
| Fund balances - beginning, as restated            | <u>614,215</u>               | <u>95</u>                      | <u>368,189</u>                                  | <u>982,499</u>                                       |
| Fund balances - ending                            | <u>\$ 526,365</u>            | <u>\$ 95</u>                   | <u>\$ 424,982</u>                               | <u>\$ 951,442</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, 2020**

|                            | <b>Final<br/>Budget</b> | <b>Actual</b>     | <b>Variance<br/>Favorable<br/>(Unfavorable)</b> |
|----------------------------|-------------------------|-------------------|---|
| <b>REVENUES</b>            |                         |                   |   |
| Local sources              | \$ 293,027              | \$ 277,643        | \$ (15,384)                                     |
| State sources              | 32,402                  | 30,511            | (1,891)   |
| Federal sources            | <u>1,248,346</u>        | <u>1,138,565</u>  | <u>(109,781)</u>                                |
| Total revenues             | <u>1,573,775</u>        | <u>1,446,719</u>  | <u>(127,056)</u>                                |
| <b>EXPENDITURES</b>        |                         |                   |   |
| Food service operations    | <u>1,634,084</u>        | <u>1,534,569</u>  | <u>99,515</u>                                   |
| Net change in fund balance | (60,309)                | (87,850)          | (27,541)  |
| Fund balance - beginning   | <u>614,215</u>          | <u>614,215</u>    | <u>-</u>  |
| Fund balance - ending      | <u>\$ 553,906</u>       | <u>\$ 526,365</u> | <u>\$ (27,541)</u>                              |

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, 2020**

|  | <u>Final<br/>Budget</u> | <u>Actual</u>    | <b>Variance<br/>Favorable<br/>(Unfavorable)</b> |
|--|-------------------------|------------------|---|
| <b>REVENUES</b>                                      |                         |                  |   |
| Local sources  | \$ 123,400              | \$ 106,629       | \$ (16,771)                                     |
| <b>EXPENDITURES</b>                                  |                         |                  |   |
| Instruction  | 435,535                 | 380,630          | 54,905  |
| Supporting services:                                 |                         |                  |   |
| Student services                                     | -                       | 3,070            | (3,070)   |
| Instructional staff                                  | <u>395,882</u>          | <u>324,663</u>   | <u>71,219</u>                                   |
| Total expenditures                                   | <u>831,417</u>          | <u>708,363</u>   | <u>123,054</u>                                  |
| Excess (deficiency) of<br>revenues over expenditures | <u>(708,017)</u>        | <u>(601,734)</u> | <u>106,283</u>                                  |
| <b>OTHER FINANCING<br/>SOURCES (USES)</b>            |                         |                  |   |
| Transfers in   | <u>708,017</u>          | <u>601,734</u>   | <u>(106,283)</u>                                |
| Net change in fund balance                           | -                       | -                | -   |
| Fund balance - beginning                             | <u>95</u>               | <u>95</u>        | <u>-</u>  |
| Fund balance - ending                                | <u>\$ 95</u>            | <u>\$ 95</u>     | <u>\$ -</u>                                     |

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, 2020**

|                                       | <u>Final Budget</u> | <u>Actual</u>     | <b>Variance<br/>Favorable<br/>(Unfavorable)</b> |
|---------------------------------------|---------------------|-------------------|---|
| <b>REVENUES</b>                       |                     |                   |   |
| Local sources                         | \$ 968,189          | \$ 965,570        | \$ (2,619)                                      |
| <b>EXPENDITURES</b>                   |                     |                   |   |
| Instruction                           | 1,018,189           | 627,654           | 390,535   |
| Supporting services:                  |                     |                   |   |
| Student services                      | -                   | 191,496           | (191,496)                                       |
| Instructional staff                   | -                   | 87,572            | (87,572)  |
| Food service operations               | -                   | 1,955             | (1,955)   |
| Community services                    | -                   | 100               | (100)   |
| Total expenditures                    | <u>1,018,189</u>    | <u>908,777</u>    | <u>109,412</u>                                  |
| Net change in fund balance            | (50,000)            | 56,793            | 106,793   |
| Fund balance - beginning, as restated | <u>368,190</u>      | <u>368,190</u>    | <u>-</u>  |
| Fund balance - ending                 | <u>\$ 318,190</u>   | <u>\$ 424,983</u> | <u>\$ 106,793</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, 2020**

