

**SCHOOL DISTRICT FREMONT RE-1**

FINANCIAL STATEMENTS  
With Independent Auditors' Report

Year Ended June 30, 2015

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**JUNE 30, 2015**

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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 discretely presented component units, each major fund, and the aggregate remaining fund information of School District Fremont RE-1, as of and for the year ended June 30, 2015, 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 discretely presented component units, each major fund, and the aggregate remaining fund information of School District Fremont RE-1, as of June 30, 2015, 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.

## ***Emphasis of Matter***

As described in Note 1 to the financial statements, effective July 1, 2014, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

## ***Other-Matters***

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the 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 09, 2015, 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 09, 2015

**Cañon City Schools**  
***Management's Discussion & Analysis***  
**For the Fiscal Year Ended June 30, 2015**

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, 2015. 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 2015 are as follows:

- The District's government-wide net position decreased by \$21 million to \$1.4 million for the year ended June 30, 2015, primarily as a result of the adoption of GASB Statement 68.
- Governmental activities have unrestricted net position of \$ -18.4 million. Again, primarily as a result of the adoption of GASB Statement 68.
- The District's primary government long-term liabilities increased by \$20.1 million with the adoption of GASB Statement 68.
- Fund balance of the District's general fund increased by \$227 thousand to \$1.5 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.
- 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, 2015**

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 assets 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 they have changed. Net position – the difference between the District's assets and liabilities – are one way to measure the District's financial health or *position*.

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

***Fund Financial Statements***

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

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

**Cañon City Schools**  
***Management's Discussion & Analysis***  
**For the Fiscal Year Ended June 30, 2015**

**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 due to economic recession under the SFA has had a severe negative impact on the District's resources. The District's total program funding from the SFA increased \$1.4 million in fiscal year 2015 as a portion of the negative factor was restored. SFA funding was projected to increase \$1.0 million in fiscal year 2016, but the Governor's preliminary budget indicates that mid-year rescissions could actually take place.

In fiscal year 2015 the District's General Fund fund balance was 6.6% of fiscal year 2015 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, 2013 and 2014 as it was used to cover ongoing projected budget shortfalls. Fund balance increased by \$227 thousand in fiscal year 2015.

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 2015.

In total, District net position decreased by \$21 million to \$1.4 million for the year ended June 30, 2015. This is primarily a result of a prior period adjustment and other pension expense recognized in accordance with the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions. See note one, to the financial statements, for additional information.

The District's general fund balance increased by \$227 thousand resulting in an ending fund balance of \$1.5 million at fiscal year 2015 year end. Fund balance increased as a result of actual expenditures being less than revenues.

The District's long-term liabilities increased by \$20.1 million to \$44.4 million. \$19.2 million of the increase was attributed to the adoption of GASB Statement 68. The addition of capital leases partially offset the expected decrease from payments on the capital construction bonds and other capital borrowings. The long-term debt includes bond payments, compensated absences, energy projects and QZAB Bonds.

**Cañon City Schools**  
**Management's Discussion & Analysis**  
**For the Fiscal Year Ended June 30, 2015**

**Table -1-** provides a summary of the District's net position and **Table -2-** provides a summary for the District's changes in net position for 2015:

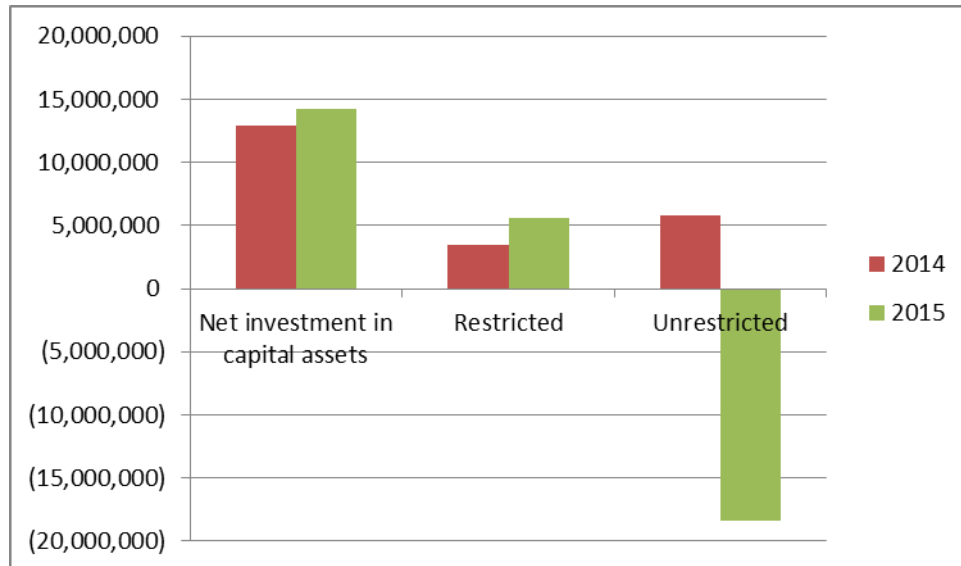
**Table -1-**

**Statement of Net Position**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>
Current and other assets	\$12,136,822	\$11,642,895	\$906,310	\$0	\$13,043,132	\$11,642,895
Capital Assets	36,003,414	36,160,196	234,814	0	36,238,228	36,160,196
<b>Total Assets</b>	<b>\$48,140,236</b>	<b>\$47,803,091</b>	<b>\$1,141,124</b>	<b>\$0</b>	<b>\$49,281,360</b>	<b>\$47,803,091</b>
Total Deferred outflows of resources	\$405,743	\$925,693	\$0	\$0	\$405,743	\$925,693
Long-term liabilities outstanding	24,294,272	44,436,198	0	0	24,294,272	44,436,198
Other liabilities	3,236,185	2,892,489	96,727	0	3,332,912	2,892,489
<b>Total Liabilities</b>	<b>\$27,530,457</b>	<b>\$47,328,687</b>	<b>\$96,727</b>	<b>\$0</b>	<b>\$27,627,184</b>	<b>\$47,328,687</b>
Total deferred inflows of resources		\$1,611				\$1,611
<b>Net position:</b>						
Net investment in capital assets	12,635,041	14,176,805	234,815	0	12,869,856	14,176,805
Restricted	3,426,966	5,580,767	0	0	3,426,966	5,580,767
Unrestricted	4,953,515	(18,359,086)	809,583	0	5,763,098	(18,359,086)
<b>Total net position</b>	<b>\$21,015,522</b>	<b>\$1,398,486</b>	<b>\$1,044,398</b>	<b>\$0</b>	<b>\$22,059,920</b>	<b>\$1,398,486</b>

**Table -2-**

**Net Position Graph**



**Cañon City Schools**  
**Management's Discussion & Analysis**  
**For the Fiscal Year Ended June 30, 2015**

**Table -3-**

**Statement of Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2014	2015	2014	2015	2014	2015
Revenues:						
Program revenues						
Charges for services	\$464,935	\$880,600	\$408,854	\$0	\$873,789	\$880,600
Operating and capital grants and contributions	4,481,629	5,977,031	1,224,172	0	5,705,801	5,977,031
General revenues:				\$0		
Property & specific ownership taxes	9,123,383	8,714,887	0	0	9,123,383	8,714,887
State equalization	15,142,022	16,399,152	0	0	15,142,022	16,399,152
Other	787,153	1,130,023	3,857	0	791,010	1,130,023
Total Revenues	\$29,999,122	\$33,101,693	\$1,636,883	\$0	\$31,636,005	\$33,101,693
Expenses:						
Instruction	\$17,629,388	\$17,639,752			\$17,629,388	\$17,639,752
Athletics	315,029	330,747			315,029	330,747
Supporting services						
Students	1,518,839	1,727,799			1,518,839	1,727,799
Instructional staff	1,343,481	1,544,598			1,343,481	1,544,598
General administration	614,381	639,703			614,381	639,703
School administration	1,654,160	1,919,790			1,654,160	1,919,790
Business	628,855	662,783			628,855	662,783
Operations & maintenance	3,318,997	3,416,277			3,318,997	3,416,277
Student transportation	678,063	660,120			678,063	660,120
Central	1,045,302	1,080,660			1,045,302	1,080,660
Other support services	5,467	10,925			5,467	10,925
Community services	150,663	122,636			150,663	122,636
Facilities acquisition & construction	1,002,413	2,389,776			1,002,413	2,389,776
Interest on long-term debt	717,100	483,823			717,100	483,823
Other debt service	50,000	101,446			50,000	101,446
Food services		1,825,377	1,539,623	0	1,539,623	1,825,377
Total expenses	\$30,672,138	\$34,556,212	\$1,539,623	\$0	\$32,211,761	\$34,556,212
Increase (decrease) in net position	(\$673,016)	(\$1,454,519)	\$97,260	\$0	(\$575,756)	(\$1,454,519)
Net position, beginning, as restated	\$21,688,539	\$2,853,005	\$947,138	\$0	\$22,635,677	\$2,853,005
Net position, ending	\$21,015,523	\$1,398,486	\$1,044,398	\$0	\$22,059,921	\$1,398,486

