Frenchman School District RE-3
Fleming, Colorado

Financial Statements

For the Year Ended June 30, 2017

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Independent Auditors' Report

Board of Education
Frenchman School District RE-3
Fleming, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Frenchman School District RE-3 (the District), as of and for the year ended June 30, 2017, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Lauer, Szabo & Associates, P.C.

Sterling, Colorado
October 31, 2017

This section of Frenchman School District RE-3 annual financial report presents its discussion and analysis of the District's financial performance during the year ended June 30, 2017.

Financial Highlights

- The liabilities of the Frenchman School District RE-3 exceeded its assets at the close of the most recent fiscal year. Our Net Position as of June 30, 2017 is ($1,495,857).

- The district's total net position decreased by $1,382,884.

- General revenues accounted for $2,400,323 or 89% of the $2,683,657 in total revenues. Program specific revenues in the form of charges for services, sales, and grants accounted for $283,334 or 11% of revenues.

- The general fund ending fund balance reached $1,217,604. This was an increase of $81,381 from last year.

Overview of Financial Statements

The discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. A comparison to the prior year's activity is normally provided in the document. The basic financial statements consist of four components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements and, (4) required supplementary information. This report also contains required supplementary information in addition to the basic financial statements.

Government-wide Statements

The Government-wide financial statements are designed to provide readers with information about the School District as a whole using accounting methods similar to those used by private-sector businesses.

The statement of net position includes all of the School District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes.). In the government-wide financial statements, the School District's activities include the following:

- **Governmental activities:** Most of the School District's basic services are included here, such as instruction, transportation, maintenance, operations, and administration. Taxes and intergovernmental revenues principally support these activities.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The fund financial statements provide more detailed information about the School District's operations, focusing on the most significant or "major" funds, not the School District as a whole. The School District has two kinds of funds: governmental funds and fiduciary funds.

Governmental Funds

Most of the District's basic services are included in the 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 determine the status of financial resources that can be spent in the near future to finance the School District's program.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Thus, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and change in fund balances provide reconciliation to the government-wide financial statements in order to facilitate this comparison between governmental funds and governmental activities.

The School District maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures and change in fund balances for the General Fund and Preschool Fund, which are combined in a single aggregated presentation and is considered to be a major fund. Data for the other two governmental funds are presented separately. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

Fiduciary Funds

Fiduciary funds are used to count for resources held for the benefit of parties outside the school district. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on page 18 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements may be found on pages 19-43 of this report.

Other information

In addition to the basic financial statements, this report also presents other supplementary information concerning the School District's annual appropriated budgets with comparison statements that demonstrate compliance with budgets. Budgeted amounts may be found on pages 46-66.

Financial Analysis of the School District as a Whole

As noted earlier, net position may serve over time as a useful indicator of the School District's financial position.

66% of the School District's assets are capital assets (e.g., land, buildings and equipment). The school District uses these assets to provide instruction and related services to its students.

The following table provides a summary of the district's net position as of June 30, 2017.

	Governmental Activities		Total Percentage Change
	2017	2016	2016-2017
Current and Other assets	$1,481,130	$1,404,305	5.47%
Capital assets	2,833,857	2,972,062	-4.65%
Total assets	4,314,987	4,376,367	-1.40%
Deferred outflows of resources	3,359,403	564,196	495.43%
Total assets and deferred outflows of resources	$7,674,390	$4,940,563	55.33%
Long term liabilities	$8,856,682	$4,655,358	90.24%
Other liabilities	180,833	182,289	-.79%
Total liabilities	9,037,515	4,837,647	86.82%
Deferred inflows of resources	132,732	215,889	-38.51%
Net investment in capital assets	2,678,114	2,779,679	-3.65%
Restricted	145,082	155,147	-6.48%
Unrestricted	(4,319,053)	(3,047,799)	-41.71%
Total net position	(1,495,857)	(112,973)	-1,224.08%
Total liabilities, deferred inflows of resources and net position	$ 7,674,390	$ 4,940,563	55.33%

The following table is a summary of the District's change in net position.

	Governmental Activities		Total Percentage Change
Revenues	2017	2016	2016-2017
Program Revenues			
Charges for services	$ 55,175	$ 47,753	15.54%
Operating and capital grants	228,159	306,554	-25.57%
Property taxes	1,116,174	833,260	33.95%
State equalization	1,213,709	1,517,764	-20.03%
Other	70,440	107,677	-34.58%
Total Revenue	2,683,657	2,813,008	-4.59%
Expenses			
Instruction	2,544,263	1,573,003	61.74%
Pupil & Instructional Services	124,340	104,286	19.22%
Administration & Business	565,112	403,065	40.20%
Maintenance & Operations	291,118	268,568	8.39%
Transportation	250,874	159,822	56.97%
Other	290,834	286,139	1.64%
Total Expenses	4,066,541	2,794,883	45.49%
Change in net position	$(1,382,884)	$ 18,125	-7,729.70%

Governmental Activities

The primary source of operating revenue for school districts comes from the School Finance Act of 1994, as amended (SFA). Under the SFA the School District received $11,972 per funded student. In fiscal year 2016-17 the funded pupil count was 186.8. Funding for the SFA comes from property taxes, specific ownership tax and state equalization. The School District receives approximately 66 percent of this funding from state equalization while the remaining amount comes from property taxes and specific ownership tax. The School District's assessed valuation generated $1,024,162 in property taxes for fiscal year 2016-2017.

Governmental Funds

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

As the end of the fiscal year, the School District's governmental funds reported combined ending fund balances of $1,285,382, an increase of $79,282. The general fund had a fund balance increase of $81,381 while the other governmental funds had a fund balance decrease of $2,099.

General Fund Budget Highlights

The District's budget is prepared according to Colorado law and is based on accounting for transactions under generally accepted accounting principles. The most significant budgeted fund is the General Fund.

The differences that are found between the final budget and the actual expended amounts are as follows:

- The differences in the revenues increase were due to a difference in the amount of specific ownership tax and property tax received this was offset by the amount spent at ten end of the year on class room supplies and items like the fan for the gym totaling $60,644 increases in actual expenditures versus budgeted expenditures that were listed in the 2016-2017 school year. This is approximately .02% of total expenditures and revenue.

Capital Assets and Debt Administration

Capital Assets

The School Districts investment in capital assets for its governmental activities as of June 30, 2017 amounts to $2,833,857 (net of accumulated depreciation). This investment in capital assets includes land, buildings, and improvements, equipment, construction in progress, and capital leases all with an original cost greater than $5,000.

