

**NEW ISSUE  
BOOK-ENTRY-ONLY**

**STATE INTERCEPT RATING: Moody's "Aa2"  
DISTRICT UNDERLYING RATING: Moody's "A1"  
See ("MISCELLANEOUS—Ratings")**

*In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Bonds (including any original issue discount properly allocable to certain of the Bonds) is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that the interest on the Bonds is exempt from State of Colorado income tax. For a more complete description of such opinions of Bond Counsel, see "TAX MATTERS" herein.*

**\$48,600,000**

**WELD COUNTY SCHOOL DISTRICT NO. RE-8  
IN WELD COUNTY AND THE CITY AND COUNTY OF BROOMFIELD, COLORADO  
GENERAL OBLIGATION BONDS, SERIES 2017**

**Dated: Date of Delivery**

**Due: December 1, as shown below**

The Bonds are being issued as fully registered obligations in denominations of \$5,000 in principal amount or any integral multiple thereof. Capitalized terms used on the cover page of this Official Statement are defined under the caption "INTRODUCTION" herein. Interest on the Bonds, at the rates set forth below, is payable semiannually on June 1 and December 1, commencing June 1, 2017. UMB Bank, n.a., Denver, Colorado, will act as Paying Agent for the Bonds and The Depository Trust Company, New York, New York, will act as securities depository for the Bonds. The Bonds will be issued in book-entry-only form and purchasers of the Bonds will not receive certificates evidencing their ownership interests in the Bonds. The Bonds mature, bear per annum interest and are priced, or priced to yield, as follows:

**MATURITY SCHEDULE  
CUSIP 949323 <sup>1, ©</sup>**

<b>Maturity Date (December 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>CUSIP <sup>1, ©</sup></b>	<b>Maturity Date (December 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>CUSIP <sup>1, ©</sup></b>
2017	\$1,835,000	5.00%	1.11%	JJ9	2027	\$2,355,000	5.00%	2.71% <sup>3</sup>	JU4
2018	800,000	5.00	1.30	JK6	2028	2,475,000	5.00	2.79 <sup>3</sup>	JV2
2019	840,000	4.00	1.51	JL4	2029	2,595,000	5.00	2.85 <sup>3</sup>	JW0
2020	875,000	4.00	1.76	JM2	2030	2,725,000	3.00	3.20	JX8
2021 <sup>2</sup>	285,000	3.00	1.90	JN0	2031	2,810,000	5.00	2.96 <sup>3</sup>	JY6
2021 <sup>2</sup>	1,000,000	4.00	1.90	KE8	2032	2,950,000	5.00	3.03 <sup>3</sup>	JZ3
2022	1,920,000	5.00	2.03	JP5	2033	3,865,000	5.00	3.09 <sup>3</sup>	KA6
2023	2,015,000	5.00	2.20	JQ3	2034	4,060,000	4.00	3.44 <sup>3</sup>	KB4
2024	2,115,000	3.00	2.36	JR1	2035	4,220,000	5.00	3.17 <sup>3</sup>	KC2
2025	2,180,000	3.00	2.50	JS9	2036	4,435,000	5.00	3.22 <sup>3</sup>	KD0
2026	2,245,000	5.00	2.58	JT7					

Proceeds from the sale of the Bonds will be used for acquiring, constructing, repairing and improving District capital assets and to pay the costs of issuance of the Bonds. The Bonds are general obligations of the District and are secured by the District's full faith and credit. All taxable property within the boundaries of the District is subject to ad valorem taxation without limitation as to rate and in an amount sufficient to pay the principal of and interest on the Bonds when due.

The Bonds are subject to redemption prior to maturity as stated herein.

**This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read this entire Official Statement to obtain information essential to the making of an informed investment decision.**

The Bonds are offered when, as, and if issued by the District and accepted by the Underwriter named below, subject to the approval of legality and certain other matters by Kutak Rock LLP, as Bond Counsel, and subject to certain other conditions. Kutak Rock LLP has acted as Special Counsel to the District for purposes of assisting the District with the preparation of this Official Statement. It is expected that the Bonds will be available for delivery through the facilities of DTC on or about January 25, 2017.

**George K. Baum & Company**

**This Official Statement is dated January 10, 2017.**

<sup>1</sup> The District takes no responsibility for the accuracy of CUSIP numbers, which are included solely for the convenience of owners of the Bonds.

<sup>2</sup> Represents split maturities.

<sup>3</sup> Priced to the earliest call date of December 1, 2026.

© Copyright 2017 CUSIP Global Services. CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services is managed on behalf of the American Bankers Association by S&P Capital IQ.

**WELD COUNTY SCHOOL DISTRICT NO. RE-8**  
**in Weld County and the City and County of Broomfield, Colorado**

**Board of Education**

Carol McDermott, President  
Amy O'Brien, Vice President  
Heather Taylor, Secretary  
Beth Block, Treasurer  
Janice Wilkin, Director  
Susan K. Browne, Director  
Troy Boscia, Director

**Administrative Officials**

Alan J. Kaylor, Superintendent  
Brenda S. Johnson, Business Manager

**Underwriter**

George K. Baum & Company  
Denver, Colorado

**Paying Agent**

UMB Bank, n.a.  
Denver, Colorado

**Bond Counsel**

Kutak Rock LLP  
Denver, Colorado

No dealer, salesman, or other person has been authorized to give any information or to make any representation, other than the information contained in this Official Statement, in connection with the offering of the Bonds, and, if given or made, such information or representation must not be relied upon as having been authorized by the District or the Underwriter. The information in this Official Statement is subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement does not constitute an offer or solicitation in any jurisdiction in which such offer or solicitation is not authorized, or in which any person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation. The information set forth herein has been furnished by the District and obtained from other sources which are believed to be reliable. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

## TABLE OF CONTENTS

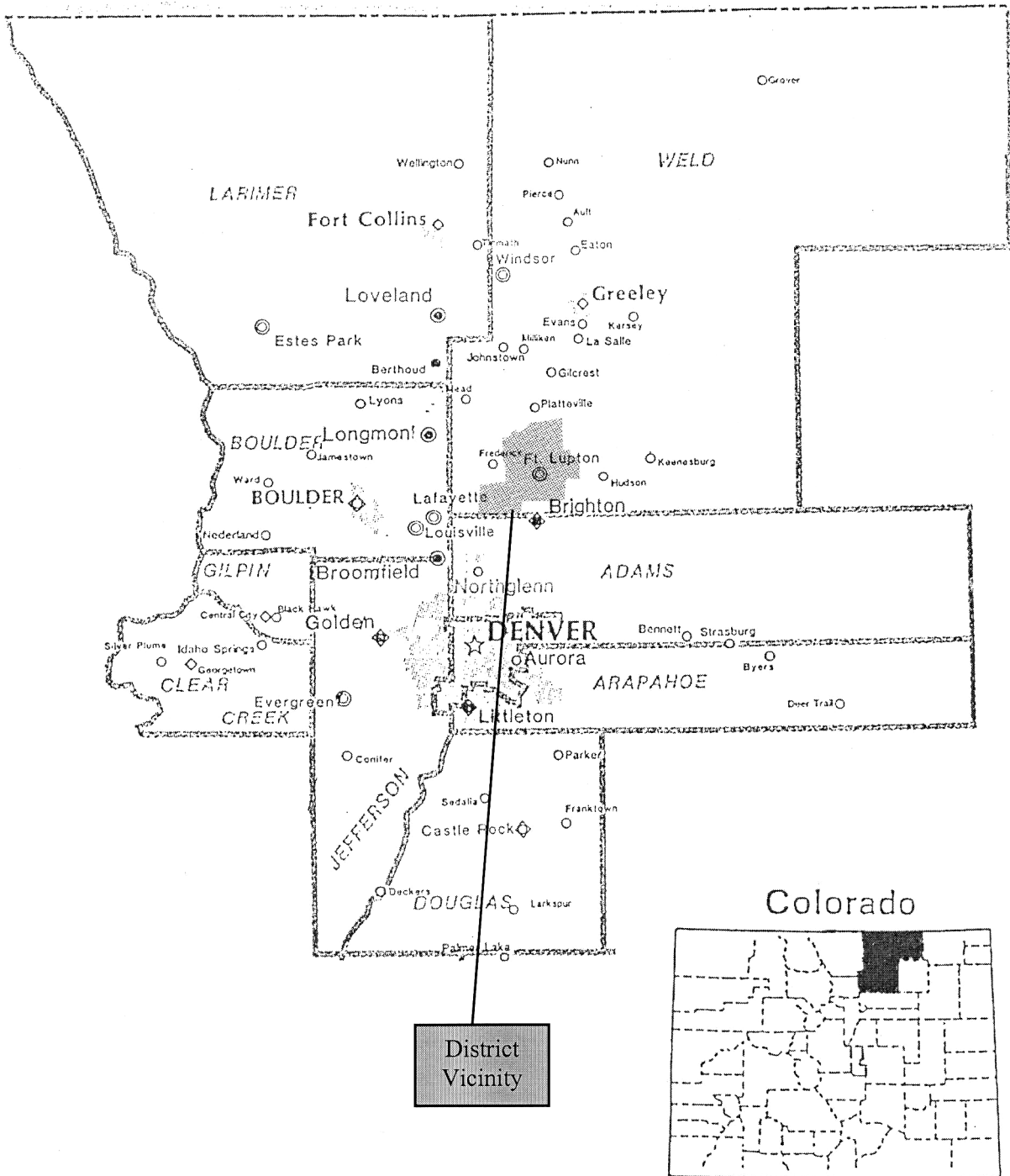
INTRODUCTION .....	1	Insurance Coverage .....	33
THE BONDS .....	4	DEBT AND OTHER FINANCIAL OBLIGATIONS .....	33
Description .....	4	Outstanding General Obligation Debt .....	33
Prior Redemption .....	4	Statutory Limit on General Obligation Debt .....	33
Use of Bond Proceeds .....	5	General Obligation Debt Ratios .....	34
Security for the Bonds .....	6	Other Financial Obligations .....	34
Debt Service Requirements .....	8	Estimated Overlapping General Obligation Debt .....	34
REVENUES AVAILABLE FOR DEBT SERVICE .....	9	LEGAL MATTERS .....	35
Ad Valorem Property Taxes .....	9	Sovereign Immunity .....	35
Ad Valorem Property Tax Data .....	12	Pending and Threatened Litigation .....	36
Overlapping Mill Levies .....	16	Legal Representation .....	36
THE DISTRICT .....	17	TAX MATTERS .....	36
Organization and General Description .....	17	MISCELLANEOUS .....	39
School District Powers .....	17	Ratings .....	39
The Board of Education .....	18	Underwriting .....	39
Administrative Staff and Management .....	18	Registration of Bonds .....	39
District Employees and Labor Relations .....	20	Undertaking To Provide Ongoing Disclosure .....	39
District Enrollment .....	21	Interest of Certain Persons Named in This	
Facilities and District Capital Plans .....	22	Official Statement .....	40
Curriculum, Instruction and Accreditation .....	23	Independent Auditors .....	40
District Charter Schools .....	23	Additional Information .....	40
DISTRICT FINANCIAL INFORMATION .....	23	Official Statement Certification .....	41
Accounting Policies .....	23	APPENDIX A   Form of Continuing Disclosure	
Public School Finance Act of 1994 .....	24	Undertaking .....	
Total Program Funding .....	24	APPENDIX B   Audited Basic Financial Statements of the	
Sources of Revenue .....	25	District as of and for the Fiscal Year Ended	
State Intercept Program .....	27	June 30, 2016 .....	
Historical General Fund Financial Information .....	28	APPENDIX C   Economic and Demographic Information	
Budgetary Process and Information .....	29	APPENDIX D   Form of Bond Counsel Opinion	
Administration's Discussion of Material Trends .....	31	APPENDIX E   Book-Entry-Only System	
Constitutional Amendment Limiting Taxes and			
Spending .....	31		
Retirement and Pension Matters .....	32		

Neither the Securities and Exchange Commission nor any securities regulatory authority of any state has approved or disapproved the Bonds or this Official Statement. Any representation to the contrary is unlawful.

## INDEX OF TABLES

I	Debt Service Requirements .....	8
II	History of District's Mill Levy.....	12
III	History of District's Assessed Valuation .....	12
IV	History of District's Actual Valuation .....	12
V	2016 Assessed Valuation of Classes of Property in the District .....	13
VI	2016 Actual Valuation of Classes of Property in the District .....	13
VII	Historical Property Tax Collections .....	14
VIII	2016 Largest Taxpayers Within the District .....	15
IX	Sample 2016 Mill Levy.....	16
X	District Enrollment.....	21
XI	Summary of General Fund Revenues, Expenditures and Changes in Fund Balances .....	28
XII	General Fund Budget Summary and Comparison.....	30
XIII	General Obligations of the District .....	32
XIV	Historical Debt Ratios .....	33
XV	Estimated Overlapping General Obligation Debt .....	34

# VICINITY MAP



## INTRODUCTION

This Official Statement is furnished in connection with the issuance by Weld County School District No. RE-8, in Weld County and the City and County of Broomfield, Colorado (the “District”), of its General Obligation Bonds, Series 2017, dated as of the date of delivery, in the aggregate principal amount of \$48,600,000 (the “Bonds”). The offering of the Bonds is made only by way of this Official Statement, which supersedes any other information or materials used in connection with the offer or sale of the Bonds. This Official Statement speaks only as of its date, and the information contained herein is subject to change.

*The following introductory material is only a brief description of, and is qualified by, the more complete information contained throughout this Official Statement. A full review should be made of the entire Official Statement and the documents summarized or described herein.*

**Issuer** .....The District encompasses approximately 103 square miles in north central Colorado, approximately 25 miles north of Denver. The District serves the incorporated community of Fort Lupton as well as surrounding rural areas. The economy of the District is primarily agricultural. The oil and gas industry has emerged as an important economic driver for Weld County, including the District. See “REVENUES AVAILABLE FOR DEBT SERVICE—Ad Valorem Property Taxes—*Oil and Gas Assessed Valuation*.” The District’s 2016 certified assessed valuation is \$1,082,918,980 and includes \$30,908,795 of incremental assessed valuation in excess of “base” valuation in tax increment areas from which the District does not receive property tax revenues. The District is to receive property tax revenues based on a 2016 assessed valuation of \$1,052,010,185 (net of the incremental assessed valuation). See “REVENUES AVAILABLE FOR DEBT SERVICE—Ad Valorem Property Taxes—*Tax Increment Areas*.” The District’s fall 2016 enrollment is 2,387 and the District’s estimated population is approximately 13,044. See “THE DISTRICT,” the preceding “VICINITY MAP” and “REVENUES AVAILABLE FOR DEBT SERVICE—Ad Valorem Property Tax Data.”

