

SCHOOL DISTRICT FREMONT RE-1

FINANCIAL STATEMENTS
With Independent Auditors' Report

Year Ended June 30, 2014

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JUNE 30, 2014

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
School District Fremont RE-1

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of School District Fremont RE-1, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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 Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the discretely presented component unit were not audited in accordance with Governmental 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 business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of School District Fremont RE-1, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise School District Fremont RE-1's financial statements as a whole. The individual fund 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The individual fund statements and 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. 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 individual fund 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 November 07, 2014, 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
November 06, 2014

Cañon City Schools
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2014

As management of the Cañon City Schools (School District Fremont RE-1), 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, 2014. We encourage readers to consider the information presented here in conjunction with additional information furnished in the independent auditors report and financial statements, which immediately follow this section.

Financial Highlights

Key financial highlights for fiscal year 2014 are as follows:

- The District's net position decreased by \$576 thousand to \$22.1 million for the year ended June 30, 2014, primarily from depreciation of assets.
- Governmental activities have an unrestricted net position of \$4.9 million.
- Business-type activities have an unrestricted net position of \$810 thousand.
- Fund balance of the District's general fund decreased by \$303 thousand to \$1.5 million.
- The District's primary government long-term liabilities decreased by \$417 thousand to \$24.3 million.

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 Cañon City Schools basic financial statements are comprised of three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

Cañon City Schools
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2014

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* and how it has changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position is 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.

In the district-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as instruction, transportation, maintenance and operations, and administration. The School Finance Act of 1994, as amended, made up of property taxes and state equalization, finances most of these activities.
- *Business-type activities*: The District charges fees to help cover the costs of certain services it provides. The District's food services program is included here.

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).

Cañon City Schools
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2014

The District has three kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.
- *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements. The District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information such as cash flows.
- *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. Cañon City Schools' enrollment peaked in fiscal year 2002 (October 2001 count) with a declining trend since that time. Enrollment has declined by nearly 700 students since October 2001.

The District's declining enrollment has negatively affected its funding over the past few years. This coupled with material reductions in funding under the SFA has had a severe negative impact on the District's resources prior to fiscal year 2014. The District's total program funding from the SFA increased \$410 thousand in fiscal year 2014 and is projected to increase \$1.2 million in fiscal year 2015.

In fiscal year 2014 the District's General Fund fund balance was 6% of fiscal year 2014 General Fund expenditures. Industry standards call for a fund balance in the range of 8% to 15% in order to meet operating obligations, cash flow requirements and unforeseen events.

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

Cañon City Schools
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2014

The District's fund balance increased in fiscal years 2009 and 2010 following reductions in fund balance in fiscal years 2007 and 2008. Prior to fiscal year 2007 the most significant trend was the improvement of the general fund ending fund balance from a negative balance of \$577 thousand for fiscal year 1998 to a positive balance of \$944 thousand for fiscal year 2006.

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

Current and long-term liabilities are classified based on anticipated liquidation either in the near term or in the future. Current liabilities include accounts payable, accrued salaries and benefits, and deferred revenue. Long-term liabilities such as long-term debt obligations and compensated absences will be liquidated from resources that will become available after fiscal year 2014.

In total, District net position decreased by \$576 thousand to \$22.1 million for the year ended June 30, 2014. Net position of the District's governmental activities decreased by \$673 thousand and net position of the District's business-type activities increased by \$97 thousand.

Governmental activities have an unrestricted net position of \$4.9 million. Business-type activities have an unrestricted net position of \$810 thousand.

The District's general fund balance decreased by \$303 thousand resulting in an ending fund balance of \$1.5 million at fiscal year 2014 year end. Fund balance decreased as a result of expenditures in excess of revenues.

The District's long-term liabilities decreased by \$417 thousand to \$24.3 million. The decrease was primarily from payments on the capital construction bonds and other capital borrowings. The long-term debt includes bond payments, compensated absences, capital lease payments for energy projects and QZAB Bonds.

Cañon City Schools
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2014

Table -1- provides a summary of the District's net position and Table -2- shows the net position in graph form. Table -3- provides a summary for the District's changes in net position for 2014:

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

	Governmental Activities		Business-Type Activities		Total	
	2013	2014	2013	2014	2013	2014
Current and other assets	\$10,395,695	\$12,136,822	\$877,180	\$906,310	\$11,272,875	\$13,043,132
Capital Assets	38,465,559	36,003,415	194,588	234,815	38,660,147	36,238,230
Total Assets	\$48,861,254	\$48,140,237	\$1,071,768	\$1,141,125	\$49,933,022	\$49,281,362
Total deferred outflows of resources	\$526,280	\$405,744	\$0	\$0	\$526,280	\$405,744
Long-term liabilities outstanding	24,711,104	24,294,272	0	0	24,711,104	24,294,272
Other liabilities	2,987,890	3,236,185	124,630	96,727	3,112,520	3,332,912
Total Liabilities	\$27,698,994	\$27,530,457	\$124,630	\$96,727	\$27,823,624	\$27,627,184
Net position:						
Net investment in capital assets	14,636,757	12,635,042	194,588	234,815	14,831,345	12,869,857
Restricted	3,444,205	3,426,966	0	0	3,444,205	3,426,966
Unrestricted	3,607,578	4,953,516	752,550	809,583	4,360,128	5,763,099
Total net position	\$21,688,540	\$21,015,524	\$947,138	\$1,044,398	\$22,635,678	\$22,059,922

**Table -2-
Net Position Graph**



Cañon City Schools
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2014

Table -3-
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	2014	2013	2014	2013	2014
Revenues:						
Program revenues						
Charges for services	\$503,126	\$464,935	\$460,308	\$408,854	\$963,434	\$873,789
Operating grants and contributions	4,262,104	4,481,629	1,176,017	1,224,172	5,438,121	5,705,801
General revenues:						
Property & specific ownership taxes	9,272,920	9,123,383	0	0	9,272,920	9,123,383
State equalization	14,724,347	15,142,022	0	0	14,724,347	15,142,022
Other	506,199	787,153	4,298	3,857	510,497	791,010
Total Revenues	\$29,268,696	\$29,999,122	\$1,640,623	\$1,636,883	\$30,909,319	\$31,636,005
Expenses:						
Instruction	\$16,740,451	\$17,629,388			\$16,740,451	\$17,629,388
Athletics	307,188	315,029			307,188	315,029
Supporting services						
Students	1,444,642	1,518,839			1,444,642	1,518,839
Instructional staff	1,184,663	1,343,481			1,184,663	1,343,481
General administration	524,482	614,381			524,482	614,381
School administration	1,629,122	1,654,160			1,629,122	1,654,160
Business	681,629	628,855			681,629	628,855
Operations & maintenance	3,287,634	3,318,997			3,287,634	3,318,997
Student transportation	505,268	678,063			505,268	678,063
Central	1,011,713	1,045,302			1,011,713	1,045,302
Other support services	0	5,467			0	5,467
Community services	193,412	150,663			193,412	150,663
Facilities acquisition & construction	778,325	1,002,413			778,325	1,002,413
Interest on long-term debt	775,831	717,100			775,831	717,100
Other debt service	247,040	50,000			247,040	50,000
Food services			1,593,049	1,539,623	1,593,049	1,539,623
Total expenses	\$29,311,400	\$30,672,138	\$1,593,049	\$1,539,623	\$30,904,449	\$32,211,761
Increase (decrease) in net position	(\$42,704)	(\$673,016)	\$47,574	\$97,260	\$4,870	(\$575,756)
Net position, beginning, as restated	\$21,731,244	\$21,688,540	\$899,564	\$947,138	\$22,630,808	\$22,635,678
Net position, ending	\$21,688,540	\$21,015,524	\$947,138	\$1,044,398	\$22,635,678	\$22,059,922

Cañon City Schools
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2014

Table -4-

Sources of Revenues for Fiscal Year 2013-14

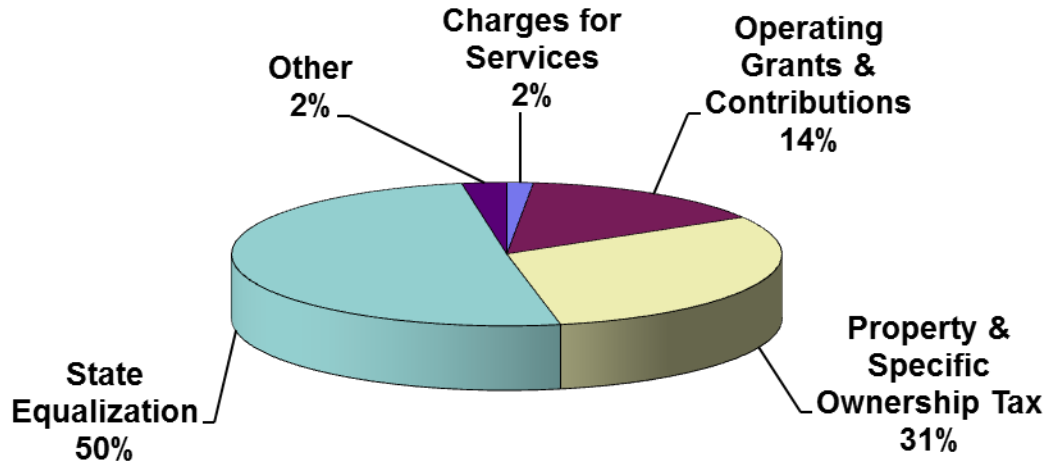
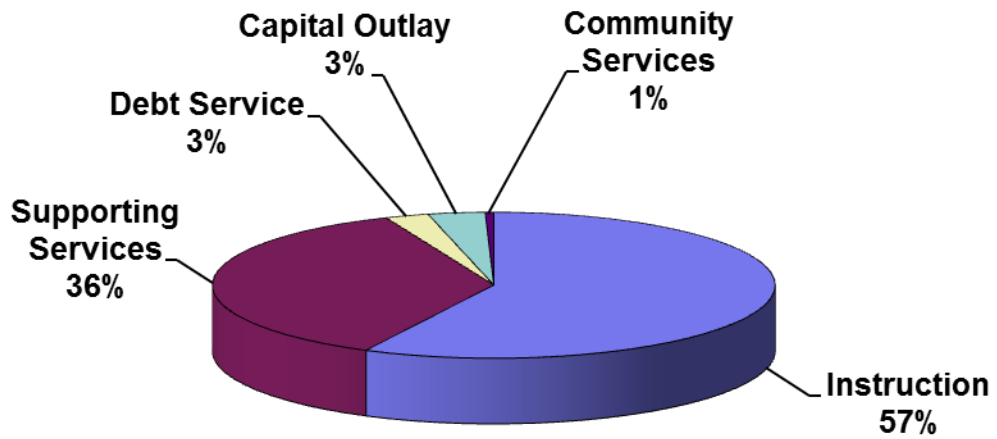


Table -5-

Expenses for Fiscal Year 2013-2014



Cañon City Schools
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2014

State equalization accounted for 50 percent of the District's governmental activities total revenue. (See Table -4-) Another 31 percent came from property and specific ownership taxes and the remainder from operating grants, contributions, fees charged for services, and miscellaneous sources.

The District's expenses are predominantly related to instructing, 57 percent. (See Table -5-) Supporting Services, including the District's student support, administrative, business, transportation, maintenance and operations activities, accounted for 36 percent of total costs.

Governmental Activities

The primary source of operating revenue for school districts comes from the School Finance Act of 1994 (SFA) as amended. Under the SFA the District received \$6,311 per funded student. In fiscal year 2014 the funded pupil count was 3709.8. For the 2014 fiscal year the District continued to be one of the lowest funded districts in the state on a per pupil basis.