**Cañon City Schools**  
*Management's Discussion & Analysis*  
**For the Fiscal Year Ended June 30, 2015**

Table -4-

**Sources of Revenues for Fiscal Year 2014-15**

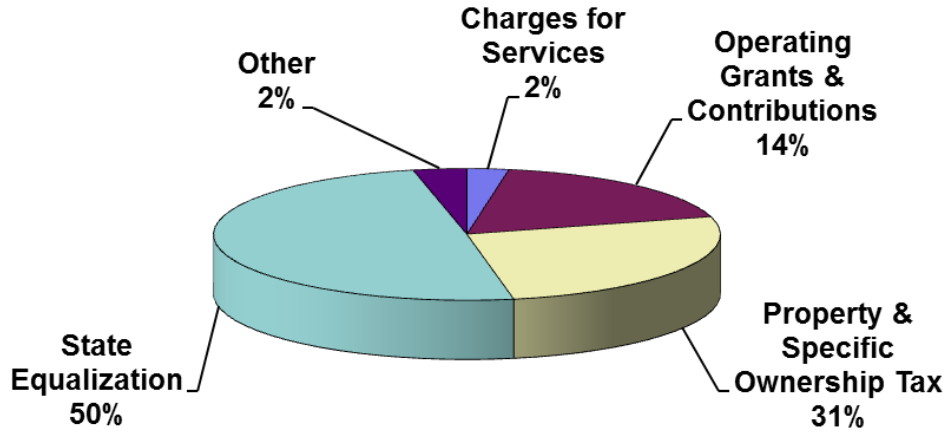
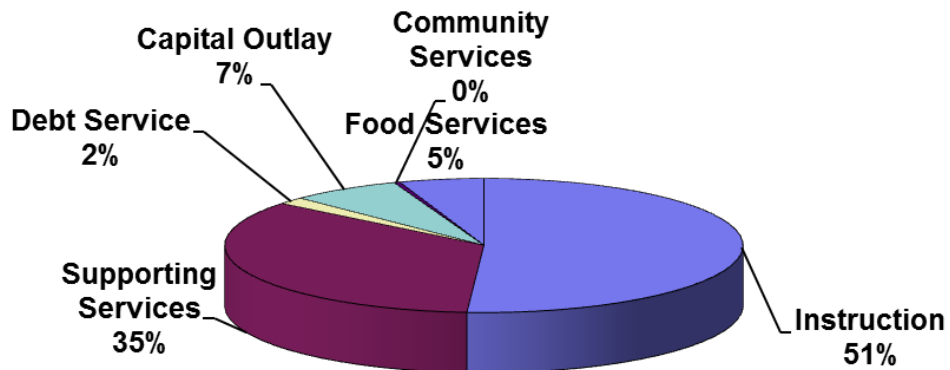


Table -5-

**Expenses for Fiscal Year 2014-15**



**Cañon City Schools**  
**Management's Discussion & Analysis**  
**For the Fiscal Year Ended June 30, 2015**

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, 51 percent. (See **Table -5-**.) Supporting Services, including the District's student support, administrative, business, transportation, maintenance and operations activities, accounted for 35 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 \$6,667 per funded student. In fiscal year 2015 the funded pupil count was 3715.6. For the 2015 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 73 percent of this funding from state equalization. State law allows school districts to obtain an additional 27 percent of SFA program funding from local property and specific ownership taxes (SOT). The District's assessed valuation generated \$6.8 million in property and SOT tax revenue under the SFA in fiscal year 2015.

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

**Table -6-**

**Governmental Activities**

	<b>2014</b>	<b>2015</b>
<b>Instruction</b>	<b>\$17,629,388</b>	<b>\$17,639,752</b>
<b>Pupil &amp; Instructional Services</b>	<b>3,177,349</b>	<b>3,603,144</b>
<b>Administration &amp; Business</b>	<b>2,897,396</b>	<b>3,222,276</b>
<b>Maintenance &amp; Operations</b>	<b>3,318,997</b>	<b>3,416,277</b>
<b>Transportation</b>	<b>678,063</b>	<b>660,120</b>
<b>Other</b>	<b>2,970,945</b>	<b>6,014,643</b>
<b>Total</b>	<b>\$30,672,138</b>	<b>\$34,556,212</b>

**Cañon City Schools**  
***Management's Discussion & Analysis***  
**For the Fiscal Year Ended June 30, 2015**

The cost of all *governmental* activities this year was \$34.6 million.

- Some of the cost was financed by the users of the District's programs (\$881 thousand).
- The federal and state government subsidized certain programs with grants and contributions (\$6.0 million).
- A portion of governmental activities was financed with \$16.4 million in state equalization from the School Finance Act of 1994 (SFA) and \$8.7 million in property and specific ownership taxes.

***Business-Type Activities***

Prior to fiscal year 2015, the Food Services Fund was categorized as a Proprietary Business-Type Fund – Fund 51. Beginning in fiscal year 2015 the Food Services Fund was re-categorized as a Special Revenue Fund – Fund 21. Accordingly, the Food Services Fund is now reported as part of Governmental Activities.

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

Information about the District's major funds starts on page 3. These funds are accounted for using the modified accrual basis of accounting. All governmental funds have total revenues of \$33.6 million and expenditures of \$34.3 million.

***Budgetary Highlights***

The District's budget is prepared according to Colorado law and is based on accounting for certain transactions on a basis of cash receipts and disbursements. The most significant budgeted fund is the General Fund. Individual Fund Statements and Schedules begin on page 45.

- Prior to the end of the fiscal year, additional budget appropriations were approved for the General Fund, the Charter School Fund, the Colorado Preschool Fund, the Food Services Fund, the Grants Fund, the Middle and High School Activities Fund, the Capital Reserve Fund, the Bond Redemption Fund and the Middle School and High Schools Clubs Fund in order to cover anticipated expenditures in excess of original budgeted amounts.
- General Fund (Fund 10) actual revenues exceeded actual expenditures by \$227 thousand. This resulted in the General Fund fund balance increasing to \$1.5 million at fiscal year end – 6.6% of FY2015 expenditures. The minimum desired fund balance is \$1.8 million – 8.0% of expenditures.
- Risk Management Fund (Fund 18) revenues exceeded actual expenditures by \$14 thousand. The Risk Management Fund fund balance increased to \$68 thousand at year end.
- Colorado Preschool Program (CPP) Fund (Fund 19) actual expenditures exceeded revenues by \$52 thousand as part of the plan to spend down excess reserves. The CPP fund balance was \$133 thousand at year end.

**Cañon City Schools**  
***Management's Discussion & Analysis***  
**For the Fiscal Year Ended June 30, 2015**

- Food Service Fund (Fund 21) actual expenditures exceeded revenues by \$125 thousand as part of an adopted plan to spend down excess reserves. The district increased expenditures of equipment in order to spend down reserves to align with CDE guidelines. The fund balance was \$684 thousand at year end.
- Grants Fund (Fund 22) expenditures were within the budgeted amount of \$3.3 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 within budget and matched to revenues with the General Fund allocation for amounts in excess of participation, gate and other revenues.
- Bond Fund (Fund 31) expenditures were within budget and included accounting for the 2014 Bond Refunding. Revenues exceeded expenditures by \$24 thousand with the Bond Fund fund balance increasing to \$2.5 million at year end.
- Capital Reserve / Capital Projects Fund (Fund 43) expenditures were less than the budgeted amount by \$130 thousand, as expenses for certain projects were less than projected or postponed and funds reserved for 'unknown/emergency' projects were not fully expended. The 'unrestricted' fund balance decreased \$1 million to \$1.2 million as QZAB funds received in the prior year were expended for the LED lighting project.
- Scholarships Fund (Fund 72) expenditures exceeded revenues by \$2 thousand as scholarship awards exceeded contributions and interest earnings. Total fund balances for scholarship accounts at year end were \$457 thousand.
- Student Clubs and Organizations Fund (Fund 74) expenditures exceeded revenues by \$11 thousand during the year. Total fund balances for clubs and organizations decreased by \$11 thousand to \$211 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, 2015**

**Capital Assets and Debt Administration**

By the end of 2015 the District had invested \$36.2 million in land, buildings, equipment, and transportation vehicles. **Table -7-** shows fiscal 2014 and 2015:

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>
Land	\$2,220,137	\$2,220,137			\$2,220,137	\$2,220,137
Buildings & Improvements	32,733,129	31,161,097			\$32,733,129	\$31,161,097
Vehicles	273,797	316,856			\$273,797	\$316,856
Equipment	776,352	2,462,106	234,815		\$1,011,167	\$2,462,106
<b>Total Capital Assets, Net</b>	<b>\$36,003,415</b>	<b>\$36,160,196</b>	<b>\$234,815</b>	<b>\$0</b>	<b>\$36,238,230</b>	<b>\$36,160,196</b>

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. In 2014 \$7,500,000 of the outstanding 2006 series bonds were refunded at a lower interest rate. The outstanding principal balance on General Obligation Bonds at year end was \$16,334,076, including unamortized bond premium.

At year end the District had \$5.6 million in capital leases payable. Compensated absences decreased by \$42 thousand to \$883 thousand due to a decrease in the accrual of vacation and sick leave benefits.

Total Long-Term Debt increased by \$20.1 million due primarily to the district's adoption and inclusion of its portion of the PERA Net Pension Liability under GASB Statement 68.

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

	<u>June 30, 2014</u>	<u>June 30, 2015</u>
<b>General Obligation Bonds</b>	<b>\$17,571,712</b>	<b>\$16,334,076</b>
<b>Capital Leases Payable</b>	<b>5,796,661</b>	<b>5,649,315</b>
<b>Compensated Absences</b>	<b>925,899</b>	<b>883,020</b>
<b>Net Pension Liability</b>		<b>21,569,787</b>
<b>Total</b>	<b>\$24,294,272</b>	<b>\$44,436,198</b>

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

**Cañon City Schools**  
***Management's Discussion & Analysis***  
**For the Fiscal Year Ended June 30, 2015**

**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 funded pupil count for 2014-15 was 3,715.6.
- Under a federal law "No Child Left Behind" waiver the state of Colorado is allowed to use district accreditation ratings toward meeting Adequate Yearly Progress (AYP) requirements. CCSD's rating is currently Improvement, above the threshold for intervention by the state. The district's current goal is to increase this rating to Accredited.
- 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, and we understand the negative factor could increase once again this year.
- 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 2015 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.
- 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.

**Cañon City Schools**  
***Management's Discussion & Analysis***  
**For the Fiscal Year Ended June 30, 2015**

- 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 increased by \$369. Cañon City Schools per pupil revenue increased by \$350. However, even with the increases of the past two years, funding levels remain below 2009-10 levels.
- For fiscal year 2015-16 budget forecasts show that the State's economy is expected to continue its improvement. Based on this information, state-wide average per pupil funding was projected to increase by \$269. Cañon City Schools per pupil revenue was forecast to increase by \$253. However, even with the increases of the past two years, funding levels remain below 2009-10 levels, while the district faces the strong likelihood of a mid-year rescission.
- 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.
- With the failure of its mill levy override and bond questions, 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. The project was completed in late 2014.
- 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 was \$211 thousand. The BEST grant amount was \$154 thousand and the District's match amount was \$57 thousand. The project was completed in August 2015.

**Cañon City Schools**  
***Management's Discussion & Analysis***  
**For the Fiscal Year Ended June 30, 2015**

- 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.
- For fiscal years beginning July 1, 2014, the District adopted GASB Statement 68. GASB 68 requires that State and local governments record their share of pension plan unfunded liabilities. The District's net pension liability at June 30, 2015 was \$21.5 million. The net pension liability is reported in the District-wide financial statements.
- In June 2015 Superintendent Dr. Robin Gooldy retired after eleven years as Superintendent of Cañon City Schools. Mr. George Welsh was hired as Superintendent to replace Dr. Gooldy. Mr. Welsh comes to Cañon City from Center, Colorado where he served as Superintendent for nearly twenty years.