**Security** .....The Bonds are general obligations of the District, and are secured by the District’s full faith and credit. All taxable property within the boundaries of the District is subject to ad valorem property taxation without limitation as to rate or amount, in an amount sufficient to pay the principal of and interest on the Bonds when due. See “THE BONDS—Security for the Bonds” and “REVENUES AVAILABLE FOR DEBT SERVICE.”

The State has enacted legislation providing for the payment by the State Treasurer of principal and interest due with respect to general obligation indebtedness of eligible school districts in the State, generally referred to as the State Intercept Program. The Bonds qualify under the State Intercept Program. See “DISTRICT FINANCIAL INFORMATION—State Intercept Program.”

**Purpose** .....Proceeds from the sale of the Bonds will be used for acquiring, constructing, repairing and improving District capital assets and to pay

the costs of issuance of the Bonds. See “THE BONDS—Use of Bond Proceeds.”

**Authority for Issuance.....**The Bonds are issued in full conformity with the constitution and laws of the State, including particularly, Part 1 of Article 42 of Title 22, Colorado Revised Statutes, as amended, and Part 2 of Article 57 of Title 11, Colorado Revised Statutes, as amended, and pursuant to an authorizing resolution (the “Bond Resolution”) adopted by the District’s Board of Education (the “Board”) prior to the issuance of the Bonds, and an election held on November 8, 2016 (the “Election”).

**Prior Redemption.....**The Bonds are subject to redemption prior to maturity by the District as set forth in “THE BONDS—Prior Redemption.”

**Registration and**

**Denominations.....**The Bonds are being issued as fully registered obligations in denominations of \$5,000 in principal amount or any integral multiple thereof.

**Exchange and Transfer .....**While the Bonds remain in book-entry-only form, transfer of ownership by Beneficial Owners (as defined by the rules of DTC, defined below) may be made as described under the caption “APPENDIX E—Book-Entry-Only System.”

**Payment Provisions and**

**Record date.....**The Bonds mature and bear interest (computed on the basis of a 360-day year of twelve 30-day months) at the rates set forth on the cover page hereof. Such interest is payable semiannually on June 1 and December 1 of each year (each, an “Interest Payment Date”), commencing on June 1, 2017. Payments of the principal of and interest on the Bonds will be made as described in “APPENDIX E—Book-Entry-Only System.”

“Record Date” means, with respect to each Interest Payment Date, the fifteenth day of the month immediately preceding the month (whether or not such day is a Business Day) in which such Interest Payment Date occurs.

**Tax Status .....**In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Bonds (including any original issue discount properly allocable to certain of the Bonds) is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that the interest on the Bonds is exempt from State of Colorado income tax. For a more complete description of such opinions of Bond Counsel, see “TAX MATTERS” herein.

**Delivery Information .....**The Bonds are offered when, as, and if issued by the District and accepted by George K. Baum & Company (the “Underwriter”), subject to prior sale, approval of legality and certain other matters by Bond

Counsel and other conditions. It is expected that the Bonds will be available for delivery through the facilities of DTC on or about January 25, 2017.

**Book-Entry-Only**

**Registration .....**The Bonds will be issued in fully registered form and will be registered initially in the name of “Cede & Co.” as nominee for The Depository Trust Company, New York, New York (“DTC”), a securities depository. Beneficial ownership interests in the Bonds may be acquired in principal denominations of \$5,000 or integral multiples thereof through participants in the DTC system (the “Participants”). Such beneficial ownership interests will be recorded in the records of the Participants. Persons for which Participants acquire interests in the Bonds (the “Beneficial Owners”) will not receive certificates evidencing their interests in the Bonds so long as DTC or a successor securities depository acts as the securities depository with respect to the Bonds. So long as DTC or its nominee is the registered owner of the Bonds, payments of principal, premium, if any, and interest on the Bonds, as well as notices and other communications made by or on behalf of the District pursuant to the Bond Resolution, will be made to DTC or its nominee only. Disbursement of such payments, notices, and other communications by DTC to Participants, and by Participants to the Beneficial Owners, is the responsibility of DTC and the Participants pursuant to rules and procedures established by such entities. See “APPENDIX E—Book-Entry-Only System” for a discussion of the operating procedures of the DTC system with respect to payments, registration, transfers, notices, and other matters.

**Financial Statements.....**The audited basic financial statements of the District as of and for the fiscal year ended June 30, 2016, including the opinion of Plutt Rogers & Company PC, Certified Public Accountants, Littleton, Colorado, are appended hereto. These are the most recent audited financial statements available for the District.

**Additional Information .....**The summaries of or references to constitutional provisions, statutes, resolutions, agreements, contracts, financial statements, reports, publications and other documents or compilations of data or information set forth in this Official Statement do not purport to be complete statements of the provisions of the items summarized or referred to and are qualified in their entirety by the actual provisions of such items, copies of which are either publicly available or available upon request and the payment of a reasonable copying, mailing and handling charge from the District’s administrative offices, 301 Reynolds Street, Fort Lupton, Colorado 80621, telephone: (303) 857-3200; or George K. Baum & Company, 1400 Wewatta Street, Suite 800, Denver, Colorado 80202, telephone: (303) 292-1600.



**Debt Ratios** .....The following are selected District general obligation debt ratios upon issuance and delivery of the Bonds:

2016 Certified Assessed Valuation <sup>1, 2</sup> .....	\$1,082,918,980
2016 Statutory “Actual” Valuation <sup>1, 2</sup> .....	\$2,595,308,149
General Obligation Debt Outstanding Upon Issuance of the Bonds <sup>1</sup> .....	\$62,340,000
Estimated Population .....	13,044
District Debt as a Ratio of:	
2016 Certified Assessed Valuation <sup>1, 2</sup> .....	5.76%
2016 Statutory “Actual” Valuation <sup>1, 2</sup> .....	2.40%
District Debt Per Capita .....	\$4,779
Estimated Overlapping General Obligation Debt <sup>1</sup> .....	\$15,370,470
Sum of District and Overlapping Debt .....	\$77,710,470
District and Overlapping Debt as a Ratio of:	
2016 Certified Assessed Valuation <sup>1, 2</sup> .....	7.18%
2016 Statutory “Actual” Valuation <sup>1, 2</sup> .....	2.99%
District and Estimated Overlapping Debt Per Capita .....	\$5,958

<sup>1</sup> For definitions of and descriptions of the methodology used in computing assessed valuation, statutory “actual” value, estimated population, general obligation debt outstanding, and estimated overlapping general obligation debt, see “THE BONDS—Security for the Bonds,” “REVENUES AVAILABLE FOR DEBT SERVICE” and “DEBT AND OTHER FINANCIAL OBLIGATIONS.”

<sup>2</sup> The assessed value includes incremental assessed valuation in excess of “base” valuation in tax increment areas in Weld County from which the District does not receive property tax revenues. See “REVENUES AVAILABLE FOR DEBT SERVICE—Ad Valorem Property Tax Data—Tax Increment Areas.”

Sources: Weld County and City and County of Broomfield Assessors’ Offices, the District, and individual overlapping entities

## THE BONDS

### Description

The total principal amount, dated date, maturity dates and interest rates of the Bonds are set forth on the cover page hereof. Certain matters relating to the Bonds are described in detail in “INTRODUCTION” and are not restated under this caption. These include provisions regarding registration and denominations of the Bonds; exchange and transfer of the Bonds; payment of the principal of and interest on the Bonds; a description of the authority for issuance of the Bonds; and information regarding delivery of the Bonds. See “INTRODUCTION” for a description of the matters referred to in the previous sentence, as well as other information relating to the Bonds.

### Prior Redemption

**Optional Redemption.** The Bonds maturing on and before December 1, 2026 are not subject to redemption prior to their respective maturity dates. The Bonds maturing on and after December 1, 2027 are subject to redemption prior to maturity, at the option of the District, in whole or in part, and if in part in such order of maturities as the District is to determine and by lot within a maturity, on December 1, 2026 and on any date thereafter, at a redemption price equal to the principal amount thereof (with no redemption premium), plus accrued interest to the redemption date.

**Redemption Notice.** Notice of any redemption of Bonds, which may be conditional notice, is to be given by the Paying Agent on behalf of the District by sending a copy of such notice by electronic means to DTC or by first class, postage prepaid mail or by electronic means to DTC or its successors, not less than 30 days prior to the redemption date, to the Owner of each Bond being redeemed. Failure to

deliver any redemption notice or any defect in any redemption notice as provided in the Bond Resolution does not affect the validity of the proceeding for the redemption of Bonds with respect to which such failure or defect did not occur.

### **Use of Bond Proceeds**

***The Project.*** At the election held on November 8, 2016, District voters approved the following Ballot Issue 3E:

SHALL WELD COUNTY SCHOOL DISTRICT RE-8 DEBT BE INCREASED UP TO \$48.6 MILLION, WITH A REPAYMENT COST OF UP TO \$82.4 MILLION, AND SHALL DISTRICT TAXES BE INCREASED BY UP TO \$4.9 MILLION ANNUALLY TO, AMONG OTHER THINGS:

- MAKE IMPROVEMENTS TO BUTLER ELEMENTARY SCHOOL, TWOMBLY ELEMENTARY SCHOOL AND FORT LUPTON HIGH SCHOOL TO EXTEND THEIR USEFUL LIFE, REDUCE COSTLY EMERGENCY REPAIRS, IMPROVE ENERGY EFFICIENCY AND ENHANCE INSTRUCTIONAL PROGRAMMING;
- ADDRESS SAFETY AND SECURITY IMPROVEMENTS TO BUTLER ELEMENTARY SCHOOL, TWOMBLY ELEMENTARY SCHOOL, FORT LUPTON MIDDLE SCHOOL AND FORT LUPTON HIGH SCHOOL, INCLUDING ENTRYWAY UPGRADES, FIRE SPRINKLER SYSTEM AND/OR RELATED IMPROVEMENTS;
- CONSTRUCT A PERMANENT PK-8 SCHOOL ON DISTRICT-OWNED PROPERTY WITHIN WELD COUNTY SCHOOL DISTRICT RE-8 TO REPLACE QUEST SCHOOL'S TEMPORARY MODULAR BUILDINGS; AND
- CONSTRUCT A NEW EARLY CHILDHOOD EDUCATION CENTER ON DISTRICT-OWNED PROPERTY IN FORT LUPTON,

AND TO THE EXTENT MONEYS ARE AVAILABLE, TO ACQUIRE, CONSTRUCT, REPAIR AND IMPROVE DISTRICT CAPITAL ASSETS, BY THE ISSUANCE AND PAYMENT OF GENERAL OBLIGATION BONDS WHICH SHALL BEAR INTEREST, MATURE, BE SUBJECT TO REDEMPTION, WITH OR WITHOUT PREMIUM, AND BE ISSUED AT SUCH TIME, AT SUCH PRICE (AT, ABOVE OR BELOW PAR) AND IN SUCH MANNER AND CONTAINING SUCH TERMS, NOT INCONSISTENT WITH THIS BALLOT ISSUE, AS THE BOARD OF EDUCATION MAY DETERMINE; AND SHALL AD VALOREM PROPERTY TAXES BE LEVIED WITHOUT LIMIT AS TO THE MILL RATE TO GENERATE AN AMOUNT SUFFICIENT IN EACH YEAR TO PAY THE PRINCIPAL OF, PREMIUM IF ANY, AND INTEREST ON SUCH DEBT AND TO FUND ANY RESERVES FOR THE PAYMENT THEREOF?

Construction of the Project began in November 2016 with a target completion date of December 2018. The anticipated life of the Project exceeds the final maturity date of the Bonds. The District anticipates it may be necessary to hire additional maintenance/custodial staff once the Project is completed. According to District officials, detailed Project planning, including generous contingency and escalation allowances, will reduce the potential for cost overruns. Numerous Project "alternatives" have been identified that can be excluded, if necessary, to align Project scope with the budget.

**Sources and Uses of Funds.** The sources and uses of funds relating to the Bonds is set forth below.

#### SOURCES

Par Amount of the Bonds .....	\$48,600,000.00
Net Original Issue Premium <sup>1</sup> .....	<u>6,124,821.95</u>
Total .....	<u>\$54,724,821.95</u>

#### USES

Deposit to Project Account .....	\$54,119,361.35
Costs of issuance, including underwriting discount, <sup>2</sup> rating agency fees, professional fees, printing costs and contingency .....	<u>605,460.60</u>
Total .....	<u>\$54,724,821.95</u>

<sup>1</sup> Net of original issue premium and original issue discount on the sale of certain of the Bonds.

<sup>2</sup> See "MISCELLANEOUS—Underwriting."

### Security for the Bonds

**General Obligation Debt.** The Bonds are general obligations of the District. The full faith and credit of the District are pledged for the payment of the principal of and interest on the Bonds. For the purpose of paying the principal of and interest on the Bonds when due, the Board is to annually determine and certify to the Board of County Commissioners of Weld County and the City and County of Broomfield, a rate of levy for general ad valorem taxes, without limitation as to rate or amount, on all of the taxable property in the District, sufficient to pay the principal of and interest on the Bonds when due, whether at maturity or upon earlier redemption.

The District may use legally available moneys other than the proceeds of the general ad valorem property taxes levied pursuant to the Bond Resolution to pay all or any portion of the principal of or interest on the Bonds. If and to the extent such other legally available moneys are used to pay the principal of or interest on the Bonds, the District may, but will not be required to, (a) reduce the amount of taxes levied for such purpose pursuant to the Bond Resolution or (b) use proceeds of taxes levied pursuant to the Bond Resolution to reimburse the fund or account from which such other legally available moneys are withdrawn for the amount withdrawn from such fund or account to pay the principal of or interest on the Bonds. If the District selects alternative (b) in the immediately preceding sentence, the taxes levied pursuant to the Bond Resolution are to include amounts sufficient to fund the reimbursement.

The District's obligation to pay the principal of and interest on the Bonds is on a parity with the District's obligation to pay the principal of and interest on its other general obligation debt, including general obligation debt outstanding prior to the issuance of the Bonds and any general obligation debt issued or incurred after the issuance of the Bonds. The Bond Resolution does not restrict the District's ability to issue or incur additional general obligation debt, although issuance of the additional general obligation debt is subject to the same constitutional and statutory limitations that apply to the issuance of the Bonds, including, but not limited to, constitutional and statutory provisions requiring voter approval of general obligation debt and statutory limitations on the dollar amount of general obligation debt. After the issuance of the Bonds, the District will have no remaining authorized but unissued general obligation indebtedness. For a description of the District's outstanding general obligation debt upon issuance of the Bonds, see "DEBT AND OTHER FINANCIAL OBLIGATIONS—Outstanding General Obligation Debt." The annual debt service on the Bonds is set forth in "—Debt Service Requirements" below. For a description of certain constitutional and statutory limits on the issuance of general obligation debt, see "DISTRICT FINANCIAL INFORMATION—Constitutional Amendment Limiting Taxes and Spending"

and “DEBT AND OTHER FINANCIAL OBLIGATIONS—Statutory Limit on General Obligation Debt.”