Funding for the SFA comes from property taxes, specific ownership tax and state equalization. The District receives approximately 62 percent of this funding from state equalization. State law allows school districts to obtain an additional 38 percent of SFA program funding from local property and specific ownership taxes (SOT). The District's assessed valuation generated \$9.1 million in property and SOT tax revenue under the SFA in fiscal year 2014.

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

	2013	2014
Instruction	16,740,451	17,629,388
Pupil & Instructional Services	2,936,493	3,182,816
Administration & Business	3,846,946	3,942,675
Maintenance & Operations	3,287,634	3,318,997
Transportation	505,268	678,063
Other	1,994,608	1,920,199
Total Expenses	29,311,400	30,672,138

Cañon City Schools
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2014

The cost of all *governmental* activities this year was \$30.7 million.

- Some of the cost was financed by the users of the District's programs (\$465 thousand).
- The federal and state government subsidized certain programs with grants and contributions (\$4.5 million).
- A portion of governmental activities was financed with \$15.1 million in state equalization from the School Finance Act of 1994 (SFA) and \$9.1 million in property and specific ownership taxes.

Business-Type Activities

Business-type activities are made up of the Food Services Fund. This program had revenues of \$1.63 million and expenses of \$1.54 million in fiscal year 2014. Its net position was \$1.04 million at year end. The Food Services Fund continues to operate in the black and does not receive support from the General Fund. The Food Services Fund upgrades facilities and equipment on an ongoing basis and continues to promote healthy eating choices. Business-type activities do not receive support from local or state tax revenue.

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 had total revenues of \$30.8 million and expenditures of \$30.3 million in fiscal year 2014.

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 44.

- Prior to the end of the fiscal year, additional budget appropriations were approved for the General Fund, Colorado Preschool Fund, Bond Redemption Fund and Capital Reserve Fund in order to cover anticipated expenditures in excess of budgeted amounts.
- General Fund (Fund 10) actual revenues and expenses were both less than projected when the appropriation of beginning fund balance and contingency reserves are considered. Actual expenditures exceeded revenues by \$74 thousand. General Fund expenditures were higher than expected, primarily for salaries and benefits.
- The General Fund fund balance decreased \$74 thousand in fiscal year 2014 to \$1.3 million – 6.0% of FY2014 expenditures. The minimum desired fund balance is \$1.8 million – 8.0% of expenditures.
- Risk Management Fund (Fund 18) expenditures exceeded revenues as qualifying expenses for property, liability and fleet insurance and workers compensation insurance exceeded revenues. This resulted in the planned use of a portion of beginning fund balance to cover actual expenditures in the fund. The Risk Management Fund fund balance decreased to \$54 thousand at year-end.

Cañon City Schools
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2014

- Colorado Preschool Program (CPP) Fund (Fund 19) expenses exceeded revenues by \$87 thousand primarily due to the transfer out of a non-preschool grant in CPP to the grants fund. The CPP fund balance was \$185 thousand at year-end.
- Grants Fund (Fund 22) revenues and expenditures were less than the projected amount. Expenditures were within the budgeted amount of \$3.2 million and were matched to revenues. Grant fund expenditures in excess of grant revenue for any particular grant were reclassified to the General Fund.
- Pupil Activity Fund (Fund 23) actual expenditures were \$4 thousand less than projected as some planned expenses were either cancelled or postponed.
- Bond Fund (Fund 31) actual revenues were \$30 thousand more than projected as local property tax receipts exceeded expected. Actual expenditures were \$22 thousand less than projected. The Bond Fund fund balance increased \$52 thousand to \$2.5 million at year-end.
- Capital Reserve / Capital Projects Fund (Fund 43) expenditures were less than the budgeted amount by \$82 thousand, as expenses for certain projects were less than projected or postponed and funds reserved for 'unknown/emergency' projects were not fully expended.
- Food Service Fund (Fund 51) revenues were \$223 thousand less than projected. Actual operating expenditures were \$461 thousand less than expected as some 'excess revenue' projects were not complete at year-end or postponed. The fund balance increased by \$98 thousand to \$1.1 million at year end.
- Scholarships Fund (Fund 72) expenditures exceeded revenues by \$12 thousand as scholarship awards exceeded contributions and interest earnings. Total fund balances for scholarship accounts at year end decreased by \$12 thousand to \$460 thousand.
- Student Clubs and Organizations Fund (Fund 74) expenditures exceeded revenues by \$4 thousand during the year. Total fund balances for clubs and organizations decreased by \$4 thousand to \$223 thousand at year end.
- 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.
- District Debt Fund (Fund 90) is a contra account used to report long-term debt. Fund 90 is used to report the District's debt associated with the 2003/2004 Capital Construction General Obligations Bonds, including the 2006, 2011 and 2014 refundings of a portion of outstanding bonds.

Cañon City Schools
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2014

Capital Assets and Debt Administration

By the end of 2014 the District had invested \$36.0 million in land, buildings, equipment, and transportation vehicles, \$235 thousand, was in business-type activities. Table -7- shows fiscal 2013 and 2014:

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

	Government Activities		Business-type Activities		Total School District	
	2013	2014	2013	2014	2013	2014
Land	2,220,137	2,220,137	-	-	2,220,137	2,220,137
Buildings & Improvements	35,253,268	32,733,129	-	-	35,253,268	32,733,129
Vehicles	339,655	273,797	-	-	339,655	273,797
Equipment	652,499	776,352	194,588	234,815	847,087	1,011,167
Total capital assets, net	38,465,559	36,003,415	194,588	234,815	38,660,147	36,238,230

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

Long-Term Debt

In December of 2003 and January 2004 the District issued general obligations bonds of \$26.3 million. In 2006 \$8,085,000 of the outstanding 2003 bonds were refunded at a lower interest rate. The cost savings to tax payers is projected to be \$391 thousand over the remaining term of the bonds. In 2011 \$7,135,000 of the outstanding 2003 and 2004 bonds were refunded at a lower interest rate. The cost savings to tax payers is projected to the \$365 thousand over the remaining term of the bonds. The outstanding principal balance on General Obligation Bonds at year end was \$17,571,712. At year end the District had \$5.8 million in capital leases payable. Compensated absences increased by \$43 thousand to \$926 thousand due to an increase in the accrual of vacation and sick leave benefits.

Table -8-
Outstanding Debt, at Year End

	June 30, 2013	June 30, 2014
General Obligation Bonds	\$ 18,889,028	\$ 17,571,712
Capital Leases Payable	4,939,774	5,796,661
Compensated Absences	882,302	925,899
Total	24,711,104	24,294,272

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, 2014

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 again appears to have stabilized as it has been relatively flat over the past two years. The District's enrollment peaked in October 2001 at 4,255, but has been in a downward trend since that time, except for a few years where it was relatively flat. The District's pupil count for 2013-14 was 3,643.
- Under the federal law "No Child Left Behind" the District continues to work towards meeting Adequate Yearly Progress (AYP). The ultimate goal is for all students to be "proficient" in reading and math by 2014. Colorado has applied for a waiver under NCLB that will allow the State to establish its own standards and still qualify for Federal grant funds.
- In November 2000 the voters of the State of Colorado passed a statewide referendum, Amendment 23. This amendment established a school funding reserve from state surplus dollars. The reserve was intended to ensure increases in 'base' school funding by at least inflation plus 1% over a 10-year period. However, reductions in school funding using the 'negative factor' have resulted in significant cuts over the past few years.
- Cañon City Schools has traditionally been one of the lowest funded school districts on a per pupil funding basis in the state of Colorado. During the 2007 legislative session Senate Bill 199 was approved (SB07-199). SB07-199 called for increased funding for the lowest funded districts in the state. The goal of the 'floor funding' legislation was to bring the average per pupil funding amount of these districts up to 95% of the statewide average over a 2-year period.
- In 1995 the District 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 Cañon City Schools. In fiscal year 2014 MVCKS's fund balance remained strong as a result of conservative budget practices.
- The Colorado Public Employees' Retirement Association (PERA) provides retirement and other benefits to public employees statewide, including public school employees. PERA has been and continues to be actuarially underfunded. In order to improve PERA's funding, employer contribution rates have been increasing each year.
- The Public School Financial Transparency Act was signed into law during the 2010 Legislative session. The act directs local education providers to post financial information on-line for free public access. In order to meet the requirements of the act, Cañon City Schools has posted the required information on its website under 'Financial Transparency'. Available information includes budget information, audit reports, quarterly financial report, salary schedules, check registers and credit card statements.

Cañon City Schools
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2014

- In fiscal year 2010-11 the State of Colorado faced a significant budget shortfall, which resulted in material cuts to many programs including K-12 education funding. Cañon City Schools' share of the cut totaled \$1.1 million. In order to offset this reduction in funding the District put a number of budget balancing measures into place. This was primarily accomplished through the reduction of over twenty staff positions.
- In fiscal year 2011-2012 the State of Colorado endured a \$1 billion budget shortfall. As part of its budget balancing efforts the State reduced funding for K-12 education under the School Finance Act by \$228 million. Cañon City Schools' cut totaled \$1.5 million. As it did in fiscal year 2010-2011, the District put a number of budget balancing measures into place, including further reductions in staff, reductions in student transportation, increases in fees and the planned spend down of fund balances.
- During fiscal year 2011-12 the District entered into an agreement with Christiansen, Reece & Partners architects to complete a district-wide facilities study. The study was initially intended to be used as part of current and future grant applications for Building Exceptional Schools Today (BEST) grant funds to complete various capital projects, including fire alarm system replacements. The study was also to be used to guide decisions regarding use of school facilities.
- In fiscal year 2012-13, the State of Colorado's economy started to show signs of recovery from the recession. Due to the improving economic conditions, for the first time since fiscal year 2009-10, average per pupil revenue increased, albeit minimally by \$4. Cañon City Schools did experience a reduction in its total program funding due to a decrease in its funded pupil count.
- In fiscal year 2013-14 the State's economy continued to improve. Based on this the state-wide average per pupil funding increased by \$173. Cañon City Schools per pupil revenue increased by \$165. However, the District will not realize the full benefit of this increase due to a further decline in its funded pupil count.
- Again in fiscal year 2014-15 budget forecasts showed that the State's economy was expected to continue its improvement. Based on this information, state-wide average per pupil funding is to increase by \$369. Cañon City Schools per pupil revenue is forecast to increase by \$350. However, even with the increases of the past two years, funding levels remain below 2009-10 levels.
- In November 2013 Cañon City Schools asked the voters of the school district to approve a mill levy override (MLO) and a Bond. The MLO was planned to fund a number of items, including additional vocational and advanced course offerings, textbooks and technology and to recruit and retain high quality staff. The Bond was planned to fund items, including roofs, parking lot surfacing and other deferred maintenance items as well as equipment for new vocational offerings and building security upgrades.
- Cañon City Schools is one of only two 'floor-funded' school districts in the state that does not have a mill levy override. The other being Pueblo District 70, which did pass a large capital construction bond in 2012. Unfortunately, both the 2013 MLO and Bond were not approved by the local voters.