**Cañon City Schools**  
***Management's Discussion & Analysis***  
**For the Fiscal Year Ended June 30, 2015**

**Contacting the District's Financial Management**

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

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

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

By phone: (719) 276-5700

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

## **BASIC FINANCIAL STATEMENTS**

**SCHOOL DISTRICT FREMONT RE-1**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

	Primary		
	Government	Component Units	
	Governmental Activities	Charter School	Facilities Corp.
<b>ASSETS</b>			
Cash and cash equivalents	\$ 5,670,797	\$ 481,282	\$ 954,730
Investments	59,651	-	-
Restricted assets:			
Cash and cash equivalents	2,450,363	7,392	-
Investments	2,111,143	-	-
Receivables	1,159,152	-	-
Receivable from primary government	-	102,472	-
Internal balances	38,136	-	-
Inventories	153,653	-	-
Capital assets not being depreciated:			
Sites	2,220,137	474,460	-
Construction in progress	219,407	-	-
Capital assets, net of accumulated depreciation:			
Buildings and improvements	52,056,507	2,146,586	480,967
Vehicles	2,157,877	30,500	-
Equipment	4,363,717	-	-
Less: accumulated depreciation	(24,857,449)	(818,650)	(140,656)
Total capital assets	36,160,196	1,832,896	340,311
Total assets	47,803,091	2,424,042	1,295,041
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	429,658	-	-
Difference between projected and actual investment earnings on pension plan	496,035	60,531	-
Total deferred outflows of resources	925,693	60,531	-
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	139,930	14,190	-
Accrued salaries and benefits	2,358,998	148,425	-
Accrued interest payable	45,569	4,988	-
Payable to charter school	102,472	-	-
Payable to primary government	-	-	18,461
Unearned revenues	245,520	-	-
Long-term liabilities			
Due within one year			
Bonds, capital leases and notes	1,636,809	51,431	-
Due in more than one year			
Bonds, capital leases and notes	20,346,582	1,278,776	-
Compensated absences	883,020	-	-
Net pension liability	21,569,787	2,632,142	-
Total liabilities	47,328,687	4,129,952	18,461
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Difference between expected and actual experience on pension plan	1,611	197	-
Total deferred inflows of resources	1,611	197	-
<b>NET POSITION</b>			
Net investment in capital assets	14,176,805	510,081	-
Restricted for:			
Emergency reserve (TABOR)	822,100	52,400	-
Debt service	4,625,753	-	-
Preschool program	132,914	-	-
Unrestricted	(18,359,086)	(2,208,057)	1,276,580
Total Net Position	\$ 1,398,486	\$ (1,645,576)	\$ 1,276,580

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, 2015**

<u>Functions/Programs</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>						
	<u>Program Revenue</u>				<u>Primary</u>	<u>Component Units</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Charter School</u>	<u>Facilities Corp.</u>
<b>Primary government</b>							
Governmental activities							
Instruction	\$ 17,639,752	\$ 7,520	\$ 4,454,457	\$ -	\$ (13,177,775)		
Athletics	330,747	78,816	-	-	(251,931)		
Supporting services							
Students	1,727,799	-	-	-	(1,727,799)		
Instructional staff	1,544,598	3,390	85,394	-	(1,455,814)		
General administration	639,703	219,377	-	-	(420,326)		
School administration	1,919,790	-	-	-	(1,919,790)		
Business	662,783	87,576	-	-	(575,207)		
Operations and maintenance	3,416,277	63,024	-	-	(3,353,253)		
Student transportation services	660,120	-	97,178	-	(562,942)		
Central	1,080,660	-	-	-	(1,080,660)		
Other support services	10,925	-	-	-	(10,925)		
Community services	122,636	-	-	-	(122,636)		
Food services	1,825,377	420,897	1,259,152	-	(145,328)		
Facilities acquisition and construction	2,389,776	-	-	80,850	(2,308,926)		
Interest on long-term debt	483,823	-	-	-	(483,823)		
Other debt service	101,446	-	-	-	(101,446)		
Total governmental activities	<u>\$ 34,556,212</u>	<u>\$ 880,600</u>	<u>\$ 5,896,181</u>	<u>\$ 80,850</u>	<u>(27,698,581)</u>		
<b>Component units</b>							
Charter school	\$ 2,104,945	\$ 213,996	\$ -	\$ 83,931		\$ (1,807,018)	
Facilities Corp.	342,213	-	-	-		\$ (342,213)	
Total component units	<u>\$ 2,447,158</u>	<u>\$ 213,996</u>	<u>\$ -</u>	<u>\$ 83,931</u>			
<b>General revenues:</b>							
Property taxes				7,616,444	-	-	
Specific ownership taxes				1,098,443	-	-	
State equalization				16,399,152	1,528,439	-	
Investment earnings				60,036	435	123	
Miscellaneous				1,069,987	28,164	-	
Gain on sale of capital assets				-	-	1,722,168	
Total general revenues				<u>26,244,062</u>	<u>1,557,038</u>	<u>1,722,291</u>	
Change in net position				(1,454,519)	(249,980)	1,380,078	
Net position - beginning, as restated (deficit)				<u>2,853,005</u>	<u>(1,395,596)</u>	<u>(103,498)</u>	
Net position - ending (deficit)				<u>\$ 1,398,486</u>	<u>\$ (1,645,576)</u>	<u>\$ 1,276,580</u>	

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



**SCHOOL DISTRICT FREMONT RE-1**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2015**

	<b>General Fund</b>	<b>Governmental Designated- Purpose Grants Fund</b>	<b>Bond Redemption Fund</b>	<b>Capital Projects Fund</b>	<b>Total Nonmajor Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 4,332,530	\$ -	\$ -	\$ 649,792	\$ 688,475	\$ 5,670,797
Investments	-	-	-	-	59,651	59,651
Restricted assets:						
Cash and cash equivalents	-	-	2,450,363	-	-	2,450,363
Investments	-	-	-	2,111,143	-	2,111,143
Receivables	570,672	332,913	149,577	80,851	25,139	1,159,152
Due from other funds	-	171,533	51,270	463,420	-	686,223
Inventories	77,407	-	-	-	76,246	153,653
	<u>\$ 4,980,609</u>	<u>\$ 504,446</u>	<u>\$ 2,651,210</u>	<u>\$ 3,305,206</u>	<u>\$ 849,511</u>	<u>\$ 12,290,982</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 93,860	\$ 23,215	\$ -	\$ 21,877	\$ 978	\$ 139,930
Accrued salaries and benefits	2,032,918	250,436	-	-	75,644	2,358,998
Due to other funds	573,888	-	-	-	74,199	648,087
Payable to charter school	102,472	-	-	-	-	102,472
Unearned revenue	-	230,795	-	-	14,725	245,520
	<u>2,803,138</u>	<u>504,446</u>	<u>-</u>	<u>21,877</u>	<u>165,546</u>	<u>3,495,007</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue-property taxes	449,582	-	136,600	-	-	586,182
	<u>449,582</u>	<u>-</u>	<u>136,600</u>	<u>-</u>	<u>-</u>	<u>586,182</u>
<b>FUND BALANCES</b>						
Nonspendable for:						
Inventories	77,407	-	-	-	76,246	153,653
Restricted for:						
Emergencies	822,100	-	-	-	-	822,100
Debt service	-	-	2,514,610	2,111,143	-	4,625,753
Preschool program	132,914	-	-	-	-	132,914
Assigned for:						
Subsequent years' insurance claims	67,770	-	-	-	-	67,770
Capital projects	-	-	-	1,172,186	-	1,172,186
Student activities	-	-	-	-	95	95
Food Services	-	-	-	-	607,624	607,624
Unassigned	627,698	-	-	-	-	627,698
	<u>1,727,889</u>	<u>-</u>	<u>2,514,610</u>	<u>3,283,329</u>	<u>683,965</u>	<u>8,209,793</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,980,609</u>	<u>\$ 504,446</u>	<u>\$ 2,651,210</u>	<u>\$ 3,305,206</u>	<u>\$ 849,511</u>	<u>\$ 12,290,982</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, 2015**

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

Total fund balance - governmental funds	\$	8,209,793
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the fund financial statements.		36,160,196
Property tax receivable is not available to pay current period expenditures and, therefore, is deferred in the fund financial statements.		586,182
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.		429,658
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred outflows of resources.		496,035
Accrued interest is not due and payable in the current period and, therefore, is not reported as a liability in the funds.		(45,569)
Long-term liabilities are not due and payable in the current period and, therefore, are not included in the fund financial statements.		(44,436,198)
Other long-term liabilities are not due and payable in the current period and, therefore, are reported as deferred inflows or resources.		<u>(1,611)</u>
Net position of governmental activities in the statement of net position	<u>\$</u>	<u>1,398,486</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, 2015**