***Payment of Debt Service by State Treasurer Under Certain Circumstances.*** The State has enacted legislation providing for the payment by the State Treasurer of principal and interest due with respect to general obligation indebtedness of eligible school districts in the State, generally referred to as the State Intercept Program. The Bonds qualify under the State Intercept Act. See “DISTRICT FINANCIAL INFORMATION—State Intercept Program.”

***Custodial Requirement for Bond Redemption Fund.*** The State has enacted legislation requiring each school district incurring general obligation indebtedness to select at least one commercial bank or depository trust company in the State that has full trust powers and is a member of the federal deposit insurance corporation to act as a third-party custodian to administer the school district’s bond redemption fund. This custodian will be responsible for making payments from the bond redemption fund as provided by law, and may, with the agreement of the school district, withdraw funds that are temporarily not needed to satisfy the school district’s obligations, for purposes of depositing or investing the moneys in any investments permitted by law. However, a school district is not required to select a custodian if the county treasurer keeps the funds and accounts of the district as provided in Section 22–40–104, Colorado Revised Statutes, or if the district has given notice to the state treasurer that it will not accept payment by the state treasurer on behalf of the district as provided in the State Intercept Program. For a discussion of the State Intercept Program, see “DISTRICT FINANCIAL INFORMATION—State Intercept Program.”

***Bond Resolution Irrepealable.*** The Bond Resolution provides that after the Bonds have been issued, the Bond Resolution is to be and remain a contract between the District and the registered owners of the Bonds, and is to be and remain irrepealable until all amounts due with respect to the Bonds shall be fully paid, satisfied and discharged and all other obligations of the District with respect to the Bonds have been satisfied in the manner provided in the Bond Resolution.

***Supplemental Resolutions.*** The District may, without the consent of or notice to the registered owners of the Bonds, adopt one or more resolutions amending or supplementing the Bond Resolution if such amendment does not materially adversely affect the interests of the registered owners of the Bonds.

***Future Changes in Laws.*** Various State and federal constitutional provisions, laws and regulations apply to the operations of the District and the imposition, collection and expenditure of ad valorem property taxes and other funds of the District. There is no assurance that there will not be any change in such constitutional provisions, laws or regulations, or judicial or administrative interpretations thereof, which would have a material effect, directly or indirectly, on the operations of the District or the imposition, collection or expenditure of ad valorem property taxes or other funds of the District to pay debt service on the Bonds.

***Limitations on Remedies Available to Owners of Bonds.*** There is no bond trustee or similar person to monitor or enforce the provisions of the Bond Resolution. The owners of the Bonds should, therefore, be prepared to enforce such provisions themselves if the need to do so arises. In the event of a default in the payment of principal of or interest on the Bonds, there is no provision for acceleration of maturity of the principal of the Bonds. Consequently, the remedies of the owners of the Bonds (consisting primarily of an action in the nature of mandamus requiring the District and certain other public officials to perform the terms of the Bond Resolution) may have to be enforced from year to year. The obligation to pay general ad valorem property taxes is secured by a statutory lien upon the taxed property, but is not an obligation for which a property owner may be held personally liable in the event of a deficiency. The owners of the Bonds cannot foreclose on property within the boundaries of the District or sell such property in order to pay the debt service on the Bonds. See “REVENUES AVAILABLE

FOR DEBT SERVICE—Ad Valorem Property Taxes” for a description of property tax collection and enforcement.

In addition, the enforceability of the rights and remedies of owners of the Bonds may be subject to limitation as set forth in Bond Counsel’s opinion. The opinion will state, in part, that the obligations of the District with respect to the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights generally and by equitable principles, whether considered at law or in equity, by the exercise by the State and its governmental bodies of the police power inherent in the sovereignty of the State and by the exercise by the United States of America of the powers delegated to it by the Constitution of the United States of America. Bankruptcy proceedings or the exercise of other powers of the federal government, or the exercise of the police powers of the State, if initiated, could subject the owners of the Bonds to judicial discretion and interpretation of rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of rights. Sections 362 and 922 of the United States Bankruptcy Code (Title 11 of the United States Code) provide that, in the event the District files a petition in bankruptcy, the enforcement of a lien on or arising out of taxes or assessments owed will be stayed, with the result that payments of principal of and interest on the Bonds after the District filed such petition may be subject to a plan for the adjustment of the District’s debts approved by the bankruptcy court.

### Debt Service Requirements

Set forth in the following table are the debt service requirements for the Bonds and the District’s other outstanding general obligation debt upon issuance of the Bonds. See “DEBT AND OTHER FINANCIAL OBLIGATIONS—Outstanding General Obligation Debt.”

**TABLE I**  
**Debt Service Requirements <sup>1</sup>**

Year	The Series 2017 Bonds		Other Outstanding Obligations of the District <sup>2</sup>	Annual Amount
	Principal	Interest		
2017	\$ 1,835,000	\$1,883,728	\$ 1,706,788	\$ 5,425,516
2018	800,000	2,124,400	1,701,988	4,626,388
2019	840,000	2,084,400	1,706,388	4,630,788
2020	875,000	2,050,800	1,709,688	4,635,488
2021	1,285,000	2,015,799	1,329,188	4,629,987
2022	1,920,000	1,967,250	763,938	4,651,188
2023	2,015,000	1,871,250	764,813	4,651,063
2024	2,115,000	1,770,500	765,313	4,650,813
2025	2,180,000	1,707,050	765,438	4,652,488
2026	2,245,000	1,641,650	765,188	4,651,838
2027	2,355,000	1,529,400	764,563	4,648,963
2028	2,475,000	1,411,650	767,763	4,654,413
2029	2,595,000	1,287,900	765,438	4,648,338
2030	2,725,000	1,158,150	766,875	4,650,025
2031	2,810,000	1,076,400	767,550	4,653,950
2032	2,950,000	935,900	767,350	4,653,250
2033	3,865,000	788,400	--	4,653,400
2034	4,060,000	595,150	--	4,655,150
2035	4,220,000	432,750	--	4,652,750
2036	<u>4,435,000</u>	<u>221,750</u>	<u>--</u>	<u>4,656,750</u>
Total	<u>\$48,600,000</u>	<u>\$28,554,277</u>	<u>\$16,578,269</u>	<u>\$93,732,546</u>

<sup>1</sup> Assumes no redemption prior to maturity. Figures have been rounded.

<sup>2</sup> Includes the principal and interest of the District’s other outstanding general obligation debt, which includes the District’s General Obligation Bonds, Series 2012, General Obligation Bonds, Series 2013 and General Obligation Refunding Bonds, Series 2016.

Source: The Underwriter

## REVENUES AVAILABLE FOR DEBT SERVICE

The Bonds are payable from ad valorem property taxes which may be levied against all taxable property within the District without limitation as to rate or amount, in an amount sufficient to pay the principal of and interest on the Bonds when due. See “THE BONDS—Security for the Bonds.”

### Ad Valorem Property Taxes

The Board has the power, subject to constitutional and statutory guidelines, to certify a levy for collection of ad valorem taxes against all taxable property within the District. Property taxes are uniformly levied against the assessed valuation of all taxable property within the District. The property subject to taxation, the assessment of such property, and the property tax procedure and collections are discussed below.

***Property Tax Reduction for Senior Citizens and Disabled Veterans.*** On November 7, 2000 and November 7, 2006, respectively, the electors of the State of Colorado approved Referendum A and Referendum E, constitutional amendments granting a property tax reduction to qualified senior citizens and qualified disabled veterans. Generally, the reduction (a) reduces property taxes for qualified senior citizens and qualified disabled veterans by exempting 50% of the first \$200,000 of actual value of residential property from property taxation; (b) requires that the State reimburse all local governments for any decrease in property tax revenue resulting from the reduction; and (c) excludes the State reimbursement to local governments from the revenue and spending limits established under Article X, Section 20 of the State Constitution.

***Property Subject to Taxation.*** Both real and personal property located within the boundaries of the District, unless exempt, are subject to taxation by the District. Exempt property generally includes property of the United States of America; property of the State and its political subdivisions; public libraries; public school property; charitable property; religious property; irrigation ditches, canals and flumes; household furnishings; personal effects; intangible personal property; inventories of merchandise and materials and supplies which are held for consumption by a business or are held primarily for sale; livestock; agricultural and livestock products; agricultural equipment which is used on the farm or ranch in the production of agricultural products; and nonprofit cemeteries.

***Assessment of Property.*** All taxable property is listed, appraised and valued for assessment as of January 1 of each year by the county assessor. The “actual” value, with certain exceptions, is determined by the county assessor annually based on a biennially recalculated “level of value” set on January 1 of each odd-numbered year. The “level of value” is ascertained for each two-year reassessment period from manuals and associated data prepared and published by the State property tax administrator for the eighteen-month period ending on the June 30 immediately prior to the beginning of each two-year reassessment period. For example, “actual” values for the 2015 levy/2016 collection year as well as the 2016 levy/2017 collection year will be based on market data obtained from the period January 1, 2013–June 30, 2014. The “level of value” calculation does not change for even-numbered years. The classes of property the “actual” value of which is not determined by a level of value include oil and gas leaseholds and lands, producing mines and other lands producing nonmetallic minerals.

The assessed value of taxable property is then determined by multiplying the “actual” value (determined as described in the immediately preceding paragraph) times an assessment ratio. The assessment ratio of residential property changes from year to year based on a constitutionally mandated requirement to keep the ratio of the assessed value of commercial property to residential property at the same level as it was in the property tax year commencing January 1, 1985 (the “Gallagher Amendment”). The Gallagher Amendment requires that statewide residential assessed values must be approximately 45%

of the total assessed value in the State with commercial and other assessed values making up the other 55% of the assessed values in the State. In order to maintain this 45% to 55% ratio, the commercial assessment rate is established at 29% of the actual value of commercial property (including vacant land and undeveloped lots) and the residential assessment rate fluctuates. The residential ratio has remained 7.96% since the 2003 levy year.

The Colorado Legislative Council Staff's "Focus Colorado: Economic and Revenue Forecast" dated December 20, 2016 (the "2016 Economic Forecast"), projects that the residential assessment rate will decrease to 6.85% for the 2017 reassessment period. As required by statute, the Division of Property Taxation (the "Division") has submitted a preliminary Residential Assessment Rate Study dated January 13, 2017 to the State Board of Equalization and the Colorado General Assembly forecasting a change in the residential ratio to 6.56%. The actual rate change will depend on the actual residential and non-residential values reported to the Division and is likely to change prior to the final report to be submitted to no later than April 15, 2017. The final figure is subject to approval by the Colorado General Assembly during the 2017 legislative session.

Beginning in May of each year each county assessor hears taxpayers' objections to property valuations, and the county board of equalization hears assessment appeals. The assessor is required to complete the assessment roll of all taxable property no later than August 25 each year. The abstract of assessment prepared therefrom is reviewed by the State property tax administrator. Assessments are also subject to review at various stages by the State board of equalization, the State board of assessment appeals and the State courts. Therefore, the District's assessed valuation may be subject to modification as a result of the review of such entities. In the instance of the erroneous levy of taxes, an abatement or refund must be authorized by the board of county commissioners; and in no case will an abatement or refund of taxes be made unless a petition for abatement or refund is filed within two years after January 1 of the year following the year in which the taxes were levied. Refunded or abated taxes are prorated among all taxing jurisdictions which levied a tax against the property.

***Taxation Procedure.*** The assessed valuation and statutory "actual" valuation of taxable property within the District is required to be certified by the county assessor to the District no later than August 25 each year. Such value is subject to recertification by the county assessor prior to December 10. The Board then determines a rate of levy which, when levied upon such certified assessed valuation, and together with other legally available revenues, will raise the amount required annually by the District for its General Fund and Bond Redemption Fund to defray its expenditures during the ensuing fiscal year. In determining the rate of levy, the Board must take into consideration the limitations on certain increases in property tax revenues as described in "DISTRICT FINANCIAL INFORMATION—Constitutional Amendment Limiting Taxes and Spending" and "—Budgetary Process and Information." The Board must certify the District's levy to the board of county commissioners no later than December 15.

Upon receipt of the tax levy certification of the District and other taxing entities within the county, the board of county commissioners levies against the assessed valuation of all taxable property within the county the applicable property taxes. Such levies are certified by the board of county commissioners to the county assessor, who thereupon delivers the tax list and warrant to the county treasurer for the collection of taxes.

***Property Tax Collections.*** Taxes levied in one year are collected in the succeeding year. Taxes certified in 2016, for example, will be collected in 2017. Taxes are due on January 1 in the year of collection; however, they may be paid in either one installment (not later than the last day of April) or two equal installments (not later than the last day of February and June 15) without interest or penalty. Taxes which are not paid within the prescribed time bear interest at the rate of 1% per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 16 of the collection year. The

county treasurer collects current and delinquent property taxes, as well as any interest, penalties, and other requirements and remits the amounts collected on behalf of the District to the District on a monthly basis.

All taxes levied on real and personal property, together with any interest and penalties prescribed by law, as well as other costs of collection, until paid, constitute a perpetual lien on and against the taxed property. Such lien is on a parity with the liens of other general taxes. It is the county Treasurers' duty to enforce the collection of delinquent real property taxes by sale of the tax lien on such realty in December of the collection year and of delinquent personal property taxes by the distraint, seizure and sale of such property at any time after October 1 of the collection year. There can be no assurance, however, that the value of taxes, penalty interest and costs due on the property can be recovered by the county treasurer. Further, the treasurer may set a minimum total amount below which competitive bids will not be accepted, in which event property for which acceptable bids are not received will be set off to the county. Taxes on real and personal property may be determined to be uncollectible after a period of six years from the date of becoming delinquent and canceled by the board of county commissioners.

**Tax Increment Areas.** State law authorizes municipalities to establish both urban renewal authorities and downtown development authorities for the purpose of financing improvements to areas which have been designated by the respective governing bodies of municipalities as being blighted or, with respect to downtown development authorities, subject to deterioration of property values or structures. In 2001 and in 2014, respectively, the City of Brighton established the Brighton Urban Renewal Authority and the City of Fort Lupton established the Fort Lupton Urban Renewal Authority (collectively, the "URA"), to spur among others, reinvestment and redevelopment in the downtown and adjacent areas. For property included in any urban renewal area established by a URA ("tax increment area"), the assessed valuation of such property that is taxable does not increase beyond the amount existing in the year prior to the adoption of the applicable urban renewal plan (other than by means of the general reassessment). Any increase above the "base" amount (referred to as the "increment") is paid to the appropriate URA. See "TABLE III—History of District's Assessed Valuation" below, for information on the assessed valuation attributable to such tax increment areas.

