

**Fremont County School District No. RE-3  
Cotopaxi, Colorado**

**Financial Statements**  
with Independent Auditors' Report

**June 30, 2021**



**HINKLE &  
COMPANY**  
*Strategic* <sup>PC</sup>  
*Business Advisors*

# Fremont County School District No. RE-3

## Table of Contents

June 30, 2021

<b>Independent Auditors' Report</b> .....	1
<b>Management's Discussion and Analysis</b> .....	i
<b>Basic Financial Statements</b>	
<i>Government-wide Financial Statements</i>	
Statement of Net Position .....	3
Statement of Activities .....	4
<i>Governmental Funds</i>	
Balance Sheet .....	5
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position .....	6
Statement of Revenues, Expenditures and Changes in Fund Balances .....	7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	8
<i>Notes to Financial Statements</i> .....	9
<b>Required Supplementary Information</b>	
Schedule of Proportionate Share of the Net Pension Liability and Contributions .....	35
Schedule of Proportionate Share of the Net OPEB Liability and Contributions .....	37
Budgetary Comparison Schedule – General Fund .....	38
<i>Notes to Required Supplementary Information</i> .....	39
<b>Supplementary Information</b>	
<i>Combining and Individual Fund Statements and Schedules</i>	
Combining Balance Sheet - Nonmajor Governmental Funds .....	40
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds .....	41
<i>Budgetary Comparison Schedules</i>	
Budgetary Comparison Schedule – Food Service .....	42
Budgetary Comparison Schedule – Student Activity Fund .....	43
<b>Compliance Section</b>	
Auditors Integrity Report .....	44



**HINKLE &  
COMPANY**  
Strategic <sup>PC</sup>  
Business Advisors

## Independent Auditors' Report

Board of Education  
Fremont County School District No. RE-3  
Cotopaxi, Colorado

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fremont County School District No. RE-3 as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Fremont County School District No. RE-3, 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 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 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 Fremont County School District No. RE-3 as of June 30, 2021, 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 and the required supplementary 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 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 Fremont County School District No. RE-3's basic financial statements. The supplementary information and the auditors integrity report listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 the 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Hick & Company, PC*

Englewood, Colorado  
February 25, 2022



# Fremont County School District No. RE-3

## Management's Discussion and Analysis

### June 30, 2021

As management of Fremont School District RE-3 (the District), we offer readers of the District's basic financial statements this narrative and analysis of the financial activities of Fremont School District RE-3 for the year ended June 30, 2021. We encourage readers to consider the information presented in conjunction with the accompanying financial statements.

#### **Financial Highlights**

- During the year, the District's revenues generated from taxes and other revenues of all governmental programs were \$3,498,481 and expenditures were \$3,215,687. This resulted in a positive net change in Governmental Fund Balances of \$253,909.
- The District had a healthy Governmental Fund Balance of \$3,666,053 on June 30, 2021.
- Factoring in the pension liability, Fremont School District has a Net Position of positive \$5,839,727 when pension related items are excluded.

#### **Overview of Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic statements are comprised of these components:

1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

**Government-Wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and liabilities, deferred inflows and deferred outflows, with the difference being reported as net position. Over time, the increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in the future periods (for example, salaries and benefits earned but unpaid as of year end).

**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 objects. The fund financial statements provide more detailed information about the School's operations, focusing on the most significant funds, not the School District as a whole. The District has two kinds of funds: governmental funds, and fiduciary funds.

**Fremont County School District No. RE-3**  
Management's Discussion and Analysis  
June 30, 2021

- 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 District's programs. The District maintains two individual governmental funds. They are the General Fund and the Food Service Fund. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and change in fund balances provide a reconciliation to the government-wide financial statements in order to facilitate comparison between governmental funds and governmental activities.

**Notes to Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

**Financial Analysis of the District as a Whole**

Net position may serve over time as a useful indicator of a government's financial position. Before the reporting of the net pension liability and related items, the liabilities and deferred inflows of the governmental activities exceed assets and deferred outflows by \$7,137,719 at June 30, 2020.

The District's net position is \$569,904. The negative net position is due to the adoption of GASB Statement No. 68, resulting in a net pension liability of \$4,529,375 representing the District's proportionate share of PERA's net pension liability. This net pension liability is down some from last year's net pension liability of \$4,098,293.

Key elements of the changes in net position are as follows:

Analyzing the net position before the insertion of the net pension liability and related items, the largest portion of the District's net position (58%) represent its investment in capital assets (e.g. land, land improvements, buildings, equipment and vehicles). The District uses these capital assets to provide services to its constituents; consequently these assets are not available for future spending.

An additional portion of the District's net position (2%) is subject to external restrictions on how it may be used. The District has \$140,000 for as a restriction, Article X, Section 20 of the Colorado Constitution known as the TABOR Amendment.

**Fremont County School District No. RE-3**  
Management's Discussion and Analysis  
June 30, 2021

The remaining amount of net position (40%) is available to fund the District's ongoing programs.

The Statement of Net Position reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components - the amount due within one year and the amount due in more than one year. There are currently no long-term liabilities of the District. The difference between the District's assets and deferred outflows and liabilities and deferred inflows is its net position.

The District's net position increased by \$1,988,262. The District's total non-pension-related net position increased by \$654,474.

The District's revenues totaled \$3,498,481. Approximately 49% of the District's revenue comes from property and other taxes, with approximately 33% coming from state equalization.

### **Analysis of the Funds**

**Governmental Funds.** The focus of the 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 District's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The General Fund is a major governmental fund. At the end of fiscal year 2021, the District's General Fund reported an ending fund balance of \$3,372,561 an increase of \$276,568. The unassigned portion of the General Fund at this time is \$3,232,561.

The Food Service Fund is funded by charges for meals, reimbursements from the federal government for low-income students and transfers from the General Fund. This year the transfer was \$67,964. This fund had an ending fund balance of \$59,896. This is an increase of \$26,539 from last year.

### **General Fund Budgetary Highlights**

The District budgeted for General Fund expenditures of \$4,046,932 for the year ending June 30, 2021. Actual expenditures approved by the board were \$2,911,406. The lower expenditures were possible because of very conservative spending in all departments.

The operations of the District are funded primarily by tax revenue received under the State School Finance Act based partly on the number of students. Budgeted General Fund revenues were projected at \$2,986,932 and actually came in at \$3,255,938.

**Fremont County School District No. RE-3**  
Management's Discussion and Analysis  
June 30, 2021

The District has spent approximately 48% of expenditures for instruction related activities. The remaining 52% was spent on supporting services, capital outlay, and debt services.

**Capital Asset and Debt Administration**

**Capital Assets.** The District's investment in capital assets as of June 30, 2021, amounts to \$3,363,245. This decrease from last year's total of \$3,321,679 was due to depreciation expense. More information on the District's capital assets can be found in Note 3 of the financial statements.