	General Fund	Governmental Designated- Purpose Grants Fund	Bond Redemption Fund	Capital Projects Fund	Total Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>						
Local property taxes	\$ 6,046,642	\$ -	\$ 1,843,304	\$ -	\$ -	\$ 7,889,946
Specific ownership taxes	1,098,443	-	-	-	-	1,098,443
State sources	17,860,392	302,120	-	80,850	36,562	18,279,924
Interest income	2,914	-	2,382	54,651	89	60,036
Federal sources	155,583	2,571,654	-	-	1,222,589	3,949,826
Other local revenue	638,643	385,308	3,643	703,095	569,921	2,300,610
Total revenues	<u>25,802,617</u>	<u>3,259,082</u>	<u>1,849,329</u>	<u>838,596</u>	<u>1,829,161</u>	<u>33,578,785</u>
<b>EXPENDITURES</b>						
Instruction	14,854,313	2,116,120	-	-	26,792	16,997,225
Athletics	-	-	-	-	330,747	330,747
Supporting services						
Student support	1,022,927	606,869	-	-	7,068	1,636,864
Instructional staff	938,863	268,123	-	-	295,545	1,502,531
General administration	596,297	7,155	-	-	-	603,452
School administration	1,716,023	52,374	-	-	-	1,768,397
Business services	550,870	70,856	-	-	-	621,726
Operations and maintenance	3,233,841	2,481	-	60,173	-	3,296,495
Student transportation	549,461	1,377	-	81,624	-	632,462
Central support service	1,040,018	63	-	116,263	-	1,156,344
Other support services	-	10,925	-	-	-	10,925
Community services	-	122,739	-	-	-	122,739
Food services	-	-	-	-	1,805,850	1,805,850
Facilities acquisition	1,200	-	-	1,783,973	-	1,785,173
Debt service:						
Principal	-	-	1,320,000	147,346	-	1,467,346
Interest and other charges	-	-	399,323	35,730	-	435,053
Issuance costs	-	-	104,324	-	-	104,324
Total expenditures	<u>24,503,813</u>	<u>3,259,082</u>	<u>1,823,647</u>	<u>2,225,109</u>	<u>2,466,002</u>	<u>34,277,653</u>
Excess (deficiency) of revenues over expenditures	<u>1,298,804</u>	<u>-</u>	<u>25,682</u>	<u>(1,386,513)</u>	<u>(636,841)</u>	<u>(698,868)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from refunding bond	-	-	7,500,000	-	-	7,500,000
Premium on bonds	-	-	344,920	-	-	344,920
Payments to refunding agents	-	-	(7,846,570)	-	-	(7,846,570)
Transfers in	-	-	-	600,000	511,128	1,111,128
Transfers out	(1,111,128)	-	-	-	-	(1,111,128)
Total other financing sources (uses)	<u>(1,111,128)</u>	<u>-</u>	<u>(1,650)</u>	<u>600,000</u>	<u>511,128</u>	<u>(1,650)</u>
Net change in fund balances	187,676	-	24,032	(786,513)	(125,713)	(700,518)
Fund balances - beginning, as restated	1,540,213	-	2,490,578	4,069,842	809,678	8,910,311
Fund balances - ending	<u>\$ 1,727,889</u>	<u>\$ -</u>	<u>\$ 2,514,610</u>	<u>\$ 3,283,329</u>	<u>\$ 683,965</u>	<u>\$ 8,209,793</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, 2015**

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

Net change in fund balances - total governmental funds:	\$ (700,518)
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.	138,180
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net position.	(64,645)
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.	(273,501)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt.	1,317,426
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.	42,879
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.	(45,892)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	<u>(1,868,448)</u>
Change in net position of governmental activities	<u><u>\$ (1,454,519)</u></u>

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

**SCHOOL DISTRICT FREMONT RE-1  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE, 30 2015**

	<b>Private-Purpose Trust Fund</b>	<b>Agency Fund</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 70,103	\$ 256,509
Investments	3,029	-
Due from primary government	6,946	-
Restricted cash and cash equivalents	356,740	-
Restricted investments	20,000	-
	456,818	256,509
<b>LIABILITIES</b>		
Due to primary government	\$ -	\$ 45,082
Due to student organizations	-	211,427
	-	256,509
<b>NET POSITION</b>		
Held in trust for individuals		
Nonexpendable	376,740	
Expendable	80,078	
	\$ 456,818	

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 2015**

	<b>Private-Purpose Trust Fund</b>
<b>ADDITIONS</b>	
Investment income	\$ 2,101
Total additions	2,101
<b>DEDUCTIONS</b>	
Scholarship awards	4,808
Total deductions	4,808
Change in net position	(2,707)
Net position - beginning	459,525
Net position - ending	\$ 456,818

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, 2014**

**ASSETS**

Current assets	
Cash and cash equivalents	\$ 954,730
Total current assets	<u>954,730</u>
Non-current assets	
Capital assets, net of accumulated depreciation	<u>340,311</u>
Total assets	<u><u>\$ 1,295,041</u></u>

**LIABILITIES AND NET ASSETS**

Current liabilities	
Payable to School District Fremont RE-1	\$ 18,461
Total liabilities	<u>18,461</u>
Net assets:	
Unrestricted	<u>1,276,580</u>
Total net assets	<u>1,276,580</u>
Total liabilities and net assets	<u><u>\$ 1,295,041</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, 2014**

**UNRESTRICTED NET ASSETS**

Support and revenue	
Investment earnings	\$ 123
Gain on sale of assets	1,722,168
Total support and revenue	<u>1,722,291</u>
Expenses	
Program expenses	45,490
Management expenses	296,723
Total expenses	<u>342,213</u>
Change in net assets	1,380,078
Net assets - beginning	<u>(103,498)</u>
Net assets - ending	<u><u>\$ 1,276,580</u></u>

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



**SCHOOL DISTRICT FREMONT RE-1  
STATEMENT OF CASH FLOWS  
FREMONT SCHOOLS FACILITIES CORPORATION  
YEAR ENDED DECEMBER 31, 2014**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ 1,380,078
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	32,064
Gain on sale of assets	<u>(1,722,168)</u>
Net cash provided (used) by operating activities	<u>(310,026)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds on sale of assets	<u>1,066,652</u>
Net cash provided (used) by investing activities	<u>1,066,652</u>
Net increase (decrease) in cash and cash equivalents	756,626
Cash and cash equivalents - beginning	<u>198,104</u>
Cash and cash equivalents - ending	<u><u>\$ 954,730</u></u>

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

## **NOTES TO FINANCIAL STATEMENTS**

**SCHOOL DISTRICT FREMONT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**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, 2015**

**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, 2015**

**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.

Additionally, the District reports the following fund types:

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

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

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

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

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

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

**SCHOOL DISTRICT FREMONT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**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, 2015**

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

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

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

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

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

*Cash and Investments*

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

*Receivables*

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

*Inventory and prepaid items*

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

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

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

**SCHOOL DISTRICT FREMONT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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

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

*Restricted Cash and Investments*

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

*Capital Assets*

Capital assets, which include land, buildings and improvements, vehicles, and equipment, are reported in the governmental column in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 in all funds, 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

*Pensions*

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



**SCHOOL DISTRICT FREMONT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**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*

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 has two items that qualifies for reporting in this category. A deferred charge on refunding is reported in the government-wide statement of net position and 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. The other item that qualifies for reporting in this category is the difference between projected and actual investment earnings on the pension plan.

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. In the government-wide statement of net position the government has one item that qualifies for reporting in this category. It is the difference between expected and actual experience on the pension plan.

*Long-term liabilities*

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

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

*Net position flow assumption*

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

**SCHOOL DISTRICT FREMONT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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

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

*Fund balance flow assumption*

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

*Fund balance classification*

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

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

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

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

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

**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.

**SCHOOL DISTRICT FREMONT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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

*G. REVENUES AND EXPENDITURES/EXPENSES*

*Program revenues*

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

*Compensated Absences*

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

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

*H. ESTIMATES*

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

*I. ADOPTION OF NEW ACCOUNTING STANDARDS*

The District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, effective July 1, 2014. This Statement establishes standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements. As a result, net position at June 30, 2014, was restated to reflect the cumulative effect of adopting the standards.

Certain balances of deferred outflows of resources and deferred inflows of resources related to pensions at June 30, 2014, were not available and have not been reported in the financial statements.

Effective July 1, 2014, the food service fund is being reported as a special revenue fund. Previously, the food service fund was reported as a proprietary fund. This change in presentation was required by the Colorado Department of Education in order to better align the compliance, accounting, and reporting of the federal grant program that is the food service fund. Accordingly, the newly established special revenue fund reports a restated beginning balance of \$809,583, which is equal to the net current assets and current liabilities previously reported in the proprietary fund. All remaining assets and liabilities previously reported in this proprietary fund are not recognized at the fund level under modified accrual, and have been reclassified as assets and liabilities of the governmental activities as of July 1, 2014.

**SCHOOL DISTRICT FREMONT RE-1  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

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

*I. ADOPTION OF NEW ACCOUNTING STANDARDS (CONTINUED)*

The above restatements had the following impact on previously reported balances:

<u>Statement of Activities</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Net position, July 1, 2014, as previously reported	\$ 21,015,524	\$ 1,044,398
Restatement for net pension liability	(19,206,917)	-
Change in presentation for Food Service Fund	<u>1,044,398</u>	<u>(1,044,398)</u>
Net position, July 1, 2014, as restated	<u>\$ 2,853,005</u>	<u>\$ -</u>
 <u>Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds</u>		<u>Amount</u>
Fund balances, July 1, 2014, as previously reported		\$ 8,100,728
Change in presentation for Food Service Fund		<u>809,583</u>
Fund balances, July 1, 2014, as restated		<u>\$ 8,910,311</u>
 <u>Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds</u>		
Fund balance, July 1, 2014, as previously reported		\$ 1,044,398
Change in presentation for Food Service Fund		<u>(1,044,398)</u>
Fund balance, July 1, 2014, as restated		<u>\$ -</u>

**SCHOOL DISTRICT FREMONT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**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	\$ 61,017,645
Accumulated depreciation	<u>(24,857,449)</u>
Net adjustment to <i>total fund balances—governmental funds</i> to arrive at <i>total net position—governmental activities</i>	<u>\$ 36,160,196</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	\$ (15,590,000)
Unamortized bond premium	(744,076)
Capital leases	(5,649,315)
Compensated absences	(883,020)
Net pension liability	<u>(21,569,787)</u>
Net adjustment to <i>total fund balances—governmental funds</i> to arrive at <i>net position—governmental activities</i>	<u>\$ (44,436,198)</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	\$ (1,818,752)
Capital outlays	<u>1,956,932</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>\$ 138,180</u>

**SCHOOL DISTRICT FREMONT RE-1  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**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	\$	14,208
Amortization of deferred on refunding		(47,946)
Accretion of bond premium		67,556
Interest paid with refunding proceeds		<u>(79,710)</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>(45,892)</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, 2015**

**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, 2015:

	Unrestricted Cash and Cash <u>Equivalents</u>	Restricted Cash and Cash <u>Equivalents</u>	Unrestricted <u>Investments</u>	Restricted <u>Investments</u>	Total
Deposits	\$ 970,149	\$ 356,740	\$ -	\$ -	\$ 1,326,889
ColoTrust	4,409,870	2,450,363	-	-	6,860,233
CSafe	351,558	-	-	-	351,558
Money Market	265,832	-	59,651	239	325,722
Commercial Paper	-	-	-	456,583	456,583
US Treasury Bonds	-	-	3,029	20,000	23,029
US Agency Bonds	-	-	-	1,654,321	1,654,321
Subtotal Investments	<u>5,027,260</u>	<u>2,450,363</u>	<u>62,680</u>	<u>2,131,143</u>	<u>9,671,446</u>
Total Cash and Investments	<u>\$ 5,997,409</u>	<u>\$ 2,807,103</u>	<u>\$ 62,680</u>	<u>\$ 2,131,143</u>	<u>\$ 10,998,335</u>