### **Ad Valorem Property Tax Data**

The District's assessed valuation and mill levies from levy year 2011 to date are set forth in the following tables. See "—Ad Valorem Property Taxes—*Assessment of Property*" above for a description of the assessment ratios for taxable property used in each of such years. See "DISTRICT FINANCIAL INFORMATION—Constitutional Amendment Limiting Taxes and Spending."

In November 2006 District voters authorized two mill levy override questions for the collection of property taxes in respective annual amounts not to exceed \$1,400,000, for the purposes of raising salaries and benefits for the retention and recruitment of all employees in order to be competitive with surrounding districts (the "Instructional Mill Levy"), and \$1,275,000 for the purpose of purchasing academic materials, upgrading instructional technology, providing free pre-school for all eligible students and providing on-going maintenance of District facilities (the "Facilities Mill Levy," together with the Instructional Mill Levy, the "2006 Mill Levy"). The 2006 Mill Levy became effective for the 2006 levy year (2007 collection year) with the Instructional Mill Levy to expire after the 2012 levy year (2013 collection year) and the Facilities Mill Levy to expire after the 2015 levy year (2016 collection year). Pursuant to elections held in November 2012 and 2015, respectively, District voters approved a seven-year extension of the Instructional Mill Levy through the 2019 levy year (2020 collection year); and approved a ten-year extension of the Facilities Mill Levy through the 2025 levy year (2026 collection year).



**TABLE II**  
**History of District's Mill Levy**

<b>Levy/Collection Year</b>	<b>General Fund</b>	<b>Bond Fund</b>	<b>Mill Levy Override <sup>1</sup></b>	<b>Abatements</b>	<b>Total Mill Levy</b>
2011/2012	12.143	2.868	7.751	0.018	22.780
2012/2013	12.143	3.951	6.036	0.220	22.350
2013/2014	12.143	3.387	5.172	0.001	20.703
2014/2015	12.143	2.849	4.335	0.236	19.563
2015/2016	12.143	1.552	1.982	0.078	15.755
2016/2017	12.143	6.682	2.543	0.011	21.379

<sup>1</sup> Please see preceding paragraph regarding override elections held by the District.

Sources: State of Colorado, Colorado Department of Local Affairs, Division of Property Taxation, 2011-2015, State of Colorado Property Tax Annual Reports, and the District

**TABLE III**  
**History of District's Assessed Valuation**

<b>Levy/Collection Year</b>	<b>Weld County</b>			<b>Broomfield County</b>	<b>Total Gross Assessed Valuation <sup>2</sup></b>	<b>Percent Change</b>
	<b>Net Assessed Valuation</b>	<b>Tax Increment Valuation</b>	<b>Gross Assessed Valuation <sup>1</sup></b>	<b>Assessed Valuation</b>		
2011/2012	\$ 342,475,110	\$25,926,150	\$ 368,401,260	\$2,640,360	\$ 371,041,620	--
2012/2013	437,402,053	39,484,760	476,886,813	5,796,240	482,683,053	30.09%
2013/2014	511,787,299	38,907,510	550,694,809	5,395,850	556,090,660	15.21
2014/2015	612,715,930	30,794,130	643,510,060	4,330,752	647,840,812	16.50
2015/2016	1,347,062,840	31,050,760	1,378,113,600	2,772,872	1,380,886,472	113.15
2016/2017	1,050,972,575	30,908,795	1,081,881,370	1,037,610	1,082,918,980	(21.58)

<sup>1</sup> Includes incremental assessed valuation, in excess of "base" valuation in property tax increment areas attributable to the Brighton Urban Renewal Authority and the Fort Lupton Urban Renewal Authority. See "—Ad Valorem Property Taxes—*Tax Increment Areas*" above.

<sup>2</sup> According to the County Assessor of each County, the fluctuation in the District's assessed valuation is primarily due to fluctuation in the assessed valuation of oil and gas property within the District. See "—*Oil and Gas Assessed Valuation*" below.

Sources: State of Colorado, Colorado Department of Local Affairs, Division of Property Taxation, 2010-2015, State of Colorado Property Tax Annual Reports, and Weld County and the City and County of Broomfield Assessors' Offices

**TABLE IV**  
**History of District's "Actual" Valuation**

<b>Levy/Collection Year</b>	<b>Weld County</b>	<b>Broomfield County</b>	<b>Total "Actual" Valuation <sup>1</sup></b>	<b>Percent Change</b>
2011/2012	\$1,311,756,737	\$5,641,090	\$1,317,397,827	--
2012/2013	1,523,472,913	9,140,220	1,532,613,133	16.34%
2013/2014	1,622,977,820	8,874,350	1,631,852,170	6.48
2014/2015	1,790,552,065	7,580,910	1,798,132,975	10.19
2015/2016	2,854,075,071	5,864,660	2,859,939,731	59.05
2016/2017	2,591,423,129	3,885,020	2,595,308,149	(9.25)

<sup>1</sup> According to the County Assessor of each County, the fluctuation in the District's "actual" valuation is primarily due to fluctuation in the "actual" valuation of oil and gas property within the District. See "—*Oil and Gas Assessed Valuation*" below.

Sources: State of Colorado, Colorado Department of Local Affairs, Division of Property Taxation, 2011-2015, State of Colorado Property Tax Annual Reports, and Weld County and the City and County of Broomfield Assessors' Offices

The following table sets forth the 2016 assessed and “actual” valuations of specific classes of property within the District. As shown below, oil and gas properties account for the largest percentage of the District’s assessed valuation.

**TABLE V**  
**2016 Assessed Valuation of Classes of Property in the District**

<b>Class</b>	<b>Weld County <sup>1</sup></b>	<b>Broomfield County</b>	<b>Total Assessed Valuation</b>	<b>Percent of Assessed Valuation</b>
Oil and Gas	\$ 780,861,530	\$ 686,340	\$ 781,547,870	72.17%
State Assessed	126,294,190	107,270	126,401,460	11.67
Residential	55,770,450	172,070	55,942,520	5.17
Industrial	51,948,960	--	51,948,960	4.80
Commercial	48,396,280	26,870	48,423,150	4.47
Agricultural	9,583,290	43,130	9,626,420	0.89
Natural Resources	5,543,850	1,930	5,545,780	0.51
Vacant	<u>3,482,820</u>	<u>--</u>	<u>3,482,820</u>	<u>0.32</u>
<b>Total</b>	<b><u>\$1,081,881,370</u></b>	<b><u>\$1,037,610</u></b>	<b><u>\$1,082,918,980</u></b>	<b><u>100.00%</u></b>

<sup>1</sup> Includes incremental assessed valuation of \$31,050,760 in excess of “base” valuation in property tax increment areas from which the District does not receive property tax revenue. The District is to receive property tax revenues based on an assessed valuation of \$1,349,835,712 (net of the incremental assessed valuation). See “—Ad Valorem Property Taxes—*Tax Increment Areas*” above.

Source: Weld County and the City and County of Broomfield Assessors’ Offices

**TABLE VI**  
**2016 “Actual” Valuation of Classes of Property in the District**

<b>Class</b>	<b>Weld County</b>	<b>Broomfield County</b>	<b>Total “Actual” Valuation</b>	<b>Percent of “Actual” Valuation</b>
Oil and Gas	\$1,045,040,367	\$1,105,270	\$1,046,145,637	40.31%
State Assessed	435,497,246	369,900	435,867,146	16.79
Residential	700,704,071	2,161,810	702,865,881	27.08
Industrial	179,134,514	--	179,134,514	6.90
Commercial	166,883,635	92,630	166,976,265	6.43
Agricultural	33,037,909	148,770	33,186,679	1.28
Natural Resources	19,116,757	6,640	19,123,397	0.74
Vacant	<u>12,008,630</u>	<u>--</u>	<u>12,008,630</u>	<u>0.46</u>
<b>Total</b>	<b><u>\$2,591,423,129</u></b>	<b><u>\$3,885,020</u></b>	<b><u>\$2,595,308,149</u></b>	<b><u>100.00%</u></b>

Source: Weld County and the City and County of Broomfield Assessors’ Offices

***Oil and Gas Assessed Valuation.*** Approximately 72.17% of the District’s 2016 assessed valuation is attributable to oil and gas property. Values in this property class include the production value of oil and natural gas and the value of the equipment used in the extraction and production processes.

The values of property classified as oil and gas (as well as natural resources and producing mines) are based on the income derived from the extraction of the earth’s resources. Assessed valuations of oil and gas properties are based on both prices and actual production yields as reflected in the “net taxable revenues” realized by the (owner) producer for the sale of its oil and gas. Net taxable revenues are

calculated by subtracting from gross revenues (a) certain deductions for gathering, transportation, manufacturing, and processing costs pursuant to guidelines established by the State; and (b) all sales of oil and gas to the United States, the State, or any political subdivision thereof. Fluctuations in any combination of oil and gas prices and actual production yields will impact the ultimate property valuation. Furthermore, unlike residential property, which is reassessed every two years, oil and gas property is reassessed each year and, as such, is more reflective of the overall volatility in energy markets.

According to the Economic Forecast (see “—Ad Valorem Property Taxes—Assessment of Property” above), the most recent forecast with respect to assessed valuation information, statewide assessed values are expected to decline 0.1% between 2016 and 2017 despite strong appreciation in the market value of residential property between 2014 and 2016, because that appreciation necessitates a decrease in the residential assessment rate. Nonresidential values are expected to increase 2.5% in 2017, as increases in commercial property and vacant land will offset declines in assessed values for oil and natural gas property due to continued low oil and natural gas prices. In 2018, assessed values are expected to increase 1.3% due to new construction and an improving market for oil and natural gas producers. The largest declines in assessed values between 2016 and 2017 are expected to occur in the northern (which includes Weld County and properties within the District), southwest mountain, and eastern regions of the state. Oil and natural gas property is expected to decline in 2017 and 2018, and account for a significant portion of the value of taxable property in these three regions. Other nonresidential property classes in these three regions are expected to increase through 2019, but not enough to exceed the declines in the value of oil and gas property. In addition, they will experience reduced residential assessed values because the reduction in the residential assessment rate is greater than regional home price appreciation.

According to the Economic Forecast, over the last seven years, Weld County has been the epicenter of oil and natural gas production in the State, and that concentration of activity is only increasing. In 2009, the northern region was responsible for 61.3% of oil production in the State; year-to-date in 2016 the northern region is responsible for 90.1% of oil production in the State. Oil production in the northern region declined 7.8% in the first seven months of 2016 compared with the same period last year as existing wells are producing less oil. While oil has declined, natural gas has increased 15.7% as producers are capturing the natural gas from oil wells and putting what was previously a by-product on the market. No assurance is given that the present oil and gas prices and production levels of oil and gas property in the District will continue, or that the resulting assessed valuation of oil and gas property will remain at its present level.

**Property Tax Collections.** The following table sets forth a history of the District’s ad valorem property tax collections within the District since levy year 2011 on a calendar year basis.

**TABLE VII**  
**Historical Property Tax Collections**

<b>Levy/Collection Year</b>	<b>Total Taxes Levied</b>	<b>Total Tax Collections <sup>1</sup></b>	<b>Percent of Levy Collected</b>
2011/2012	\$ 8,452,328	\$ 8,360,022	98.91%
2012/2013	10,787,966	10,749,529	99.64
2013/2014	11,512,745	11,333,537	98.44
2014/2015	12,673,709	12,634,698	99.69
2015/2016	21,755,867	21,700,770 <sup>2</sup>	99.75

<sup>1</sup> Figures reflect current tax collections. Treasurer’s fees have not been deducted from these amounts.

<sup>2</sup> Collections through November 30, 2016.

Source: Weld County and the City and County of Broomfield Treasurers’ Offices

**2016 Largest Taxpayers.** Set forth in the following table are the persons or entities which represent the largest taxpayers within the District for the 2016 levy year (2017 collection year), as provided by the Weld County and the City and County of Broomfield Assessors' Offices. No independent investigation has been made of and no representation is made herein as to the financial condition of any of the taxpayers listed below or that such taxpayers will continue to maintain their status as major taxpayers in the District. The District's mill levy is uniformly applicable to all of the properties included in the table, and thus taxes expected to be received by the District from such taxpayers will be in proportion to the assessed valuations of the properties. The total tax bill for each of the properties is dependent upon the mill levies of the other taxing entities which overlap the properties.

**TABLE VIII**  
**2016 Largest Taxpayers Within the District**

Name	Assessed Valuation	Percent of Assessed Valuation <sup>1</sup>
Kerr-McGee Oil & Gas Onshore LP	\$658,488,140	60.81%
Encana Oil & Gas (USA), Inc.	69,193,800	6.39
Kerr McGee Gathering, LLC	44,063,410	4.07
Vestas Blades America, Inc.	29,638,450	2.74
Spindle Hill Energy, LLC	22,111,600	2.04
Public Service Company of Colorado (Xcel)	20,570,470	1.90
Thermo Cogeneration Partnership	17,626,770	1.63
Halliburton Energy Services, Inc.	10,719,800	0.99
United Power, Inc.	9,568,470	0.88
DCP Midstream	<u>9,396,760</u>	<u>0.87</u>
Total	<u>\$891,377,670</u>	<u>82.31%</u>

<sup>1</sup> The 2016 assessed valuation figure of the District used in computing the above was \$1,082,918,980.

Source: Weld County and the City and County of Broomfield Assessors' Offices

**Kerr-McGee.** As set forth in the table above, Kerr-McGee Oil & Gas Onshore LLP ("Kerr-McGee") accounted for approximately 60.81% of the District's total 2016 assessed valuation. Kerr-McGee, based in Dallas, Texas, provides onshore oil and gas exploration and production services, and operates as a subsidiary of Anadarko Petroleum Corporation ("Anadarko"). According to its official website, Anadarko is among the largest independent oil and natural gas exploration and production companies in the world, with its asset portfolio is aimed at delivering long-term value to stakeholders by combining a large inventory of development opportunities in the U.S. onshore with high-potential worldwide offshore exploration and development activities. Anadarko's asset portfolio includes U.S. onshore resource plays in the Rocky Mountains, the southern United States, the Appalachian basin, and Alaska. Anadarko is also among the largest independent producers in the deepwater Gulf of Mexico and has exploration and production activities worldwide, including activities in Algeria, Ghana, Mozambique, Colombia, Côte d'Ivoire, New Zealand, Kenya, and other countries. Anadarko is publicly traded on the New York Stock Exchange under the ticker symbols APC.