**Long-Term Debt.**

The district currently has no long term debt.

**Economic Factors and Next Year's Budget**

PERA and insurance costs are increasing each year. These costs will all continue to rise in FY 2022. For FY 2022 the district has budgeted to increase all payroll by 2%. With our positive cash flow and healthy beginning fund balance the district desires to continue to increase its payroll to keep up with the inflation.

The district will start the upgrade of HVAC system through the BEST Grant and the use of \$250,000 of district funds in FY 22. The district applied for and will receive the BEST grant in the amount of \$235,000. The district will purchase a new bus in FY22 at the cost of \$130,000.

COVID-19 has continued playing a role in district costs on many levels. The district was able to receive state/federal funding for the current year but will incur those costs at the district level in following years.

The district student count has increased from our down year last year. The student count is not back to what it was in past years. COVID-19 and more students learning in online schools have decreased our numbers over the past two years.

Our current beginning fund balance is sound, however the decrease in student count will decrease our state funding over the next several years. However, management believes that the District is in a sound financial position, even with the expected decreased revenue.

**Requests for Information**

The financial report is designed to provide a general overview of the District's finances for all those with an interest in the District. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

**Fremont School District RE-3**  
**PO Box 385**  
**Cotopaxi, CO 81223**

## **Basic Financial Statements**

**Fremont County School District No. RE-3**  
Statement of Net Position  
June 30, 2021

	Governmental Activities
<b>Assets</b>	
Cash and Investments	\$ 3,834,787
Accounts Receivable	38,743
Grants Receivable	7,866
Taxes Receivable	141,010
Inventories	8,709
Capital Assets, <i>Not Being Depreciated</i>	47,609
Capital Assets, <i>Net of Accumulated Depreciation</i>	<u>3,315,636</u>
Total Assets	<u>7,394,360</u>
<b>Deferred Outflows of Resources</b>	
OPEB, <i>Net of Accumulated Amortization</i>	12,371
Pensions, <i>Net of Accumulated Amortization</i>	<u>1,297,992</u>
Total Deferred Outflows of Resources	<u>1,310,363</u>
<b>Liabilities</b>	
Accounts Payable	28,325
Accrued Salaries and Benefits	255,596
Noncurrent Liabilities	
Net OPEB Liability	164,657
Net Pension Liability	<u>4,529,375</u>
Total Liabilities	<u>4,977,953</u>
<b>Deferred Inflows of Resources</b>	
OPEB, <i>Net of Accumulated Amortization</i>	1,118,426
Pensions, <i>Net of Accumulated Amortization</i>	<u>2,038,440</u>
Total Deferred Inflows of Resources	<u>3,156,866</u>
<b>Net Position</b>	
Net Investment in Capital Assets	3,363,245
Restricted	140,000
Unrestricted	<u>(2,933,341)</u>
Total Net Position	<u>\$ 569,904</u>

**Fremont County School District No. RE-3**  
Statement of Activities  
For the Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
<i>Governmental Activities</i>				
Instruction	\$ 713,289	\$ 119,003	\$ 131,130	\$ (463,156)
Supporting Services	631,317	-	213,708	(417,609)
Food Service	<u>176,875</u>	<u>7,692</u>	<u>127,756</u>	<u>(41,427)</u>
 Total Governmental Activities	 <u>\$ 1,521,481</u>	 <u>\$ 126,695</u>	 <u>\$ 472,594</u>	 <u>(922,192)</u>
 <b>General Revenues</b>				
Local Property Taxes				1,614,900
Specific Ownership Taxes				260,775
State Equalization				936,304
Grants and Contributions not Restricted to Specific Programs				26,056
Investment Income				7,788
Other				<u>64,631</u>
 Total General Revenues				 <u>2,910,454</u>
 <b>Change in Net Position</b>				 1,988,262
 <b>Net Position, Beginning of year (As previously stated)</b>				 <u>(1,672,267)</u>
 Adjustment to net position for adoption of new accounting principle				 <u>253,909</u>
 <b>Net Position, Beginning of year (As restated)</b>				 <u>(1,418,358)</u>
 <b>Net Position, End of year</b>				 <u>\$ 569,904</u>

**Fremont County School District No. RE-3**  
 Balance Sheet  
 Governmental Funds  
 June 30, 2021

	General	Nonmajor Governmental Funds	Total
<b>Assets</b>			
Cash and Investments	\$ 3,568,942	\$ 265,845	\$ 3,834,787
Accounts Receivable	6,713	32,030	38,743
Grants Receivable	7,866	-	7,866
Taxes Receivable	141,010	-	141,010
Inventories	-	8,709	8,709
Total Assets	\$ 3,724,531	\$ 306,584	\$ 4,031,115
<b>Liabilities</b>			
Accounts Payable	\$ 28,325	\$ -	\$ 28,325
Accrued Salaries and Benefits	242,504	13,092	255,596
Total Liabilities	270,829	13,092	283,921
<b>Deferred Inflows of Resources</b>			
Property Taxes	81,141	-	81,141
<b>Fund Balances</b>			
Nonspendable Inventories	-	8,709	8,709
Restricted for: Emergencies	140,000	-	140,000
Assigned to:			
Food Service	-	51,187	51,187
Student Activity	-	233,596	233,596
Unassigned	3,232,561	-	3,232,561
Total Fund Balances	3,372,561	293,492	3,666,053
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 3,724,531	\$ 306,584	\$ 4,031,115

**Fremont County School District No. RE-3**  
 Reconciliation of the Balance Sheet of Governmental  
 Funds to the Statement of Net Position  
 For the Year Ended June 30, 2021

**Amounts Reported for Governmental Activities in the  
 Statement of Net Position are Different Because:**

Total Fund Balances of Governmental Funds	\$ 3,666,053
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	3,363,245
Long-term assets are not available to pay current year expenditures and, therefore, are deferred in governmental funds. This amount represents property taxes earned but not available as current financial resources.	81,141
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in governmental funds:	
Net pension liability	(4,529,375)
Pension-related deferred outflows of resources	1,297,992
Pension-related deferred inflows of resources	(2,038,440)
Net OPEB liability	(164,657)
OPEB-related deferred outflows of resources	12,371
OPEB-related deferred inflows of resources	(1,118,426)
Total Net Position of Governmental Activities	\$ 569,904