|                          | Final<br>Budget   | Actual            | Variance<br>Favorable<br>(Unfavorable) |
|--------------------------|-------------------|-------------------|--|
| <b>ADDITIONS</b>         |                   |                   |  |
| Investment income        | \$ 6,000          | \$ 15,000         | \$ 9,000                               |
| <b>DEDUCTIONS</b>        |                   |                   |  |
| Scholarship awards       | 25,000            | 8,399             | 16,601                                 |
| Change in net position   | (19,000)          | 6,601             | 25,601                                 |
| Net position - beginning | 450,178           | 450,178           | -                                      |
| Net position - ending    | <u>\$ 431,178</u> | <u>\$ 456,779</u> | <u>\$ 25,601</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, 2020**

Governmental fund capital assets:

|  |                           |
|--|---------------------------|
| Sites                                      | \$ 2,220,137              |
| Buildings and improvements                 | 58,675,527                |
| Vehicles                                   | 2,801,356                 |
| Equipment                                  | 7,322,153                 |
| Construction in progress                   | <u>43,348,080</u>         |
| <br>Total governmental fund capital assets | <br><u>\$ 114,367,253</u> |

Investments in governmental funds capital assets by source:

|   |                           |
|---|---------------------------|
| General fund                                | \$ 921,790                |
| Capital projects fund                       | 14,121,426                |
| Food Service                                | 506,856                   |
| Designated-purpose grants fund              | 1,019,531                 |
| Activity fund                               | 16,807                    |
| Bond fund                                   | 19,708,298                |
| Building fund                               | <u>78,072,545</u>         |
| <br>Total governmental funds capital assets | <br><u>\$ 114,367,253</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, 2020**

| <u>Function and Activity</u>                   | Buildings<br>and        |                          |                         |                         |                          |                          | <u>Construction<br/>in Progress</u> | <u>Depreciation</u> | <u>Total</u> |
|--|-------------------------|--------------------------|-------------------------|-------------------------|--------------------------|--------------------------|-------------------------------------|---------------------|--------------|
|  | <u>Sites</u>            | <u>Improvements</u>      | <u>Vehicles</u>         | <u>Equipment</u>        |                          |                          |                                     |                     |              |
| Instruction                                    | \$ 1,949,060            | \$ 20,401,154            | \$ -                    | \$ 4,103,559            | \$ -                     | \$ 17,536,485            | \$ 8,917,288                        |                     |              |
| School administration                          | 53,733                  | 703,444                  | -                       | 488,878                 | -                        | 515,577                  | 730,478                             |                     |              |
| Operation and maintenance                      | -                       | 9,100                    | 262,860                 | 200,835                 | -                        | 273,834                  | 198,961                             |                     |              |
| Student transportation                         | 76,297                  | -                        | 2,526,796               | -                       | -                        | 1,914,821                | 688,272                             |                     |              |
| Central support services                       | 141,046                 | 742,282                  | -                       | 1,960,210               | -                        | 2,007,960                | 835,578                             |                     |              |
| Facilities acquisition                         | -                       | 36,819,547               | -                       | 110,067                 | 43,348,080               | 11,768,486               | 68,509,208                          |                     |              |
| Food Service                                   | -                       | -                        | 11,700                  | 458,604                 | -                        | 272,334                  | 197,970                             |                     |              |
| <br>Total governmental funds<br>capital assets | <br><u>\$ 2,220,136</u> | <br><u>\$ 58,675,527</u> | <br><u>\$ 2,801,356</u> | <br><u>\$ 7,322,153</u> | <br><u>\$ 43,348,080</u> | <br><u>\$ 34,289,497</u> | <br><u>\$ 80,077,755</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, 2020**