### **Overlapping Mill Levies**

Numerous entities located wholly or partially within the District are authorized to levy taxes on property located within the District. According to the Weld County and the City and County of Broomfield Assessors' Offices, there are currently 48 entities overlapping all or a portion of the District.

Property owners within the District may be subject to various mill levies depending upon the location of their property. The following table is representative of a sample total 2016 mill levy (for payment in 2017) attributable to taxpayers within the District and is not intended to portray the mills levied against all properties within the District. Additional taxing entities may overlap the District in the future. See also “DEBT AND OTHER FINANCIAL OBLIGATIONS—Estimated Overlapping General Obligation Debt.”

**TABLE IX**  
**Sample 2016 Mill Levy**

<b>Taxing Entity</b>	<b>2016 Mill Levy <sup>1</sup></b>
Weld County	15.800
Central Weld County Water Conservancy District	0.000
Fort Lupton Fire Protection District	9.302
Aims Community College	6.308
Carbon Valley Park and Recreation District	7.055
High Plains Library District	<u>3.271</u>
Sample Overlapping Mill Levy	41.736
The District	<u>21.379</u>
Sample Total Mill Levy	<u>63.115</u>

<sup>1</sup> One mill equals 1/10 of one cent. Mill levies certified in 2016 are for the collection of ad valorem property taxes in 2017.

Source: Weld County Assessor’s Office

## THE DISTRICT

### Organization and General Description

The District is a political subdivision of the State of Colorado and a body corporate organized for the purpose of operating and maintaining an educational program for the school-age children residing within its boundaries. The District encompasses approximately 103 square miles in north central Colorado approximately 25 miles north of Denver and serves the incorporated municipality of Fort Lupton and the surrounding rural areas.

### School District Powers

The District has all rights and powers delegated under the laws of the State for exercise by school districts, including the right to hold property for any purpose authorized by law, to sue and be sued, and to be a party to contracts for any purpose authorized by law. State statutes grant to the Board of Education the power to govern the District. General duties which the Board must perform include the following: to adopt policies and prescribe rules and regulations necessary and proper for the administration of the District; to carry out the educational programs of the District; to fix and pay personnel compensation; to determine the educational programs to be provided by the District; to prescribe the textbooks for any course of instruction to study in such programs; to adopt written policies, rules and regulations relating to the study, discipline, conduct, safety and welfare of all pupils; and to comply with all the rules and regulations adopted by the State Board of Education.

The Board is also granted specific powers to be exercised in its judgment. Notable among these are the powers to purchase, lease, or rent undeveloped or improved property located within or outside District boundaries as the Board deems necessary for use as school sites, buildings, or structures, or for

any school purpose authorized by law; to sell District properties which may not be needed in the foreseeable future for any purpose authorized by law, upon such terms and conditions as the Board may approve; to determine the location of each school site, building, or structure; to construct, erect, repair, alter, and remodel buildings and structures; to provide furniture, equipment, library books, and such other items as may be needed to carry out the District's educational programs; to discharge or otherwise terminate the employment of any personnel; to procure group life, health, or accident insurance covering employees of the District; to fix attendance boundaries; to procure appropriate property damage, casualty, public liability, and accident insurance; and to contract for the transportation of pupils enrolled in the District's public schools.

## **The Board of Education**

The seven members of the Board are elected at successive biennial elections by the registered electors of the District to staggered four-year terms of office. The Board is a policy-making body whose primary functions are to establish policies for the District, provide for the general operation and personnel of the District and oversee the property, facilities and financial affairs of the District. Members of the Board serve without compensation.

The present Board members, their offices on the Board, principal occupations, lengths of service on the Board, and terms of offices are as follows. Pursuant to statute, with certain exceptions, no nonjudicial elected official of any political subdivision of the State can serve more than two consecutive terms in office; however, such term limitation may be lengthened, shortened or eliminated pursuant to voter approval.

<b>Name</b>	<b>Office</b>	<b>Principal Occupation</b>	<b>Years of Service</b>	<b>Term Expires (November)</b>
Carol McDermott	President	Health Industry	-- <sup>1</sup>	2017
Amy O'Brien	Vice President	Law Enforcement	1	2017
Heather Taylor	Secretary	Entrepreneur	-- <sup>1</sup>	2017
Beth Block	Treasurer	Entrepreneur	1	2017
Janice Wilkin	Director	Health Aid	3	2017
Susan Browne	Director	Travel Industry	1	2019
Troy Boscia	Director	Manager at FSG	-- <sup>1</sup>	2017

<sup>1</sup> Appointed to fill a vacancy on the Board.

## **Administrative Staff and Management**

Certain information concerning the background and experience of the District's administrative personnel is set out below.

***Superintendent.*** The Superintendent is responsible for the general management of the schools of the District under the requirements of the State and the policies of the Board. The Superintendent is responsible for guiding the development of the educational objectives and programs of the District to fulfill the educational needs of all students. He provides overall direction to the activities of the District and its personnel toward the accomplishment of District goals, administers the policies of the Board, conserves the District's assets and resources, and maintains and enhances the District's standing in all its internal and external relationships.

Alan J. Kaylor was appointed the Superintendent of the District on July 1, 2016. Mr. Kaylor has worked in Adams County School District 50 (now known as Westminster Public Schools), Jefferson

County Public Schools, Aurora Public Schools, and several school districts outside the State. He has also coached at the collegiate level. Outside the field of education, Mr. Kaylor owned and operated a contracting business.

As the Principal at Fort Lupton High School, Mr. Kaylor, among other things, began the process of “Turnaround” through transparent and open data discussions, emphasizing the Standards Based Instructional Cycle; and implemented the Instructional Leadership team, which is an interviewed team of teachers to collaboratively improve instruction, as well as the Building Management Team to create building policies and procedures. Mr. Kaylor holds a Bachelor of Arts degree in Political Science from the University of Colorado, Boulder, and Master of Arts degree in Educational Leadership through the University of Phoenix. Mr. Kaylor has served on several committees including Colorado Department of Education-Graduation 2021. Mr. Kaylor belongs to the Colorado Association of School Executives.

***Business Manager.*** The Business Manager is responsible for the District’s finance and accounting operations. These duties include recording cash receipts, accounts payable, monthly payroll and assisting in budget preparation.

Brenda S. Johnson has been with the District since 1993 and has worked in various capacities for the District. She began her career in the food service department as a food service worker and was a computer operator for five years. In 1998, Mrs. Johnson became the accounts payable secretary, functioning in that position for approximately 4.5 years and moved into the payroll accounting assistant position for one year. In 2004, Mrs. Johnson became a Technology Technician for the District. She served in that capacity for almost two years, at which time she became the Business Manager in June 2006. Mrs. Johnson is currently a member of the Colorado Association of School Business Officials as well as the Financial Policies and Procedures Advisory Committee.

***Assistant Superintendent of Human Resources and Operations.*** The Assistant Superintendent of Human Resources and Operations is responsible to ensure the effective development and implementation of processes related to all human resource functions. These functions include: recruitment, selection and retention of employees; evaluation monitoring of all employees; support assignments of all personnel; personnel records; screening of applications; coordinating and implementing interviews; all employee/employer relations; spokesperson in negotiations; employee orientations; evaluating and coaching instructional and classified personnel; training of all administrative staff regarding human resource processes and procedures, establishing and leading task forces and committees, leading or working with a teacher induction program and professional development. Further the Assistant Superintendent of Human Resources and Operations evaluates and coaches principals in areas of student achievement, school improvement, personnel decisions and overall school operations; employee discipline; workers compensation; unit contract management; maintenance, oversight of District facilities and transportation services and serves as a member of the Superintendent’s cabinet.

Mr. BJ Buchmann has served as the Assistant Superintendent of Human Resources and Operations since August 1, 2015. Mr. Buchmann has 25 years of pre-kindergarten through 12th grade experience in the field of education, which includes 20 years of administrative leadership experience at elementary, middle, high school and central office levels. Mr. Buchmann holds a Bachelor of Science degree from Dickinson State University, Dickinson, North Dakota, a Masters of Arts from Adams State University, Alamosa, Colorado, a K-12 School Administration licensing and emphasis in Curriculum Instruction through the University of Denver, Denver, Colorado and an Executive Leadership with school Superintendent endorsement through the University of Colorado-Denver, Denver, Colorado. Mr. Buchmann is an active member and attendee of the Colorado Association of School Executives conferences while participating in the Northern Colorado Association of School Personnel Administrators (CASPA) department in order to promote and advance public education in Colorado through the

cooperative efforts of public school administrators within the area who have a professional responsibility for administering personnel programs involving licensed and/or classified school employees.

***Executive Director of Student Achievement.*** The Executive Director of Student Achievement is responsible for curriculum, assessment, induction, professional development, preschool and grants.

Gayle Dunlap has worked for the District since 2007. She has been in education for over 20 years, starting her career in Adams County School District 50 (now known as Westminster Public Schools) where she taught 1<sup>st</sup> / 2<sup>nd</sup> grade as a multi-age and English as a Second Language teacher. Mrs. Dunlap served the District as the Principal of Twombly Elementary for six years in which the school moved out of “Turnaround” status to “Performance” as recognized by the Colorado Department of Education in their School Accreditation Frameworks. In her current position as Executive Director of Student Achievement, she is dedicated to supporting the District administration, building administration, teaching staff and students, ensuring measurable academic growth by creating a unified culture of high-expectations and accountability.

Mrs. Dunlap has her Bachelor of Arts degree in Psychology from Metropolitan State College of Denver and Master of Arts degree in Educational Leadership through the University of Denver. She has also completed the Turnaround Specialist Program from the University of Virginia, Darden School of Business.

***Executive Director of Academic Support Services.*** Scott Graham serves as the District’s Executive Director of Academic Support Services, having been with the District since 1996. Prior to joining the District, Mr. Graham served in the Peace Corps in Nepal. During his tenure with the District, Mr. Graham has held the positions of science teacher, Science Department Head, Planetarium Director, Adjunct Science Instructor at Aims Community College, and has sponsored several student organizations including Knowledge Bowl and National Honor Society. Mr. Graham also runs the District’s grant programs, is responsible for the completion of many of the required annual State and federal reports, works with the District data systems to support teachers and principals, and serves as the District Homeless and Migrant Liaison.

Mr. Graham holds bachelor degrees in the areas of Psychology, Biology and Education from the University of Colorado at Boulder and a Masters in Education Administration from the University of Phoenix.

## **District Employees and Labor Relations**

In order to provide the variety of services required by State law, the District currently employs 327 employees. Included in this number are 190 certificated full-time employees, 15 of which are administrators. The remaining personnel are comprised of full-time and part-time classified employees, including tutors, library assistant, nurse assistant, community liaison, teaching assistants, secretary, registrar, attendance and discipline clerks, transportation coordinator, mechanic, bus driver, bus aid, crossing guard, cook, food service worker, buildings and grounds coordinator, custodian, groundskeeper and accounting assistant. Certificated employees of the District hold the following degrees:



<b>Degree Held</b>	<b>Percent of Licensed Staff</b>
Bachelors	20.53%
Bachelors plus <sup>1</sup>	30.00
Masters	22.10
Masters plus <sup>1</sup>	26.32
Doctorate	<u>1.05</u>
Total	<u>100.00%</u>

<sup>1</sup> Credit hours acquired toward an advanced degree.

Approximately 47% of the District's teachers are non-probationary, with the average salary for teachers being \$51,090. As of September 1, 2016, the overall student/teacher ratio was 13.5:1.

***Employee Benefits.*** The District has developed a comprehensive compensation package for its employees. Available benefits include a group health insurance plan and a dental insurance plan to which the District contributes a fixed amount. Additional coverages include fully paid disability income protection and group life insurance. Teachers and full-time employees are entitled to 12 fully paid days of personal time off, comprised of nine sick days and three personal days. Certificated administrators on full year contracts earn paid vacation days based on the number of years of service. The Board sets the District's holiday schedule. Worker's compensation and unemployment insurance are provided in accordance with State law.

***Labor Relations.*** Teachers are employed by the District pursuant to one year contracts as established by the Board. Included in the contracts are provisions for the benefits discussed above. Approximately 61% of the eligible personnel of the District are affiliated with the Fort Lupton Education Association, the local chapter of the Colorado Education Association. The Board and District administration considers its relationship with the Fort Lupton Education Association as "good and improving," with monthly on-going discussions between the Superintendent and the Employee Relations Representative. There is no collective bargaining agreement, however the Board recognizes the certified employees' rights to negotiate and there is a Trust Agreement in place that is revisited on an annual basis through the use of Interest-Based Strategies to address certified staff salaries and benefits.

## **District Enrollment**

Set forth below are statistics for the District's fall enrollment for the past five academic years. These figures are based upon October student counts. The District has experienced a 1.00% decrease in enrollment since 2012, decreasing from 2,411 students in the fall of 2012 to 2,387 students in the fall of 2016.

The District is experiencing a decrease in current student enrollment due to a number of issues and challenges including: (i) a highly mobile migrant population that has been impacted by recent immigration issues; (ii) the impact of agriculture no longer being the primary employer of the southern part of Weld County (and water rights issues that have gone against the agricultural landowner in recent water court hearings); (iii) ethic and rigor flight from the area; and (iv) the impact of sub-prime mortgages on the local housing market.

**TABLE X**  
**District Enrollment**

School Year	Enrollment	Percent Change
2012/2013	2,411	--
2013/2014	2,415	0.17%
2014/2015	2,333	(3.40)
2015/2016	2,354	0.90
2016/2017	2,387	1.40

Source: The Colorado Department of Education

### Facilities and District Capital Plans

The District operates and maintains a variety of facilities in meeting its obligations to provide an educational program for the school-age children residing within its boundaries. The District's major fixed assets are its school buildings as shown in the following table.

**District School Buildings and Capacity in Use**

School	2016-17 Enrollment	Recommended Capacity	Capacity Used in 2016-17	Year Constructed (major renovations)
Butler Elementary <sup>1</sup>	560	660	84.85%	1970 (2003, 2013)
Twombly Elementary <sup>2</sup>	541	632	85.60	1983
Fort Lupton Middle School	497	887	56.03	1932 (1948, 1962, 1975, 1989, 1992, 2013-2014)
Fort Lupton High	607	769	78.93	1975 (1992)
Quest Academy (K-8) <sup>3</sup>	<u>182</u>	225	80.89	2006
Total	<u>2,387</u>			

<sup>1</sup> Includes 87 preschool students (half-time) and 72 kindergarten students who attend full day sessions.

<sup>2</sup> Includes 91 preschool students (half-time) and 66 kindergarten students who attend full day sessions.

<sup>3</sup> Includes 17 kindergarten students who attend full day sessions.