Cañon City Schools
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2014

- In November 2013 Amendment 66 (A66) was proposed to the residents of the State of Colorado. A66 would have increased funding for public education by nearly \$1 billion. It was to be funded by a two-tier increase in the States' income tax rates. A66 was soundly defeated by the State's voters.
- With the failure of its mill levy override and bond questions, its continued decline in funded pupil count, its use of fund balances in the General Fund, Risk Management Fund and the Capital Reserve Fund and known or expected increases in expenses, including an increase in the employer's PERA contribution rate and the goal to recruit and retain quality staff, Cañon City Schools will again be faced with implementing budget reduction/priority efforts.
- In the summer of 2014 the District commenced with a Light Emitting Diode (LED) lighting retrofit project at all schools and facilities. The LED conversion is projected to reduce electricity use for lighting by 50% - lighting accounts for approximately 40% of the District's electricity usage. The project is being funded by a combination of Qualified Zone Academy Bond proceeds, Black Hills Energy credits and ASG Energy discounts.
- In September 2014 the District closed on an additional refunding of a portion of its outstanding 2003-2004 capital construction bonds. All savings must be passed along to property owners within the District in the form of a reduced bond fund mill levy. The refunding is projected to reduce interest expense by \$900 thousand over the remaining life of the outstanding bonds.
- In 2014 the District was awarded a Building Exceptional Schools Today (BEST) grant to replace the antiquated fire alarm at Cañon City Middle School. The total project cost is estimated to be \$293 thousand. The BEST grant amount is \$214 thousand and the District's match amount is \$79 thousand.
- As part of the District's efforts to improve its facility usage the District sold two owned properties in 2014. The Garden Park High School property was sold to Fremont County and the Madison School property was sold to another buyer. Net proceeds from the sales were deposited to the district's capital reserve fund and will be used for future capital related projects.

Cañon City Schools
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2014

Contacting the District's Financial Management

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

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

By e-mail: lambreb@canoncityschools.org

By phone: (719) 276-5700

Or visit our website: www.canoncityschools.org

BASIC FINANCIAL STATEMENTS

SCHOOL DISTRICT FREMONT RE-1
STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Charter School	Facilities Corp.
ASSETS					
Cash and cash equivalents	\$ 6,085,984	\$ 807,126	\$ 6,893,110	\$ 328,058	\$ 129,762
Receivables	1,561,684	27,438	1,589,122	-	5,935
Receivable from fiduciary funds	35,205	-	35,205	-	-
Receivable from primary government	-	-	-	233,826	-
Internal balances	(21,937)	21,937	-	-	-
Inventories	74,018	49,809	123,827	-	-
Prepaid expenses	31,431	-	31,431	-	3,361
Restricted assets:					
Cash and cash equivalents	2,496,782	-	2,496,782	13,789	68,342
Investments	1,873,655	-	1,873,655	-	-
Capital assets not being depreciated:					
Sites	2,220,137	-	2,220,137	474,460	-
Construction in progress	115,407	-	115,407	-	-
Capital assets, net of accumulated depreciation:					
Buildings and improvements	52,280,291	-	52,280,291	2,146,585	2,263,855
Vehicles	2,043,806	-	2,043,806	30,500	-
Equipment	2,504,141	677,206	3,181,347	-	-
Less: accumulated depreciation	(23,160,367)	(442,391)	(23,602,758)	(749,098)	-
Total capital assets	<u>36,003,415</u>	<u>234,815</u>	<u>36,238,230</u>	<u>1,902,447</u>	<u>2,263,855</u>
Total assets	<u>48,140,237</u>	<u>1,141,125</u>	<u>49,281,362</u>	<u>2,478,120</u>	<u>2,471,255</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	405,744	-	405,744	-	-
Total deferred outflows of resources	<u>405,744</u>	<u>-</u>	<u>405,744</u>	<u>-</u>	<u>-</u>
LIABILITIES					
Accounts payable and accrued expenses	308,092	295	308,387	12,543	315,769
Accrued salaries and benefits	2,194,901	74,586	2,269,487	132,651	-
Accrued interest payable	59,776	-	59,776	5,173	-
Payable to fiduciary funds	34,118	-	34,118	-	-
Payable to charter school	233,826	-	233,826	-	-
Payable to primary government	-	-	-	-	18,461
Prepaid rent and deposits	-	-	-	-	25,689
Unearned revenues	405,472	21,846	427,318	-	2,028,487
Long-term liabilities					
Due within one year					
Bonds, capital leases and notes	1,472,346	-	1,472,346	49,298	60,883
Due in more than one year					
Bonds, capital leases and notes	21,896,027	-	21,896,027	1,330,248	125,464
Compensated absences	925,899	-	925,899	-	-
Total liabilities	<u>27,530,457</u>	<u>96,727</u>	<u>27,627,184</u>	<u>1,529,913</u>	<u>2,574,753</u>
NET POSITION					
Net investment in capital assets	12,635,042	234,815	12,869,857	522,901	-
Restricted for:					
Emergency reserve (TABOR)	751,000	-	751,000	47,500	-
Debt service	2,490,578	-	2,490,578	-	-
Preschool program	185,388	-	185,388	-	-
Unrestricted	4,953,516	809,583	5,763,099	377,806	(103,498)
Total Net Position	<u>\$ 21,015,524</u>	<u>\$ 1,044,398</u>	<u>\$ 22,059,922</u>	<u>\$ 948,207</u>	<u>\$ (103,498)</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, 2014**

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-type Activities	Total	Charter School	Facilities Corp.
Primary government									
Governmental activities									
Instruction	\$ 17,629,388	\$ 8,167	\$ 4,313,623	\$ -	\$ (13,307,598)		\$ (13,307,598)		
Athletics	315,029	80,928	-	-	(234,101)		(234,101)		
Supporting services									
Students	1,518,839	-	-	-	(1,518,839)		(1,518,839)		
Instructional staff	1,343,481	2,591	75,993	-	(1,264,897)		(1,264,897)		
General administration	614,381	194,257	-	-	(420,124)		(420,124)		
School administration	1,654,160	-	-	-	(1,654,160)		(1,654,160)		
Business	628,855	127,091	-	-	(501,764)		(501,764)		
Operations and maintenance	3,318,997	51,901	-	-	(3,267,096)		(3,267,096)		
Student transportation services	678,063	-	75,680	-	(602,383)		(602,383)		
Central	1,045,302	-	-	-	(1,045,302)		(1,045,302)		
Other support services	5,467	-	-	-	(5,467)		(5,467)		
Community services	150,663	-	-	-	(150,663)		(150,663)		
Facilities acquisition and construction	1,002,413	-	-	16,333	(986,080)		(986,080)		
Interest on long-term debt	717,100	-	-	-	(717,100)		(717,100)		
Other debt service	50,000	-	-	-	(50,000)		(50,000)		
Total governmental activities	<u>30,672,138</u>	<u>464,935</u>	<u>4,465,296</u>	<u>16,333</u>	<u>(25,725,574)</u>		<u>(25,725,574)</u>		
Business-type activities									
Food services	1,539,623	408,854	1,224,172	-		\$ 93,403	93,403		
Total primary government	<u>\$ 32,211,761</u>	<u>\$ 873,789</u>	<u>\$ 5,689,468</u>	<u>\$ 16,333</u>	<u>(25,725,574)</u>	<u>93,403</u>	<u>(25,632,171)</u>		
Component units									
Charter school	1,724,991	\$ 198,929	\$ -	21,742			\$ (1,504,320)		
Facilities Corp.	339,191	-	-	-				\$ (339,191)	
Total component units	<u>\$ 2,064,182</u>	<u>\$ 198,929</u>	<u>\$ -</u>	<u>\$ 21,742</u>					
General revenues:									
Property taxes					8,004,657	-	8,004,657	-	-
Specific ownership taxes					1,118,726	-	1,118,726	-	-
State equalization					15,142,022	-	15,142,022	1,445,371	-
Investment earnings					53,826	227	54,053	363	646
Miscellaneous					733,327	3,630	736,957	22,651	-
Total general revenues					<u>25,052,558</u>	<u>3,857</u>	<u>25,056,415</u>	<u>1,468,385</u>	<u>646</u>
Change in net position					<u>(673,016)</u>	<u>97,260</u>	<u>(575,756)</u>	<u>(35,935)</u>	<u>(338,545)</u>
Net position - beginning					<u>21,688,540</u>	<u>947,138</u>	<u>22,635,678</u>	<u>984,142</u>	<u>235,047</u>
Net position - ending					<u>\$ 21,015,524</u>	<u>\$ 1,044,398</u>	<u>\$ 22,059,922</u>	<u>\$ 948,207</u>	<u>\$ (103,498)</u>

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

SCHOOL DISTRICT FREMONT RE-1
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General Fund	Governmental Designated- Purpose Grants Fund	Bond Redemption Fund	Capital Projects Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 3,779,585	\$ -	\$ -	\$ 2,306,304	\$ 95	\$ 6,085,984
Receivables	779,612	479,286	215,075	87,711	-	1,561,684
Due from other funds	212,175	148,871	-	-	-	361,046
Receivable from fiduciary funds	35,204	-	-	-	-	35,204
Inventories	74,017	-	-	-	-	74,017
Prepaid expenses	31,431	-	-	-	-	31,431
Cash, restricted	-	-	2,496,782	-	-	2,496,782
Investments, restricted	-	-	-	1,873,655	-	1,873,655
Total assets	<u>\$ 4,912,024</u>	<u>\$ 628,157</u>	<u>\$ 2,711,857</u>	<u>\$ 4,267,670</u>	<u>\$ 95</u>	<u>\$ 12,519,803</u>
LIABILITIES						
Accounts payable	\$ 287,413	\$ 20,679	\$ -	\$ -	\$ -	\$ 308,092
Accrued salaries and benefits	1,992,895	202,006	-	-	-	2,194,901
Due to other funds	170,808	-	14,347	197,828	-	382,983
Payable to fiduciary funds	34,118	-	-	-	-	34,118
Payable to charter school	233,826	-	-	-	-	233,826
Unearned revenue	-	405,472	-	-	-	405,472
Total liabilities	<u>2,719,060</u>	<u>628,157</u>	<u>14,347</u>	<u>197,828</u>	<u>-</u>	<u>3,559,392</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue-property taxes	652,751	-	206,932	-	-	859,683
Total deferred inflows of resources	<u>652,751</u>	<u>-</u>	<u>206,932</u>	<u>-</u>	<u>-</u>	<u>859,683</u>
FUND BALANCES						
Nonspendable for:						
Inventories	74,017	-	-	-	-	74,017
Prepaid amounts	31,431	-	-	-	-	31,431
Restricted for:						
Emergencies	751,000	-	-	-	-	751,000
Debt service	-	-	2,490,578	-	-	2,490,578
Preschool program	185,388	-	-	-	-	185,388
Assigned for:						
Subsequent years' insurance claims	53,917	-	-	-	-	53,917
Capital projects	-	-	-	4,069,842	-	4,069,842
Student activities	-	-	-	-	95	95
Unassigned	444,460	-	-	-	-	444,460
Total fund balances	<u>1,540,213</u>	<u>-</u>	<u>2,490,578</u>	<u>4,069,842</u>	<u>95</u>	<u>8,100,728</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,912,024</u>	<u>\$ 628,157</u>	<u>\$ 2,711,857</u>	<u>\$ 4,267,670</u>	<u>\$ 95</u>	<u>\$ 12,519,803</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, 2014

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

Total fund balance - governmental funds	\$	8,100,728
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the fund financial statements.		36,003,415
Property tax receivable is not available to pay current period expenditures and, therefore, is deferred in the fund financial statements.		859,685
Deferred charges on refunding are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the statement of net position.		405,744
Accrued interest is not due and payable in the current period and, therefore, is not reported as a liability in the funds.		(59,776)
Long-term liabilities are not due and payable in the current period and, therefore, are not included in the fund financial statements.		<u>(24,294,272)</u>
Net position of governmental activities in the statement of net position	\$	<u><u>21,015,524</u></u>