| <u>Function and Activity</u>                | <u>Balance</u>           | <u>Depreciation</u>      |                                  | <u>Balance</u>           |
|---|--------------------------|--------------------------|----------------------------------|--------------------------|
|   | <u>6/30/2019</u>         | <u>Additions</u>         | <u>and</u><br><u>Retirements</u> | <u>6/30/2020</u>         |
| Instruction                                 | \$ 9,797,289             | \$ 11,950                | \$ 891,951                       | \$ 8,917,288             |
| School administration                       | 267,007                  | 488,878                  | 25,407                           | 730,478                  |
| Operation and maintenance                   | 174,839                  | 51,864                   | 27,742                           | 198,961                  |
| Student transportation                      | 789,230                  | -                        | 100,958                          | 688,272                  |
| Central support services                    | 928,392                  | -                        | 92,814                           | 835,578                  |
| Facilities acquisition & construction       | 31,289,598               | 42,969,863               | 5,750,253                        | 68,509,208               |
| Food Service                                | 222,436                  | -                        | 24,466                           | 197,970                  |
| <br>Total governmental funds capital assets | <br><u>\$ 43,468,791</u> | <br><u>\$ 43,522,555</u> | <br><u>\$ 6,913,591</u>          | <br><u>\$ 80,077,755</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, 2020**

| <b>Federal Grantor/Pass-Through<br/>Grantor/Program or Cluster Title</b> | <b>Pass-Through</b>                |  |  | <b>Federal<br/>Expenditures</b> |  |
|--|------------------------------------|--|--|---------------------------------|--|
|  | <b>Federal<br/>CFDA<br/>Number</b> | <b>Entity<br/>Identifying<br/>Number</b> | <b>Passed<br/>Through to<br/>Subrecipients</b> |                                 |  |
| <b>U.S. Department of Agriculture</b>                                    |                                    |  |  |                                 |  |
| <i>Child Nutrition Cluster</i>   |                                    |  |  |                                 |  |
| Passed Through Colorado Department of Education                          |                                    |  |  |                                 |  |
| School Breakfast Program   | 10.553                             | 4553                                     |  | \$ 237,643                      |  |
| National School Lunch Program  | 10.555                             | 4555                                     |  | 770,179                         |  |
| Summer Food Service Program  | 10.559                             | 4559                                     |  | 28,925                          |  |
| Passed Through Colorado Department of Human Services                     |                                    |  |  |                                 |  |
| National School Lunch Program  | 10.555                             | 4555                                     |  | 101,818                         |  |
| <i>Total Child Nutrition Cluster</i>                                     |                                    |  |  | <u>1,138,565</u>                |  |
| <i>Forest Service Schools and Roads Cluster</i>                          |                                    |  |  |                                 |  |
| Passed Through Fremont County, Colorado                                  |                                    |  |  |                                 |  |
| Schools and Roads - Grants to States                                     | 10.665                             | 7665                                     |  | 70,776                          |  |
| <i>Total Forest Service Schools and Roads Cluster</i>                    |                                    |  |  | <u>70,776</u>                   |  |
| Total U.S. Department of Agriculture                                     |                                    |  |  | <u>1,209,341</u>                |  |
| <b>U.S. Department of Defense Direct Program</b>                         |                                    |  |  |                                 |  |
| Reserve Officer Training Corps   | 12.unknown                         | 9001                                     |  | <u>60,234</u>                   |  |
| <b>U.S. Department of Treasury</b>                                       |                                    |  |  |                                 |  |
| Passed Through Colorado Department of Education                          |                                    |  |  |                                 |  |
| Coronavirus Relief Fund  | 21.019                             | 4012                                     |  | <u>407,316</u>                  |  |
| <b>U.S. Department of Education</b>                                      |                                    |  |  |                                 |  |
| <i>Special Education Cluster (IDEA)</i>                                  |                                    |  |  |                                 |  |
| Passed Through Colorado Department of Education                          |                                    |  |  |                                 |  |
| Special Education: Grants to States IDEA Part B                          | 84.027                             | 4027                                     |  | 745,475                         |  |
| Special Education: Preschool Grants                                      | 84.173                             | 4173                                     |  | 49,347                          |  |
| <i>Total Special Education Cluster</i>                                   |                                    |  |  | <u>794,822</u>                  |  |
| No Child Left Behind, Title I, Part A                                    | 84.010                             | 4010, 5010, 7010                         |  | 986,033                         |  |
| Rural Education  | 84.358                             | 6358                                     |  | 59,433                          |  |
| Teacher and Principal Training and Recruiting Fund                       | 84.367                             | 4367                                     |  | 136,362                         |  |
| Student Support and Academic Enrichment Program                          | 84.424                             | 4424                                     |  | 66,246                          |  |
| Education Stabilization Fund   | 84.425                             | 4425                                     |  | 30,350                          |  |
| Passed Through Colorado Community College System                         |                                    |  |  |                                 |  |
| Vocational Education - Basic Grants to States                            | 84.048                             | 4048                                     |  | 44,974                          |  |
| <i>Total U.S. Department of Education</i>                                |                                    |  |  | <u>2,118,220</u>                |  |
| <b>U.S. Department of Health and Human Services</b>                      |                                    |  |  |                                 |  |
| <i>CCDF Cluster</i>  |                                    |  |  |                                 |  |
| Passed Through Colorado Department of Human Services                     |                                    |  |  |                                 |  |
| Child Care and Development Block Grant                                   | 93.575                             | 7575                                     |  | 113,379                         |  |
| <i>Total CCDF Cluster</i>  |                                    |  |  | <u>113,379</u>                  |  |
| <i>Total U.S. Department of Health and Human Services</i>                |                                    |  |  | <u>113,379</u>                  |  |
| <b>Total Federal Awards</b>  |                                    |  |  | <u>\$ 3,908,490</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, 2020**