Source: The Colorado Department of Education and the District

In addition to the school buildings, the property on which they are located, and their contents, the District owns 40 acres of farmland as a future school site, high school and middle school athletic fields, an administration building, a community education building, bus shelters, storage facilities, and a transportation/maintenance building. The District also owns 33 vehicles, which include school vans, trucks and 22 school buses.

**District Capital Plans.** The District and RLH Engineering, Inc., Windsor, Colorado ("RLH"), developed an updated Facilities Maintenance Master Plan (the "Master Plan") in October 2016. The Master Plan provides District-wide facility needs, which have been prioritized by the District's "Facilities Task Force" with expertise provided from RLH and the architectural firm Hord, Coplan and Macht, Inc., Denver, Colorado ("MCH"). The Master Plan included recommendations for a bond issue to authorize additional general obligation debt for the purpose of providing improvements to school facilities and additions thereto. At the Election, the District's electorate approved the issuance of the Bonds to finance the Project. See "THE BONDS—Use of Bond Proceeds."

## **Curriculum, Instruction and Accreditation**

The District offers a comprehensive Standards Based Education system designed to meet the needs of students entering a post-secondary education and/or work upon graduation from high school. Program offerings range from advanced placement to computer systems technology. The District also provides a full continuum of services to special education and gifted students as mandated by both the Individuals with Disabilities Education Act (“IDEA”) and the Exceptional Children’s Educational Act (“ECEA”). In addition, the District provides a preschool program designed to prepare students for entrance to kindergarten.

***Accreditation.*** The District is fully accredited by the Colorado Department of Education and is subject to periodic monitoring by the State to ensure continued compliance with accreditation.

The District’s current rating is “Accredited with Priority Improvement Plan.” The District has filed “District Improvement Plan” documents with the State indicating steps to improve student achievement. The District 2016 Unified Improvement Strategies are: (i) address incomplete implementation of a system of accountability for district expectations regarding assessment, instruction and data analysis; (ii) address inconsistent implementation of an assessment system that supports transparency, focuses on Colorado Evidence Outcomes and provides teachers with timely and pertinent data for purposeful data analysis; (iii) address inconsistent implementation of a system for planning, implementing and monitoring effective instruction targeting the Evidence Outcomes; and (iv) address targeted intervention and support for specific academic language acquisition for English Language Development (ELD).

## **District Charter Schools**

There are currently no charter schools within the District. Quest Academy in Dacono, Colorado, is a Core Knowledge Program and is a “Choice Program” for those parents wishing to participate in this type of curriculum programming. As such, students attend either Butler or Twombly and are accounted for in those schools for accreditation purposes. In Colorado, a charter school is a public school operated by a group of parents, teachers and/or community members as a semi-autonomous school within a school district, operating under a contract or “charter” contract between the members of the charter school community and the local board of education. The “charter,” as defined in the Charter Schools Act (Sections 22-30.5-101 et. Seq. C.R.S.), specifies the school goals, standards, education design, governance and operations. The degree of autonomy to be exercised by the charter school on such issues as personnel, curriculum and facilities is negotiated between the charter applicants and the local school district and reflected in the charter.

A charter school generally cannot charge tuition and the funding for charter schools, as prescribed by law, flows from the Colorado Department of Education through the District and to the charter school on a monthly basis. Each charter school is responsible for its own operation, including but not limited to, preparation of a budget, contracting for services and personnel matters. Services for which a charter school contracts with the District are negotiated and provided by the District at cost. No rent may be charged by the District for use of District facilities which are available for use by the charter school.

## **DISTRICT FINANCIAL INFORMATION**

### **Accounting Policies**

The accounts of the District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a

separate set of accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The basic format for the financial operation of the District is provided by State law, which allows for the creation of five funds for specific purposes for each school district if necessary: the General Fund, Bond Redemption Fund, Special Building and Technology Fund, Full Day Kindergarten Fund and Transportation Fund. The District also may create and maintain additional funds as required.

All revenues except those attributable to the Bond Redemption Fund, the Capital Reserve Fund and any other fund authorized by State law and the State Board of Education are accounted for in the General Fund, and any lawful expenditure of the District may be made from the General Fund and recorded therein. If the District has any outstanding general obligation indebtedness, the revenues from tax levies made for the purpose of paying debt service on such indebtedness would be recorded in the Bond Redemption Fund. See “DEBT AND OTHER FINANCIAL OBLIGATIONS.” The Capital Reserve Fund is funded by transfers from the General Fund. See “—Sources of Revenue—*State Share*” below.

### **Public School Finance Act of 1994**

School Districts in the State are funded pursuant to the Public School Finance Act of 1994 (the “1994 Act”). The 1994 Act sets forth a formula (the “Total Program”) for determining State and local funding amounts for each school district in the State based on a variety of factors including pupil count, local costs of living, personnel costs, the size of each district, the number of at-risk pupils, the number of on-line pupils and the Negative factor, as described in “Total Program Funding” below. The Colorado Department of Education reports that in budget year 2016-17, the 1994 Act will provide for over \$6.3 billion of funding to Colorado schools via State taxes, local specific ownership taxes and local property taxes.

***Legislation Changing School Funding.*** Legislation was signed into law in 2013 that would substantially change the formula set forth in the 1994 Act for funding schools in Colorado and would increase total funding for schools in the State by approximately \$1 billion upon passage of a citizen-initiated statewide ballot issue to increase income taxes for such purposes. A citizen-initiated ballot issue to increase income taxes for such purposes was defeated in an election held on November 5, 2013. Under current law, the ballot issue required to substantially change the school funding formula must be approved by voters no later than the November 2017 general election. At this time, the District cannot predict whether a separate citizen-initiated ballot issue will be submitted to voters, or what effect the passage or failure of such a ballot issue would have on the operations and finances of the District. A discussion of the current school funding formula is set forth below under “—Total Program Funding.”

### **Total Program Funding**

School district funding is based on the Total Program formula set forth in the 1994 Act. For each pupil funded in a district’s October 1 pupil count, the Total Program allocates a base per-pupil amount of money plus additional amounts based on district-by-district variances. Beginning with the fiscal year 2010/2011, a new factor was introduced in the school finance formula due to the statewide budget balancing challenges the State is facing. This “Negative Factor” reduces the amount of funding districts would have received prior to this factor’s application in an equitable and fair manner. This factor acts as a reduction to other existing factors and does not reduce any base per pupil funding districts receive through the school finance formula. Total Program calculations may be expressed in the following formula:

$$\begin{array}{ccccccccc} \text{Total} & & \text{Funded Pupil} & & \text{Total Per Pupil} & & \text{At-Risk} & & \text{On-line} & & \text{Negative} \\ \text{Program} & = & \text{Count} & \times & \text{Funding} & + & \text{Funding} & + & \text{Funding} & + & \text{Factor} \end{array}$$

Under the 1994 Act, every school district starts with the same per pupil funding amount generally known as the “statewide base.” The statewide base is increased annually by an amount equal to the rate of inflation. The base amount of per pupil funding for the 2016-17 fiscal year is \$6,367.90. The statewide base is then adjusted in each school district to account for differences between districts in cost of living, school district size and personnel costs. The cost of living factor is adjusted biennially, taking into account increases in the household income level of each district. The personnel and size factors are determined using enrollment based calculations, making them unique to each school district.

For each fiscal year, the General Assembly establishes a minimum amount of funding per pupil statewide based on a statutorily established “minimum per pupil funding base.” For fiscal year 2016-17, each school district is guaranteed Total Program funding consisting of the sum of \$7,969.06 per traditional pupil plus \$7,679.00 per on-line pupil (defined hereafter). These amounts are adjusted to \$7,051.49 per traditional pupil plus \$6,794.83 per online pupil after application of the Negative Factor. In the 2016-17 fiscal year, 14 school districts are projected to receive funding based on the minimum Total Program provision. The District’s estimated 2016-17 per pupil funding amount, as calculated by the Colorado Department of Education, is \$7,668.32.

The Total Program calculation is adjusted upward for each pupil qualifying as “at risk.” “At risk” is generally determined based on eligibility for participation in the federal free lunch program. Beginning in fiscal year 2005/2006, the definition of “at risk” was expanded to include students who are not eligible for free lunch, but whose scores on the Colorado Student Assessment Program test are not included in calculating a school’s performance grade because the students’ dominant language is not English. A school district receives funding equal to 12-30% of its total per pupil funding. The amount of at-risk funding increases as a district’s percentage of at-risk pupils increases above the State average.

On-line funding is based on the number of pupils enrolled in either a single district on-line program or a certified multi-district on-line program. A single district on-line program is any district on-line program which enrolls no more than 10 students from another district. The on-line per pupil funding amount changes by the percentage by which the statewide base changes. For fiscal year 2016-17 the on-line funding amount is equal to \$6,794.83, which amount represents an 11.51% decrease commensurate with the Negative Factor.

In general, the Negative Factor is calculated by first determining the Total Program prior to application of the Negative Factor. The Negative Factor then reduces this Statewide Total Program to no less than \$6,394,528,931 for the 2016-17 fiscal year. The calculation is the Statewide Total Program after application of the Negative Factor divided by the Calculated Total Program prior to application of the Negative Factor, which equals the Negative Factor reduction ( $\$6,394,528,931 / \$7,226,612,607 = 88.49\%$ , less 100% = (11.51%)).

## Sources of Revenue

After determining the Total Program, such amount is funded by both the school district’s share (the “Local Share”) and the State’s share (the “State Share”). The relative amounts of revenues received from these sources are a function of the local tax base and other factors relevant to each district.

**Local Share.** After determining a Total Program figure, a school district’s share of such amount is the amount it raises by mill levy (assuming 100% collection) plus the amount of specific ownership tax revenue paid to such school district in the prior fiscal year attributable to the General Fund, excluding any

budget election revenue (collectively, the “District Contribution”). The amount of a school district’s mill levy is to be the lesser of: (a) the number of mills levied by the school district for the immediately preceding property tax year; (b) the number of mills that will generate enough property tax revenue to entirely pay for the school district’s Total Program for the applicable budget year minus the minimum State aid and minus the amount of specific ownership tax revenue paid to the district; (c) for a school district that has not obtained voter approval to retain and spend revenues in excess of the property tax revenue limitation imposed by TABOR, the number of mills that may be levied by the school district under the property tax revenue limitation imposed on such school district under TABOR or (d) 27 mills. See “—Constitutional Amendment Limiting Taxes and Spending” below.

Taxes levied in one year are collected in the following year. The tax levied for the General Fund is distinct from the tax levied by the District for its Bond Redemption Fund. Nonetheless, both taxes are levied and collected in the manner described herein.

The District’s General Fund levy in the 2015/2016 fiscal year produced \$19,125,723 representing approximately 89.33% of the total revenue in the General Fund. The District has budgeted to receive \$16,983,975 for the 2016/2017 fiscal year representing approximately 79.58% of the total revenue in the General Fund.

Other sources of local revenue received by the District include the District’s share of the annual specific ownership tax levied by the State on owners of motor vehicles, fees and interest income earned on the District’s investments.

**State Share.** The State Share is provided to each school district whose District Contribution is insufficient to fully fund its Total Program, and the amount of the State Share is the difference between the District Contribution and the Total Program. Payments of State Share moneys are made monthly to districts and are funded primarily from State income taxes (personal and corporate) and sales and use tax revenue collected.

The State General Assembly is to make annual appropriations to fund the State Share of the Total Program of all school districts. The availability of State funds to the District may be affected by actions of the General Assembly and by the cash position of the State itself, as to which the District can give no assurance. In the event that the State’s appropriation is not sufficient to fully fund the State Share of the Total Program of all school districts, the State Department of Education must submit a request for a supplemental appropriation in an amount which will fully fund the State Share during the fiscal year in which such insufficiency occurs. If a supplemental appropriation is not made, a percentage reduction in State aid to all school districts receiving State aid is to be made.

In budget year 2016-17, State Share financing to districts ranges from \$0 per pupil to \$12,181.45 per pupil. Beginning with fiscal year 2009/2010, the guarantee for minimum State aid was eliminated and districts are no longer guaranteed an amount of aid from the State.

With a number of exceptions requiring earmarking certain funds, a district may spend all funds in the Total Program at the district’s discretion. Prior to fiscal year 2009/2010, districts were also required to allocate funds to instructional supplies and materials and capital and/or insurance reserves. However, beginning in fiscal year 2009/2010, districts are no longer required to allocate these funds and district contributions are strictly voluntary. Further, there are no minimum spending requirements for these funds. Each school district must allocate at least 75% of its at-risk funding to school or district wide educational programs for at-risk pupils or staff development associated with teaching at-risk pupils in the district. Every district that receives at-risk funding must expend such amounts on pupils whose dominant language is not English for implementation of the district’s English language proficiency program.

Districts with State preschool programs must budget an amount equal to the District's per pupil operating revenues times the district's preschool enrollment.

The District did not receive State equalization funding in the 2015/2016 fiscal year. The District has budgeted to receive \$2,042,074 for the 2016/2017 fiscal year representing approximately 9.57% of the District's total General Fund Revenue.

### **State Intercept Program**

Under Section 22-41-110, Colorado Revised Statutes, as amended (the "State Intercept Act"), if the paying agent with respect to particular general obligation bonds or certain elector authorized lease or installment purchase agreements issued or incurred by a school district on or after July 1, 1991 (a "School District Obligation") has not received a payment on the School District Obligation on the business day immediately prior to the date on which such payment is due, the paying agent is required to notify the State Treasurer and the school district that has issued the School District Obligation. The State Treasurer is then required to contact the school district to determine whether the school district will make the payment by the date on which it is due. If the school district indicates to the State Treasurer that it will not make the payment on the School District Obligation by the date on which it is due, the State Treasurer is required to forward to the paying agent, in immediately available funds from any legally available funds of the State, the amount necessary to make the payment of the principal of and interest on the School District Obligation.

If the State Treasurer makes a payment on a School District Obligation under the State Intercept Act, he or she is to recover the amount forwarded by withholding amounts from the school district's payments of the State's share of equalization program funding and from property tax and specific ownership tax revenues collected by the county treasurer on behalf of the school district; except that the State Treasurer may not recover amounts from property tax revenues that are pledged by a school district to pay notes or bonds issued by the school district. The total amount withheld in a month from the State's share of equalization program funding together with school district tax revenues forwarded from the county treasurer cannot exceed 1/12 of the State Treasurer's payment on a School District Obligation; provided, however, that the State Treasurer, in one or more months during the 12-month withholding period, may withhold more than 1/12 of the State Treasurer's payment on a School District Obligation if the total of such amounts received by the school district in one or more months during the 12-month is less than 1/12 of the State Treasurer's payment on a School District Obligation. With respect to each payment on a School District Obligation made by the State Treasurer, the State Treasurer cannot withhold or accept tax revenues from the county treasurer for more than 12 consecutive months. The State Treasurer is required to notify the county treasurer in writing of the amount of tax revenues to be withheld and forwarded to the State Treasurer and of the period of withholding. The county treasurer is required, upon receipt of such notice, to withhold from the school district and forward to the State Treasurer the amount of tax revenues specified in the notice that would otherwise be credited to the school district. The school district has the option of making early repayment of all or any portion of a State Treasurer's payment on a School District Obligation.