**Fremont County School District No. RE-3**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2021

	General	Nonmajor Governmental Funds	Total
<b>Revenues</b>			
Local Sources	\$ 1,948,740	\$ 114,787	\$ 2,063,527
State Sources	1,152,959	929	1,153,888
Federal Sources	154,239	126,827	281,066
	<u>3,255,938</u>	<u>242,543</u>	<u>3,498,481</u>
Total Revenues			
<b>Expenditures</b>			
Instruction	1,751,229	127,406	1,878,635
Supporting Services	1,160,177	-	1,160,177
Food Service	-	176,875	176,875
	<u>2,911,406</u>	<u>304,281</u>	<u>3,215,687</u>
Total Expenditures			
<b>Revenues Over (Under) Expenditures</b>	344,532	(61,738)	282,794
<b>Other Financing Sources (Uses)</b>			
Transfers In	-	67,964	67,964
Transfers Out	(67,964)	-	(67,964)
	<u>(67,964)</u>	<u>67,964</u>	<u>-</u>
Total Other Financing Sources (Uses)			
<b>Net Change in Fund Balances</b>	276,568	6,226	282,794
<b>Fund Balances, Beginning of year (As previously stated)</b>	3,095,993	33,357	3,129,350
Adjustment to net position for adoption of new accounting principle	-	253,909	253,909
<b>Fund Balances, Beginning of year (As restated)</b>	3,095,993	287,266	3,383,259
<b>Fund Balances, End of year</b>	<u>\$ 3,372,561</u>	<u>\$ 293,492</u>	<u>\$ 3,666,053</u>

**Fremont County School District No. 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, 2021

**Amounts Reported for Governmental Activities in the  
 Statement of Activities are Different Because:**

Net Change in Fund Balances of Governmental Funds	\$	282,794
<p>Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense</p>		
Depreciation expense		(249,701)
Capital outlay		94,152
<p>Revenues that do not provide current financial resources are deferred in the governmental fund financial statements but are recognized in the government-wide financial statements. This amount represents the change in deferred property taxes.</p>		
		11,262
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This includes the changes in the following:</p>		
Net pension liability		(431,082)
Pension-related deferred outflows of resources		797,385
Pension-related deferred inflows of resources		967,485
Net OPEB liability		36,872
OPEB-related deferred outflows of resources		1,818
OPEB-related deferred inflows of resources		477,277
		477,277
Change in Net Position	\$	1,988,262

# Fremont County School District No. RE-3

## Notes to the Financial Statements

June 30, 2021

### **Note 1: Summary of Significant Accounting Policies**

The accounting policies of the Fremont County School District No. RE-3 (the District) conform to generally accepted accounting principles as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the District's more significant policies.

#### **Reporting Entity**

The financial reporting entity consists of the District, organizations for which the District is financially accountable, and organizations that raise and hold economic resources for the direct benefit of the District. All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are part of the District. Legally separate organizations for which the District is financially accountable are considered part of the reporting entity. Financial accountability exists if the District appoints a voting majority of the organization's governing board and is able to impose its will on the organization, or if there is a potential for the organization to provide benefits to, or impose financial burdens on, the District.

Based on the application of this criteria, the District does not include additional organizations in its reporting entity.

#### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these financial statements. Exceptions to this general rule are charges for interfund services that are reasonably equivalent to the services provided. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported in a single column.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to students or other customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for the governmental funds and the fiduciary fund, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

# Fremont County School District No. RE-3

## Notes to the Financial Statements

June 30, 2021

### Note 1: Summary of Significant Accounting Policies (Continued)

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

In the fund financial statements, the District reports the following major governmental funds:

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current year.

Taxes, intergovernmental revenues, grants, and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

When both restricted and unrestricted resources are available for a specific use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

#### **Assets, Liabilities and Fund Balances/Net Position**

*Receivables* – All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Property taxes levied for the current year but not received at year end are reported as taxes receivable and are presented net of an allowance for uncollectible taxes.

# Fremont County School District No. RE-3

## Notes to the Financial Statements

June 30, 2021

### Note 1: Summary of Significant Accounting Policies (Continued)

#### Assets, Liabilities and Fund Balances/Net Position (Continued)

*Inventories* – Food Service Fund inventories are recorded as an asset when individual items are purchased and as an expenditure when consumed. Inventories are stated at average cost and consist of purchased and donated commodities. Purchased inventories are recorded at cost. Donated inventories, received at no cost under a program supported by the federal government, are valued at the cost furnished by the federal government.

*Capital Assets* – Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the acquisition value on the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives.

Buildings and Improvements	20 – 50 years
Transportation Vehicles	8 years
Equipment	3 – 20 years

*Accrued Salaries and Benefits* – Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve-month period from September to August but are earned during a District year of approximately nine to ten months. The salaries and benefits earned, but unpaid, are reported as a liability in the financial statements.

*Deferred Inflows of Resources* – Deferred inflows of resources in the governmental fund financial statements include property taxes earned but not available as current financial resources.

*Unearned Revenues* – Unearned revenues represent resources received by the District before it has a legal claim to them, including student fees.

*Long-Term Debt* – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Debt premiums, discounts and accounting losses resulting from debt refundings are deferred and amortized over the life of the debt using the straight-line method. In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Debt issuance costs are reported as current expenses or expenditures.

**Fremont County School District No. RE-3**  
Notes to the Financial Statements  
June 30, 2021

**Note 1: Summary of Significant Accounting Policies (Continued)**

**Assets, Liabilities and Fund Balances/Net Position** (Continued)

*Compensated Absences* – Employees are allowed to accumulate unused vacation or paid leave, depending on employment classification. Accumulated vacation leave is forfeited if not used by December 30 of the following fiscal year. Paid leave may be accumulated up to 480 hours. Hours accumulated in excess of 480 will be paid to employees annually in June at \$30 per each 8 hours. Accrued vacation and paid leave up to 480 hours is paid to eligible employees upon termination of employment.

These compensated absences are recognized as expenditures in the governmental funds when due. A long-term liability is reported in the government-wide financial statements for the accrued compensated absences when earned.

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

The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications to the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to certain benefit provisions. Most of these changes were in effect as of 2021.

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

# Fremont County School District No. RE-3

## Notes to the Financial Statements

June 30, 2021

### Note 1: Summary of Significant Accounting Policies (Continued)

#### Assets, Liabilities and Fund Balances/Net Position (Continued)

*Net Position/Fund Balances* – In the government-wide and fund financial statements, net position and fund balances are restricted when constraints placed on the use of resources are externally imposed. In the fund financial statements, governmental funds report committed fund balances when the Board of Education formally commits resources for a specific purpose through passage of a resolution, or to the extent that existing resources will be used to satisfy contractual obligations. In addition, the Board of Education may assign fund balances to a specific purpose through an informal action.

The District has not established a formal policy for its use of restricted and unrestricted fund balances. However, if both restricted and unrestricted fund balances are available for a specific purpose, the District uses restricted fund balance first, followed by committed, assigned and unassigned balances.

#### Property Taxes

Property taxes attach as an enforceable lien on property on January 1, are levied the following December, and are collected in the subsequent calendar year. Taxes are payable in full on April 30, or in two installments on February 28 and June 15. The County Treasurer's Office collects property taxes and remits to the District on a monthly basis. When taxes become delinquent, the property is sold on the tax sale date.