**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, 2020. 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, 2020, School District Fremont RE-1 received \$101,818 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, 2020, 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 14, 2020.

**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: 2020-001.

## **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 14, 2020



## **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, 2020. 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, 2020.

## **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 14, 2020

**SCHOOL DISTRICT FREMONT RE-1  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**Section I—Summary of Auditors’ Results**

*Financial Statements*

|   |   |
|---|---|
| Type of auditors’ report issued:                      | Unmodified  |
| Internal control over financial reporting:            |   |
| • Material weakness(es) identified?                   | <u>  </u> yes <input checked="" type="checkbox"/> no            |
| • Significant deficiency(ies) identified?             | <input checked="" type="checkbox"/> yes <u>  </u> none reported |
| Noncompliance material to financial statements noted? | <u>  </u> yes <input checked="" type="checkbox"/> no            |

*Federal Awards*

|  |   |
|--|---|
| Internal control over major programs?  |   |
| • Material weakness(es) identified?  | <u>  </u> yes <input checked="" type="checkbox"/> no            |
| • Significant deficiency(ies) identified?  | <u>  </u> yes <input checked="" type="checkbox"/> 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)? | <u>  </u> yes <input checked="" type="checkbox"/> no            |

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| CFDA 84.027 & 84.173  | Special Education Cluster                 |
| CFDA 21.019           | Coronavirus Relief Fund                   |

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

|  |  |
|--|--|
| Auditee qualified as low-risk auditee? | <input checked="" type="checkbox"/> yes <u>  </u> no |
|--|--|

**SCHOOL DISTRICT FREMONT RE-1  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**Section II—Financial Statement Findings**

**2020-001 Segregation of Duties**

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

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

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

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

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

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

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

**Section III—Findings and Questioned Costs for Federal Awards**

No findings reported.



# CAÑON CITY SCHOOLS

SCHOOL DISTRICT FREMONT RE-1

101 North 14th Street  
Cañon City, Colorado 81212

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

## ADMINISTRATIVE STAFF

|                         |                                     |
|-------------------------|-------------------------------------|
| <b>GEORGE WELSH</b>     | Superintendent of Schools           |
| <b>ADAM HARTMAN</b>     | Assistant Superintendent of Schools |
| <b>BUDDY LAMBRECHT</b>  | Director of Business Services       |
| <b>MISTY MANCHESTER</b> | Director of Human Resources         |
| <b>TIM RENN</b>         | Director of Special Services        |
| <b>SHAUN KOHL</b>       | Director of Technology              |
| <b>PAULA BUSER</b>      | Director of Support Services        |
| <b>JEFF PETERSON</b>    | 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, 2019. 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, 2020 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>                                  |
|-----------------------|--------------------|------------------------------|-----------------------|---|
| 2019-001              | N/A                | N/A                          | Segregation of Duties | Not corrected. Reported as finding 2020-001. See page 74. |