While the withholding of equalization payments and forwarding by the county treasurer of tax revenues is limited to 12 monthly payments, the State Intercept Act does not correspondingly limit the State's contingent obligation to pay the School District Obligation.

If the State Treasurer is required to make a payment on a School District Obligation, the State Department of Education is required to initiate an audit of the school district to determine the reason for the nonpayment of the School District Obligation and to assist the school district, if necessary, in developing and implementing measures to assure that future payments will be made when due. In

addition, if the State is required to make a payment on a School District Obligation and withhold amounts from a school district's equalization program funding and from the school district's unpledged tax revenues because of the school district's failure to collect property taxes levied in accordance with law for the school district's Bond Redemption Fund, the school district may transfer, or instruct the third-party custodian that administers the school district's Bond Redemption Fund to transfer, any such delinquent property taxes later collected from the school district's Bond Redemption Fund to its General Fund.

The State has covenanted that it will not repeal, revoke, rescind, modify or amend the State Intercept Act so as to limit or impair the rights and remedies granted under the State Intercept Act to purchasers of School District Obligations. The State Intercept Act provides, however, that it will not be deemed or construed to require the State to continue the payment of State assistance to any school district or to limit or prohibit the State from repealing, amending or modifying any law relating to the amount of State assistance to school districts or the manner of payment or the timing thereof. The State Intercept Act further provides that it will not be deemed or construed to create a debt of the State with respect to any School District Obligation within the meaning of any State constitutional provision or to create any liability except as specifically provided in the State Intercept Act.

A school district may adopt a resolution stating that it will not accept payment by the State Treasurer of a School District Obligation. If a school district chooses to adopt such a resolution, it must be adopted prior to issuance or incurrence of the bonds or obligations to which it applies. Following adoption of such a resolution, the school district is to provide written notice to the State Treasurer of its refusal to accept the payment of a School District Obligation. A school district may rescind its refusal to accept payment by written notice of such rescission to the State Treasurer.

The Bonds qualify under the State Intercept Program and the District has not adopted a resolution stating that it will not accept payment from the State Treasurer under the State Intercept Program with respect to the Bonds; consequently, the State Intercept Program applies to the payment of the Bonds and the State Treasurer will make payment of the principal of and interest on the Bonds, if necessary, as described above.

### **Historical General Fund Financial Information**

The General Fund accounts for all transactions of the District not required to be accounted for in other funds. The fund represents and accounts for the District's ordinary operations financed primarily from state aid and property taxes and is the most significant fund in relation to the District's overall operations. Set forth below is a five-year comparative statement of revenues, expenditures and changes in fund balances for the District's General Fund. The following information should be read together with the District's financial statements and accompanying notes appended thereto.



**TABLE XI**  
**Summary of General Fund Revenues,**  
**Expenditures and Changes in Fund Balances**

	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016
<b>REVENUES</b>					
<b>Local Sources</b>					
Property Taxes	\$ 6,914,420	\$ 8,026,273	\$ 9,074,576	\$10,270,413	\$19,125,723
Specific Ownership Taxes	570,860	690,774	885,170	949,059	871,877
Tuition and Fees	30,757	32,761	19,430	36,739	38,657
Investment Income	22,810	15,276	17,497	10,695	19,606
Other	<u>641,574</u>	<u>453,046</u>	<u>729,111</u>	<u>517,040</u>	<u>560,627</u>
Total Local Sources	<u>8,180,421</u>	<u>9,218,130</u>	<u>10,725,784</u>	<u>11,783,946</u>	<u>20,616,490</u>
<b>State Sources</b>					
State Equalization	10,714,320	9,251,213	8,484,522	8,122,140	(216,115)
Exceptional Child Education Act	560,039	584,265	647,690	674,728	731,893
Hold Harmless Kindergarten	--	--	51,462	54,863	57,192
Vocational Education	71,786	63,639	66,479	67,940	23,620
Transportation	179,709	219,744	196,709	178,557	184,622
Other	<u>48,778</u>	<u>11,591</u>	<u>9,350</u>	<u>15,331</u>	<u>13,512</u>
Total State Sources	<u>11,574,632</u>	<u>10,130,452</u>	<u>9,456,212</u>	<u>9,113,559</u>	<u>794,724</u>
<b>TOTAL REVENUES</b>	<u>19,755,053</u>	<u>19,348,582</u>	<u>20,181,996</u>	<u>20,897,505</u>	<u>21,411,214</u>
<b>EXPENDITURES</b>					
Instruction	9,975,728	10,561,017	11,091,242	11,716,800	12,223,218
Supporting Services	<u>8,005,535</u>	<u>8,473,261</u>	<u>9,128,095</u>	<u>9,427,865</u>	<u>10,309,910</u>
Total Expenditures	<u>17,981,263</u>	<u>19,034,278</u>	<u>20,219,337</u>	<u>21,144,665</u>	<u>22,533,128</u>
Excess of Revenues Over Expenditures	1,773,790	314,304	(37,341)	(247,160)	(1,121,914)
<b>Other Financing Sources (Uses)</b>					
Transfers Out	(310,225)	(300,000)	(300,000)	(600,000)	(452,000)
Net Change in Fund Balance	1,463,565	14,304	(337,341)	(847,160)	(1,573,914)
Beginning Fund Balance	<u>11,270,742</u>	<u>12,734,307</u>	<u>12,748,611</u>	<u>12,411,270</u>	<u>11,564,110</u>
Ending Fund Balance	<u>\$12,734,307</u>	<u>\$12,748,611</u>	<u>\$12,411,270</u>	<u>\$11,564,110</u>	<u>\$ 9,990,196</u>

Sources: District audited financial statements for fiscal years ended June 30, 2012-2016

Further information relating to the General Fund, as well as certain other funds of the District, may be found in the Basic Financial Statements of the District appended hereto.

### **Budgetary Process and Information**

The District is required by the School District Budget Law of 1964, Article 44 of Title 22, Colorado Revised Statutes, as amended (the "Budget Law"), to formulate a balanced budget and to hold a public hearing thereon prior to the determination of the amounts to be financed in whole or in part by ad valorem property taxes, funds on hand or estimated revenues from other sources. The budget must specify the amounts budgeted for proposed expenditures by funds, the amounts budgeted to be transferred from the general fund to the capital reserve fund and the insurance internal service fund, the corresponding amounts budgeted by fund that were actually expended during the last completed fiscal year and anticipated to be expended during the current fiscal year, all revenue anticipated for the ensuing fiscal year classified as to funds and sources of income, and the fund balance at the end of the fiscal year.

As part of the budgeting process of the District, the Superintendent of the District submits a proposed budget to the Board at least 30 days prior to the beginning of the next fiscal year. After

conducting a public hearing on the budget proposals, at which time any person paying school taxes in the District has an opportunity to be heard, the Board must adopt a final budget for the succeeding year prior to June 30 of each year by formal resolution specifying the amount of money appropriated to each fund, and must certify to the Board of County Commissioners of each county, by December 15 of each year, the amounts necessary to be raised from levies against the assessed valuation of all taxable property located within the District for its General Fund and Bond Redemption Fund to defray expenditures therefrom during the next ensuing fiscal year. The Board cannot expend any moneys in excess of the amount appropriated by resolution for a particular fund.

The annual budget is the financial operating plan for the District after adoption by the Board. Should the Board of the District determine that the property tax mill levy should be increased beyond the authorized limit set by State statutes, the Board of the District may submit such proposed increase at a general election for approval and, if such increased levy is approved, may adopt a supplemental budget. While the budget may be revised from time to time after following steps required by Board policy and State law, statutes prohibit the board of education of any school district to expend any moneys in excess of the amount appropriated by resolution for a particular fund.

The District is not aware of any material changes that would adversely affect the District's ability to complete the fiscal year within budget. The following table sets forth a comparison and a summary of the 2015/2016 budget, 2016/2017 budget and the year-to-date actual unaudited financials for 2016/2017.

[Remainder of Page Intentionally Left Blank]

**TABLE XII**  
**General Fund Budget Summary and Comparison**

	<b>2015/2016 Adjusted Budget</b>	<b>2016/2017 Original Budget</b>	<b>2016/2017 Actual Year-End (Unaudited) <sup>1</sup></b>
BEGINNING FUND BALANCE	\$ 6,616,122	\$ 4,827,062	\$ 5,223,512
REVENUES:			
Local			
Property Taxes	19,066,429	16,983,975	15,449,560
Specific Ownership	800,542	818,558	876,307
Delinquent Taxes	2,500	2,500	2,500
Investment Income	10,500	10,500	10,500
Transportation	6,500	6,500	6,500
Other	<u>581,125</u>	<u>529,813</u>	<u>529,813</u>
Total Local	<u>20,467,596</u>	<u>18,351,846</u>	<u>16,398,280</u>
State			
State Equalization	--	2,042,074	3,280,409
Exceptional Child Education Act	633,431	650,000	650,000
Vocational Education	42,929	65,000	65,000
Transportation	175,000	175,000	175,000
CDE-Return of State Categoricals <sup>2</sup>	(216,177)	--	--
Other	<u>54,863</u>	<u>58,279</u>	<u>57,103</u>
Total State Sources	<u>690,046</u>	<u>2,990,353</u>	<u>4,227,512</u>
Total Revenue	<u>21,157,642</u>	<u>21,342,199</u>	<u>20,625,792</u>
Total Funds Available	<u>27,773,764</u>	<u>26,169,261</u>	<u>25,849,304</u>
EXPENDITURES			
Instruction	12,318,339	11,994,149	11,994,149
Supporting Services	<u>12,418,917</u>	<u>11,632,884</u>	<u>11,632,884</u>
Total Expenditures	<u>24,737,256</u>	<u>23,627,033</u>	<u>23,627,033</u>
Reserves	<u>3,036,508</u>	<u>2,542,228</u>	<u>2,222,271</u>
Total Expenditures & Reserves	<u>\$27,773,764</u>	<u>\$26,169,261</u>	<u>\$25,849,304</u>

<sup>1</sup> Actual unaudited figures through December 23, 2016.

<sup>2</sup> The District was fully funded with property taxes and was required by CDE to return a portion of State Categorical Revenue (ECEA, Vocational, Transportation, ELPA).

Sources: District 2015/2016 and 2016/2017 Budget Documents and the District

### **Administration's Discussion of Material Trends**

For a discussion and analysis of District operations with respect to the fiscal year ended June 30, 2016, see the District's audited financial statements appended hereto for the Management's Discussion and Analysis which provides a narrative overview and analysis of the financial activities of the District for such fiscal year. This is the most current audit available for the District.

### **Constitutional Amendment Limiting Taxes and Spending**

On November 3, 1992, Colorado voters approved an amendment to the Colorado Constitution, which is commonly referred to as the Taxpayer's Bill of Rights, or TABOR, and now constitutes Section 20 of Article X of the Colorado Constitution. TABOR imposes various limits and new requirements on the State and all State local governments which do not qualify as "enterprises" under TABOR (each of which is referred to in this section as a "governmental unit"). Any of the following actions, for example,

now requires voter approval in advance: (a) any increase in a governmental unit's spending from one year to the next in excess of the rate of inflation plus a "growth factor" based on (i) for the State, the percentage change in State population, (ii) for a school district, the percentage change in student enrollment, and (iii) for any other local government, the net percentage change in actual value of all real property from construction of taxable real property improvements, minus destruction of similar improvements, and additions to, minus deletions from, taxable real property; (b) any increase in the real property tax revenues of a local governmental unit (not including the state) from one year to the next in excess of inflation plus the appropriate "growth factor" referred to in (a) above; (c) any new tax, tax rate increase, mill levy above that for the prior year, valuation for assessment ratio increase for a property class, extension of an expiring tax or a tax policy change directly causing a net tax revenue gain; and (d) except for refinancing bonded indebtedness at a lower interest rate or adding new employees to existing pension plans, creation of any multiple fiscal year direct or indirect debt or other financial obligation whatsoever without adequate present cash reserves pledged irrevocably and held for payments in all future fiscal years. Elections on such matters may only be held on the same day as a state general election, at the governmental unit's regular biennial election or on the first Tuesday in November of odd numbered years, and must be conducted in accordance with procedures described in TABOR.

Revenue collected, kept or spent in violation of the provisions of TABOR must be refunded, with interest. TABOR requires a governmental unit to create an emergency reserve of 3% of its fiscal year spending in 1995 and subsequent years. TABOR provides that "[w]hen [a governmental unit's] annual revenue is less than annual payments on general obligation bonds, pensions, and final court judgments, the [voter approval requirement for mill levy and other tax increases referred to in clause (c) of the preceding paragraph and the voter approval requirement for spending and real property tax revenue increases referred to in clauses (a) and (b) of the preceding paragraph] shall be suspended to provide for the deficiency." The preferred interpretation of TABOR shall, by its terms, be the one that reasonably restrains most the growth of government.

On November 6, 1996, District voters approved a ballot question allowing the District to collect, retain, and expend all revenues received in excess of the above described limit on fiscal year spending.

### **Retirement and Pension Matters**

The District contributes to the School Division Trust Fund ("SDTF"), a cost sharing multiple employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado. SDTF provides retirement and disability, post-retirement annual increases, and death benefits for members or their beneficiaries. All employees of the District are members of the SDTF and receive equal benefits commensurate with their levels of pay and years of service. No differentiation is made based on personnel category. The District is currently required by statute to contribute to PERA, from District funds, a statutorily determined percentage of the gross salaries of member employees. In addition, each member employee contributes a statutorily determined percentage of his or her salary. For the fiscal year ended June 30, 2016, the District's employer contributions for the SDTF were \$2,519,204. Vesting, accrual of benefits, eligible retirement ages and levels are all determined by PERA. The District holds no plan assets or actuarial liability with PERA; however, beginning with the 2014-15 audited financial statements, the District is required to record its share of PERA's unfunded liability. At June 30, 2016, the District reported a liability of \$48,920,237 for its proportionate share of the net pension liability. PERA has conducted actuarial studies, and provided its member institutions with the amounts of their unfunded liability. For further information, see Note 8 to the District's audited financial statements appended hereto.