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

SCHOOL DISTRICT FREMONT RE-1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Governmental Designated- Purpose Grants Fund	Bond Redemption Fund	Capital Projects Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES						
Local property taxes	\$ 6,086,301	\$ -	\$ 1,927,130	\$ -	\$ -	\$ 8,013,431
Specific ownership taxes	1,118,726	-	-	-	-	1,118,726
State sources	16,600,030	142,442	-	16,333	-	16,758,805
Interest income	2,990	-	2,207	48,629	-	53,826
Federal sources	155,518	2,508,467	-	-	-	2,663,985
Other local revenue	729,235	484,323	-	843,690	148,274	2,205,522
Total revenues	<u>24,692,800</u>	<u>3,135,232</u>	<u>1,929,337</u>	<u>908,652</u>	<u>148,274</u>	<u>30,814,295</u>
EXPENDITURES						
Instruction	14,861,140	1,934,198	-	-	24,216	16,819,554
Athletics	-	-	-	-	316,279	316,279
Supporting services						
Student support	996,671	492,756	-	-	6,545	1,495,972
Instructional staff	686,956	359,675	-	-	283,747	1,330,378
General administration	604,497	9,158	-	-	-	613,655
School administration	1,577,765	62,219	-	-	-	1,639,984
Business services	537,665	90,334	-	-	-	627,999
Operations and maintenance	3,275,974	11,089	-	16,183	-	3,303,246
Student transportation	581,378	19,889	-	20,895	-	622,162
Central support service	986,743	-	-	-	-	986,743
Other support services	-	5,467	-	-	-	5,467
Community services	-	150,447	-	-	-	150,447
Facilities acquisition	4,500	-	-	290,857	-	295,357
Debt service:						
Principal	-	-	1,275,000	143,113	-	1,418,113
Interest and other charges	-	-	602,036	90,828	-	692,864
Total expenditures	<u>24,113,289</u>	<u>3,135,232</u>	<u>1,877,036</u>	<u>561,876</u>	<u>630,787</u>	<u>30,318,220</u>
Excess (deficiency) of revenues over expenditures	579,511	-	52,301	346,776	(482,513)	496,075
OTHER FINANCING SOURCES (USES)						
Proceeds from capital leases	-	-	-	1,000,000	-	1,000,000
Transfers in	-	-	-	399,996	482,513	882,509
Transfers out	(882,509)	-	-	-	-	(882,509)
Total other financing sources (uses)	<u>(882,509)</u>	<u>-</u>	<u>-</u>	<u>1,399,996</u>	<u>482,513</u>	<u>1,000,000</u>
Net change in fund balances	(302,998)	-	52,301	1,746,772	-	1,496,075
Fund balances - beginning	1,843,211	-	2,438,277	2,323,070	95	6,604,653
Fund balances - ending	<u>\$ 1,540,213</u>	<u>\$ -</u>	<u>\$ 2,490,578</u>	<u>\$ 4,069,842</u>	<u>\$ 95</u>	<u>\$ 8,100,728</u>

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

**SCHOOL DISTRICT FREMONT RE-1
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

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

Net change in fund balances - total governmental funds:	\$ 1,496,075
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.	(1,544,144)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net position.	(918,000)
Governmental funds do not present property tax revenues that are unavailable to pay current obligations. In contrast, such revenues are reported in the statement of activities when earned.	(8,774)
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. The repayment reduces long-term liabilities in the statement of net position.	418,113
Governmental funds measure compensated absences by the amount of financial resources used, whereas these expenses are reported in the statement of activities based on the amounts earned during the year.	(43,597)
Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This is the net effect of these differences.	<u>(72,689)</u>
Change in net position of governmental activities	<u><u>\$ (673,016)</u></u>

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

**SCHOOL DISTRICT FREMONT RE-1
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	Food Service Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 807,126
Accounts Receivable, net	27,438
Due from other funds	21,937
Inventories	49,809
Total current assets	906,310
Non-current assets:	
Capital assets:	
Equipment and furniture	677,206
Less accumulated depreciation	(442,391)
Total non-current assets	234,815
Total assets	1,141,125
LIABILITIES	
Current liabilities:	
Accounts payable	295
Accrued salaries and benefits	74,586
Unearned revenues	21,846
Total liabilities	96,727
NET POSITION	
Investment in capital assets	234,815
Unrestricted	809,583
Total net position	\$ 1,044,398

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

SCHOOL DISTRICT FREMONT RE-1
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Food Service Fund
OPERATING REVENUES	
Charges for services	\$ 408,854
Miscellaneous	1,885
	410,739
OPERATING EXPENSES	
Salaries	470,558
Employee benefits	152,942
Purchased services	27,338
Supplies	823,184
Equipment	8,451
Indirect costs	30,000
Depreciation	27,150
	1,539,623
Total operating expenses	1,539,623
Operating income (loss)	(1,128,884)
NON-OPERATING REVENUES (EXPENSES)	
National School Food Program	1,125,077
State matching funds	31,729
Donated commodities	65,481
Interest and investment revenue	227
Other local revenue	3,630
	1,226,144
Total non-operating revenue (expenses)	1,226,144
Change in net position	97,260
Total net position - beginning	947,138
Total net position - ending	\$ 1,044,398

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

**SCHOOL DISTRICT FREMONT RE-1
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Food Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from operations	\$ 420,300
Cash payments to suppliers	(855,186)
Cash payments to employees for services	(625,310)
Cash received from other revenue	<u>3,630</u>
Net cash provided (used) by operating activities	<u>(1,056,566)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Cash received from National School Food Program	1,230,415
Cash received from state matching funds	31,729
Net cash advances from (repayments to) other funds	<u>(56,080)</u>
Net cash provided (used) by non-capital financing activities	<u>1,206,064</u>
CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of equipment	<u>(67,378)</u>
Net cash provided (used) by capital and related financing activities	<u>(67,378)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>227</u>
Net cash provided (used) by investing activities	<u>227</u>
Net increase (decrease) in cash and cash equivalents	82,347
Cash and cash equivalents - beginning	<u>724,779</u>
Cash and cash equivalents - ending	<u><u>\$ 807,126</u></u>

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

**SCHOOL DISTRICT FREMONT RE-1
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	Food Service Fund
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (1,128,884)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	27,150
Other revenue	3,630
Commodities included in operating expenses	65,481
Change in assets and liabilities:	
(Increase) decrease in:	
Inventory	3,960
Increase (decrease) in:	
Accounts payable	(35,653)
Salaries payable	(1,811)
Unearned revenue	9,561
Total adjustments	72,318
Net cash provided (used) by operating activities	\$ (1,056,566)

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 2014**

	Private-Purpose Trust Fund	Agency Fund
ASSETS		
Cash and cash equivalents	\$ 113,576	\$ 188,776
Investments	4,413	-
Due from primary government	-	34,118
Restricted cash and cash equivalents	356,740	-
Restricted investments	20,000	-
	<u>494,729</u>	<u>222,894</u>
LIABILITIES		
Due to primary government	35,204	
Due to student organizations	-	222,894
	<u>35,204</u>	<u>222,894</u>
Total liabilities	<u>35,204</u>	<u>\$ 222,894</u>
NET POSITION		
Held in trust for individuals		
Nonexpendable	376,740	
Expendable	82,785	
	<u>459,525</u>	
Total net position	<u>\$ 459,525</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 2014**

	Private-Purpose Trust Fund
ADDITIONS	
Investment income	\$ 2,204
Donations	2,033
Total additions	4,237
DEDUCTIONS	
Scholarship awards	16,325
Total deductions	16,325
Change in net position	(12,088)
Net position - beginning	471,613
Net position - ending	\$ 459,525

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, 2013**

ASSETS

Current assets	
Cash and cash equivalents	\$ 129,762
Accounts receivable	5,935
Prepaid expenses	3,361
Restricted cash and cash equivalents	68,342
	<hr/>
Total current assets	207,400
	<hr/>
Non-current assets	
Capital assets, net of accumulated depreciation	2,260,822
Capitalized costs, net of amortization	3,033
	<hr/>
Total non-current assets	2,263,855
	<hr/>
Total assets	<u><u>\$ 2,471,255</u></u>

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable - trade	\$ 6,208
Payable to School District Fremont RE-1	18,461
Prepaid rent	964
Tenant security deposits	24,725
Notes payable due within one year	60,883
	<hr/>
Total current liabilities	111,241
	<hr/>
Long-term liabilities:	
Deferred revenues	2,028,487
Accrued expenses	309,561
Notes payable	125,464
	<hr/>
Total long-term liabilities	2,463,512
	<hr/>
Total liabilities	2,574,753
	<hr/>
Net assets:	
Unrestricted	(103,498)
	<hr/>
Total net assets	(103,498)
	<hr/>
Total liabilities and net assets	<u><u>\$ 2,471,255</u></u>

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

**SCHOOL DISTRICT FREMONT RE-1
STATEMENT OF ACTIVITIES
FREMONT SCHOOLS FACILITIES CORPORATION
YEAR ENDED DECEMBER 31, 2013**

UNRESTRICTED NET ASSETS

Support and revenue	
Investment earnings	\$ 646
Total support and revenue	<u>646</u>
Expenses	
Program expenses	35,195
Loss on Family Center investment	303,996
Total expenses	<u>339,191</u>
Change in net assets	(338,545)
Net assets - beginning	<u>235,047</u>
Net assets - ending	<u>\$ (103,498)</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, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (338,545)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation and amortization - Family Center investment	164,631
Depreciation	32,064
(Increase) decrease in operating assets:	
Receivables	(3,932)
Prepaid expenses	(721)
Increase (decrease) in operating liabilities:	
Accounts payable	(44,214)
Tenant security deposits	200
Prepaid rent	(163)
Accrued liabilities	(317)
Deferred revenue	209,947
	<hr/>
Net cash provided (used) by operating activities	18,950
	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES	
Operating reserve	(20)
Reserve for replacement	(5)
	<hr/>
Net cash provided (used) by investing activities	(25)
	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES	
Principal payments - notes payable	(57,697)
	<hr/>
Net cash provided (used) by financing activities	(57,697)
	<hr/>
Net increase (decrease) in cash and cash equivalents	(38,772)
Cash and cash equivalents - beginning	168,534
	<hr/>
Cash and cash equivalents - ending	\$ 129,762
	<hr/> <hr/>

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, 2014

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, 2014

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, 2014

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

The District reports the following major proprietary fund:

Enterprise Funds are used to account for those operations financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

The *Food Service Fund* accounts for the Districts food service program.

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 *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.

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

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

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

SCHOOL DISTRICT FREMONT RE-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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, 2014

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

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

Cash and Investments

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

Receivables

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

Inventory and prepaid items

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

In the Food Service Fund, commodity inventories are stated at USDA's assigned values, which approximate fair value at the date of receipt. Expenses for food items are recorded when used. The federal government donates surplus commodities to supplement the national school lunch programs. Commodity contributions received by the District are recorded as an asset and deferred revenue at the date of receipt and recognized as non-operating revenues when consumed.

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

SCHOOL DISTRICT FREMONT RE-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Restricted Cash and Investments

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

Capital Assets

Capital assets, which include land, buildings and improvements, vehicles, and equipment, are reported in the applicable governmental or business-type activities columns 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, except the Food Services fund where it is \$1,000. 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.

Buildings and improvements and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

Buildings	50 years
Building and site improvements	20 years
Transportation	10 years
Equipment	5 to 15 years

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. The government only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

SCHOOL DISTRICT FREMONT RE-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Deferred outflows/inflows of resources (continued)

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. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from one source: property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Long-term liabilities

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

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

Net position flow assumption

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

Fund balance flow assumption

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

SCHOOL DISTRICT FREMONT RE-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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

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.