The School District's total capital assets at June 30, 2017 net of accumulated depreciation were as follows:

Additional information on the School District's capital assets can be found in note E to the basic financial statements.

	Governmental Activities	
Land	$	24,013
Building Improvements		2,629,660
Equipment & Furniture		63,608
Vehicles		116,576
Total Capital Assets	$	2,833,857

Long-Term Debt

At year-end, the School District's long-term debt of $8,856,682 represented its general obligation bonds of $150,000, related bond premium of $5,743 and net pension liability of $8,700,939.

Economic Factors

Contacting the Districts Financial Management

The economy in our community continues to grow. Agriculture commodities are experiencing average yields and average market prices across the board. The real estate market is steady. Houses that are for sale move quickly. Fleming continues to attract home buyers and people who desire to reside in our school district.

Property valuations for our school district increased from $35,677,280 to $38,916,970. The property valuations help determine how much state equalization the district receives from the State of Colorado. The increase in property valuation means an increase in local tax dollars and a decrease in state equalization funding our school.

The Ending Fund Balance in the General Fund increased during the FY 2016-2017 fiscal year by $81,381. The increase is partially due to the reduction of expenses and the increase in specific ownership taxes, vocational education reimbursement and additional unexpected state funding.

The Frenchman District increased staff salaries by granting a step for all certified staff and increased classified salaries for the FY 2017-2018 school year.

The factors that affect next year's budget are declining enrollment numbers, the local economy, and the "negative factor" imposed on school districts from the State of Colorado and the Colorado Department of Education. The school district expects additional "Negative Factor" funding in state funding for the 2017-2018 fiscal year. The state constitution Amendment 23, passed by voters in 2000, provides an increase in per pupil funding by at least inflation plus 1%. However in 2010-2011, the "Negative Factor" was included in the school finance formula. As a result, school funding does not reflect the expectations approved by the passage of Amendment 23. If the School Finance Act was fully funded for 2016-2017, the District would have received an additional $291,854.

The 2017-2018 preliminary budgets were established in compliance with the Frenchman School District RE-3 Board of Education's policy manual. The budget for FY 2016-2017 was based on the funded pupil count of 183.8 students. The school district had a membership enrollment 192 students on October 1st.

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 any questions about this report or need additional information, contact Frenchman School District RE-3, 506 N Fremont, Fleming CO. 80728 or 970-265-2111.

Basic Financial Statements

The basic financial statements of the District include the following:

Government-wide financial statements. The government-wide statements display information about the reporting government as a whole, except for its fiduciary activities.

Fund financial statements. The fund financial statements display information about major funds individually and nonmajor funds in the aggregate for governmental and enterprise funds.

Notes to the financial statements. The notes communicate information essential for fair presentation of the financial statements that is not displayed on the face of the financial statements. As such, the notes are an integral part of the basic financial statements.

FRENCHMAN SCHOOL DISTRICT RE-3
Statement of Net Position
June 30, 2017

	Governmental Activities
Assets	
Cash	$ 710,996
Cash with fiscal agent	63,307
Certificates of deposit	662,529
Receivables	37,453
Inventory	6,845
Capital assets, net of depreciation	2,833,857
Total assets	4,314,987
Deferred outflows of resources	
Pension deferrals	3,359,403
Total assets and deferred outflows of resources	$ 7,674,390
Liabilities	
Accounts payable	$ 5,980
Accrued salaries and benefits	171,817
Unearned revenues	2,436
Accrued interest	600
Noncurrent liabilities	
Due within one year	35,000
Due in more than one year	8,821,682
Total liabilities	9,037,515
Deferred inflows of resources	
Pension deferrals	132,732
Net position	
Net investment in capital assets	2,678,114
Restricted for:	
Emergencies	77,000
Colorado preschool program	7,149
Food service operations	6,398
Debt service	54,535
Unrestricted (deficit)	(4,319,053)
Total net position (deficit)	(1,495,857)
Total liabilities, deferred inflows of resources and net position	$ 7,674,390

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FRENCHMAN SCHOOL DISTRICT RE-3
Statement of Activities
For the Year Ended June 30, 2017

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
Instruction	$ 2,544,263	$ 14,512	$ 110,796	
Supporting services				
Students	106,830		3,500	
Instructional staff	17,510		7,000	
General administration	238,891			
School administration	178,881			
Business services	147,340			
Operations and maintenance	291,118			
Student transportation	250,874		31,081	
Central support services	68,092		21,699	
Food service operations	108,057	40,663	49,083	5,000
Unallocated depreciation *	107,776			
Interest on long-term obligations	6,909			
Total governmental activities	$ 4,066,541	$ 55,175	$ 223,159	$ 5,000

General revenues
Taxes
Property taxes, levied for general purposes
Property taxes, levied for debt service
Specific ownership taxes
Delinquent taxes and interest
State categorical aid
Earnings on investments
Other
Gain on disposal of assets

Total general revenues

Change in net position

Net position (deficit) at beginning of year

Net position (deficit) at end of year

* This amount excludes depreciation that is included in the direct expenses of the various programs.

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

Net (Expenses) Revenues and Change in Net Position
Net Governmental Activities
$ (2,418,955)
(103,330)
(10,510)
(238,891)
(178,881)
(147,340)
(291,118)
(219,793)
(46,393)
(13,311)
(107,776)
(6,909)
(3,783,207)
980,660
43,502
90,883
1,129
1,213,709
5,879
61,737
2,824
2,400,323
(1,382,884)
(112,973)
$ (1,495,857)

FRENCHMAN SCHOOL DISTRICT RE-3
Balance Sheet
Governmental Funds
June 30, 2017

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Cash	$ 701,442	$ 9,554	$ 710,996
Cash with fiscal agent	9,450	53,857	63,307
Certificates of deposit	662,529		662,529
Property taxes receivable	30,138	1,337	31,475
Grants receivable	5,968		5,968
Other receivables		10	10
Inventories		6,845	6,845
Total assets	$ 1,409,527	$ 71,603	$ 1,481,130
Liabilities			
Accounts payable	$ 2,814	$ 3,166	$ 5,980
Accrued salaries and benefits	171,817		171,817
Unearned revenues	2,436		2,436
Total liabilities	177,067	3,166	180,233
Deferred inflows of resources			
Deferred property tax revenues	14,856	659	15,515
Total deferred inflows of resources	14,856	659	15,515
Fund balance			
Nonspendable inventories		6,845	6,845
Restricted for:			
Emergencies	77,000		77,000
Colorado preschool program	7,149		7,149
Food service operations		6,398	6,398
Debt service		54,535	54,535
Unassigned	1,133,455		1,133,455
Total fund balance	1,217,604	67,778	1,285,382
Total liabilities, deferred inflows of resources and fund balance	$ 1,409,527	$ 71,603	$ 1,481,130