#### Subsequent Events

The District has evaluated subsequent events through February 25, 2022, the date the financial statements were available to be issued.

### Note 2: Cash and Investments

At June 30, 2021, the District had the following cash and investments:

Petty Cash	\$	898
Deposits		2,598,209
Investments		<u>1,235,680</u>
Total	\$	<u><u>3,834,787</u></u>

# Fremont County School District No. RE-3

## Notes to the Financial Statements

June 30, 2021

### **Note 2: Cash and Investments (Continued)**

#### **Deposits**

The Colorado Public Deposit Protection Act (PDPA) requires local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2021, the District had bank deposits of \$2,412,271 collateralized with securities held by the financial institutions' agents but not in the District's name.

#### **Investments**

The District is required to comply with State statutes which specify investment instruments meeting defined rating, maturity, and concentration risk criteria in which local governments may invest, which include the following. State statutes do not address custodial risk.

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

*Interest Rate Risk* – State statutes generally limit investments to an original maturity of five years from the date of purchase unless the governing board authorizes the investment for a period in excess of five years.

*Credit Risk* – State statutes limit certain investments to those with specified ratings from nationally recognized statistical rating organizations, depending on the type of investment.

*Concentration of Credit Risk* – State statutes do not limit the amount the District may invest in a single issuer of investment securities, except for corporate securities.

**Fremont County School District No. RE-3**  
Notes to the Financial Statements  
June 30, 2021

**Note 2: Cash and Investments (Continued)**

**Investments** (Continued)

*Local Government Investment Pool* – At June 30, 2021, the District had \$1,235,680 invested in the Colorado Local Government Liquid Asset Trust (Colotrust). Colotrust is an investment vehicle established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating Colotrust. Colotrust operates in conformity with the Securities and Exchange Commission’s Rule 2a-7. Colotrust is measured at the net asset value per share, with each share valued at \$1. Colotrust is rated AAAM by Standard and Poor’s. Investments of Colotrust are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian’s internal records identify the investments owned by the participating governments.

**Note 3: Capital Assets**

Capital asset activity for the year ended June 30, 2021, is summarized below.

<b>Governmental Activities</b>	<b>Balance 6/30/20</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/21</b>
Capital Assets, <i>Not Being Depreciated</i>				
Land	\$ 47,609	\$ -	\$ -	\$ 47,609
Construction in Progress	149,506	-	(149,506)	-
Total Capital Assets, <i>Not Being Depreciated</i>	197,115	-	(149,506)	47,609
Capital Assets, <i>Being Depreciated</i>				
Buildings and Improvements	6,962,536	243,658	-	7,206,194
Vehicles and Equipment	919,968	-	-	919,968
Total Capital Assets, <i>Being Depreciated</i>	7,882,504	243,658	-	8,126,162
Less Accumulated Depreciation				
Buildings and Improvements	(3,868,823)	(195,199)	-	(4,064,022)
Vehicles and Equipment	(692,002)	(54,502)	-	(746,504)
	(4,560,825)	(249,701)	-	(4,810,526)
Total Capital Assets, <i>Being Depreciated, net</i>	3,321,679	(6,043)	-	3,315,636
Governmental Activities Capital Assets, <i>net</i>	\$ 3,518,794	\$ (6,043)	\$ (149,506)	\$ 3,363,245

Depreciation expense was charged to the supporting services program of the District.

**Note 4: Interfund Transfers**

During the year ended June 30, 2021, the General Fund subsidized the operations of the Food Service Fund through a transfer of \$67,964.

**Fremont County School District No. RE-3**  
Notes to the Financial Statements  
June 30, 2021

**Note 5: Jointly Governed Organization**

The District, in conjunction with other surrounding districts, created the South-Central Colorado Board of Cooperative Educational Services (BOCES). The BOCES is an organization that provides member districts educational services at a shared lower cost per district. The BOCES board is comprised of one member from each participating district. The District paid \$20,330 to the BOCES during the year ended June 30, 2021. The BOCES' financial statements are available at [www.ecboces.org](http://www.ecboces.org).

**Note 6: Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The District participates in the Colorado School Districts Self Insurance Pool for all risks of loss except workers compensation, for which it utilizes a commercial insurance carrier.

**Colorado School Districts Self Insurance Pool**

The Colorado School Districts Self Insurance Pool (CSDSIP) operates as a self-insurance pool comprised of various school districts and other related public educational entities within the State of Colorado. The CSDSIP is administered by a governing board. The District pays an annual premium to the CSDSIP for various types of property and liability insurance coverage. The CSDSIP's agreement provides that the CSDSIP will be self-sustaining through member premiums and will reinsure through a duly authorized insurer. The reinsurance covers claims against the CSDSIP in excess of specific claim amounts and in the aggregate in an amount and at limits determined by the CSDSIP to be adequate to protect the solvency of the CSDSIP.

**Note 7: Defined Benefit Pension Plan**

**General Information**

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

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

**Fremont County School District No. RE-3**  
Notes to the Financial Statements  
June 30, 2021

**Note 7: Defined Benefit Pension Plan (Continued)**

**General Information** (Continued)

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

- a) Highest average salary multiplied by 2.5% and then multiplied by years of service credit.
- b) 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 annualized into a monthly benefit based on life expectancy and other actuarial factors.

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

- a) Highest average salary multiplied by 2.5% and then multiplied by years of service credit.
- b) \$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.

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

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

**Fremont County School District No. RE-3**  
Notes to the Financial Statements  
June 30, 2021

**Note 7: Defined Benefit Pension Plan (Continued)**

**General Information** (Continued)

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

*Contributions Provisions as of 2021* - Eligible employees, the District and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Eligible employees are required to contribute 10.00% of their PERA-includable salary during the period of July 01, 2020 through June 30, 2021. The District's contribution rate was 20.90% of covered salaries for July 01, 2020 through June 30, 2021. However, a portion of the District's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 8).

Contribution rates for the SCHDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-208(1)(f).

As specified in C.R.S. § 24-51-414, the State is required to contribute \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. House Bill (HB) 20-1379 suspended the \$225 million (actual dollars) direct distribution payable on July 1, 2020 for the State's 2020-21 fiscal year.

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District were \$324,546, for the year ended June 30, 2021.

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

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

## Fremont County School District No. RE-3

### Notes to the Financial Statements

June 30, 2021

#### Note 7: Defined Benefit Pension Plan (Continued)

#### Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

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

At June 30, 2021, the District reported a liability of \$4,529,375, for its proportionate share of the net pension liability. The amount recognized by the District as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of net pension liability	\$	4,529,375
The State's proportionate share of net pension liability as a nonemployer contributing entity associated with the School		-
Proportionate share of the net pension liability	\$	4,529,375

At December 31, 2020, the District's proportion was 0.0299601806%, which was an increase of 0.0025281007% from its proportion measured at December 31, 2019.