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.

SCHOOL DISTRICT FREMONT RE-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. REVENUES AND EXPENDITURES/EXPENSES (CONTINUED)

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.

Proprietary Funds Operating and Nonoperating Revenues and Expenses

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

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, 2014

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

Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net position:

The governmental funds balance sheet includes a reconciliation between *total fund balances—governmental funds* and *total net position—governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the fund financial statements”. The details of this difference are as follows:

Capital assets	\$ 59,163,782
Accumulated depreciation	<u>(23,160,367)</u>
Net adjustment to <i>total fund balances—governmental funds</i> to arrive at <i>total net position—governmental activities</i>	<u>\$ 36,003,415</u>

Another element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and, therefore, are not included in the fund financial statements.” The details of this difference are as follows:

Bonds payable	\$ (17,105,000)
Unamortized bond premium	(466,712)
Capital leases	(5,796,661)
Compensated absences	<u>(925,899)</u>
Net adjustment to <i>total fund balances—governmental funds</i> to arrive at <i>net position—governmental activities</i>	<u>\$ (24,294,272)</u>

Explanation of certain differences between the governmental funds statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities:

The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balances—governmental funds* and *change in net position—governmental activities* as reported in the government-wide statement of activities. One element of the reconciliation states that “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”. The details of this difference are as follows:

Depreciation	\$ (1,755,407)
Capital outlays	<u>211,263</u>
Net adjustment to <i>net change in fund balances—governmental funds</i> to arrive at <i>change in net position—governmental activities</i>	<u>\$ (1,544,144)</u>

**SCHOOL DISTRICT FREMONT RE-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

**NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(CONTINUED)**

Another element of the reconciliation states that “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”. The details of this difference are as follows:

Accrued interest	\$	5,531
Amortization of deferred on refunding		(120,536)
Accretion of bond premium		<u>42,316</u>
Net adjustment to <i>net change in fund balances—governmental funds</i> to arrive at <i>change in net position—governmental activities</i>	\$	<u>(72,689)</u>

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

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

SCHOOL DISTRICT FREMONT RE-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS

The District's restricted and unrestricted cash and investments, exclusive of component units, consist of the following at June 30, 2014:

	Unrestricted Cash and Cash <u>Equivalents</u>	Restricted Cash and Cash <u>Equivalents</u>	Unrestricted <u>Investments</u>	Restricted <u>Investments</u>	Total
Deposits	\$ 1,289,545	\$ 356,740	\$ -	\$ -	\$ 1,646,285
ColoTrust	4,376,714	2,496,782	-	-	6,873,496
CSafe	351,107	-	-	-	351,107
Money Market	1,178,096	-	-	122	1,178,218
Commercial Paper	-	-	-	405,871	405,871
US Treasury Bonds	-	-	4,413	20,000	24,413
US Agency Bonds	-	-	-	1,467,662	1,467,662
Subtotal Investments	<u>5,905,917</u>	<u>2,496,782</u>	<u>4,413</u>	<u>1,893,655</u>	<u>10,300,767</u>
Total Cash and Investments	<u>\$ 7,195,462</u>	<u>\$ 2,853,522</u>	<u>\$ 4,413</u>	<u>\$ 1,893,655</u>	<u>\$ 11,947,052</u>

Reconciliation of total deposits and investments to the government-wide financial statements at June 30, 2014:

	Unrestricted Cash and Cash <u>Equivalents</u>	Restricted Cash and Cash <u>Equivalents</u>	Unrestricted <u>Investments</u>	Restricted <u>Investments</u>
<u>Primary Government</u>				
Governmental activities	\$ 6,085,984	\$ 2,496,782	\$ -	\$ 1,873,655
Business-type activities	807,126	-	-	-
Fiduciary	<u>302,352</u>	<u>356,740</u>	<u>4,413</u>	<u>20,000</u>
Total	<u>\$ 7,195,462</u>	<u>\$ 2,853,522</u>	<u>\$ 4,413</u>	<u>\$ 1,893,655</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.

**SCHOOL DISTRICT FREMONT RE-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits (continued)

The carrying amount of the School's deposits at June 30, 2014 was \$1,646,285 and the bank balances were \$1,982,203. Of the bank balances, \$407,000 was covered by federal deposit insurance and \$1,575,203 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.

At June 30, 2014 the District's investment balances were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
ColoTrust	\$ 6,873,496	0.00
CSafe	351,107	0.00
Money Market	1,178,218	0.00
Commercial Paper	405,871	0.39
US Treasury Bonds	24,413	2.39
US Agency Bonds	<u>1,467,662</u>	0.39
Total fair value	<u>\$ 10,300,767</u>	
Portfolio weighted average maturity		0.08

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

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

**SCHOOL DISTRICT FREMONT RE-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (continued)

Credit Risk: State law limits investments to those described above. The District does not have an investment policy that would further limit its investment choices. As of June 30, 2014, Standard & Poor's rated ColoTrust AAAM and all other investments held by the District AAA.

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

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

Facilities Corp Deposits and Investments

The deposits and investments of the Facilities Corp at December 31, 2013 consist of the following:

	Unrestricted Cash and Cash <u>Equivalents</u>	Restricted Cash and Cash <u>Equivalents</u>	Unrestricted <u>Investments</u>	Restricted <u>Investments</u>	<u>Total</u>
Deposits	\$ 85,444	\$ 52,866	\$ -	\$ -	\$ 138,310
ColoTrust	<u>44,318</u>	<u>15,476</u>	<u>-</u>	<u>-</u>	<u>59,794</u>
Total cash and investments	<u>\$ 129,762</u>	<u>\$ 68,342</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 198,104</u>

The carrying amount of the Facilities Corp.'s deposits at December 31, 2013 was \$138,310 and the bank balances were \$141,999. All of the bank balances were covered by federal deposit insurance.

SCHOOL DISTRICT FREMONT RE-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 5 – RECEIVABLES

Receivables as of June 30, 2014 for the government’s individual major funds, non-major, and enterprise funds in the aggregate, are as follows:

	<u>General</u>	<u>Designated Purpose Grants</u>	<u>Bond Redemption Fund</u>	<u>Capital Projects Fund</u>	<u>Food Service Fund</u>	<u>Total</u>
Receivables:						
Property tax	\$ 774,023	\$ -	\$ 215,075	\$ -	\$ -	\$ 989,098
Grant proceeds	-	479,286	-	87,711	27,438	594,435
Other	<u>5,589</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,589</u>
Total	<u>\$ 779,612</u>	<u>\$ 479,286</u>	<u>\$ 215,075</u>	<u>\$ 87,711</u>	<u>\$ 27,438</u>	<u>\$ 1,589,122</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, 2014, is 27.100 mills for general operating expenses and 8.572 mills for the payment of long-term debt. The District’s assessed valuation for the collection year 2014 was \$224,265,007.

Specific Ownership Tax

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

**SCHOOL DISTRICT FREMONT RE-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 7 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Receivables and Payables

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

The composition of interfund balances at June 30, 2014 is as follows:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 212,175	\$ 170,808
Grants Fund	148,871	-
Bond Fund	-	14,347
Capital Projects Fund	-	197,828
Food Service Fund	<u>21,937</u>	<u>-</u>
Total	<u>\$ 382,983</u>	<u>\$ 382,983</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>\$ 233,826</u>

Due to/from fiduciary funds

The primary government’s general fund had a total amount due from fiduciary funds at June 30, 2014 of \$1,086 consisting of \$35,204 due from the Private-Purpose Trust Fund and \$34,118 due to student clubs.

Transfers

Interfund transfer activity for the year ended June 30, 2014 is as follows:

	<u>Transfer In</u>		
<u>Transfer Out</u>	<u>Capital Projects Fund</u>	<u>Pupil Activity Fund</u>	<u>Total</u>
General Fund	<u>\$ 399,996</u>	<u>\$ 482,513</u>	<u>\$ 882,509</u>

SCHOOL DISTRICT FREMONT RE-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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

Transfers (continued)

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 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 \$74,017 at June 30, 2014.

Proprietary Fund inventories consisted of Food Service Fund 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. A breakdown of inventories in the Food Service Fund is as follows:

Purchased food	\$ 9,693
Purchased non-food	3,024
Donated commodities	<u>37,092</u>
Total	\$ <u>49,809</u>

SCHOOL DISTRICT FREMONT RE-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 was as follows:

	<u>Balance</u> <u>06/30/13</u>	<u>Additions</u>	<u>Sales and</u> <u>Retirements</u>	<u>Balance</u> <u>06/30/14</u>
<i>Governmental Activities</i>				
Non-depreciable assets:				
Land	\$ 2,220,137	\$ -	\$ -	\$ 2,220,137
Construction in progress	<u>172,874</u>	<u>115,408</u>	<u>172,875</u>	<u>115,407</u>
Total non-depreciable assets	<u>2,393,011</u>	<u>115,408</u>	<u>172,875</u>	<u>2,335,544</u>
Depreciable assets:				
Buildings and improvements	53,447,117	33,174	1,200,000	52,280,291
Vehicles	2,329,353	9,500	295,047	2,043,806
Equipment	<u>2,278,085</u>	<u>226,056</u>	<u>-</u>	<u>2,504,141</u>
Total depreciable assets	<u>58,054,555</u>	<u>268,730</u>	<u>1,495,047</u>	<u>56,828,238</u>
Less accumulated depreciation for:				
Buildings and improvements	18,366,723	1,577,846	282,000	19,662,569
Vehicles	1,989,698	75,358	295,047	1,770,009
Equipment	<u>1,625,586</u>	<u>102,203</u>	<u>-</u>	<u>1,727,789</u>
Total accumulated depreciation	<u>21,982,007</u>	<u>1,755,407</u>	<u>577,047</u>	<u>23,160,367</u>
Total depreciable assets, net	<u>36,072,548</u>	<u>(1,486,677)</u>	<u>(918,000)</u>	<u>33,667,871</u>
<i>Governmental activities capital assets, net</i>	<u>\$ 38,465,559</u>	<u>\$ (1,371,269)</u>	<u>\$ (1,090,875)</u>	<u>\$ 36,003,415</u>
<i>Business-type Activities</i>				
Depreciable assets:				
Equipment	\$ 609,828	\$ 67,378	\$ -	\$ 677,206
Less accumulated depreciation for:				
Equipment	<u>415,240</u>	<u>27,151</u>	<u>-</u>	<u>442,391</u>
<i>Business-type activities capital assets, net</i>	<u>\$ 194,588</u>	<u>\$ 40,227</u>	<u>\$ -</u>	<u>\$ 234,815</u>

SCHOOL DISTRICT FREMONT RE-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 9 - CAPITAL ASSETS (CONTINUED)

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

Governmental Activities

Instruction	\$ 785,934
School Administration	10,937
Operations & maintenance	12,482
Transportation	64,475
Central	57,569
Facilities acquisition	<u>824,010</u>
	<u>\$ 1,755,407</u>

Business-type Activities

Food services	\$ <u>27,151</u>
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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, 2014 are \$2,269,487. 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, 2014 are as follows:

	<u>Principal Balance</u>
2003A bonds in the original amount of \$16,500,000 partially refunded due in varying annual installments through December 1, 2015 and interest rates from 3.50% to 3.625%	\$ 905,000
2004A bonds in the original amount of \$9,500,000 partially refunded due in varying annual installments through December 1, 2015 and interest rate of 4.00%.	1,550,000
2006A bonds in the original amount of \$8,085,000 due in varying annual installments through December 1, 2024 and interest rates from 3.50% to 4.00%.	7,695,000
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%.	<u>6,955,000</u>
Total General Obligation Bonds	<u>\$ 17,105,000</u>

SCHOOL DISTRICT FREMONT RE-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 11 - LONG-TERM LIABILITIES (CONTINUED)

General Obligation Bonds (continued)

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

Fiscal Year <u>Ending June 30</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,325,000	\$ 553,547	\$ 1,878,547
2016	1,375,000	503,142	1,878,142
2017	1,425,000	462,594	1,887,594
2018	1,465,000	430,905	1,895,905
2019	1,475,000	389,307	1,864,307
2020 – 2024	8,215,000	1,119,444	9,334,444
2025	<u>1,825,000</u>	<u>34,938</u>	<u>1,859,938</u>
Total	<u>\$ 17,105,000</u>	<u>\$ 3,493,877</u>	<u>\$ 20,598,877</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, 2014 there was \$2,490,578 available in the Bond Redemption Fund to service the general obligation bonds.