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

FRENCHMAN SCHOOL DISTRICT RE-3
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2017

Amounts reported for governmental activities in the statement of net position is different because:		
Total fund balance - governmental funds	$	1,285,382
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		2,833,857
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.		15,515
Accrued interest on long-term debt is not due and payable in the current period and therefore is not reported as a liability in the funds.		(600)
Long-term liabilities and related deferred outflows and inflows of resources are not due and payable in the current year and therefore are not reported as liabilities in the funds.		(5,630,011)
Net position of the governmental activities	$	(1,495,857)

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

FRENCHMAN SCHOOL DISTRICT RE-3
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2017

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Local sources	$ 1,158,649	$ 84,077	$ 1,242,726
Intermediate sources	204	2,292	2,496
State sources	1,338,922	51,791	1,390,713
Federal sources	48,863		48,863
Total revenues	2,546,638	138,160	2,684,798
Expenditures			
Instruction	1,591,383		1,591,383
Supporting services	857,874	112,569	970,443
Debt service			
Principal retirement		35,000	35,000
Interest and fiscal charges		8,690	8,690
Total expenditures	2,449,257	156,259	2,605,516
Excess of revenues over (under) expenditures	97,381	(18,099)	79,282
Other financing sources (uses)			
Transfers in		16,000	16,000
Transfers out	(16,000)		(16,000)
Total other financing sources (uses)	(16,000)	16,000	-
Net change in fund balance	81,381	(2,099)	79,282
Fund balance at beginning of year	1,136,223	69,877	1,206,100
Fund balance at end of year	$ 1,217,604	$ 67,778	$ 1,285,382

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

FRENCHMAN SCHOOL DISTRICT RE-3
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, 2017

Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balances - governmental funds	$ 79,282
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation and amortization exceeded capital outlays in the current period.	(138,205)
In the statement of activities, certain expenses related to the pension liabilities and related deferred outflows and inflows and accrued interest payable, are measured by the amounts incurred or earned during the year. In the governmental funds, however, expenditures for those items are measured by the amount of financial resources used (essentially, the amounts actually paid).	(1,357,820)
Because some property taxes will not be collected for several months after after the fiscal year ends, they are not considered as "available" revenues in the governmental funds and are, instead, counted as deferred tax revenues. They are, however, recorded as revenues in the statement of activities.	(1,141)
Repayment of principal on general obligation bonds are expenditures in the governmental funds, but the repayment reduces the long-term liability in the statement of net position.	35,000
Change in net position of governmental activities	$ (1,382,884)

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

FRENCHMAN SCHOOL DISTRICT RE-3
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	Agency Funds
Assets	
Cash	$ 59,708
Total assets	$ 59,708
Liabilities	
Due to student groups	$ 59,708
Total liabilities	$ 59,708

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

Note A – Summary of significant accounting policies

This summary of the Frenchman School District RE-3's significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. The policies are considered essential and should be read in conjunction with the accompanying financial statements.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The more significant of the District's accounting policies are described below.

A.1 – Reporting entity

The Frenchman School District RE-3 is a school district governed by an elected five-member board of education. The financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The reporting entity's financial statements should present the funds of the primary government (including its blended component units, which are, in substance, part of the primary government) and provide an overview of the discretely presented component units.

The District has examined other entities that could be included as defined in number 2 and 3 above. Based on these criteria, the District has no component units.

A.2 – Fund accounting

The District uses funds to report its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types." The District does not have any proprietary funds.

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked funds (special revenue funds), and the servicing of general long-term debt (debt service fund). The following is the District's major governmental fund:

Note A – Summary of significant accounting policies (Continued)

General Fund – The General Fund is the operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include local property taxes, specific ownership taxes, and State of Colorado equalization funding, as determined by the School Finance Act of 1994, as amended.

Expenditures include all costs associated with the daily operation of the schools, except for debt service, food service operations and pupil activities.

The following are the District's nonmajor governmental funds:

Food Service Fund – This fund is a special revenue fund used to account for the financial activities associated with the District's food service operations.

Bond Redemption Fund – This fund is a debt service fund used to account for the revenues from a specific tax levy for the purpose of the repayment of debt principal, interest and other fiscal charges.

Fiduciary Funds focus on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The District has the following fiduciary fund:

Pupil Activity Agency Fund – This fund is an agency fund used to record transactions related to school-sponsored pupil organizations and activities.

Note A.3 – Basis of presentation

Government-wide financial statements – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with a brief explanation to better identify the relationship between the government-wide statements and the statements for governmental funds.

Note A – Summary of significant accounting policies (Continued)

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund financial statements – Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources management focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources, and a statement of revenues, expenditures and changes in fund balance, which reports the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

Fiduciary funds focus on net position and changes in net position and are reported using accounting principles similar to proprietary funds. The District's fiduciary funds are presented in the fiduciary fund financial statements by type. Since by definition these assets are being held for the benefit of a third party and cannot be used to address the activities or obligations of the District, these funds are not incorporated into the government-wide financial statements.

A.4 – Basis of accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

Note A – Summary of significant accounting policies (Continued)

Revenues – exchange and nonexchange transactions – Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. State equalization monies are recognized as revenues during the period in which they are appropriated. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes collected within sixty days after year-end, interest, tuition, grants and student fees.

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 (expenditure) until then.

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

Note A – Summary of significant accounting policies (Continued)

Unearned revenue – Unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to meeting eligibility requirements. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed and the revenue is recognized.

Expenditures – The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

A.5 – Encumbrances

Encumbrance accounting is utilized by the District to record purchase orders, contracts and other commitments for the expenditure of monies to assure effective budgetary control and accountability. Encumbrances outstanding at year-end are canceled and reappropriated in the ensuing year's budget.

A.6 – Short-term interfund receivables/payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as internal balances on the government-wide statement of net position, and are classified as due from other funds or due to other funds on the balance sheet.

A.7 – Inventories

Food Service Fund – Purchased inventories are stated at cost as determined by the first-in, first-out method. Commodity inventories are stated at the United States Department of Agriculture's assigned values, which approximate fair value, at the date of receipt. Expenditures for food items are recorded when consumed. The federal government donates surplus commodities to the national school lunch program. Commodity distributions used by the District are recorded as revenues at the date of their consumption.