For the year ended June 30, 2021, the District recognized pension benefit of \$967,000. There was no support from the State as a nonemployer contributing entity.

At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 248,868	\$ -
Changes of assumptions and other inputs	435,712	761,350
Net difference between projected and actual earnings on plan investments	-	997,017
Changes in proportion	404,854	280,073
Contributions subsequent to the measurement date	208,558	-
Total	\$ 1,297,992	\$ 2,038,440

## Fremont County School District No. RE-3

Notes to the Financial Statements

June 30, 2021

### Note 7: Defined Benefit Pension Plan (Continued)

#### Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

District contributions subsequent to the measurement date of \$208,558 will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30,</u>			
2022		\$	(870,513)
2023			201,509
2024			(122,718)
2025			<u>(157,284)</u>
 Total		 \$	 <u>(949,006)</u>

*Actuarial Assumptions* - The actuarial valuation as of December 31, 2019, determined the total pension liability using the following actuarial assumptions and other inputs.

Actuarial cost method			Entry Age
Price inflation			2.4%
Real wage growth			1.1%
Wage inflation			3.5%
Salary increases, including wage inflation			3.5% - 9.7%
Long-term investment rate of return, net of plan investment expenses, including price inflation			7.25%
Discount rate			7.25%
Future post-employment benefit increases:			
Hired prior to 1/1/2007			1.25%
Hired after 12/31/2006			Financed by AIR

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

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

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

# Fremont County School District No. RE-3

## Notes to the Financial Statements

June 30, 2021

### Note 7: Defined Benefit Pension Plan (Continued)

#### Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

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

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

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

Actuarial cost method	Entry Age
Price inflation	2.3%
Real wage growth	0.7%
Wage inflation	3.0%
Salary increases, including wage inflation	3.4% - 11%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Future post-employment benefit increases:	
Hired prior to 1/1/2007	1.25%
Hired after 12/31/2006	Financed by AIR

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

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

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

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

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

# Fremont County School District No. RE-3

## Notes to the Financial Statements

June 30, 2021

### Note 7: Defined Benefit Pension Plan (Continued)

#### Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

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

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
Global Equity	54.0%	5.6%
Fixed Income	23.0%	1.3%
Private Equity	8.5%	7.1%
Real Estate	8.5%	4.4%
Alternatives	6.0%	4.7%
Total	<u>100%</u>	

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%.

## Fremont County School District No. RE-3

Notes to the Financial Statements

June 30, 2021

### Note 7: Defined Benefit Pension Plan (Continued)

#### **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (Continued)

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200. Employer contributions also include the current and estimated 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 reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State, as a nonemployer contributing entity, will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded. HB 20-1379 suspended the \$225 million (actual dollars) direct distribution payable on July 1, 2020, for the State's 2020-21 fiscal year.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial FNP, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the FNP and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

## Fremont County School District No. RE-3

Notes to the Financial Statements

June 30, 2021

### Note 7: Defined Benefit Pension Plan (Continued)

#### **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (Continued)

Based on the above assumptions and methods, the SCHDTF's FNP was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent. There was no change in the discount rate from the prior measurement date.

*Sensitivity of the 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 7.25%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	<b>1% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase 8.25%</b>
Proportionate share of the net pension liability	\$ 6,178,438	\$ 4,529,375	\$ 3,155,162

*Pension Plan Fiduciary Net Position* - Detailed information about the SCHDTF's FNP is available in PERA's Annual Report which can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

### Note 8: Postemployment Healthcare Benefits

#### **General Information**

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

**Fremont County School District No. RE-3**  
Notes to the Financial Statements  
June 30, 2021

**Note 8: Postemployment Healthcare Benefits (Continued)**

**General Information** (Continued)

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

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

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

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

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

## Fremont County School District No. RE-3

### Notes to the Financial Statements

June 30, 2021

#### **Note 8: Postemployment Healthcare Benefits (Continued)**

##### **General Information** (Continued)

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

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

*Contributions* - Pursuant to Title 24, Article 51, Section 208(1)(f) of the CRS, as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the School Division are required to contribute at a rate of 1.02% of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the District was \$16,652, for the year ended June 30, 2021.

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

At June 30, 2021, the District reported a net OPEB liability of \$164,657, representing its proportionate share of the net OPEB liability of the HCTF. The net OPEB liability was measured at December 31, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2020.

The District's proportion of the net OPEB liability was based on the District's contributions to the HCTF for the calendar year ended December 31, 2020, relative to the contributions of all participating employers. At December 31, 2019, the District's proportion was 0.0173281593%, which was a decrease of 0.0006015184% from its proportion measured at December 31, 2019.

## Fremont County School District No. RE-3

### Notes to the Financial Statements

June 30, 2021

#### Note 8: Postemployment Healthcare Benefits (Continued)

##### OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

For the year ended June 30, 2021, the District recognized OPEB benefit of \$495,909. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 438	\$ 36,201
Changes of assumptions and other inputs	1,232	10,097
Net difference between projected and actual earnings on plan investments	-	6,725
Changes in proportion	-	1,065,403
Contributions subsequent to the measurement date	10,701	-
Total	\$ 12,371	\$ 1,118,426

District contributions subsequent to the measurement date of \$10,701 will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

<u>Year Ended June 30,</u>			
2022		\$	(511,824)
2023			(510,881)
2024			(73,983)
2025			(14,201)
2026			(5,509)
Thereafter			(358)
Total		\$	(1,116,756)

*Actuarial Assumptions* – The actuarial valuation as of December 31, 2019, determined the total OPEB liability using the following actuarial assumptions and other inputs, applied to all periods included in the measurement.

**Fremont County School District No. RE-3**  
Notes to the Financial Statements  
June 30, 2021

**Note 8: Postemployment Healthcare Benefits (Continued)**

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

Actuarial cost method	Entry Age
Price inflation	2.4%
Real wage growth	1.1%
Wage inflation	3.5%
Salary increases, including wage inflation	3.5%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates:	
PERA Benefit Structure	
Service-based premium subsidy	0.0%
PERACare Medicare plans	
8.1% in 2020, gradually decreasing to 4.5% in 2029	
Medicare Part A premiums:	
3.5% in 2020, gradually increasing to 4.5% in 2029	
DPS Benefit Structure	
Service-based premium subsidy	0.0%
PERACare Medicare plans	N/A
Medicare Part A premiums:	N/A

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

- Medicare Advantage/Self-Insured Rx - Monthly Cost of \$558, Monthly Premium of \$227, Monthly Costs Adjusted to Age 65 of \$550.
- Kaiser Permanente Medicare Advantage HMO - Monthly Cost of \$621, Monthly Premium of \$232, Monthly Costs Adjusted to Age 65 of \$586.