Prior Year Defeasance of Debt

In prior years, the District has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the District's government-wide financial statements. As of June 30, 2014, the amount of defeased debt outstanding amounted to \$14,075,000.

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.

SCHOOL DISTRICT FREMONT RE-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 11 - LONG-TERM LIABILITIES (CONTINUED)

Capital Leases (continued)

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.

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.

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.

**SCHOOL DISTRICT FREMONT RE-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 11 - LONG-TERM LIABILITIES (CONTINUED)

Capital Leases (continued)

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Asset:	
Buildings and improvements	\$ 4,410,189
Equipment	526,321
Vehicles	92,352
Less: Accumulated depreciation	<u>(2,746,271)</u>
Total	<u>\$ 2,282,591</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2014, were as follows

<u>Year Ending June 30</u>	
2015	\$ 183,076
2016	282,211
2017	286,347
2018	285,416
2019	284,485
2020 – 2024	4,511,240
2025	<u>100,000</u>
Total minimum lease payments	5,932,775
Less: amount representing interest	<u>(136,114)</u>
Present value of minimum lease payments	<u>\$ 5,796,661</u>

Compensated Absences Payable

Compensated absences consisted of the following as of June 30, 2014:

Vacation benefits	\$ 195,524
Sick leave benefits	<u>730,375</u>
Total	<u>\$ 925,899</u>

**SCHOOL DISTRICT FREMONT RE-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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, 2014:

	<u>Balance 06/30/13</u>	<u>Debt Issued And Additions</u>	<u>Reductions</u>	<u>Balance 06/30/14</u>	<u>Due Within One year</u>
Bonds payable:					
General obligation bonds	\$ 18,380,000	\$ -	\$ 1,275,000	\$ 17,105,000	\$ 1,325,000
Unamortized bond premium	<u>509,028</u>	<u>-</u>	<u>42,316</u>	<u>466,712</u>	<u>-</u>
	18,889,028	-	1,317,316	17,571,712	1,325,000
Capital leases payable	<u>4,939,774</u>	<u>1,000,000</u>	<u>143,113</u>	<u>5,796,661</u>	<u>147,346</u>
Total bond and capital leases	23,828,802	1,000,000	1,460,429	23,368,373	1,472,346
Compensated absences	<u>882,302</u>	<u>43,597</u>	<u>-</u>	<u>925,899</u>	<u>-</u>
Total	<u>\$ 24,711,104</u>	<u>\$ 1,043,597</u>	<u>\$ 1,460,429</u>	<u>\$ 24,294,272</u>	<u>\$ 1,472,346</u>

NOTE 12 – OPERATING LEASES

The District leases office equipment under non-cancelable operating leases. Total costs for such leases were \$248,371 for the year ended June 30, 2014. The future minimum lease payments for these leases are as follows:

<u>Year Ending June 30</u>	
2015	\$ 218,480
2016	158,700
2017	158,700
2018	158,700
2019	158,700
2020-2024	<u>793,500</u>
Total minimum lease payments	<u>\$ 1,646,780</u>

NOTE 13 - RISK MANAGEMENT

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

SCHOOL DISTRICT FREMONT RE-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 14 - 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 15 - DEFINED BENEFIT PENSION PLAN

Plan Description

The School District Fremont RE-1 contributes to the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). The SDTF provides retirement and disability, post-retirement annual increases, and death benefits for members or their beneficiaries. All employees of School District Fremont RE-1 are members of the SDTF. Title 24, Article 51 of the Colorado Revised Statutes (CRS), as amended, assigns the authority to establish benefit provisions to the State Legislature. PERA issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplementary information for the SDTF. That report may be obtained online at www.copera.org or by writing to Colorado PERA, 1301 Pennsylvania Street, Denver, Colorado 80203, or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

Funding Policy

The School District Fremont RE-1 is required to contribute member and employer contributions to PERA at a rate set by statute. The contribution requirements of plan members and the School District Fremont RE-1 are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members is 8.0 percent and for the School District Fremont RE-1 it is 10.15 percent of covered salary. A portion of the School District Fremont RE-1's contribution (1.02 percent of covered salary) is allocated to the Health Care Trust Fund (See Note 16). The School District Fremont RE-1 is also required to pay an amortization equalization disbursement (AED) equal to 3.80 percent of the total payroll for the calendar year 2014 (3.40 percent of total payroll for the calendar year 2013, and 3.00 percent of total payroll for the calendar year 2012). Additionally, the School District Fremont RE-1 is required to pay a supplemental amortization equalization disbursement (SAED) equal to 3.50 percent of the total payroll for the calendar year 2014 (3.00 percent of total payroll for the calendar year 2013, and 2.50 percent of total payroll for the calendar year ended 2012). If the School District Fremont RE-1 rehires a PERA retiree as an employee or under any other work arrangement, it is required to report and pay employer contributions (including the AED and SAED) on the amounts paid for the retiree; however no member contributions are required. For the years ending June 30, 2012, 2013, and 2014, the School District Fremont RE-1's employer contributions to the SDTF were \$2,268,129, \$2,271,932, and \$2,531,493 respectively, equal to their required contributions for each year.

SCHOOL DISTRICT FREMONT RE-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 16 – POST-EMPLOYMENT HEALTHCARE BENEFITS

Plan Description

The School District Fremont RE-1 contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF provides a health care premium subsidy to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the CRS, as amended, assigns the authority to establish the HCTF benefit provisions to the State Legislature. PERA issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplementary information for the HCTF. That report may be obtained online at www.copera.org or by writing to Colorado PERA, 1301 Pennsylvania Street, Denver, Colorado 80203, or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

Funding Policy

The School District Fremont RE-1 is required to contribute at a rate of 1.02 percent of covered salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the School District Fremont RE-1 are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contribution to the HCTF from the defined benefit plan employer contribution (see Note 15) is established under Title 24, Article 51, Section 208 of the CRS, as amended. For the years ending June 30, 2012, 2013, and 2014, the School District Fremont RE-1's employer contributions to the HCTF were \$163,117, \$159,314, and \$161,556 respectively, equal to their required contributions for each year.

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

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

NOTE 18 - TAX, SPENDING, AND DEBT LIMITATIONS

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

The entity's financial activity provides the basis for calculation of limitations adjusted for allowable increases tied to inflation and local growth.

The Amendment excludes from its provisions certain government owned businesses defined as "Enterprises". Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of its annual revenue in grants from all state and local governments combined, are excluded from the provisions of the Amendment.

SCHOOL DISTRICT FREMONT RE-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 18 - TAX, SPENDING, AND DEBT LIMITATIONS (CONTINUED)

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.

The Amendment requires, with certain exceptions, voter approval prior to imposing new taxes, increasing tax rate, increasing a mill levy above that for the prior year, extending an expiring tax, or implementing a tax policy change directly causing a net tax revenue gain to any local government.

The entity levied 35.672 and 35.765 mills for property taxes to be collected each year in 2014 and 2013, respectively.

Except for bond refinancing at lower interest rates or adding employees to existing pension plans, the Amendment specifically prohibits the creation of multiple-fiscal year debt or other financial obligations without voter approval or irrevocable pledging present cash reserves for all future payments.

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.

An Emergency Reserve totaling \$751,000 has been presented as a reservation of fund balance in the General Fund.

The voters of the District approved on November 2, 1999 that the District be authorized 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.

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

NOTE 19 – SUBSEQUENT EVENTS

On September 4, 2014, the District issued \$7,500,000 in General Obligation Refunding Bonds, Series 2014, with interest rating ranging from 2.00 to 3.00 percent. The proceeds were used to refund a portion of the District's outstanding general obligation debt and to pay the costs of issuance of the Bonds. Payments are due in varying annual installments through December 1, 2024.

REQUIRED SUPPLEMENTARY INFORMATION

SCHOOL DISTRICT FREMONT RE-1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Local property taxes	\$ 7,837,140	\$ 7,690,256	\$ 6,086,301	\$ (1,603,955)
Specific ownership taxes	-	-	1,118,726	1,118,726
State sources	17,680,338	18,091,089	16,600,030	(1,491,059)
Federal sources	146,000	146,000	155,518	9,518
Investment earnings	-	-	2,990	2,990
Other local revenue	-	-	729,235	729,235
	25,663,478	25,927,345	24,692,800	(1,234,545)
EXPENDITURES				
Instruction	14,566,697	14,759,302	14,861,140	(101,838)
Supporting services				
Student support	969,050	1,003,293	996,671	6,622
Instructional staff	684,663	685,480	686,956	(1,476)
General administration	557,792	623,787	604,497	19,290
School administration	1,497,737	1,549,010	1,577,765	(28,755)
Business services	507,851	507,845	537,665	(29,820)
Operations and maintenance	3,116,396	3,113,818	3,275,974	(162,156)
Student transportation	444,786	514,786	581,378	(66,592)
Central support service	1,044,274	1,044,274	986,743	57,531
Facilities acquisition	2,000	2,000	4,500	(2,500)
Debt service				
Interest and other charges	1,000	1,000	-	1,000
Contingency reserves	1,148,629	1,169,247	-	1,169,247
Other financing uses				
Transfers out	2,343,428	2,339,942	882,509	1,457,433
	26,884,303	27,313,784	24,995,798	2,317,986
Net change in fund balances	(1,220,825)	(1,386,439)	(302,998)	1,083,441
Fund balances - beginning	1,643,223	1,843,211	1,843,211	-
Fund balances - ending	\$ 422,398	\$ 456,772	\$ 1,540,213	\$ 1,083,441

See the accompanying independent auditors' report.

SCHOOL DISTRICT FREMONT RE-1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GOVERNMENTAL DESIGNATED-PURPOSE GRANTS FUND
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
State sources	\$ 117,666	\$ 117,666	\$ 142,442	\$ 24,776
Federal sources	2,674,878	2,674,878	2,508,467	(166,411)
Other local revenue	407,456	407,456	484,323	76,867
	<u>3,200,000</u>	<u>3,200,000</u>	<u>3,135,232</u>	<u>(64,768)</u>
EXPENDITURES				
Instruction	1,812,000	1,812,000	1,934,198	(122,198)
Supporting services				
Student support	431,000	431,000	492,756	(61,756)
Instructional staff	343,000	343,000	359,675	(16,675)
General administration	-	-	9,158	(9,158)
School administration	42,000	42,000	62,219	(20,219)
Business services	-	-	90,334	(90,334)
Operations and maintenance	1,000	1,000	11,089	(10,089)
Student transportation	45,000	45,000	19,889	25,111
Central support service	3,000	3,000	-	3,000
Other support services	-	-	5,467	(5,467)
Community services	523,000	523,000	150,447	372,553
	<u>3,200,000</u>	<u>3,200,000</u>	<u>3,135,232</u>	<u>64,768</u>
Net change in fund balances	-	-	-	-
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See the accompanying independent auditors' report.