A.8 – Capital assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

Note A – Summary of significant accounting policies (Continued)

All capital assets with a unit cost greater than $5,000 are capitalized at cost (or estimated historical cost, if actual cost is not available) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair value on the date received. Infrastructure assets, consisting of certain improvements other than buildings (such as parking facilities, sidewalks, landscaping and lighting systems) are capitalized along with other capital assets. Improvements to assets are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not.

All reported capital assets are depreciated with the exception of land costs. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities
Land and improvements	0-20 years
Buildings and improvements	20-50 years
Furniture and equipment	5-20 years
Licensed vehicles	5-10 years

A.9 – Compensated absences

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Sick leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. Accumulated sick leave benefits are paid to employees upon termination of employment.

No liability is reported in the financial statements due to the immateriality of the amount involved.

A.10 – Accrued liabilities and long-term obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. Bonds payable and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due. Bond premiums are amortized over the life of the bonds using the straight-line method.

Note A – Summary of significant accounting policies (Continued)

A.11 – Fund balance

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

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

Nonspendable, such as fund balance associated with inventories, prepaid expenditures, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned),

Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the board of education (the District's highest level of decision-making authority),

Assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and

Unassigned fund balance is the residual classification for the District's general fund and includes all spendable amounts not contained in the other classifications.

Committed fund balance is established by a formal passage of a resolution. This is typically done through the adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the board of education through adoption or amendment of the budget as intended for specific purpose (such as purchase of fixed assets, construction, debt service or for other purposes).

When both restricted and unrestricted resources are available in governmental funds, the District applies expenditures against restricted fund balance first, and followed by committed fund balance, assigned fund balance and unassigned fund balance.

Note A – Summary of significant accounting policies (Continued)

A.12 – Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are liabilities imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

A.13 – Interfund transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/ expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. In general, the effect of interfund activity has been eliminated from the government-wide financial statements.

A.14 – Extraordinary and special items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the board of education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the year.

Note B – Cash and investments

Cash and deposits

Colorado State statutes govern the District's deposit of cash. The Public Deposit Protection Act (PDPA) for banks and savings and loans requires state regulators to certify eligible depositories for public deposits. The PDPA require eligible depositories with public deposits in excess of federal insurance levels to create a single institution collateral pool of defined eligible assets. Eligible collateral includes obligations of the United States, obligations of the State of Colorado or Colorado local governments and obligations secured by first lien mortgages on real property located in the state. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group and not held in any individual government's name. The fair value of the assets in the pool must be at least equal to 102% of the aggregate uninsured deposits.

Note B – Cash and investments (Continued)

Custodial credit risk – deposits – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of year-end, the District had total deposits of $1,500,595, of which $250,000 was insured and $1,250,595 was collateralized with securities held by the pledging institution's trust department or agent in the District's name.

Investments

Authorized investments – Investment policies are governed by Colorado State Statutes and the District's own investment policies and procedures. Investments of the District may include:

- Obligations of the U.S. Government such as treasury bills, notes and bonds
- Certain international agency securities
- General obligation and revenue bonds of United States local government entities
- Bankers acceptances of certain banks
- Commercial paper
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

At year-end, the District had only investments in certificates of deposit.

The following table provides a reconciliation of cash, cash with fiscal agent, and investments on the statement of net position:

Cash	$ 770,704
Cash with fiscal agent	63,307
Investments in certificates of deposit	662,529
Total	$ 1,496,540
Statement of net position	
Cash	$ 710,996
Cash with fiscal agent	63,307
Investments in certificates of deposit	662,529
Subtotal	1,436,832
Statement of fiduciary net position	
Cash	59,708
Total	$ 1,496,540

Note C – Receivables

Receivables at year-end consist of the following:

	Governmental Receivables
Property taxes receivable	$ 31,475
Grants receivable	5,968
Other receivables	10
Total	$ 37,453

Property taxes are levied on December 15th and attach as a lien on property the following January 1st. They are payable in full by April 30th or are due in two equal installments on February 28th and June 15th. Logan County bills and collects property taxes for all taxing entities within the County. The tax receipts collected by the County are remitted to the District in the subsequent month.

Note D – Interfund transactions

The following is a summary of interfund borrowings transfers for the year as presented in the fund financial statements:

	Transfers In	Transfers Out
Governmental funds		
General fund	$ -	$ 16,000
Other governmental funds	16,000	-
Total	$ 16,000	$ 16,000

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. The District transferred $16,000 from the General Fund to the Other Governmental Funds to subsidize the costs of maintaining the District's food service operations.

Note E – Capital assets

Capital asset activity for the year was as follows:

	Beginning Balance	Additions/ Adjustments	Deletions/ Transfers	Ending Balance
Governmental activities				
Capital assets, not being depreciated:				
Land	$ 24,013	$ -	$ -	$ 24,013
Total capital assets, not being depreciated	24,013	-	-	24,013
Capital assets, being depreciated:				
Buildings and improvements	4,938,466	-	-	4,938,466
Licensed vehicles	695,336	-	(84,283)	611,053
Furniture and equipment	156,919	10,460	-	167,379
Total capital assets, being depreciated	5,790,721	10,460	(84,283)	5,716,898
Total capital assets	5,814,734	10,460	(84,283)	5,740,911
Less accumulated depreciation for:				
Buildings and improvements	(2,201,030)	(107,776)	-	(2,308,806)
Licensed vehicles	(546,212)	(32,548)	84,283	(494,477)
Furniture and equipment	(95,430)	(8,341)	-	(103,771)
Total accumulated depreciation	(2,842,672)	(148,665)	84,283	(2,907,054)
Governmental activities capital assets, net	$ 2,972,062	$ (138,205)	$ -	$ 2,833,857

Depreciation expense was charged to programs of the District as follows:

Governmental activities	
Operations and maintenance	$ 4,019
Student transportation	32,548
Central support services	3,835
Food service operations	487
Unallocated	107,776
Total	$ 148,665

Note F – Accrued salaries and benefits

Salaries and benefits of certain contractually employed personnel are paid over a twelve-month period from September to August, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned but not paid at year-end are estimated to be $171,817. Accordingly, this accrued compensation is reflected as a liability in the accompanying financial statements.

Note G – Long-term debt

The following is a summary of the changes in long-term debt for the year:

	Beginning Balances	Additions/ Adjustments	Reductions/ Adjustments	Ending Balances	Due within one year
Governmental activities					
Bonds payable	$ 185,000	$ -	$ (35,000)	$ 150,000	$ 35,000
Bond premium	7,383	-	(1,640)	5,743	-
Net pension liability	4,462,975	4,237,964	-	8,700,939	-
Total	$ 4,655,358	$ 4,237,964	$ (36,640)	$ 8,856,682	$ 35,000

The net pension liability attributable to the governmental activities will be liquidated primarily by the General Fund, while payments on the bond are made in the Bond Redemption Fund.