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

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

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

**Fremont County School District No. RE-3**  
Notes to the Financial Statements  
June 30, 2021

**Note 8: Postemployment Healthcare Benefits (Continued)**

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2019, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

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

Post-retirement non-disabled mortality assumptions for the School and Judicial Divisions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

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

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

## Fremont County School District No. RE-3

### Notes to the Financial Statements

June 30, 2021

#### Note 8: Postemployment Healthcare Benefits (Continued)

##### OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

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

Actuarial cost method	Entry Age
Price inflation	2.3%
Real wage growth	0.7%
Wage inflation	3.0%
Salary increases, including wage inflation	3.4% - 11.0%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%

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

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

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

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

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

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

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

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

## Fremont County School District No. RE-3

Notes to the Financial Statements

June 30, 2021

### Note 8: Postemployment Healthcare Benefits (Continued)

#### **OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB** (Continued)

The following health care costs assumptions were updated and used in the roll forward calculation for the HCTF:

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2020 plan year.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

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

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

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

The PERA Board first adopted the 7.25 percent long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the Board's November 15, 2019, meeting, to be effective January 1, 2020. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized, as presented previously (see Note 7).

**Fremont County School District No. RE-3**  
Notes to the Financial Statements  
June 30, 2021

**Note 8: Postemployment Healthcare Benefits (Continued)**

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

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

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2020, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

## Fremont County School District No. RE-3

Notes to the Financial Statements

June 30, 2021

### Note 8: Postemployment Healthcare Benefits (Continued)

#### OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

*Sensitivity of the District's proportionate share of Net OPEB Liability to Changes in the Discount Rate* - The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25%, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate, as follows:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ <u>188,617</u>	\$ <u>164,657</u>	\$ <u>144,184</u>

*Sensitivity of the District's proportionate share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates* - The following presents the net OPEB liability using the current healthcare cost trend rates, ranging from 2.5% to 9.1%, as well as if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rates, as follows:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Proportionate share of the net OPEB liability	\$ <u>160,401</u>	\$ <u>164,657</u>	\$ <u>169,611</u>

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

### Note 9: Commitments and Contingencies

#### Claims and Judgments

The District participates in a number of federal, state, and local programs that are fully or partially funded by grants received from other governmental entities. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. At June 30, 2021, significant amounts of grant expenditures have not been audited but management believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the District.

## Fremont County School District No. RE-3

Notes to the Financial Statements

June 30, 2021

### **Note 9: Commitments and Contingencies (Continued)**

#### **TABOR Amendment**

In November 1992, Colorado voters passed the TABOR Amendment to the State Constitution which limits state and local government taxing powers and imposes spending limitations. In November, 1997, the District's electorate authorized the District to retain, appropriate, and utilize the full proceeds and revenues received from every source whatever, without limitation, in 1997 and all subsequent years, notwithstanding any limitation of the Amendment, provided, however, that no local tax rate or property tax mill levy shall be increased at any time, nor shall any new tax be imposed, without prior consent of the voters. The Amendment is subject to many interpretations, but management believes the District is in substantial compliance with its requirements.

In accordance with the Amendment, the District has established a reserve for emergencies, representing 3% of qualifying expenditures. At June 30, 2021, the emergency reserve was reported as restricted fund balance in the General Fund in the amount of \$140,000.

#### **Current Economic Conditions**

During the year ended June 30, 2021, the United States of America and State of Colorado declared an emergency associated with the COVID-19 pandemic. Along with significant declines in financial markets, the public health emergency creates uncertain economic conditions. The District has adapted and made changes to operations due to potential impacts on health and safety. Should these conditions persist, the District could be negatively impacted.

### **Note 10: Change in Fund Classification**

In January 2017, GASB issued Statement No. 84, Fiduciary Activities (GASB 84). GASB 84 improves guidance regarding the recognition and reporting of fiduciary activities. GASB 84 identifies four types of reportable fiduciary fund types, including 1) pension (and other employee benefit) trust funds, 2) investment trust funds, 3) private-purpose trust funds, and 4) custodial funds. GASB 84 outlines the accounting and disclosure requirements for operating structures that qualify as a fiduciary activity. The District adopted GASB 84 effective July 1, 2020, for the June 30, 2021, reporting year. Due to the implementation of GASB 84, the Student Activity fund is considered an agency fund held by the District in a custodial capacity. The fund was included in the District as a governmental Special Revenue Fund.

**Fremont County School District No. RE-3**  
 Required Supplementary Information  
 Schedule of Proportionate Share of the Net Pension Liability and Contributions  
 Public Employees' Retirement Association of Colorado School Division Trust Fund  
 June 30, 2021

	12/31/20	12/31/19	12/31/18
<b>Proportionate Share of the Net Pension Liability</b>			
District's Proportion of the Net Pension Liability	0.0299601806%	0.0274320799%	0.0282814467%
District's Proportionate Share of the Net Pension Liability	\$ 4,529,375	\$ 4,098,293	\$ 5,007,811
State's Proportionate Share of the Net Pension Liability	\$ -	\$ 519,810	\$ 684,749
Total Proportionate Share of the Net Pension Liability	\$ 4,529,375	\$ 4,618,103	\$ 5,692,560
District's Covered-Employee Payroll	\$ 1,602,415	\$ 1,612,161	\$ 1,554,783
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	283%	254%	322%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	67%	65%	57%
	6/30/21	6/30/20	6/30/19
<b>District Contributions</b>			
Statutorily Required Contribution	\$ 324,546	\$ 311,093	\$ 297,430
Contributions in Relation to the Statutorily Required Contribution	(324,546)	(311,093)	(297,430)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered-Employee Payroll	\$ 1,632,517	\$ 1,605,224	\$ 1,594,434
Contributions as a Percentage of Covered-Employee Payroll	19.88%	19.38%	18.65%

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years it is available.