Reconciliation of total deposits and investments to the government-wide financial statements at June 30, 2015:

	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	\$ 5,670,797	\$ 2,450,363	\$ 59,651	\$ 2,111,143
Fiduciary	<u>326,612</u>	<u>356,740</u>	<u>3,029</u>	<u>20,000</u>
Total	<u>\$ 5,997,409</u>	<u>\$ 2,807,103</u>	<u>\$ 62,680</u>	<u>\$ 2,131,143</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, 2015**

**NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)**

*Deposits (continued)*

The carrying amount of the School's deposits at June 30, 2015 was \$1,326,889 and the bank balances were \$1,830,539. Of the bank balances, \$303,392 was covered by federal deposit insurance and \$1,527,147 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, 2015 the District's investment balances were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
ColoTrust	\$ 6,860,233	0.00
CSafe	351,558	0.00
Money Market	325,722	0.00
Commercial Paper	456,583	0.39
US Treasury Bonds	23,029	1.38
US Agency Bonds	<u>1,654,321</u>	0.37
Total fair value	<u>\$ 9,671,446</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, 2015**

**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, 2015, 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, 2014 consist of the following:

	Unrestricted Cash and Cash <u>Equivalents</u>
Deposits	\$ 106,627
ColoTrust	<u>848,103</u>
Total cash and investments	<u>\$ 954,730</u>

The carrying amount of the Facilities Corp.'s deposits at December 31, 2014 was \$106,627 and the bank balances were \$108,066. All of the bank balances were covered by federal deposit insurance.

**SCHOOL DISTRICT FREMONT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 5 – RECEIVABLES**

Receivables as of June 30, 2015 for the government’s individual major and non-major funds in the aggregate, are as follows:

	<u>General</u>	<u>Designated Purpose Grants</u>	<u>Bond Redemption Fund</u>	<u>Capital Projects Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total</u>
Receivables:						
Property tax	\$ 580,712	\$ -	\$ 149,577	\$ -	\$ -	\$ 730,289
Grant proceeds	-	332,913	-	80,851	25,139	438,903
Other	<u>(10,040)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,040)</u>
Total	<u>\$ 570,672</u>	<u>\$ 332,913</u>	<u>\$ 149,577</u>	<u>\$ 80,851</u>	<u>\$ 25,139</u>	<u>\$ 1,159,152</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, 2015, is 27.169 mills for general operating expenses and 8.255 mills for the payment of long-term debt. The District’s assessed valuation for the collection year 2015 was \$221,738,574.

*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, 2015**

**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, 2015 is as follows:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ -	\$ 573,888
Grants Fund	171,533	-
Bond Fund	51,270	-
Capital Projects Fund	463,420	-
Non-major Governmental Funds	-	74,199
Fiduciary Funds	<u>6,946</u>	<u>45,082</u>
Total	<u>\$ 693,169</u>	<u>\$ 693,169</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>\$ 102,472</u>

*Transfers*

Interfund transfer activity for the year ended June 30, 2015 is as follows:

<u>Transfer Out</u>	<u>Transfer In</u>		<u>Total</u>
	<u>Capital Projects Fund</u>	<u>Pupil Activity Fund</u>	
General Fund	<u>\$ 600,000</u>	<u>\$ 511,128</u>	<u>\$ 1,111,128</u>

**SCHOOL DISTRICT FREMONT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**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 non-food service fund governmental fund types consist of instructional supplies, audio visual supplies and non-issued instructional equipment. Inventories are accounted for using the consumption method and are valued at lower of cost or market and amounted to \$77,407 at June 30, 2015.

Inventories for the Food Service Fund consist of purchases and donated commodities and non-food supplies. Purchased inventories are stated at cost. Donated inventories, received at no cost under programs supported by the U.S. government, are recorded at their estimated fair market value at date of receipt. A breakdown of inventories in the Food Service Fund is as follows:

Purchased food and non-food	\$ 43,612
Donated commodities	<u>32,634</u>
Total	<u><u>\$ 76,246</u></u>

**SCHOOL DISTRICT FREMONT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2015 was as follows:

	<u>Balance</u> <u>06/30/14</u>	<u>Additions</u>	<u>Sales and</u> <u>Retirements</u>	<u>Balance</u> <u>06/30/15</u>
<i>Governmental Activities</i>				
Non-depreciable assets:				
Land	\$ 2,220,137	\$ -	\$ -	\$ 2,220,137
Construction in progress	<u>115,407</u>	<u>219,407</u>	<u>115,407</u>	<u>219,407</u>
Total non-depreciable assets	<u>2,335,544</u>	<u>219,407</u>	<u>115,407</u>	<u>2,439,544</u>
Depreciable assets:				
Buildings and improvements	52,280,291	244,192	467,976	52,056,507
Vehicles	2,043,806	114,071	-	2,157,877
Equipment	<u>3,181,347</u>	<u>1,494,669</u>	<u>312,299</u>	<u>4,363,717</u>
Total depreciable assets	<u>57,505,444</u>	<u>1,852,932</u>	<u>780,275</u>	<u>58,578,101</u>
Less accumulated depreciation for:				
Buildings and improvements	19,662,569	1,546,385	313,544	20,895,410
Vehicles	1,770,009	71,012	-	1,841,021
Equipment	<u>2,170,180</u>	<u>201,355</u>	<u>250,517</u>	<u>2,121,018</u>
Total accumulated depreciation	<u>23,602,758</u>	<u>1,818,752</u>	<u>564,061</u>	<u>24,857,449</u>
Total depreciable assets, net	<u>33,902,686</u>	<u>34,180</u>	<u>(216,214)</u>	<u>33,720,652</u>
<i>Governmental activities capital assets, net</i>	<u>\$ 36,238,230</u>	<u>\$ 253,587</u>	<u>\$ (331,621)</u>	<u>\$ 36,160,196</u>

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

*Governmental Activities*

Instruction	\$ 824,942
School Administration	10,937
Operations & maintenance	14,306
Transportation	58,307
Central	66,724
Facilities acquisition	824,010
Food Service	<u>19,526</u>
	<u>\$ 1,818,752</u>

**SCHOOL DISTRICT FREMONT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**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, 2015 are \$2,358,998. 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, 2015 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%	\$ 790,000
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%.	455,000
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%.	6,880,000
2014 refunding bonds in the original amount of \$7,500,000 due in varying annual installments through December 1, 2024 and interest rates from 2.00% to 3.00%.	<u>7,465,000</u>
Total General Obligation Bonds	<u>\$ 15,590,000</u>

**SCHOOL DISTRICT FREMONT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**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>
2016	\$ 1,385,000	\$ 401,691	\$ 1,786,691
2017	1,450,000	361,744	1,811,744
2018	1,480,000	330,680	1,810,680
2019	1,485,000	297,288	1,782,288
2020	1,545,000	263,000	1,808,000
2021 – 2025	<u>8,245,000</u>	<u>648,664</u>	<u>8,893,664</u>
Total	<u>\$ 15,590,000</u>	<u>\$ 2,303,067</u>	<u>\$ 17,893,067</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, 2015 there was \$2,514,610 available in the Bond Redemption Fund to service the general obligation bonds.

*Advance Refunding*

The District issued \$7,500,000 in general obligation refunding bonds with interest rates ranging from 2.0% to 3.0%. The proceeds were used to advance refund \$7,655,000 of outstanding 2006 Series general obligation refunding bonds which had interest rates ranging from 3.80% to 4.00%. The net proceeds of \$7,846,570 (including a \$344,920 premium, \$105,974 funds from existing bond & interest fund and after payment of \$104,324 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the 2006 Series general obligation refunding bonds are considered defeased and the liability for those bonds has been removed from the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by \$71,860. This amount is being amortized over the remaining life of the refunding debt. The government advance refunded the 2006 Series general obligation refunding bonds to reduce its total debt service payments over 10 years by \$882,323 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$786,907.

*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, 2015, the amount of defeased debt outstanding amounted to \$21,730,000.

**SCHOOL DISTRICT FREMONT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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

*Capital Leases*

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

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

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

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.



**SCHOOL DISTRICT FREMONT RE-1  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

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

*Capital Leases (continued)*

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.

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>(3,338,944)</u>
Total	<u>\$ 1,689,918</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2015, were as follows

<u>Year Ending June 30</u>	
2016	\$ 282,211
2017	286,347
2018	285,416
2019	284,485
2020	238,195
2021-2025	<u>4,373,045</u>
Total minimum lease payments	5,749,699
Less: amount representing interest	<u>(100,384)</u>
Present value of minimum lease payments	<u>\$ 5,649,315</u>

*Compensated Absences Payable*

Compensated absences consisted of the following as of June 30, 2015:

Vacation benefits	\$ 189,734
Sick leave benefits	<u>693,286</u>
Total	<u>\$ 883,020</u>

**SCHOOL DISTRICT FREMONT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**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, 2015:

	<u>Balance</u> <u>06/30/14</u>	<u>Debt Issued</u> <u>And Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/15</u>	<u>Due Within</u> <u>One year</u>
Bonds payable:					
General obligation bonds	\$ 17,105,000	\$ 7,500,000	\$ 9,015,000	\$ 15,590,000	\$ 1,385,000
Unamortized bond premium	<u>466,712</u>	<u>344,920</u>	<u>67,556</u>	<u>744,076</u>	<u>-</u>
	17,571,712	7,844,920	9,082,556	16,334,076	1,385,000
Capital leases payable	<u>5,796,661</u>	<u>-</u>	<u>147,346</u>	<u>5,649,315</u>	<u>251,809</u>
Total bond and capital leases	23,368,373	7,844,920	9,229,902	21,983,391	1,636,809
Compensated absences	925,899	-	42,879	883,020	-
Net pension liability	<u>20,716,850</u>	<u>1,868,448</u>	<u>1,015,511</u>	<u>21,569,787</u>	<u>-</u>
Total	<u>\$ 45,011,122</u>	<u>\$ 9,713,368</u>	<u>\$ 10,288,292</u>	<u>\$ 44,436,198</u>	<u>\$ 1,636,809</u>

**NOTE 12 – OPERATING LEASES**

The District leases office equipment under non-cancelable operating leases. Total costs for such leases were \$218,480 for the year ended June 30, 2015. The future minimum lease payments for these leases are as follows:

<u>Year Ending June 30</u>	
2016	\$ 158,700
2017	158,700
2018	158,700
2019	158,700
2020	158,700
2021-2024	<u>634,800</u>
Total minimum lease payments	<u>\$ 1,428,300</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, 2015**

**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**

*General Information about the Pension Plan*

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

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

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

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

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

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

**SCHOOL DISTRICT FREMONT RE-1  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 15 - DEFINED BENEFIT PENSION PLAN (CONTINUED)**

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve for the SCHDTF.