Bonds payable

The District issued $425,000 in general obligation bonds dated December 27, 2005 to finance a portion of a substantial renovation to the roof at the school. The bonds are due in annual installments ranging from $19,311 to $40,000, with semi-annual interest payments at a rate of 4.80%.

The following schedule represents the District's debt service requirements to maturity for all outstanding bonded indebtedness:

Year ended June 30,	Principal	Interest	Total
2018	$ 35,000	$ 6,360	$ 41,360
2019	35,000	4,680	39,680
2020	40,000	2,880	42,880
2021	40,000	960	40,960
Totals	$ 150,000	$ 14,880	$ 164,880

Note H – Defined benefit pension plan

Summary of significant accounting policies

Pensions. The District 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.

General information about the pension plan

Plan description. Eligible employees of the District 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.

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. Section 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.

Note H – Defined benefit pension plan (Continued)

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

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

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

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

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. 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% of PERA's Annual Increase Reserve (AIR) 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.

Note H – Defined benefit pension plan (Continued)

Contributions. Eligible employees and the District are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. Section 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, 2016	For the Year Ended December 31, 2017
Employer contribution rate[1]	10.15%	10.15%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. Section 24-51-208(1)(f) [1]	(1.02)%	(1.02)%
Amount apportioned to the SCHDTF[1]	9.13%	9.13%
Amortization equalization disbursement (AED) as specified in C.R.S. Section 24-51-411[1]	4.50%	4.50%
Supplemental amortization equalization disbursement (SAED) as specified in C.R.S. Section 24-51-411[1]	4.50%	5.00%
Total employer contribution rate to the SCHDTF[1]	18.13%	18.63%

[1] Rates are expressed as a percentage of salary as defined in C.R.S. Section 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 District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District were $257,646 for the year ended.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

At year-end, the District reported a liability of $8,700,939 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016. The District's proportion of the net pension liability was based on the District's contributions to the SCHDTF for the calendar year 2016 relative to the total contributions of participating employers to the SCHDTF.

Note H – Defined benefit pension plan (Continued)

At December 31, 2016, the District's proportion was 0.0292 percent, which was the same as its proportion measured as of December 31, 2015.

For the year ended June 30, 2017, the District recognized pension expense of $1,617,246. At year-end, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 108,721	$ 80
Changes of assumptions or other inputs	2,823,273	39,180
Net difference between projected and actual earnings on pension plan investments	292,906	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	4,655	93,472
Contributions subsequent to the measurement date	129,848	-
Total	$ 3,359,403	$ 132,732

$129,848 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2018	$ 1,219,073
2019	1,242,300
2020	632,548
2021	2,902
Totals	$ 3,096,823

Note H – Defined benefit pension plan (Continued)

Actuarial assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
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
Discount rate	7.50 percent
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

Based on the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic assumptions were adopted by PERA's Board on November 18, 2016 and effective as of December 31, 2016. These revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2015 to December 31, 2016:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 9.70 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	5.26 percent
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

Note H – Defined benefit pension plan (Continued)

Mortality rates used in the December 31, 2015 valuation 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. Active member mortality was based upon the same mortality rates but adjusted to 55 percent of the base rate for males and 40 percent of the base rate for females. For disabled retirees, the RP-2000 Disabled Mortality Table (set back 2 years for males and set back 2 years for females) was assumed.

The actuarial assumptions used in the December 31, 2015 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.

As a result of the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic actuarial assumptions including withdrawal rates, retirement rates for early reduced and unreduced retirement, disability rates, administrative expense load, and pre- and post-retirement and disability mortality rates were adopted by PERA's Board on November 18, 2016 to more closely reflect PERA's actual experience. As the revised economic and demographic assumptions are effective as of the measurement date, December 31, 2016, these revised assumptions were reflected in the total pension liability and roll-forward procedures.

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

Healthy, post-retirement mortality assumptions reflect the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

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

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

For disabled retirees, the mortality assumption was changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

Note H – Defined benefit pension plan (Continued)

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016. As a result of the October 28, 2016 actuarial assumptions workshop and the November 18, 2016 PERA Board meeting, the economic assumptions changed, effective December 31, 2016, as follows:

- Investment rate of return assumption decreased from 7.50 percent per year, compounded annually, net of investment expenses to 7.25 percent per year, compounded annually, net of investment expenses.

- Price inflation assumption decreased from 2.80 percent per year to 2.40 percent per year.

- Real rate of investment return assumption increased from 4.70 percent per year, net of investment expenses, to 4.85 percent per year, net of investment expenses.

- Wage inflation assumption decreased from 3.90 percent per year to 3.50 percent per year.

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

These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the November 18, 2016 adoption of the current long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Note H – Defined benefit pension plan (Continued)

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. equity – large cap	21.20%	4.30%
U.S. equity – small cap	7.42%	4.80%
Non U.S. equity – developed	18.55%	5.20%
Non U.S. equity – emerging	5.83%	5.40%
Core fixed income	19.32%	1.20%
High yield	1.38%	4.30%
Non U.S. fixed income - developed	1.84%	0.60%
Emerging market debt	0.46%	3.90%
Core real estate	8.50%	4.90%
Opportunity fund	6.00%	3.80%
Private equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	100.00%	

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

Discount rate. The discount rate used to measure the total pension liability was 5.26 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated economic and demographic actuarial assumptions adopted by PERA's Board on November 18, 2016.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

Note H – Defined benefit pension plan (Continued)

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimate future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.

- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the projection test indicates the SCHDTF's fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25 percent on pension plan investments was applied to periods through 2041 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System, was applied to periods on and after 2041 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.86 percent, resulting in a discount rate of 5.26 percent.

Note H – Defined benefit pension plan (Continued)

As of the prior measurement date, the projection test indicated the SCHDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments of 7.50 percent was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination did not use a municipal bond index rate and the discount rate was 7.50 percent, 2.24 percent higher compared to the current measurement date.

Sensitivity of the District's 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 5.26 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 (4.26 percent) or 1-percentage-point higher (6.26 percent) than the current rate:

	1% Decrease (4.26%)	Current Discount (5.26%)	1% Increase (6.26%)
Proportionate share of the net pension liability	$ 10,941,152	$ 8,700,939	$ 6,876,368

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.

Payables to the pension plan

The District did not report any payables to the pension plan at year-end.