(Continued)

**Fremont County School District No. RE-3**  
**Required Supplementary Information**  
**Schedule of Proportionate Share of the Net Pension Liability and Contributions**  
**Public Employees' Retirement Association of Colorado School Division Trust Fund**  
**June 30, 2021**  
*(Continued)*

	<u>12/31/17</u>	<u>12/31/16</u>	<u>12/31/15</u>	<u>12/31/14</u>	<u>12/31/13</u>
<b>Proportionate Share of the Net Pension Liability</b>					
District's Proportion of the Net Pension Liability	0.0329718680%	0.0327869607%	0.0330792848%	0.0332684203%	0.0344836738%
District's Proportionate Share of the Net Pension Liability	\$ 10,661,930	\$ 9,761,946	\$ 5,059,243	\$ 4,508,988	\$ 4,398,383
State's Proportionate Share of the Net Pension Liability	\$ -	\$ -	\$ -	\$ -	\$ -
Total Proportionate Share of the Net Pension Liability	\$ 10,661,930	\$ 9,761,946	\$ 5,059,243	\$ 4,508,988	\$ 4,398,383
District's Covered-Employee Payroll	\$ 1,520,953	\$ 1,471,537	\$ 1,441,588	\$ 1,393,707	\$ 1,390,147
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	701%	663%	351%	324%	316%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	44%	43%	59%	63%	64%
	<u>6/30/18</u>	<u>6/30/17</u>	<u>6/30/16</u>	<u>6/30/15</u>	<u>6/30/14</u>
<b>District Contributions</b>					
Statutorily Required Contribution	\$ 288,425	\$ 276,633	\$ 259,493	\$ 238,594	\$ 222,123
Contributions in Relation to the Statutorily Required Contribution	<u>(288,425)</u>	<u>(276,633)</u>	<u>(259,493)</u>	<u>(238,594)</u>	<u>(222,123)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>				
District's Covered-Employee Payroll	\$ 1,527,440	\$ 1,504,707	\$ 1,463,531	\$ 1,413,247	\$ 1,390,217
Contributions as a Percentage of Covered-Employee Payroll	18.88%	18.38%	17.73%	16.88%	15.98%

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years it is available.

**Fremont County School District No. RE-3**  
 Required Supplementary Information  
 Schedule of Proportionate Share of the Net OPEB Liability and Contributions  
 Public Employees' Retirement Association of Colorado Health Care Trust Fund  
 June 30, 2021

	12/31/20	12/31/19	12/31/18	12/31/17
<b>Proportionate Share of the Net OPEB Liability</b>				
District's Proportion of the Net OPEB Liability	0.0173281593%	0.0179296777%	0.0183830869%	0.0187344853%
District's Proportionate Share of the Net OPEB Liability	\$ 164,657	\$ 201,529	\$ 250,110	\$ 243,473
District's Covered Payroll	\$ 1,602,415	\$ 1,612,161	\$ 1,554,783	\$ 1,531,841
District's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	10%	13%	16%	16%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	33%	24%	17%	18%
	6/30/21	6/30/20	6/30/19	6/30/18
<b>District's Contributions</b>				
Statutorily Required Contribution	\$ 16,652	\$ 16,373	\$ 16,263	\$ 15,580
Contributions in Relation to the Statutorily Required Contribution	<u>(16,652)</u>	<u>(16,373)</u>	<u>(16,263)</u>	<u>(15,580)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 1,632,517	\$ 1,605,224	\$ 1,594,434	\$ 1,527,440
Contributions as a Percentage of Covered Payroll	1.02%	1.02%	1.02%	1.02%

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years it is available.

**Fremont County School District No. RE-3**  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended June 30, 2021

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
<i>Local Sources</i>			
Property Taxes	\$ 1,336,516	\$ 1,603,638	\$ 267,122
Specific Ownership Taxes	241,000	260,775	19,775
Other Taxes From Local Sources	300	48,934	48,634
Tuition	11,500	11,910	410
Investment Income	24,000	7,786	(16,214)
Other	9,508	15,697	6,189
<b>Total Local Sources</b>	<b>1,622,824</b>	<b>1,948,740</b>	<b>325,916</b>
<i>State Sources</i>			
State Equalization	1,151,444	936,304	(215,140)
State Share Mitigation	-	47,659	47,659
Transportation	51,000	50,276	(724)
At-Risk Funding	1,500	1,356	(144)
Small Rural School Funding	40,000	70,673	30,673
Grants	11,000	21,691	10,691
Other	1,300	25,000	23,700
<b>Total State Sources</b>	<b>1,256,244</b>	<b>1,152,959</b>	<b>(103,285)</b>
<i>Federal Sources</i>			
Grants	107,864	154,239	46,375
<b>Total Federal Sources</b>	<b>107,864</b>	<b>154,239</b>	<b>46,375</b>
<b>Total Revenues</b>	<b>2,986,932</b>	<b>3,255,938</b>	<b>269,006</b>
<b>Expenditures</b>			
<i>Instruction</i>	1,657,718	1,751,229	(93,511)
<i>Supporting Services</i>			
Students	92,160	94,310	(2,150)
Instructional Staff	18,754	18,087	667
General Administration	199,540	218,585	(19,045)
School Administration	89,486	96,565	(7,079)
Business Services	81,220	71,072	10,148
Operations and Maintenance	462,475	458,983	3,492
Student Transportation	283,679	190,563	93,116
Central Support	21,600	12,012	9,588
Community Services	300	-	300
<i>Reserves</i>	1,140,000	-	1,140,000
<b>Total Expenditures</b>	<b>4,046,932</b>	<b>2,911,406</b>	<b>1,135,526</b>
<b>Revenues Over (Under) Expenditures</b>	<b>(1,060,000)</b>	<b>344,532</b>	<b>1,404,532</b>
<b>Transfers</b>	<b>(80,000)</b>	<b>(67,964)</b>	<b>12,036</b>
<b>Net Change in Fund Balance</b>	<b>(1,140,000)</b>	<b>276,568</b>	<b>1,416,568</b>
<b>Fund Balance, Beginning of year</b>	<b>1,810,473</b>	<b>3,095,993</b>	<b>1,285,520</b>
<b>Fund Balance, End of year</b>	<b>\$ 670,473</b>	<b>\$ 3,372,561</b>	<b>\$ 2,702,088</b>

**Fremont County School District No. RE-3**  
Notes to Required Supplementary Information  
June 30, 2021

**Note 1: Schedule of Proportionate Share of the Net Pension Liability and Contributions**

The Public Employees' Retirement Association of Colorado (PERA) School Division Trust Fund's net pension liability and associated amounts are measured annually at December 31, based on an actuarial valuation as of the previous December 31. The District's contributions and related ratios represent cash contributions and any related accruals that coincide with the District's fiscal year ending on June 30.

**Changes in Assumptions and Other Inputs**

For the year ended June 30, 2021, the total pension liability was determined by an actuarial valuation as of December 31, 2019. The following revised economic and demographic assumptions were effective as of December 31, 2019.

- Investment rate of return assumption of 7.25% per year, compounded annually. This assumption did not change from the prior year.
- Price inflation assumption of 2.4% per year. This assumption did not change from the prior year.
- Real rate of investment return assumption of 4.85% per year, net of investment expenses. The rate reflected in the roll-forward calculation of the collective total pension liability to the measurement date was 7.25%. This assumption did not change from prior year.
- Wage inflation assumption of 3.5% per year. This assumption did not change from the prior year.
- Healthy and disabled mortality assumptions are based on the RP-2014 Mortality Tables.

**Note 2: Stewardship, Compliance and Accountability**

**Budgetary Information**

Budgets are adopted for all funds on a basis consistent with generally accepted accounting principles. The District adheres to the following procedures to establish the budgetary information reported in the financial statements.