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

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

*Contributions.* Eligible employees and School District Fremont RE-1 are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. §24-51-401, *et seq.* Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

	For the Year Ended December 31, 2014	For the Year Ended December 31, 2015
Employer Contribution Rate	10.15%	10.15%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. §24-51-208(1)(f)	(1.02)%	(1.02)%
Amount Apportioned to the SCHDTF	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. §24-51-411	3.80%	4.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. §24-51-411	3.50%	4.00%
Total Employer Contribution Rate to the SCHDTF	16.43%	17.33%

Rates are expressed as a percentage of salary as defined in C.R.S. §24-51-101(42)

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the School District Fremont RE-1 is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from School District Fremont RE-1 were \$2,790,900 for the year ended June 30, 2015.

**SCHOOL DISTRICT FREMONT RE-1  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 15 - DEFINED BENEFIT PENSION PLAN (CONTINUED)**

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

At June 30, 2015, the School District Fremont RE-1 reported a liability of \$21,569,787 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013. Standard update procedures were used to roll forward the total pension liability to December 31, 2014. The School District Fremont RE-1 proportion of the net pension liability was based on School District Fremont RE-1 contributions to the SCHDTF for the calendar year 2014 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2014, the School District Fremont RE-1's proportion was 0.1591471692 percent, which was a decrease of 0.0032745807 percent from its proportion measured as of December 31, 2013.

For the year ended June 30, 2015, the School District Fremont RE-1 recognized pension expense of \$1,868,448. At June 30, 2015, the School District Fremont RE-1 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 1,611
Changes of assumptions or other inputs	-	-
Net difference between projected and actual earnings on pension plan investments	496,035	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	N/A
Total	\$ 496,035	\$ 1,611

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ 494,424

**SCHOOL DISTRICT FREMONT RE-1  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 15 - DEFINED BENEFIT PENSION PLAN (CONTINUED)**

*Actuarial assumptions.* The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 – 10.10 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50 percent
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; And DPS Benefit Structure (automatic)	2.00 percent
PERA Benefit Structure hired after 12/31/06; (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years.

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA’s Board on November 13, 2012, and an economic assumption study, adopted by PERA’s Board on November 15, 2013 and January 17, 2014.

The SCHDTF’s long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

**SCHOOL DISTRICT FREMONT RE-1  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 15 - DEFINED BENEFIT PENSION PLAN (CONTINUED)**

As of the most recent analysis of the long-term expected rate of return, presented to the PERA Board on November 15, 2013, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>10 Year Expected Geometric Real Rate of Return</b>
U.S. Equity – Large Cap	26.76%	5.00%
U.S. Equity – Small Cap	4.40%	5.19%
Non U.S. Equity – Developed	22.06%	5.29%
Non U.S. Equity – Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov't/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	100.00%	

\*In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.50%.

*Discount rate.* The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the fixed statutory rates specified in law, including current and future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Based on those assumptions, the SCHDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

*Sensitivity of the School District Fremont RE-1 proportionate share of the net pension liability to changes in the discount rate.* The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$28,441,735	\$21,569,787	\$15,817,850

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

**SCHOOL DISTRICT FREMONT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 16 – POST-EMPLOYMENT HEALTHCARE BENEFITS**

*Health Care Trust Fund*

*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 benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

*Funding policy.* The School District Fremont RE-1 is required to contribute at a rate of 1.02 percent of PERA-includable 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 C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2015, 2014, and 2013 the School District Fremont RE-1 contributions to the HCTF were \$168,585, \$161,556, and \$159,314, 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, 2015**

**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 35.424 and 35.672 mills for property taxes to be collected each year in 2015 and 2014, 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 \$822,100 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.

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHOOL DISTRICT FREMONT RE-1**  
**SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY AND COVERED PAYROLL**  
**JUNE 30, 2015**

	<u>2013</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.1624217499%	0.1591471692%
District's proportionate share of the net pension liability (asset)	\$ 20,716,850	\$ 21,569,787
District's covered-employee payroll	\$ 6,547,738	\$ 6,667,125
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	316.40%	323.52%
Plan fiduciary net position as a percentage of the total pension liability	64.1%	62.8%

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

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

See the accompanying independent auditors' report.

**SCHOOL DISTRICT FREMONT RE-1**  
**SCHEDULE OF EMPLOYER'S STATUTORY PAYROLL CONTRIBUTIONS AND COVERED PAYROLL**  
**JUNE 30, 2015**

	<u>2013</u>	<u>2014</u>
Contractually required contribution	\$ 1,016,864	\$ 1,095,409
Contributions in relation to the contractually required contribution	<u>(1,016,864)</u>	<u>(1,095,409)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 6,547,738	\$ 6,667,125
Contributions as a percentage of covered-employee payroll	15.53%	16.43%

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

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

See the accompanying independent auditors' report.

**SCHOOL DISTRICT FREMONT RE-1**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Local property taxes	\$ 5,998,942	\$ 5,998,942	\$ 6,046,642	\$ 47,700
Specific ownership taxes	1,099,895	1,099,895	1,098,443	(1,452)
State sources	17,906,112	17,902,697	17,860,392	(42,305)
Federal sources	146,000	146,000	155,583	9,583
Investment earnings	4,200	4,200	2,914	(1,286)
Other local revenue	585,600	585,600	638,643	53,043
	<u>25,740,749</u>	<u>25,737,334</u>	<u>25,802,617</u>	<u>65,283</u>
<b>EXPENDITURES</b>				
Instruction	14,735,565	14,867,802	14,854,313	13,489
Supporting services				
Student support	995,517	1,089,034	1,022,927	66,107
Instructional staff	729,884	831,393	938,863	(107,470)
General administration	617,410	576,391	596,297	(19,906)
School administration	1,668,451	1,691,858	1,716,023	(24,165)
Business services	522,970	581,109	550,870	30,239
Operations and maintenance	3,194,363	3,267,121	3,233,841	33,280
Student transportation	505,296	540,964	549,461	(8,497)
Central support service	1,082,534	1,082,784	1,040,018	42,766
Other support services	-	2,000	-	2,000
Facilities acquisition	2,000	2,000	1,200	800
Debt service				
Interest and other charges	1,000	1,000	-	1,000
Contingency reserves	1,202,752	-	-	-
Other financing uses				
Transfers out	1,546,369	1,100,152	1,111,128	(10,976)
	<u>26,804,111</u>	<u>25,633,608</u>	<u>25,614,941</u>	<u>18,667</u>
Net change in fund balances	(1,063,362)	103,726	187,676	83,950
Fund balances - beginning	1,662,956	-	1,540,213	1,540,213
Fund balances - ending	<u>\$ 599,594</u>	<u>\$ 103,726</u>	<u>\$ 1,727,889</u>	<u>\$ 1,624,163</u>

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, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
State sources	\$ 325,000	\$ 325,000	\$ 302,120	\$ (22,880)
Federal sources	2,800,000	2,800,000	2,571,654	(228,346)
Other local revenue	75,000	275,000	385,308	110,308
	<u>3,200,000</u>	<u>3,400,000</u>	<u>3,259,082</u>	<u>(140,918)</u>
<b>EXPENDITURES</b>				
Instruction	1,812,000	2,012,000	2,116,120	(104,120)
Supporting services				
Student support	431,000	431,000	606,869	(175,869)
Instructional staff	343,000	343,000	268,123	74,877
General administration	42,000	42,000	7,155	34,845
School administration	-	-	52,374	(52,374)
Business services	-	-	70,856	(70,856)
Operations and maintenance	1,000	1,000	2,481	(1,481)
Student transportation	45,000	45,000	1,377	43,623
Central support service	3,000	3,000	63	2,937
Other support services	-	-	10,925	(10,925)
Community services	523,000	523,000	122,739	400,261
	<u>3,200,000</u>	<u>3,400,000</u>	<u>3,259,082</u>	<u>140,918</u>
Net change in fund balances	-	-	-	-
Fund balances - beginning	-	-	-	-
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, 2015**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Local sources			
Local property taxes	\$ 5,998,942	\$ 6,046,642	\$ 47,700
Specific ownership taxes	1,099,895	1,098,443	(1,452)
Earnings on investments	4,200	2,914	(1,286)
Other local sources	585,600	638,643	53,043
Total local sources	<u>7,688,637</u>	<u>7,786,642</u>	<u>98,005</u>
State sources			
State equalization	16,444,848	16,399,153	(45,695)
Vocational education	68,000	68,639	639
Transportation	95,000	97,178	2,178
Special education	1,045,000	1,046,682	1,682
Other state sources	249,849	248,740	(1,109)
Total state sources	<u>17,902,697</u>	<u>17,860,392</u>	<u>(42,305)</u>
Federal sources			
Other	146,000	155,583	9,583
Total federal sources	<u>146,000</u>	<u>155,583</u>	<u>9,583</u>
Total revenues	<u>\$ 25,737,334</u>	<u>\$ 25,802,617</u>	<u>\$ 65,283</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, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>EXPENDITURES</b>			
Instruction			
Salaries	\$ 10,541,331	\$ 10,617,663	\$ (76,332)
Employee benefits	2,778,819	2,730,940	47,879
Purchased services	1,108,971	1,116,598	(7,627)
Supplies	386,769	322,497	64,272
Capital outlay	25,533	43,057	(17,524)
Other expenses	26,379	23,558	2,821
Total instruction	<u>14,867,802</u>	<u>14,854,313</u>	<u>13,489</u>
Supporting services			
Student support:			
Salaries	865,761	786,518	79,243
Employee benefits	203,002	191,218	11,784
Purchased services	6,500	7,700	(1,200)
Supplies	13,771	29,784	(16,013)
Total student support	<u>1,089,034</u>	<u>1,022,927</u>	<u>66,107</u>
Instructional staff			
Salaries	294,176	366,274	(72,098)
Employee benefits	85,625	103,965	(18,340)
Purchased services	161,953	186,294	(24,341)
Supplies	272,639	260,260	12,379
Capital outlay	3,000	8,197	(5,197)
Other expenses	-	790	(790)
Other	14,000	13,083	917
Total instructional staff	<u>831,393</u>	<u>938,863</u>	<u>(107,470)</u>
General administration			
Salaries	284,901	309,928	(25,027)
Employee benefits	56,240	66,955	(10,715)
Purchased services	199,250	186,397	12,853
Supplies	10,000	14,417	(4,417)
Other expenses	24,000	18,600	5,400
Total general administration	<u>\$ 576,391</u>	<u>\$ 596,297</u>	<u>\$ (19,906)</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, 2015**