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

GENERAL FUND

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

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

SCHOOL DISTRICT FREMONT RE-1
SCHEDULE OF REVENUE COMPARED TO BUDGET
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Local sources			
Local property taxes	\$ 6,067,155	\$ 6,086,301	\$ 19,146
Specific ownership taxes	986,465	1,118,726	132,261
Earnings on investments	4,200	2,990	(1,210)
Other local sources	632,436	729,235	96,799
Total local sources	<u>7,690,256</u>	<u>7,937,252</u>	<u>246,996</u>
State sources			
State equalization	16,622,507	15,142,022	(1,480,485)
Vocational education	67,000	66,988	(12)
Transportation	110,000	72,590	(37,410)
Special education	1,116,982	1,164,440	47,458
Other state sources	174,600	153,990	(20,610)
Total state sources	<u>18,091,089</u>	<u>16,600,030</u>	<u>(1,491,059)</u>
Federal sources			
Other	146,000	155,518	9,518
Total federal sources	<u>146,000</u>	<u>155,518</u>	<u>9,518</u>
Total revenues	<u>\$ 25,927,345</u>	<u>\$ 24,692,800</u>	<u>\$ (1,234,545)</u>

See the accompanying independent auditors' report.

SCHOOL DISTRICT FREMONT RE-1
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
COMPARED TO BUDGET
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
EXPENDITURES			
Instruction			
Salaries	\$ 10,448,093	\$ 10,494,774	\$ (46,681)
Employee benefits	2,548,092	2,555,648	(7,556)
Purchased services	1,291,781	1,325,923	(34,142)
Supplies	422,257	434,742	(12,485)
Capital outlay	19,871	21,976	(2,105)
Other expenses	29,208	28,077	1,131
Total instruction	<u>14,759,302</u>	<u>14,861,140</u>	<u>(101,838)</u>
Supporting services			
Student support:			
Salaries	789,350	795,997	(6,647)
Employee benefits	202,280	189,958	12,322
Purchased services	2,000	1,103	897
Supplies	9,663	9,613	50
Total student support	<u>1,003,293</u>	<u>996,671</u>	<u>6,622</u>
Instructional staff			
Salaries	297,190	340,556	(43,366)
Employee benefits	82,283	85,072	(2,789)
Purchased services	18,950	24,253	(5,303)
Supplies	239,545	182,964	56,581
Capital outlay	11,000	18,688	(7,688)
Other expenses	-	287	(287)
Other	36,512	35,136	1,376
Total instructional staff	<u>685,480</u>	<u>686,956</u>	<u>(1,476)</u>
General administration			
Salaries	285,994	306,257	(20,263)
Employee benefits	59,724	68,868	(9,144)
Purchased services	207,550	192,643	14,907
Supplies	19,403	16,594	2,809
Other expenses	51,116	20,135	30,981
Total general administration	<u>\$ 623,787</u>	<u>\$ 604,497</u>	<u>\$ 19,290</u>

See the accompanying independent auditors' report.

SCHOOL DISTRICT FREMONT RE-1
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
COMPARED TO BUDGET
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Budget	Actual	Variance Favorable (Unfavorable)
School administration			
Salaries	\$ 1,074,346	\$ 1,140,911	\$ (66,565)
Employee benefits	267,722	278,761	(11,039)
Purchased services	174,719	127,903	46,816
Supplies	32,042	28,850	3,192
Capital outlay	181	1,340	(1,159)
Total school administration	<u>1,549,010</u>	<u>1,577,765</u>	<u>(28,755)</u>
Business services			
Salaries	318,656	337,424	(18,768)
Employee benefits	81,579	82,739	(1,160)
Purchased services	49,000	30,315	18,685
Supplies	53,610	49,081	4,529
Capital outlay	4,000	1,400	2,600
Other expenses	1,000	36,706	(35,706)
Total business services	<u>507,845</u>	<u>537,665</u>	<u>(29,820)</u>
Operations and maintenance			
Salaries	1,171,949	1,211,603	(39,654)
Employee benefits	312,722	314,158	(1,436)
Purchased services	650,000	627,135	22,865
Supplies	964,576	1,120,159	(155,583)
Capital outlay	14,571	2,919	11,652
Total operations and maintenance	<u>3,113,818</u>	<u>3,275,974</u>	<u>(162,156)</u>
Student transportation			
Salaries	254,973	321,409	(66,436)
Employee benefits	72,463	88,500	(16,037)
Purchased services	74,860	64,529	10,331
Supplies	229,000	245,320	(16,320)
Capital outlay	3,000	6,135	(3,135)
Other expenses	(119,510)	(144,515)	25,005
Total student transportation	<u>\$ 514,786</u>	<u>\$ 581,378</u>	<u>\$ (66,592)</u>

See the accompanying independent auditors' report.

SCHOOL DISTRICT FREMONT RE-1
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
COMPARED TO BUDGET
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Budget	Actual	Variance Favorable (Unfavorable)
Central support services			
Salaries	\$ 404,567	\$ 420,211	\$ (15,644)
Employee benefits	100,807	95,765	5,042
Purchased services	378,900	333,628	45,272
Supplies	134,500	130,801	3,699
Capital outlay	20,500	6,338	14,162
Other expenses	5,000	-	5,000
Total central support services	<u>1,044,274</u>	<u>986,743</u>	<u>57,531</u>
Total supporting services	<u>9,042,293</u>	<u>9,247,649</u>	<u>(205,356)</u>
Facilities acquisition			
Purchased services	<u>2,000</u>	<u>4,500</u>	<u>(2,500)</u>
Total facilities acquisition	<u>2,000</u>	<u>4,500</u>	<u>(2,500)</u>
Debt services			
Interest and other charges	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Total debt services	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Contingency reserves	<u>1,169,247</u>	<u>-</u>	<u>1,169,247</u>
Other financing uses			
Transfers out	<u>2,339,942</u>	<u>882,509</u>	<u>1,457,433</u>
Total expenditures and other financing uses	<u>\$ 27,313,784</u>	<u>\$ 24,995,798</u>	<u>\$ 2,317,986</u>

See the accompanying independent auditors' report.

GOVERNMENTAL DESIGNATED-PURPOSE GRANTS FUND

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

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

SCHOOL DISTRICT FREMONT RE-1
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GOVERNMENTAL DESIGNATED-PURPOSE GRANTS FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
State sources	\$ 117,666	\$ 142,442	\$ 24,776
Federal sources	2,674,878	2,508,467	(166,411)
Other local revenue	407,456	484,323	76,867
	<u>3,200,000</u>	<u>3,135,232</u>	<u>(64,768)</u>
EXPENDITURES			
Instruction	1,812,000	1,934,198	(122,198)
Supporting services			
Student support	431,000	492,756	(61,756)
Instructional staff	343,000	359,675	(16,675)
General administration	-	9,158	(9,158)
School administration	42,000	62,219	(20,219)
Business services	-	90,334	(90,334)
Operations and maintenance	1,000	11,089	(10,089)
Student transportation	45,000	19,889	25,111
Central support service	3,000	-	3,000
Other support services	-	5,467	(5,467)
Community services	523,000	150,447	372,553
	<u>3,200,000</u>	<u>3,135,232</u>	<u>64,768</u>
Total expenditures			
Net change in fund balances	-	-	-
Fund balances - beginning	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See the accompanying independent auditors' report.

BOND REDEMPTION FUND

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

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

SCHOOL DISTRICT FREMONT RE-1
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
BOND REDEMPTION FUND
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Local property taxes	\$ 1,896,940	\$ 1,927,130	\$ 30,190
Interest income	2,000	2,207	207
	<u>1,898,940</u>	<u>1,929,337</u>	<u>30,397</u>
EXPENDITURES			
Debt service:			
Principal	1,275,000	1,275,000	-
Interest and other charges	623,940	602,036	21,904
	<u>1,898,940</u>	<u>1,877,036</u>	<u>21,904</u>
Net change in fund balances	-	52,301	52,301
Fund balances - beginning	<u>2,438,277</u>	<u>2,438,277</u>	-
Fund balances - ending	<u><u>\$ 2,438,277</u></u>	<u><u>\$ 2,490,578</u></u>	<u><u>\$ 52,301</u></u>

See the accompanying independent auditors' report.

CAPITAL PROJECTS FUND

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

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

SCHOOL DISTRICT FREMONT RE-1
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
State sources	\$ -	\$ 16,333	\$ 16,333
Investment earnings	1,200	48,629	47,429
Other local revenue	914,389	843,690	(70,699)
Total revenues	915,589	908,652	(6,937)
EXPENDITURES			
Supporting services			
Operations and maintenance	40,000	16,183	23,817
Student transportation	20,895	20,895	-
Central support service	25,000	-	25,000
Facilities acquisition and construction	323,765	290,857	32,908
Debt service:			
Principal	143,113	143,113	-
Interest and other charges	90,829	90,828	1
Contingency reserves	64,361	-	64,361
Total expenditures	707,963	561,876	146,087
Excess (deficiency) of revenues over expenditures	207,626	346,776	139,150
OTHER FINANCING SOURCES (USES)			
Proceeds from capital leases	1,000,000	1,000,000	-
Transfers in	400,000	399,996	(4)
Total other financing sources (uses)	1,400,000	1,399,996	(4)
Net change in fund balances	1,607,626	1,746,772	139,146
Fund balances - beginning	2,323,070	2,323,070	-
Fund balances - ending	\$ 3,930,696	\$ 4,069,842	\$ 139,146

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 fund:

Special Revenue Fund

Pupil Activity Fund

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

SCHOOL DISTRICT FREMONT RE-1
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
PUPIL ACTIVITY FUND
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Local revenue	\$ 131,350	\$ 148,274	\$ 16,924
Total revenues	<u>131,350</u>	<u>148,274</u>	<u>16,924</u>
EXPENDITURES			
Instruction	20,648	24,216	(3,568)
Athletics	333,409	316,279	17,130
Supporting services			
Student support	6,970	6,545	425
Instructional staff	274,818	283,747	(8,929)
Total expenditures	<u>635,845</u>	<u>630,787</u>	<u>5,058</u>
Excess (deficiency) of revenues over expenditures	<u>(504,495)</u>	<u>(482,513)</u>	<u>21,982</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>504,495</u>	<u>482,513</u>	<u>(21,982)</u>
Total other financing sources and uses	<u>504,495</u>	<u>482,513</u>	<u>(21,982)</u>
Net change in fund balances	-	-	-
Fund balances - beginning	<u>95</u>	<u>95</u>	<u>-</u>
Fund balances - ending	<u>\$ 95</u>	<u>\$ 95</u>	<u>\$ -</u>

See the accompanying independent auditors' report.

ENTERPRISE FUND

Enterprise Funds account for operations that are financed and operated in a manner similar to private enterprises, where the cost of providing goods or services to the general public is financed or recovered primarily by user charges.