- Management 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.
- Public hearings are conducted by the Board of Education to obtain taxpayer comments.
- Prior to June 30, the budget is adopted by formal resolution.
- Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures of any fund must be approved by the Board of Education.
- All budget appropriations lapse at fiscal year-end.

## **Supplementary Information**

**Fremont County School District No. RE-3**  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2021

	Special Revenue		Total
	Food Service	Student Activity	
<b>Assets</b>			
Cash and Investments	\$ 32,249	\$ 233,596	\$ 265,845
Accounts Receivable	32,030	-	32,030
Inventories	8,709	-	8,709
	<u>72,988</u>	<u>233,596</u>	<u>306,584</u>
Total Assets			
<b>Liabilities and Fund Balances</b>			
<i>Liabilities</i>			
Accrued Salaries and Benefits	13,092	-	13,092
	<u>13,092</u>	<u>-</u>	<u>13,092</u>
Total Liabilities			
<b>Fund Balances</b>			
Nonspendable Inventories	8,709	-	8,709
Assigned to:			
Food Services	51,187	-	51,187
Student Activity	-	233,596	233,596
	<u>59,896</u>	<u>233,596</u>	<u>293,492</u>
Total Fund Balances			
Total Liabilities and Fund Balances	\$ <u>72,988</u>	\$ <u>233,596</u>	\$ <u>306,584</u>

**Fremont County School District No. RE-3**  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
June 30, 2021

	Special Revenue		Total
	Food Services	Student Activity	
<b>Revenues</b>			
Local Sources	\$ 7,694	\$ 107,093	\$ 114,787
State Sources	929	-	929
Federal Sources	126,827	-	126,827
 Total Revenues	 <u>135,450</u>	 <u>107,093</u>	 <u>242,543</u>
<b>Expenditures</b>			
Instruction	-	127,406	127,406
Food Service	176,875	-	176,875
 Total Expenditures	 <u>176,875</u>	 <u>127,406</u>	 <u>304,281</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	(41,425)	(20,313)	(61,738)
<b>Other Financing Sources (Uses)</b>			
Transfers In	67,964	-	67,964
 Total Other Financing Sources (Uses)	 <u>67,964</u>	 <u>-</u>	 <u>67,964</u>
<b>Net Change in Fund Balances</b>	26,539	(20,313)	6,226
<b>Fund Balances, Beginning of year</b> <i>(As previously stated)</i>	<u>33,357</u>	<u>-</u>	<u>33,357</u>
Adjustment to net position for adoption of new accounting principle	-	253,909	253,909
<b>Fund Balances, Beginning of year</b> <i>(As restated)</i>	33,357	253,909	287,266
<b>Fund Balances, End of year</b>	<u>\$ 59,896</u>	<u>\$ 233,596</u>	<u>\$ 293,492</u>

**Fremont County School District No. RE-3**  
 Budgetary Comparison Schedule  
 Food Service Fund  
 For the Year Ended June 30, 2021

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
<i>Local Sources</i>			
Charges for Services	\$ 19,000	\$ 7,692	\$ (11,308)
Investment Income	3	2	(1)
Total Local Sources	<u>19,003</u>	<u>7,694</u>	<u>(11,309)</u>
<i>State Sources</i>			
Grants	3,000	929	(2,071)
Total State Sources	<u>3,000</u>	<u>929</u>	<u>(2,071)</u>
<i>Federal Sources</i>			
Grants	71,500	126,827	55,327
Other	7,000	-	(7,000)
Total Federal Sources	<u>78,500</u>	<u>126,827</u>	<u>48,327</u>
 Total Revenues	 <u>100,503</u>	 <u>135,450</u>	 <u>34,947</u>
<b>Expenditures</b>			
Salaries	69,727	63,602	6,125
Employee Benefits	35,056	30,786	4,270
Purchased Services	570	1,169	(599)
Supplies and Materials	75,000	81,318	(6,318)
Total Expenditures	<u>180,353</u>	<u>176,875</u>	<u>3,478</u>
 <b>Revenues Over (Under) Expenditures</b>	 (79,850)	 (41,425)	 38,425
 <b>Transfers</b>	 <u>80,000</u>	 <u>67,964</u>	 <u>(12,036)</u>
 <b>Net Change in Fund Balance</b>	 150	 26,539	 26,389
 <b>Fund Balance, Beginning of year</b>	 <u>32,381</u>	 <u>33,357</u>	 <u>976</u>
 <b>Fund Balance, End of year</b>	 <u>\$ 32,531</u>	 <u>\$ 59,896</u>	 <u>\$ 27,365</u>

**Fremont County School District No. RE-3**  
 Budgetary Comparison Schedule  
 Student Activity Fund  
 For the Year Ended June 30, 2021

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
Student Activity Revenue	\$ 200,000	\$ 107,093	\$ (92,907)
Total Revenues	<u>200,000</u>	<u>107,093</u>	<u>(92,907)</u>
<b>Expenditures</b>			
Student Activity Expenditures	200,000	127,406	72,594
Operating Reserve	<u>56,084</u>	<u>-</u>	<u>56,084</u>
Total Expenditures and Reserves	<u>256,084</u>	<u>127,406</u>	<u>128,678</u>
<b>Revenues Over (Under) Expenditures</b>	<u>(56,084)</u>	<u>(20,313)</u>	<u>35,771</u>
<b>Net Change in Fund Balance</b>	(56,084)	(20,313)	35,771
<b>Fund Balance, Beginning of year</b>	<u>56,084</u>	<u>253,909</u>	<u>197,825</u>
<b>Fund Balance, End of year</b>	<u>\$ -</u>	<u>\$ 233,596</u>	<u>\$ 233,596</u>

## **Compliance Section**



**Colorado Department of Education**  
**Auditors Integrity Report**  
 District: 1160 - Cotopaxi RE-3  
 Fiscal Year 2020-21  
 Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental	+		-	=
10 General Fund	3,095,993	3,187,973	2,911,406	3,372,561
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	0	0	0	0
<b>Sub-Total</b>	<b>3,095,993</b>	<b>3,187,973</b>	<b>2,911,406</b>	<b>3,372,561</b>
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
07 Total Program Reserve Fund	0	0	0	0
21 Food Service Spec Revenue Fund	33,536	203,414	177,053	59,896
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	0	0	0	0
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
<b>Totals</b>	<b>3,129,530</b>	<b>3,391,387</b>	<b>3,088,459</b>	<b>3,432,457</b>
<b>Proprietary</b>				
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
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fiduciary</b>				
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	253,909	107,093	127,406	233,596
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
<b>Totals</b>	<b>253,909</b>	<b>107,093</b>	<b>127,406</b>	<b>233,596</b>

FINAL

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