# CAÑON CITY SCHOOLS

SCHOOL DISTRICT FREMONT RE-1

101 North 14th Street  
Cañon City, Colorado 81212

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

## ADMINISTRATIVE STAFF

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

## CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2020

### 2020-001 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**



**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, 2020, which collectively comprise School District Fremont RE-1's basic financial statements, and our report thereon dated December 14, 2020, 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 14, 2020



**Colorado Department of Education**

**Auditors Integrity Report**

District: 1140 - Canon City RE-1

Fiscal Year 2019-20

Colorado School District/BOCES

Page: 1

**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 |
|---|--|--|---|---|
|   |  | +  | -   | =   |
| <b>Governmental</b>                                     |  |  |   |   |
| 10 General Fund   | 3,553,605                                | 31,833,717                                 | 30,728,735                                | 4,658,587   |
| 18 Risk Mgmt Sub-Fund of General Fund                   | 265,126                                  | 531,253                                    | 432,132                                   | 364,246   |
| 19 Colorado Preschool Program Fund                      | 77,110                                   | 1,126,102                                  | 1,021,554                                 | 181,659   |
| <b>Sub- Total</b>                                       | <b>3,895,841</b>                         | <b>33,491,071</b>                          | <b>32,182,420</b>                         | <b>5,204,492</b>                                      |
| 11 Charter School Fund                                  | 618,614                                  | 2,422,988                                  | 2,360,930                                 | 680,672   |
| 20,26-29 Special Revenue Fund                           | 368,189                                  | 965,570                                    | 908,777                                   | 424,982   |
| 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                       | 614,215                                  | 1,446,719                                  | 1,534,569                                 | 526,365   |
| 22 Govt Designated-Purpose Grants Fund                  | 0  | 4,630,191                                  | 4,630,191                                 | 0   |
| 23 Pupil Activity Special Revenue Fund                  | 95                                       | 708,363                                    | 708,363                                   | 95  |
| 24 Full Day Kindergarten Mill Levy Override             | 0  | 0  | 0   | 0   |
| 25 Transportation Fund                                  | 0  | 0  | 0   | 0   |
| 31 Bond Redemption Fund                                 | 3,455,904                                | 3,248,606                                  | 3,209,963                                 | 3,494,547   |
| 39 Certificate of Participation (COP) Debt Service Fund | 0  | 0  | 0   | 0   |
| 41 Building Fund  | 14,824,131                               | 26,007,068                                 | 38,430,749                                | 2,400,451   |
| 42 Special Building Fund                                | 0  | 0  | 0   | 0   |
| 43 Capital Reserve Capital Projects Fund                | 4,264,565                                | 1,273,657                                  | 1,362,330                                 | 4,175,893   |
| 46 Supplemental Cap Const, Tech, Main Fund              | 0  | 0  | 0   | 0   |
| <b>Totals</b>   | <b>28,041,553</b>                        | <b>74,194,234</b>                          | <b>85,328,293</b>                         | <b>16,907,495</b>                                     |
| <b>Proprietary</b>                                      |  |  |   |   |
| 50 Other Enterprise Funds                               | 1,568,038                                | 0  | 60,834                                    | 1,507,204   |
| 64 (63) Risk-Related Activity Fund                      | 0  | 0  | 0   | 0   |
| 60,65-69 Other Internal Service Funds                   | 0  | 0  | 0   | 0   |
| <b>Totals</b>   | <b>1,568,038</b>                         | <b>0</b>                                   | <b>60,834</b>                             | <b>1,507,204</b>                                      |
| <b>Fiduciary</b>  |  |  |   |   |
| 70 Other Trust and Agency Funds                         | 922,578                                  | 134,122                                    | 43,636                                    | 1,013,065   |
| 72 Private Purpose Trust Fund                           | 450,178                                  | 15,001                                     | 8,399                                     | 456,779   |
| 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   |
| <b>Totals</b>   | <b>1,372,756</b>                         | <b>149,123</b>                             | <b>52,035</b>                             | <b>1,469,844</b>                                      |

FINAL