The District has one enterprise fund:

Food Service Fund

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

SCHOOL DISTRICT FREMONT RE-1
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
BUDGET AND ACTUAL
FOOD SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Charges for services	\$ 516,400	\$ 408,854	\$ (107,546)
Miscellaneous	-	1,885	1,885
	<u>516,400</u>	<u>410,739</u>	<u>(105,661)</u>
OPERATING EXPENSES			
Salaries	479,811	470,558	9,253
Employee benefits	150,123	152,942	(2,819)
Purchased services	39,750	27,338	12,412
Supplies	1,081,000	823,184	257,816
Equipment	142,900	8,451	134,449
Indirect costs	89,133	30,000	59,133
Depreciation	18,000	27,150	(9,150)
	<u>2,000,717</u>	<u>1,539,623</u>	<u>461,094</u>
Operating income (loss)	<u>(1,484,317)</u>	<u>(1,128,884)</u>	<u>355,433</u>
NON-OPERATING REVENUES			
National School Food Program	1,200,000	1,125,077	(74,923)
State matching funds	25,800	31,729	5,929
Donated commodities	112,425	65,481	(46,944)
Interest and investment revenue	75	227	152
Other local revenue	5,000	3,630	(1,370)
	<u>1,343,300</u>	<u>1,226,144</u>	<u>(117,156)</u>
Total non-operating revenue	<u>1,343,300</u>	<u>1,226,144</u>	<u>(117,156)</u>
Change in net position	(141,017)	97,260	238,277
Total net position - beginning	<u>947,138</u>	<u>947,138</u>	<u>-</u>
Total net position - ending	<u>\$ 806,121</u>	<u>\$ 1,044,398</u>	<u>\$ 238,277</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 funds:

Private-Purpose Trust Fund

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

Agency Fund

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

**SCHOOL DISTRICT FREMONT RE-1
SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
BUDGET AND ACTUAL
PRIVATE-PURPOSE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	Final Budget	Actual	Variance Favorable (Unfavorable)
ADDITIONS			
Investment income	\$ 12,000	\$ 2,204	\$ (9,796)
Donations	-	2,033	2,033
Total additions	12,000	4,237	(7,763)
DEDUCTIONS			
Scholarship awards	25,000	16,325	8,675
Total deductions	25,000	16,325	8,675
Change in net position	(13,000)	(12,088)	912
Net position - beginning	471,613	471,613	-
Net position - ending	<u>\$ 458,613</u>	<u>\$ 459,525</u>	<u>\$ 912</u>

See the accompanying independent auditors' report.

SCHOOL DISTRICT FREMONT RE-1
STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Balance</u> <u>06/30/13</u>	<u>Additions/</u> <u>Revenues</u>	<u>Deletions/</u> <u>Expenditures</u>	<u>Balance</u> <u>06/30/14</u>
ASSETS				
Cash and cash equivalents	\$ 367,487	\$ 479,610	\$ 658,321	\$ 188,776
Due from primary government	<u> -</u>	<u> 34,118</u>	<u> -</u>	<u> 34,118</u>
 Total assets	 <u>\$ 367,487</u>	 <u>\$ 513,728</u>	 <u>\$ 658,321</u>	 <u>\$ 222,894</u>
 LIABILITIES				
Due to primary government	\$ 141,213	\$ -	\$ 141,213	\$ -
Due to student organizations	<u> 226,274</u>	<u> 513,728</u>	<u> 517,108</u>	<u> 222,894</u>
 Total liabilities	 <u>\$ 367,487</u>	 <u>\$ 513,728</u>	 <u>\$ 658,321</u>	 <u>\$ 222,894</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. Capital assets accounted for in the Enterprise Fund are not included here.

SCHOOL DISTRICT FREMONT RE-1
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE
JUNE 30, 2014

Governmental fund capital assets:	
Sites	\$ 2,220,137
Buildings and improvements	52,280,291
Vehicles	2,043,806
Equipment	2,504,141
Construction in progress	<u>115,407</u>
Total governmental fund capital assets	<u><u>\$ 59,163,782</u></u>
Investments in governmental funds capital assets by source:	
General fund	\$ 508,787
Capital projects fund	11,056,955
Designated-purpose grants fund	105,406
Bond fund	19,708,298
Building fund	<u>27,784,336</u>
Total governmental funds capital assets	<u><u>\$ 59,163,782</u></u>

See the accompanying independent auditors' report.

SCHOOL DISTRICT FREMONT RE-1
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
JUNE 30, 2014

<u>Function and Activity</u>	<u>Sites</u>	<u>Buildings and Improvements</u>	<u>Vehicles</u>	<u>Equipment</u>	<u>Construction in Progress</u>	<u>Depreciation</u>	<u>Total</u>
Instruction	\$ 1,949,061	\$ 18,980,815	\$ -	\$ 1,444,633	\$ -	\$ 12,657,164	\$ 9,717,345
School administration	53,733	703,444	-	-	-	435,485	321,692
Operation and maintenance	-	-	174,611	16,000	-	146,893	43,718
Student transportation	76,297	-	1,869,195	-	-	1,627,116	318,376
Central support services	141,046	711,222	-	1,043,508	-	1,471,568	424,208
Facilities acquisition	-	31,884,810	-	-	115,407	6,822,141	25,178,076
Total governmental funds capital assets	<u>\$ 2,220,137</u>	<u>\$ 52,280,291</u>	<u>\$ 2,043,806</u>	<u>\$ 2,504,141</u>	<u>\$ 115,407</u>	<u>\$ 23,160,367</u>	<u>\$ 36,003,415</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, 2014

<u>Function and Activity</u>	<u>Balance 06/30/13</u>	<u>Additions</u>	<u>Depreciation and Retirements</u>	<u>Balance 06/30/14</u>
Instruction	\$ 11,162,050	\$ 259,231	\$ 1,703,936	\$ 9,717,345
School administration	332,629	-	10,937	321,692
Operation and maintenance	56,200	-	12,482	43,718
Student transportation	373,351	9,500	64,475	318,376
Central support services	481,776	-	57,568	424,208
Facilities acquisition & construction	<u>26,059,553</u>	<u>115,407</u>	<u>996,884</u>	<u>25,178,076</u>
Total governmental funds capital assets	<u><u>\$ 38,465,559</u></u>	<u><u>\$ 384,138</u></u>	<u><u>\$ 2,846,282</u></u>	<u><u>\$ 36,003,415</u></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, 2014**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Passed Through Colorado Department of Education			
<i>Child Nutrition Cluster:</i>			
School Breakfast Program	10.553	4553	\$ 303,246
National School Lunch Program	10.555	4555	777,460
Summer Food Service Program	10.559	4559	<u>72,760</u>
<i>Total Child Nutrition Cluster</i>			<u>1,153,466</u>
Passed Through Fremont County, Colorado			
<i>Forest Service Schools and Roads Cluster</i>			
Schools and Roads - Grants to States	10.665	7665	<u>85,628</u>
<i>Total U.S. Department of Agriculture</i>			<u>1,239,094</u>
U.S. Department of Defense Direct Program			
Reserve Officer Training Corps	12.XXX	9001	<u>69,890</u>
U.S. Department of Education			
Passed Through Colorado Department of Education			
<i>Special Education Cluster (IDEA)</i>			
Special Education: Grants to States IDEA Part B	84.027	4027	783,027
Special Education: Preschool Grants	84.173	4173	<u>44,497</u>
<i>Total Special Education Cluster</i>			<u>827,524</u>
No Child Left Behind, Title I, Part A	84.010	4010, 7010	944,263
Special Education - State Personnel Development	84.323	5323, 6323	4,282
Rural Education	84.358	7358	91,795
Teacher and Principal Training and Recruiting Fund	84.367	4367	179,056
Race to the Top - Early Childhood Readiness Assessment	84.412	5412	631
Race to the Top	84.413	4413	10,250
Passed Through Colorado Community College System			
Vocational Education - Basic Grants to States	84.048	4048	29,232
Passed Through Colorado Department of Human Services			
School to Work Alliance Program (SWAP)	84.126	5126	<u>77,504</u>
<i>Total U.S. Department of Education</i>			<u>\$ 2,164,537</u>

See the accompanying independent auditors' report.

**SCHOOL DISTRICT FREMONT RE-1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services			
Passed Through Colorado Department of Human Services			
<i>CCDF Cluster</i>			
Child Care Assistance Block Grant	93.575	8575	\$ 130,263
Child Care Development Fund: Readiness Grant	93.596	7596	<u>15,990</u>
<i>Total CCDF Cluster</i>			<u>146,253</u>
Total U.S. Department of Health and Human Services			<u>146,253</u>
Total Federal Awards			<u><u>\$ 3,619,774</u></u>

See the accompanying independent auditors' report.

SCHOOL DISTRICT FREMONT RE-1
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards, which includes the federal grant activity of School District Fremont RE-1, is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts may differ from amounts presented or used in the preparation of School District Fremont RE-1's district-wide financial statements for the year ended June 30, 2014.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, 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 X's.



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 business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of School District Fremont RE-1, as of and for the year ended June 30, 2014, 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 November 06, 2014.

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: 2010-1.

Compliance and Other Matters

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

Purpose of this Report

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

Hoelting & Company Inc.

Colorado Springs, Colorado
November 06, 2014



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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 Circular A-133 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, 2014. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2014.

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 OMB Circular A-133, 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.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Hoelting & Company Inc.

Colorado Springs, Colorado
November 06, 2014

**SCHOOL DISTRICT FREMONT RE-1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

Section I—Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs?

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? yes 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 section 510(a) of OMB Circular A-133? yes none reported

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
CFDA 84.427, CFDA 84.173	Special Education Cluster
CFDA 84.367	Teacher and Principal Training and Recruiting Fund

Dollar threshold used to distinguish between type A and type B programs? \$300,000

Auditee qualified as low-risk auditee? yes no

**SCHOOL DISTRICT FREMONT RE-1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

Section II—Financial Statement Findings

2010-1 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 was noted during substantive testing of various cash accounts as well as during inquires of employees and management.

Effect: 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: Management should implement proper segregation of duties by having different individuals perform authorization, initiation and recording of transactions.

Management response: Management 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.

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

Hc
Hoelting & Company, Inc.
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Education
School District Fremont RE-1

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of School District Fremont RE-1, as of and for the year ended June 30, 2014, which collectively comprise School District Fremont RE-1's basic financial statements, and our report thereon dated November 06, 2014, 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
November 06, 2014



Colorado Department of Education

Auditors Integrity Report

District: 1140 - CANON CITY RE-1

Fiscal Year 2013-14

Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental	+		-	=
10 General Fund	1,374,990	22,871,583	22,945,666	1,300,907
18 Risk Mgmt Sub-Fund of General Fund	196,293	257,345	399,721	53,917
19 Colorado Preschool Program Fund	271,928	681,362	767,902	185,388
Sub- Total	1,843,211	23,810,291	24,113,289	1,540,213
11 Charter School Fund	434,588	1,577,838	1,591,658	420,768
20,26-29 Special Revenue Fund	0	0	0	0
21 Capital Reserve Spec Revenue Fund	0	0	0	0
22 Govt Designated-Purpose Grants Fund	0	3,135,232	3,135,232	0
23 Pupil Activity Special Revenue Fund	95	630,787	630,787	95
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	2,438,277	1,929,337	1,877,036	2,490,578
39 Non-Voter Approved Debt Service Fund	0	0	0	0
41 Building Fund	0	0	0	0
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	2,323,070	2,308,648	561,876	4,069,842
Totals	7,039,241	33,392,133	31,909,879	8,521,495
Proprietary				
51 Food Service Fund	947,138	1,636,884	1,539,624	1,044,398
50 Other Enterprise Funds	549,554	111,220	133,334	527,439
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	0	0	0	0
Totals	1,496,692	1,748,104	1,672,958	1,571,838
Fiduciary				
70 Other Trust and Agency Funds	235,047	-303,350	35,195	-103,498
72 Private Purpose Trust Fund	471,613	4,236	16,325	459,525
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	226,274	513,728	517,109	222,894
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
Totals	932,935	214,615	568,629	578,921

FINAL

*If you have a prior period adjustment in any fund (Balance Sheet 6880), the amount of your priorperiod adjustment is added into both your ending and beginning fund balances on this report.