	Budget	Actual	Variance Favorable (Unfavorable)
School administration			
Salaries	\$ 1,177,842	\$ 1,205,668	\$ (27,826)
Employee benefits	293,520	310,806	(17,286)
Purchased services	161,268	142,895	18,373
Supplies	59,228	32,521	26,707
Capital outlay	-	24,133	(24,133)
Total school administration	<u>1,691,858</u>	<u>1,716,023</u>	<u>(24,165)</u>
Business services			
Salaries	343,120	352,004	(8,884)
Employee benefits	89,904	88,346	1,558
Purchased services	51,300	38,993	12,307
Supplies	52,900	33,848	19,052
Capital outlay	4,500	1,351	3,149
Other expenses	39,385	36,328	3,057
Total business services	<u>581,109</u>	<u>550,870</u>	<u>30,239</u>
Operations and maintenance			
Salaries	1,203,839	1,265,607	(61,768)
Employee benefits	328,376	332,178	(3,802)
Purchased services	669,450	589,389	80,061
Supplies	1,051,000	1,042,370	8,630
Capital outlay	14,456	4,297	10,159
Total operations and maintenance	<u>3,267,121</u>	<u>3,233,841</u>	<u>33,280</u>
Student transportation			
Salaries	355,344	355,480	(136)
Employee benefits	86,599	93,128	(6,529)
Purchased services	53,000	66,424	(13,424)
Supplies	169,000	164,408	4,592
Capital outlay	5,000	-	5,000
Other expenses	(127,979)	(129,979)	2,000
Total student transportation	<u>\$ 540,964</u>	<u>\$ 549,461</u>	<u>\$ (8,497)</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, 2015**

	Budget	Actual	Variance Favorable (Unfavorable)
Central support services			
Salaries	\$ 429,162	\$ 443,504	\$ (14,342)
Employee benefits	105,872	115,244	(9,372)
Purchased services	395,500	335,656	59,844
Supplies	135,000	136,367	(1,367)
Capital outlay	12,250	4,234	8,016
Other expenses	5,000	5,013	(13)
Total central support services	<u>1,082,784</u>	<u>1,040,018</u>	<u>42,766</u>
Total supporting services	<u>9,662,654</u>	<u>9,648,300</u>	<u>14,354</u>
Facilities acquisition			
Purchased services	<u>2,000</u>	<u>1,200</u>	<u>800</u>
Total facilities acquisition	<u>2,000</u>	<u>1,200</u>	<u>800</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>
Other financing uses			
Transfers out	<u>1,100,152</u>	<u>1,111,128</u>	<u>(10,976)</u>
Total expenditures and other financing uses	<u><u>\$ 25,633,608</u></u>	<u><u>\$ 25,614,941</u></u>	<u><u>\$ 18,667</u></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, 2015**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
State sources	\$ 325,000	\$ 302,120	\$ (22,880)
Federal sources	2,800,000	2,571,654	(228,346)
Other local revenue	275,000	385,308	110,308
	<u>3,400,000</u>	<u>3,259,082</u>	<u>(140,918)</u>
<b>EXPENDITURES</b>			
Instruction	2,012,000	2,116,120	(104,120)
Supporting services			
Student support	431,000	606,869	(175,869)
Instructional staff	343,000	268,123	74,877
General administration	42,000	7,155	34,845
School administration	-	52,374	(52,374)
Business services	-	70,856	(70,856)
Operations and maintenance	1,000	2,481	(1,481)
Student transportation	45,000	1,377	43,623
Central support service	3,000	63	2,937
Other support services	-	10,925	(10,925)
Community services	523,000	122,739	400,261
	<u>3,400,000</u>	<u>3,259,082</u>	<u>140,918</u>
Net change in fund balances	-	-	-
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>-</u>
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, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>			
Local property taxes	\$ 1,928,357	\$ 1,843,304	\$ (85,053)
Interest income	2,000	2,382	382
Other local revenue	-	3,643	3,643
	<u>1,930,357</u>	<u>1,849,329</u>	<u>(81,028)</u>
<b>EXPENDITURES</b>			
Debt service:			
Principal	1,325,000	1,320,000	5,000
Interest and other charges	445,133	399,323	45,810
Issuance costs	105,000	104,324	676
	<u>1,875,133</u>	<u>1,823,647</u>	<u>51,486</u>
Excess (deficiency) of revenues over expenditures	<u>55,224</u>	<u>25,682</u>	<u>(29,542)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from refunding bond	7,500,000	7,500,000	-
Premium on bonds	345,000	344,920	(80)
Payments to refunding agents	(7,846,570)	(7,846,570)	-
	<u>(1,570)</u>	<u>(1,650)</u>	<u>(80)</u>
Net change in fund balances	53,654	24,032	(29,622)
Fund balances - beginning	<u>2,438,276</u>	<u>2,490,578</u>	<u>52,302</u>
Fund balances - ending	<u>\$ 2,491,930</u>	<u>\$ 2,514,610</u>	<u>\$ 22,680</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, 2015**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
State sources	\$ 130,816	\$ 80,850	\$ (49,966)
Investment earnings	1,200	54,651	53,451
Other local revenue	722,490	703,095	(19,395)
<b>Total revenues</b>	<b>854,506</b>	<b>838,596</b>	<b>(15,910)</b>
<b>EXPENDITURES</b>			
Supporting services			
Operations and maintenance	118,800	60,173	58,627
Student transportation	65,000	81,624	(16,624)
Central support service	110,000	116,263	(6,263)
Facilities acquisition and construction	2,042,559	1,783,973	258,586
Debt service:			
Principal	13,100	147,346	(134,246)
Interest and other charges	5,946	35,730	(29,784)
<b>Total expenditures</b>	<b>2,355,405</b>	<b>2,225,109</b>	<b>130,296</b>
Excess (deficiency) of revenues over expenditures	(1,500,899)	(1,386,513)	114,386
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	600,000	600,000	-
<b>Total other financing sources (uses)</b>	<b>600,000</b>	<b>600,000</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(900,899)</b>	<b>(786,513)</b>	<b>114,386</b>
Fund balances - beginning	3,160,464	4,069,842	909,378
Fund balances - ending	<u>\$ 2,259,565</u>	<u>\$ 3,283,329</u>	<u>\$ 1,023,764</u>

See the accompanying independent auditors' report.

## **NON-MAJOR GOVERNMENTAL FUNDS**

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

### **Special Revenue Fund**

#### *Food Service Fund*

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

#### *Pupil Activity Fund*

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

**SCHOOL DISTRICT FREMONT RE-1  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2015**

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Food Service Fund	Pupil Activity Fund	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 688,380	\$ 95	\$ 688,475
Investments	59,651	-	59,651
Receivables	25,139	-	25,139
Inventories	76,246	-	76,246
Total assets	\$ 849,416	\$ 95	\$ 849,511
<b>LIABILITIES</b>			
Accounts payable	978	-	978
Accrued salaries and benefits	75,644	-	75,644
Due to other funds	74,199	-	74,199
Unearned revenue	14,725	-	14,725
Total liabilities	165,546	-	165,546
<b>FUND BALANCES</b>			
Nonspendable for:			
Inventories	76,246	-	76,246
Assigned for:			
Student activities	-	95	95
Food services	607,624	-	607,624
Total fund balances	683,870	95	683,965
Total liabilities and fund balances	\$ 849,416	\$ 95	\$ 849,511

See the accompanying independent auditors' report.

**SCHOOL DISTRICT FREMONT RE-1**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Food Service Fund	Pupil Activity Fund	
<b>REVENUES</b>			
State sources	\$ 36,562	\$ -	\$ 36,562
Interest income	89	-	89
Federal sources	1,222,589	-	1,222,589
Other local revenue	420,897	149,024	569,921
	<u>1,680,137</u>	<u>149,024</u>	<u>1,829,161</u>
<b>EXPENDITURES</b>			
Instruction	-	26,792	26,792
Athletics	-	330,747	330,747
Supporting services			
Student support	-	7,068	7,068
Instructional staff	-	295,545	295,545
Food services	1,805,850	-	1,805,850
	<u>1,805,850</u>	<u>660,152</u>	<u>2,466,002</u>
Excess (deficiency) of revenues over expenditures	<u>(125,713)</u>	<u>(511,128)</u>	<u>(636,841)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	511,128	511,128
	<u>(125,713)</u>	<u>-</u>	<u>(125,713)</u>
Fund balances - beginning	<u>809,583</u>	<u>95</u>	<u>809,678</u>
Fund balances - ending	<u>\$ 683,870</u>	<u>\$ 95</u>	<u>\$ 683,965</u>

See the accompanying independent auditors' report.

**SCHOOL DISTRICT FREMONT RE-1**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**FOOD SERVICE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
State sources	34,700	36,562	1,862
Interest income	100	89	(11)
Federal sources	1,223,000	1,222,589	(411)
Other local revenue	434,420	420,897	(13,523)
Total revenues	<u>1,692,220</u>	<u>1,680,137</u>	<u>(12,083)</u>
<b>EXPENDITURES</b>			
Salaries	520,170	505,207	14,963
Employee benefits	171,122	169,191	1,931
Purchased services	39,750	40,863	(1,113)
Supplies	1,081,000	941,817	139,183
Equipment	115,700	128,772	(13,072)
Indirect costs	20,000	20,000	-
Total expenditures	<u>1,947,742</u>	<u>1,805,850</u>	<u>141,892</u>
Net change in fund balances	(255,522)	(125,713)	129,809
Fund balances - beginning	<u>803,122</u>	<u>809,583</u>	<u>6,461</u>
Fund balances - ending	<u>\$ 547,600</u>	<u>\$ 683,870</u>	<u>\$ 136,270</u>

See the accompanying independent auditors' report.