Note I – Defined contribution pension plan

Voluntary Investment Program

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

Note I – Defined contribution pension plan (Continued)

Funding policy. The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. The District does not offer matching contributions to its employees. Employees are immediately vested in their own contributions and investment earnings. For the year ended June 30, 2017, program members contributed $4,647 for the Voluntary Investment Program.

Note J – Other postemployment benefits

Health Care Trust Fund

Plan description. The District contributed 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 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.

Funding policy. The District 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 District 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 fiscal years ended June 30, 2017, 2016 and 2015, the District's contributions to the HCTF were $13,547, $13,043 and $13,044, respectively, equal to their required contributions for each year.

Note K – 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; injuries to employees; and natural disasters. The District participates in the Colorado School Districts Self-Insurance Pool (the Pool). The Pool's objectives are to provide member school districts with defined property and liability coverages through self-insurance and excess insurance purchased from commercial companies. The District makes an annual contribution to the Pool for its insurance coverages. The District's contribution for the year was $32,728. The District

Note K – Risk management

continues to carry commercial insurance for all risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage or the deductible in any of the past three fiscal years. There has been no significant reduction in insurance coverage from the prior year in any of the major categories of risk.

Note L – Commitments and contingencies

Federal and state funding

The District receives revenues from various federal and state grant programs which are subject to final review and approval by the grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

TABOR Amendment

In November 1992, Colorado voters passed an amendment, commonly known as the Taxpayer's Bill of Rights (TABOR), to the State Constitution (Article X, Section 20) which limits the revenue raising and spending abilities of state and local governments. The limits on property taxes, revenue, and "fiscal year spending" include allowable annual increases tied to inflation and local growth in student enrollment. Fiscal year spending as defined by the amendment excludes spending from certain revenue and financing sources such as federal funds, gifts, property sales, fund transfers, damage awards, and fund reserves (balances). The amendment requires voter approval for any increase in mill levy or tax rates, new taxes, or creation of multi-year debt. Revenue earned in excess of the "spending limit" must be refunded or approved to be retained by the District under specified voting requirements by the entire electorate. In November, 1997, the voters of the District approved a ballot initiative permitting the District to retain, appropriate, and utilize, by retention for reserve, carryover fund balance, or expenditure, the full proceeds and revenues received from every source whatsoever, without limitation, in this fiscal year and all subsequent fiscal years notwithstanding any limitation of Article X, Section 20 of the Colorado Constitution. TABOR is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of TABOR. However, the District has made certain interpretations of TABOR's language in order to determine its compliance. The District has reserved funds in the General Fund in the amount of $77,000 for the emergency reserve.

Note M – Joint venture

The District participates in the Northeast Colorado Board of Cooperative Educational Services (BOCES). This joint venture does not meet the criteria for inclusion within the reporting entity because the BOCES is:

- financially independent and responsible for its own financing deficits and entitled to its own surpluses,
- has a separate governing board from that of the District,
- has a separate management which is responsible for day to day operations and is accountable to the separate governing board,
- the governing board and management have the ability to significantly influence operations by approving budgetary requests and adjustments, signing contracts, hiring personnel, exercising control over facilities and determining the outcome or disposition of matters affecting the recipients of services provided, and
- has absolute authority over all funds and fiscal responsibility, including budgetary responsibility, and reporting to state agencies and controls fiscal management.

The District has one member on the board. This board has final authority for all budgeting and financing of the joint venture.

Separate financial statements of the BOCES are available by contacting their administrative office in Haxtun, Colorado.

For the year, the District's financial contribution to the BOCES was $38,345.

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Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Governmental Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule – General Fund
- Schedule of the District's Proportionate Share of the Net Pension Liability
- Schedule of District Contributions

FRENCHMAN SCHOOL DISTRICT RE-3
General Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Favorable
	Original	Final	Actual	(Unfavorable)
Revenues				
Local sources	$ 815,810	$ 1,106,225	$ 1,158,649	$ 52,424
Intermediate sources	279	204	204	-
State sources	1,669,806	1,336,075	1,338,922	2,847
Federal sources	49,293	45,438	48,863	3,425
Total revenues	2,535,188	2,487,942	2,546,638	58,696
Expenditures				
Instruction	1,591,619	1,579,597	1,591,383	(11,786)
Supporting services	961,555	890,751	857,874	32,877
Reserve for contingency	968,558	1,137,818		1,137,818
Total expenditures	3,521,732	3,608,166	2,449,257	1,158,909
Excess of revenues over (under) expenditures	(986,544)	(1,120,224)	97,381	1,217,605
Other financing uses				
Transfers out	(16,000)	(16,000)	(16,000)	-
Total other financing uses	(16,000)	(16,000)	(16,000)	-
Net change in fund balance	$ (1,002,544)	$ (1,136,224)	81,381	$ 1,217,605
Fund balance at beginning of year			1,136,223	
Fund balance at end of year			$ 1,217,604	

FRENCHMAN SCHOOL DISTRICT RE-3
Schedule of the District's Proportionate Share of the Net Pension Liability [1]
June 30, 2017

	June 30, 2017	June 30, 2016	June 30, 2015
District's proportion of the net pension liability	0.0292234108%	0.0291806539%	0.0307031620%
District's proportionate share of the net pension liability	$ 8,700,939	$ 4,462,975	$ 4,161,310
District's covered-employee payroll	$ 1,328,157	$ 1,278,745	$ 1,278,851
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	655.11%	349.01%	325.39%
Plan fiduciary net position as a percentage of the total pension liability	43.10%	59.20%	62.84%

[1] Information is not available prior to June 30, 2015. In future reports, additional years will be added until 10 years of historical data are presented.

FRENCHMAN SCHOOL DISTRICT RE-3
Schedule of District Contributions [1]
June 30, 2017

	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution	$ 257,646	$ 239,108	$ 228,082
Contributions in relation to the contractually required contribution	(257,646)	(239,108)	(228,082)
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered-employee payroll	$ 1,328,157	$ 1,278,745	$ 1,278,851
Contributions as a percentage of covered-employee payroll	19.40%	18.70%	17.83%

[1] Information is not available prior to June 30, 2015. In future reports, additional years will be added until 10 years of historical data are presented.