**SCHOOL DISTRICT FREMONT RE-1**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**PUPIL ACTIVITY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Local revenue	\$ 160,000	\$ 149,024	\$ (10,976)
Total revenues	160,000	149,024	(10,976)
<b>EXPENDITURES</b>			
Instruction	27,234	26,792	442
Athletics	333,551	330,747	2,804
Supporting services			
Student support	7,941	7,068	873
Instructional staff	291,426	295,545	(4,119)
Total expenditures	660,152	660,152	-
Excess (deficiency) of revenues over expenditures	(500,152)	(511,128)	(10,976)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	500,152	511,128	10,976
Total other financing sources and uses	500,152	511,128	10,976
Net change in fund balances	-	-	-
Fund balances - beginning	95	95	-
Fund balances - ending	\$ 95	\$ 95	\$ -

See the accompanying independent auditors' report.

## **FIDUCIARY FUNDS**

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

### *Private-Purpose Trust Fund*

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

### *Agency Fund*

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



**SCHOOL DISTRICT FREMONT RE-1  
SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION  
BUDGET AND ACTUAL  
PRIVATE-PURPOSE TRUST FUND  
FOR THE YEAR ENDED JUNE 30, 2015**

	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>ADDITIONS</b>			
Investment income	\$ 12,000	\$ 2,101	\$ (9,899)
Total additions	12,000	2,101	(9,899)
<b>DEDUCTIONS</b>			
Scholarship awards	25,000	4,808	20,192
Total deductions	25,000	4,808	20,192
Change in net position	(13,000)	(2,707)	10,293
Net position - beginning	458,613	459,525	912
Net position - ending	\$ 445,613	\$ 456,818	\$ 11,205

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, 2015**

	<u>Balance</u> <u>06/30/14</u>	<u>Additions/</u> <u>Revenues</u>	<u>Deletions/</u> <u>Expenditures</u>	<u>Balance</u> <u>06/30/15</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 188,776	\$ 557,257	\$ 489,524	\$ 256,509
Due from primary government	<u>34,118</u>	<u>-</u>	<u>34,118</u>	<u>-</u>
Total assets	<u><u>\$ 222,894</u></u>	<u><u>\$ 557,257</u></u>	<u><u>\$ 523,642</u></u>	<u><u>\$ 256,509</u></u>
 <b>LIABILITIES</b>				
Due to primary government	\$ -	\$ 45,082	\$ -	\$ 45,082
Due to student organizations	<u>222,894</u>	<u>512,175</u>	<u>523,642</u>	<u>211,427</u>
Total liabilities	<u><u>\$ 222,894</u></u>	<u><u>\$ 557,257</u></u>	<u><u>\$ 523,642</u></u>	<u><u>\$ 256,509</u></u>

See the accompanying independent auditors' report.

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

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

**SCHOOL DISTRICT FREMONT RE-1**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE BY SOURCE**  
**JUNE 30, 2015**

Governmental fund capital assets:	
Sites	\$ 2,220,137
Buildings and improvements	52,056,507
Vehicles	2,157,877
Equipment	4,363,717
Construction in progress	219,407
	<hr/>
Total governmental fund capital assets	\$ 61,017,645
	<hr/> <hr/>
Investments in governmental funds capital assets by source:	
General fund	\$ 548,261
Capital projects fund	11,056,955
Food Service	446,323
Designated-purpose grants fund	140,684
Bond fund	19,708,298
Building fund	29,117,124
	<hr/>
Total governmental funds capital assets	\$ 61,017,645
	<hr/> <hr/>

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, 2015**

<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	\$ 18,757,031	\$ -	\$ 2,744,861	\$ -	\$ 13,168,562	\$ 10,282,391
School administration	53,733	703,444	-	-	-	446,422	310,755
Operation and maintenance	-	-	216,611	16,000	-	161,199	71,412
Student transportation	76,297	-	1,941,266	-	-	1,685,422	332,141
Central support services	141,046	711,222	-	1,237,606	-	1,538,292	551,582
Facilities acquisition	-	31,884,810	-	-	219,407	7,646,152	24,458,065
Food Service	-	-	-	365,250	-	211,400	153,850
Total governmental funds capital assets	<u>\$ 2,220,137</u>	<u>\$ 52,056,507</u>	<u>\$ 2,157,877</u>	<u>\$ 4,363,717</u>	<u>\$ 219,407</u>	<u>\$ 24,857,449</u>	<u>\$ 36,160,196</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, 2015**

<u>Function and Activity</u>	<u>Balance 06/30/14</u>	<u>Additions</u>	<u>Depreciation and Retirements</u>	<u>Balance 06/30/15</u>
Instruction	\$ 9,717,345	\$ 1,544,420	\$ 979,374	\$ 10,282,391
School administration	321,692	-	10,937	310,755
Operation and maintenance	43,718	42,000	14,306	71,412
Student transportation	318,376	72,072	58,307	332,141
Central support services	424,208	194,098	66,724	551,582
Facilities acquisition & construction	25,178,076	219,407	939,418	24,458,065
Food Service	234,815	-	80,965	153,850
	<hr/>	<hr/>	<hr/>	<hr/>
Total governmental funds capital assets	<u>\$ 36,238,230</u>	<u>\$ 2,071,997</u>	<u>\$ 2,150,031</u>	<u>\$ 36,160,196</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, 2015**

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Agriculture</b>			
Passed Through Colorado Department of Education			
<i>Child Nutrition Cluster:</i>			
School Breakfast Program	10.553	4553	\$ 312,006
National School Lunch Program	10.555	4555	855,873
Summer Food Service Program	10.559	4559	<u>70,370</u>
<i>Total Child Nutrition Cluster</i>			1,238,249
Fresh Fruit and Vegetable Program	10.582	4582	19,501
Passed Through Fremont County, Colorado			
<i>Forest Service Schools and Roads Cluster</i>			
Schools and Roads - Grants to States	10.665	7665	<u>84,939</u>
Total U.S. Department of Agriculture			<u>1,342,689</u>
<b>U.S. Department of Defense Direct Program</b>			
Reserve Officer Training Corps	12.XXX	9001	<u>70,644</u>
<b>U.S. Department of Education</b>			
Passed Through Colorado Department of Education			
<i>Special Education Cluster (IDEA)</i>			
Special Education: Grants to States IDEA Part B	84.027	4027	812,454
Special Education: Preschool Grants	84.173	4173	<u>45,172</u>
<i>Total Special Education Cluster</i>			<u>857,626</u>
No Child Left Behind, Title I, Part A	84.010	4010, 7010	1,014,114
Rural Education	84.358	7358	74,163
Teacher and Principal Training and Recruiting Fund	84.367	4367	182,603
Passed Through Colorado Community College System			
Vocational Education - Basic Grants to States	84.048	4048	32,322
Passed Through Colorado Department of Human Services			
School to Work Alliance Program (SWAP)	84.126	5126	<u>42,601</u>
Total U.S. Department of Education			<u>\$ 2,203,429</u>

See the accompanying independent auditors' report.



**SCHOOL DISTRICT FREMONT RE-1  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015**

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Health and Human Services</b>			
Passed Through Colorado Department of Human Services			
<i>CCDF Cluster</i>			
Child Care Assistance Block Grant	93.575	7575	\$ 141,735
Child Care Development Fund: Readiness Grant	93.596	7596	<u>15,990</u>
<i>Total CCDF Cluster</i>			<u>157,725</u>
Total U.S. Department of Health and Human Services			<u>157,725</u>
<b>Total Federal Awards</b>			<u><u>\$ 3,774,487</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, 2015**

**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, 2015.

**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 discretely presented component units, each major fund, and the aggregate remaining fund information of School District Fremont RE-1, as of and for the year ended June 30, 2015, 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 09, 2015.

**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 09, 2015



**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, 2015. 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, 2015.

## 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 09, 2015

**SCHOOL DISTRICT FREMONT RE-1  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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>
10.553, 10.555, and 10.559	Child Nutrition Cluster

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, 2015**

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 discretely presented component units, each major fund, and the aggregate remaining fund information of School District Fremont RE-1, as of and for the year ended June 30, 2015, which collectively comprise School District Fremont RE-1's basic financial statements, and our report thereon dated November 09, 2015October 30, 2015October 30, 2015October 30, 2015October 30, 2015October 30, 2015, 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 09, 2015



**Colorado Department of Education**  
**Auditors Integrity Report**  
 District: 1140 - CANON CITY RE-1  
 Fiscal Year 2014-15  
 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	1,300,907	23,323,264	23,096,965	1,527,206
18 Risk Mgmt Sub-Fund of General Fund	53,917	448,156	434,304	67,770
19 Colorado Preschool Program Fund	185,388	920,069	972,544	132,914
<b>Sub- Total</b>	<b>1,540,213</b>	<b>24,691,489</b>	<b>24,503,813</b>	<b>1,727,889</b>
11 Charter School Fund	420,768	1,743,745	1,739,296	425,217
20,26-29 Special Revenue Fund	0	0	0	0
21 Food Service Spec Revenue Fund	809,583	1,680,138	1,805,851	683,870
22 Govt Designated-Purpose Grants Fund	0	3,259,082	3,259,082	0
23 Pupil Activity Special Revenue Fund	95	660,151	660,151	95
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	2,490,578	9,694,249	9,670,217	2,514,610
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	0	0	0	0
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	4,069,842	1,438,596	2,225,109	3,283,329
<b>Totals</b>	<b>9,331,078</b>	<b>43,167,450</b>	<b>43,863,518</b>	<b>8,635,010</b>
<b>Proprietary</b>				
50 Other Enterprise Funds	527,439	0	26,424	501,015
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	0	0	0	0
<b>Totals</b>	<b>527,439</b>	<b>0</b>	<b>26,424</b>	<b>501,015</b>
<b>Fiduciary</b>				
70 Other Trust and Agency Funds	-103,498	1,722,291	342,213	1,276,580
72 Private Purpose Trust Fund	459,525	2,101	4,808	456,818
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	222,894	512,175	523,642	211,427
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
<b>Totals</b>	<b>578,921</b>	<b>2,236,568</b>	<b>870,664</b>	<b>1,944,825</b>

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.