Note A – Budgetary data

The District adheres to the following procedures in compliance with Colorado Revised Statutes, establishing the budgetary data in the financial statements:

1. Budgets are required by state law for all funds. Prior to May 31, the superintendent of schools submits to the board of education a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted by the board of education to obtain taxpayer comments.
3. Prior to June 30, the budget is adopted by formal resolution.
4. Prior to January 31, the board of education submits its adopted annual budget to the department of education.
5. Expenditures may not legally exceed appropriations at the fund level. Authorization to transfer budgeted amounts between departments within any fund and reallocation of budget line items within any department in the General Fund rests with the superintendent of schools. Revisions that alter the total expenditures of any fund must be approved by the board of education.
6. Budgets for all funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
7. Budgeted amounts reported in the accompanying financial statements are as originally adopted and as amended by the board of education throughout the year. After budget approval, the District board of education may approve supplemental appropriations if an occurrence, condition, or need exits which was not known at the time the budget was adopted. Supplemental appropriations were made during the year.
8. Appropriations lapse at year-end.

Note B – Factors affecting trends in amounts reported in the pension schedules

Information about factors that significantly affect trends in the amounts reported in the Schedule of the District's Proportionate Share of the Net Pension Liability and the Schedule of District Contributions is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

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Other Supplementary Information

Other supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

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Budgetary Comparison Schedule – 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 of the District's ordinary operations financed primarily from property and specific ownership taxes and state aid. It is the most significant fund in relation to the District's overall operations. The schedules of revenues and expenditures are included to provide a greater level of detail to the reader of the financial statements.

FRENCHMAN SCHOOL DISTRICT RE-3
General Fund
Budgetary Comparison Schedule - Revenues
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Favorable
	Original	Final	Actual	(Unfavorable)
Revenues				
Local sources				
Property taxes	$ 697,456	$ 963,287	$ 982,246	$ 18,959
Specific ownership taxes	40,834	59,329	90,883	31,554
Delinquent taxes and interest			1,062	1,062
Tuition	9,720	11,920	14,512	2,592
Earnings on investments	5,800	5,700	5,590	(110)
Pupil activities	17,000	17,105	17,466	361
Other local revenue	45,000	48,884	46,890	(1,994)
Total local sources	815,810	1,106,225	1,158,649	52,424
Intermediate sources	279	204	204	-
State sources				
Equalization	1,544,737	1,213,750	1,213,709	(41)
Hold harmless funding	25,260	20,352	20,121	(231)
Vocational education	29,000	22,850	22,849	(1)
Transportation	26,700	30,793	31,081	288
ELPA professional development	195	195	195	-
English language proficiency	136	136	136	-
READ act	574	2,103	1,694	(409)
State grants to libraries	7,000	7,000	7,000	-
Additional at-risk funding			740	740
Services within the BOCES	36,204	38,896	41,397	2,501
Total state sources	1,669,806	1,336,075	1,338,922	2,847
Federal sources				
Race tot the top grant			152	152
REAP	19,000	19,000	21,699	2,699
Services within the BOCES	30,293	26,438	27,012	574
Total federal sources	49,293	45,438	48,863	3,425
Total revenues	$ 2,535,188	$ 2,487,942	$ 2,546,638	$ 58,696

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FRENCHMAN SCHOOL DISTRICT RE-3
General Fund
Budgetary Comparison Schedule - Expenditures
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Favorable
	Original	Final	Actual	(Unfavorable)
Expenditures				
Instruction				
Salaries	$ 926,861	$ 959,156	$ 974,083	$ (14,927)
Employee benefits	321,381	318,804	309,225	9,579
Purchased services	243,419	220,940	216,535	4,405
Supplies and materials	88,386	69,421	80,464	(11,043)
Other	11,572	11,276	11,076	200
Total instruction	1,591,619	1,579,597	1,591,383	(11,786)
Supporting services				
Students				
Salaries	51,584	48,050	44,852	3,198
Employee benefits	18,294	16,736	14,450	2,286
Purchased services	3,500	3,500	3,652	(152)
Total students	73,378	68,286	62,954	5,332
Instructional staff				
Salaries	16,330	4,533	2,909	1,624
Employee benefits	3,405	1,009	650	359
Purchased services	10,600	7,900	2,077	5,823
Supplies and materials	11,115	9,273	9,028	245
Total instructional staff	41,450	22,715	14,664	8,051
General administration				
Salaries	91,000	91,000	91,000	-
Employee benefits	28,045	28,045	27,972	73
Purchased services	22,100	12,534	19,552	(7,018)
Supplies and materials			6,346	(6,346)
Property	3,800			-
Other	21,350	19,076	5,002	14,074
Total general administration	166,295	150,655	149,872	783

	Budgeted Amounts			Variance with Final Budget Favorable
	Original	Final	Actual	(Unfavorable)
School administration				
Salaries	105,841	115,703	72,397	43,306
Employee benefits	28,742	29,097	28,450	647
Purchased services	(5,320)	(15,117)	5,041	(20,158)
Supplies and materials	1,800	1,475	2,172	(697)
Other	650			-
Total school administration	131,713	131,158	108,060	23,098
Business services				
Salaries	56,553	56,553	56,553	-
Employee benefits	19,546	19,507	19,514	(7)
Purchased services	20,500	19,881	14,487	5,394
Supplies and materials	2,800	1,302	1,464	(162)
Other		(16)		(16)
Total business services	99,399	97,227	92,018	5,209
Operations and maintenance				
Salaries	66,774	66,774	63,339	3,435
Employee benefits	17,358	17,967	17,150	817
Purchased services	75,714	83,644	71,312	12,332
Supplies and materials	49,900	56,082	73,338	(17,256)
Property		6,200	5,460	740
Total operations and maintenance	209,746	230,667	230,599	68
Student transportation				
Salaries	64,858	67,371	71,086	(3,715)
Employee benefits	20,337	21,981	22,874	(893)
Purchased services	18,676	30,369	34,702	(4,333)
Supplies and materials	19,000	20,402	20,126	276
Property	57,100			-
Total student transportation	179,971	140,123	148,788	(8,665)

(continued)

FRENCHMAN SCHOOL DISTRICT RE-3
General Fund
Budgetary Comparison Schedule - Expenditures
For the Year Ended June 30, 2017

(continued)	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget Favorable (Unfavorable)
Central support services				
Salaries	18,000	16,000	13,635	2,365
Employee benefits	3,753	3,374	2,856	518
Purchased services	25,550	5,562	5,562	-
Supplies and materials	12,300	9,184	10,466	(1,282)
Property		15,800	18,400	(2,600)
Total central support services	59,603	49,920	50,919	(999)
Total supporting services	961,555	890,751	857,874	32,877
Reserve for contingency	968,558	1,137,818		1,137,818
Total expenditures	$ 3,521,732	$ 3,608,166	$ 2,449,257	$ 1,158,909

Budgetary Comparison Schedules – Nonmajor Governmental Funds

The District reports the following nonmajor governmental funds:

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

- Food Service Fund – This fund is used to record financial transactions related to the District's food service operations.

Debt Service Fund – These funds account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

- Bond Redemption Fund – This fund is a debt service fund used to account for the revenues from a specific tax levy for the purpose of the repayment of debt principal, interest and other fiscal charges.

FRENCHMAN SCHOOL DISTRICT RE-3
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2017

	Food Service Fund	Bond Redemption Fund	Totals
Assets			
Cash	$ 9,554		$ 9,554
Cash with fiscal agent		$ 53,857	53,857
Property taxes receivable		1,337	1,337
Other receivables	10		10
Inventories	6,845		6,845
Total assets	$ 16,409	$ 55,194	$ 71,603
Liabilities			
Accounts payable	$ 3,166	$ -	$ 3,166
Total liabilities	3,166	-	3,166
Deferred inflows of resources			
Deferred property tax revenues		659	659
Total deferred inflows of resources	-	659	659
Fund balance			
Nonspendable inventories	6,845		6,845
Restricted for food service operations	6,398		6,398
Restricted for debt service		54,535	54,535
Total fund balance	13,243	54,535	67,778
Total liabilities, deferred inflows of resources and fund balance	$ 16,409	$ 55,194	$ 71,603

FRENCHMAN SCHOOL DISTRICT RE-3
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2017

	Food Service Fund	Bond Redemption Fund	Totals
Revenues			
Local sources	$ 40,721	$ 43,356	$ 84,077
State sources	2,292		2,292
Federal sources	51,791		51,791
Total revenues	94,804	43,356	138,160
Expenditures			
Supporting services	112,569		112,569
Debt service			
Principal retirement		35,000	35,000
Interest and fiscal charges		8,690	8,690
Total expenditures	112,569	43,690	156,259
Excess of revenues over (under) expenditures	(17,765)	(334)	(18,099)
Other financing sources			
Transfers in	16,000		16,000
Net change in fund balances	(1,765)	(334)	(2,099)
Fund balance at beginning of year	15,008	54,869	69,877
Fund balance at end of year	$ 13,243	$ 54,535	$ 67,778

FRENCHMAN SCHOOL DISTRICT RE-3
Food Service Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues				
Local sources	$ 42,435	$ 53,041	$ 40,721	$ (12,320)
State sources	696	696	2,292	1,596
Federal sources	49,655	51,689	51,791	102
Total revenues	92,786	105,426	94,804	(10,622)
Food service operations				
Purchased services	63,517	72,208	70,877	1,331
Supplies and materials	45,137	44,063	36,692	7,371
Property	2,700	7,700	5,000	2,700
Appropriated reserves	10,216	12,463		12,463
Total expenditures	121,570	136,434	112,569	23,865
Excess of revenues over (under) expenditures	(28,784)	(31,008)	(17,765)	13,243
Other financing sources				
Transfers in	16,000	16,000	16,000	-
Net change in fund balance	$ (12,784)	$ (15,008)	(1,765)	$ 13,243
Fund balance at beginning of year			15,008	
Fund balance at end of year			$ 13,243	

FRENCHMAN SCHOOL DISTRICT RE-3
Bond Redemption Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues				
Property taxes	$ 42,040	$ 42,040	$ 43,057	$ 1,017
Delinquent taxes and interest			68	68
Interest on investments			231	231
Total revenues	42,040	42,040	43,356	1,316
Expenditures				
Debt service				
Principal	35,000	35,000	35,000	-
Interest and fiscal charges	7,690	7,690	8,690	(1,000)
Appropriated reserves	44,260	54,219		54,219
Total expenditures	86,950	96,909	43,690	53,219
Excess of revenues over (under) expenditures	$ (44,910)	$ (54,869)	(334)	$ 54,535
Fund balance at beginning of year			54,869	
Fund balance at end of year			$ 54,535	

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Budgetary Comparison Schedule – Fiduciary Fund

These funds focus on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds.

Agency funds – These funds are used to report resources held by the District in a purely custodial capacity (assets equal liabilities). These funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

- Pupil Activity Fund – This fund is used to record transactions related to school-sponsored pupil organizations and activities. These activities are self-supporting and do not receive any direct or indirect support within the fund.

FRENCHMAN SCHOOL DISTRICT RE-3
Pupil Activity Agency Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Additions				
Fundraising and other events	$ 120,000	$ 145,000	$ 110,183	$ (34,817)
Deductions				
Pupil activity expenditures	120,000	145,000	103,578	41,422
Excess of additions over deductions	$ -	$ -	6,605	$ 6,605
Due to student groups at beginning of year			53,103	
Due to student groups at end of year			$ 59,708	

Colorado Department of Education
Supplementary Schedule

Auditors' integrity report – This fiscal-year report is required by the Colorado Department of Education to maintain statewide consistency in financial reporting. This report is also used to gather financial data that could affect future state funding.

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Independent Auditors' Report on Auditors' Integrity Report

Board of Education
Frenchman School District RE-3
Fleming, Colorado

We have audited the financial statements of the Frenchman School District RE-3 (the District) as of and for the year ended June 30, 2017, and our report thereon dated October 31, 2017, which expressed an unmodified opinion on those financial statements, appears on pages 1-2. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Auditors' Integrity Report is presented for purposes of additional analysis and is not a required part of the 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.

Lauer, Szabo & Associates, P.C.

Sterling, Colorado
October 31, 2017

Colorado Department of Education

Auditors Integrity Report

District: 1850 - FRENCHMAN RE-3
Fiscal Year 2016-17
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	1,127,742	2,450,281	2,367,571	1,210,454
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	8,479	80,357	81,687	7,149
Sub-Total	**1,136,223**	**2,530,638**	**2,449,258**	**1,217,604**
11 Charter School Fund	0	0	0	0
20,26-29 Special Revenue Fund	0	0	0	0
06 Supplemental Cap Const, Tech, Main, Fund	0	0	0	0
21 Food Service Spec Revenue Fund	15,008	110,804	112,570	13,243
22 Govt Designated-Purpose Grants Fund	0	0	0	0
23 Pupil Activity Special Revenue Fund	0	0	0	0
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	54,869	43,356	43,690	54,535
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	0	0	0	0
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
Totals	**1,206,100**	**2,684,798**	**2,605,517**	**1,285,381**
Proprietary				
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	0	0	0	0
Totals	**0**	**0**	**0**	**0**
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	53,103	110,183	103,578	59,708
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
Totals	**53,103**	**110,183**	**103,578**	**59,708**

FINAL