## Insurance Coverage

The Board acts to protect the District against loss and liability by maintaining certain insurance coverages. The District is a member of the Colorado School Districts' Self Insurance Pool. The Pool was established by the Colorado Association of School Boards to provide insurance coverage to participants in the areas of general liability, errors and omissions, automobile liability, auto physical damage, auto personal injury protection, real and personal property, crime, and other coverage. In the opinion of the District's Superintendent, the District's insurance coverage provides adequate insurance protection for the District. However, there can be no assurance that the District will continue to maintain this level of coverage. See Note 6 to the District's audited financial statements appended hereto.

## DEBT AND OTHER FINANCIAL OBLIGATIONS

### Outstanding General Obligation Debt

The following table sets forth the District's outstanding general obligation debt upon issuance of the Bonds. The District will have no authorized but unissued general obligation debt remaining after the issuance of the Bonds. The issuance of additional general obligation debt is subject to the same constitutional and statutory limitations, including, but not limited to, constitutional and statutory provisions requiring voter approval of general obligation debt and statutory limits on the dollar amount of general obligation debt. See "DISTRICT FINANCIAL INFORMATION—Constitutional Amendment Limiting Taxes and Spending" and "—Statutory Limit on General Obligation Debt" below.

**TABLE XIII**  
**General Obligations of the District**

<b>Obligation</b>	<b>Principal Amount Outstanding <sup>1</sup></b>
General Obligation Bonds, Series 2012	\$ 7,600,000
General Obligation Bonds, Series 2013	2,160,000
General Obligation Refunding Bonds, Series 2016	3,980,000
General Obligation Bonds, Series 2017	<u>48,600,000</u>
Total	<u>\$62,340,000</u>

<sup>1</sup> Upon issuance of the Bonds.

### Statutory Limit on General Obligation Debt

Pursuant to State statute, the general obligation debt of a school district cannot exceed the greater of (a) 20% of the latest valuation for assessment of the taxable property in the district, or (b) 6% of the most recent determination of the "actual" value of the taxable property in the district, both as certified by the County assessor. The District's statutory limit on bonded indebtedness is \$216,583,796 under the 20% test and \$155,718,489 under the 6% test, based upon the District's 2016 assessed valuation of \$1,082,918,980 and 2016 "actual" valuation of \$2,595,308,149. After issuance of the Bonds, the District's legally available general obligation debt margin under State statutes will be \$154,243,796 under the 20% test and \$93,378,489 under the 6% test.

## General Obligation Debt Ratios

Set forth in the following table are selected historical general obligation debt ratios for the District since the year ended June 30, 2012. See “INTRODUCTION—Debt Ratios” for general obligation debt ratios for the District upon issuance and delivery of the Bonds.

**TABLE XIV**  
**Historical Debt Ratios**

	Fiscal Years Ended June 30				
	2012	2013	2014	2015	2016
Debt Outstanding	\$7,740,000	\$18,800,000	\$17,600,000	\$16,400,000	\$15,155,000
Estimated Population	12,454	12,577	12,766	12,864	13,044
Debt Per Capita	\$621	\$1,495	\$1,379	\$1,275	\$1,162
Assessed Value	\$371,041,620	\$550,694,810	\$643,510,060	\$1,378,113,600	\$1,380,886,472
Ratio of Debt to Assessed Value	2.09%	3.41%	2.74%	1.19%	1.10%
Personal Income Per Capita (Weld County)	\$36,543	\$37,615	\$40,830	\$42,787	unavailable
Ratio of Debt Per Capita to Personal Income Per Capita (Weld County)	1.70%	3.97%	3.38%	2.98%	unavailable

Sources: District Audited Financial Statements, 2012-2016; Weld County and the City and County of Broomfield Assessors’ Offices; State of Colorado Division of Property Taxation, Annual Reports 2012-2016; Regional Economics Information System Bureau of Economic Analysis; and the District

## Other Financial Obligations

The Board has the authority to enter into installment or lease purchase contracts, subject to annual appropriation, for the purchase of property or capital equipment without prior electoral approval. The term of any such contract may not extend over a period greater than the estimated useful life of the property or equipment. The District has executed two capital lease agreements to finance District transportation equipment. As of June 30, 2016, the principal amount remaining to be paid under the leases was \$38,986.

## Estimated Overlapping General Obligation Debt

Certain public entities whose boundaries may be entirely within, coterminous with, or only partially within the District are also authorized to incur general obligation debt, and to the extent that properties within the District are also within such overlapping public entities such properties will be liable for an allocable portion of such debt. For purposes of this Official Statement, the percentage of each entity’s outstanding debt chargeable to District property owners is calculated by comparing the assessed valuation of the portion overlapping the District to the total assessed valuation of the overlapping entity. To the extent the District’s assessed valuation changes disproportionately with the assessed valuation of the overlapping entities, the percentage of general obligation debt for which District property owners are responsible will also change. The following table sets forth the estimated overlapping general obligation debt chargeable to properties within the District as of the date of this Official Statement.

The District is not financially or legally obligated with regard to any of the indebtedness shown on the immediately following table. Although the District has attempted to obtain accurate information as to the outstanding debt of the entities which overlap the District, it does not warrant its completeness or accuracy as there is no central reporting entity which is responsible for compiling this information.

**TABLE XV**  
**Estimated Overlapping General Obligation Debt**

Overlapping Entity	Outstanding General Obligation Debt	Net Outstanding General Obligation Debt Chargeable to Properties Within the District	
		Percent	Amount
Carbon Valley Recreation District	\$ 4,030,000	31.87%	\$ 1,284,361
Central Colorado Water Conservancy District	26,925,000	15.53	4,181,453
Central Colorado Water Conservancy Subdistrict- Groundwater Management <sup>1</sup>	1,105,000	12.28	135,694
Central Colorado Water Conservancy Subdistrict -Well Augmentation <sup>1</sup>	12,761,661	18.38	2,345,593
Dacono (City of)	1,734,394	58.15	1,008,550
Fort Lupton (City of)	2,645,000	73.34	1,939,843
Fort Lupton Fire Protection District	2,725,000	63.58	1,732,555
Frederick-Firestone Fire Protection District	1,710,000	0.14	2,394
North Metro Fire Protection District	24,830,000	0.29	72,007
Stoneridge Metropolitan District	3,650,000	0.18	6,570
Sweetgrass Metropolitan District No. 2	2,750,000	96.78	<u>2,661,450</u>
Total			<u>\$15,370,470</u>

<sup>1</sup> Represents a contractual obligation of the respective districts.

Sources: Weld County and the City and County of Broomfield Assessors' Offices; and individual entities

## LEGAL MATTERS

### Sovereign Immunity

The Governmental Immunity Act, Title 24, Article 10, Part 1, C.R.S., as amended (the "Governmental Immunity Act"), provides that, with certain specified exceptions, sovereign immunity acts as a bar to any action against a public entity, like the District, for injuries which lie in tort or could lie in tort. In such instances, the public entity may be liable for injuries arising from an act or omission of the public entity, or an act or omission of its public employees, which is not willful and wanton, and which occurs during the performance of a public employee's duties and within the scope of a public employee's employment. There are certain instances in which sovereign immunity is waived, which include when a school district or its employee is negligent by failing to protect others from a reasonably foreseeable incident of school violence, although current law suspends compensatory damages in such instances until July 1, 2017.

The Governmental Immunity Act provides that sovereign immunity does not apply to injuries occurring as a result of certain specified actions or conditions. In general, public entities will be held liable for willful and wanton acts or omissions or willful and wanton acts or omissions of its public employees which occurred during the performance of their duties and within the scope of their employment. However, if a plaintiff can meet the burden of proof required to show that any one of the exceptions specified in the Governmental Immunity Act applies, the public entity may be liable for

injuries arising from an act or omission of the public entity, or an act or omission of its public employees, which was not willful and wanton, and which occur during the performance of their duties and within the scope of their employment. The maximum amounts that may be recovered under the Governmental Immunity Act, whether from one or more public entities and public employees, are as follows: (a) for any injury to one person in any single occurrence, the sum of \$350,000; and (b) for an injury to two or more persons in any single occurrence, the sum of \$990,000, except in such instance, no person may recover in excess of \$350,000. Suits against both the District and a public employee do not increase such maximum amounts which may be recovered. The District may not be held liable either directly or by indemnification for punitive or exemplary damages. In the event that the District is required to levy an ad valorem property tax to discharge a settlement or judgment, such tax may not exceed a total of ten mills per annum for all outstanding settlements or judgments.

The District may be subject to civil liability and may not be able to claim sovereign immunity for actions founded upon various federal laws. Examples of such civil liability include, but are not limited to, suits filed pursuant to 42 U.S.C. Section 1983 alleging the deprivation of federal constitutional or statutory rights of an individual. In addition, the District may be enjoined from engaging in anti-competitive practices which violate the antitrust laws. However, the Governmental Immunity Act provides that it applies to any action brought against a public entity or a public employee in any Colorado State court having jurisdiction over any claim brought pursuant to any federal law, if such action lies in tort or could lie in tort.

### **Pending and Threatened Litigation**

In connection with the issuance of the Bonds, the District will deliver a certificate to the effect that, as of the date of issuance of the Bonds, to the best of their knowledge, there is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court, public board or body pending or threatened against the District, wherein an unfavorable decision, ruling or finding would have a material adverse effect upon the District's ability to comply with its obligations under the Bond Resolution.

### **Legal Representation**

Legal matters incident to the authorization and issuance of the Bonds are subject to approval by Kutak Rock LLP, Denver, Colorado, Bond Counsel. In addition to acting as Bond Counsel, Kutak Rock LLP has been retained to advise the District concerning, and has assisted the District in the preparation of, this Official Statement.

The legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to legal issues expressly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of the result indicated by that expression of professional judgment, or of the transaction on which the opinion is rendered, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

## **TAX MATTERS**

**General Matters.** In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. The opinion described in the preceding sentence assumes the accuracy of certain representations and compliance by the District with covenants designed to satisfy the requirements of the



Code that must be met subsequent to the issuance of the Bonds. Failure to comply with such covenants could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with such requirements. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Bonds.

Notwithstanding Bond Counsel's opinion that interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax, such interest will be included in adjusted current earnings of certain corporations, and such corporations are required to include in the calculation of alternative minimum taxable income 75% of the excess of such corporations' adjusted current earnings over their alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses).

The accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the owners of the Bonds. The extent of these other tax consequences will depend upon such owner's particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States of America), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Bonds.

Bond Counsel is also of the opinion that, under existing State statutes, the interest on the Bonds is exempt from State of Colorado income taxation. Bond Counsel has expressed no opinion regarding other tax consequences arising with respect to the Bonds under the laws of the State or any other state or jurisdiction.

***Original Issue Discount.*** Certain of the Bonds are being sold at an original issue discount (the "Discount Bonds"). The difference between the initial public offering prices of such Discount Bonds and their stated amounts to be paid at maturity constitutes original issue discount treated in the same manner for federal income tax purposes as interest, as described above.

The amount of original issue discount which is treated as having accrued with respect to such Discount Bond is added to the cost basis of the owner in determining, for federal income tax purposes, gain or loss upon disposition of such Discount Bond (including its sale, redemption or payment at maturity). Amounts received upon disposition of such Discount Bond which are attributable to accrued original issue discount will be treated as tax exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discount Bond, on days which are determined by reference to the maturity date of such Discount Bond. The amount treated as original issue discount on such discount Bond for a particular semiannual accrual period is equal to the product of (i) the yield to maturity for such Discount Bond (determined by compounding at the close of each accrual period) and (ii) the amount which would have been the tax basis of such Discount Bond at the beginning of the particular accrual period if held by the original purchaser, less the amount of any interest payable for such Discount Bond during the accrual period. The tax basis is determined by adding to the initial public offering price on such Discount Bond the sum of the amounts which have been treated as original issue discount for such

purposes during all prior periods. If such Discount Bond is sold between semiannual compounding dates, original issue discount which would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Owners of Discount Bonds should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date and with respect to the state and local tax consequences of owning a Discount Bond.

***Original Issue Premium.*** All of the Bonds (collectively, as used under this caption, the “Premium Bonds”), are being sold at a premium. An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. A purchaser of a Premium Bond must amortize any premium over such Premium Bond’s term using constant yield principles, based on the purchaser’s yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, generally by amortizing the premium to the call date, based on the purchaser’s yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period, and the purchaser’s basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser’s basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Bonds should consult their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

***Backup Withholding.*** As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments to any owner of the Bonds who fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The reporting requirement does not in and of itself affect or alter the excludability of interest on the Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

***Changes in Federal and State Tax Law.*** From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to under this heading “TAX MATTERS” or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds or the market value thereof would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

## **MISCELLANEOUS**

### **Ratings**

Moody's Investor Services ("Moody's") has assigned the first rating to the Bonds shown on the cover page hereof based on the availability of the State Intercept Program for the payment of debt service on the Bonds as described in "DISTRICT FINANCIAL INFORMATION—State Intercept Program." The State Intercept rating carries a stable outlook. Moody's has also assigned a second rating to the Bonds shown on the cover page hereof based on the District's ability to pay debt service without taking into consideration the State Intercept Program.

The ratings referenced in the preceding paragraph reflect only the view of such rating agency and any explanation of the significance of the ratings (as well as any positive or negative outlooks thereon or potential changes to any rating in the near future) may only be obtained at Moody's, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the rating agency if in its judgment circumstances so warrant. Any downward revision or withdrawal of any such rating may have an adverse effect on the market price of the Bonds.

### **Underwriting**

The Bonds are being sold by the District to the Underwriter at a discount of \$519,885.81 pursuant to a bond purchase agreement entered into between the Underwriter and the District. Expenses associated with the issuance of the Bonds are being paid by the District from proceeds of the Bonds. The right of the Underwriter to receive compensation in connection with the Bonds is contingent upon the actual sale and delivery of the Bonds. The Underwriter has initially offered the Bonds to the public at the prices or yields set forth on the cover page of this Official Statement, plus accrued interest from the date of the Bonds. Such prices or yields may subsequently change without any requirement of prior notice. The Underwriter reserves the right to join with dealers and other investment banking firms in offering the Bonds to the public.

### **Registration of Bonds**

Registration or qualification of the offer and sale of the Bonds (as distinguished from registration of the ownership of the Bonds) is not required under the federal Securities Act of 1933, as amended, or the Colorado Securities Act, as amended. THE DISTRICT ASSUMES NO RESPONSIBILITY FOR QUALIFICATION OR REGISTRATION OF THE BONDS FOR SALE UNDER THE SECURITIES LAWS OF ANY JURISDICTION IN WHICH THE BONDS MAY BE SOLD, ASSIGNED, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED.

### **Undertaking To Provide Ongoing Disclosure**

Pursuant to the requirements of the Securities and Exchange Commission Rule 15c2-12 (17 CFR Part 240, § 240.15c2-12) (the "Rule"), the District has covenanted, for the benefit of the holders of the Bonds, to provide certain financial information and other operating data and notices of certain events after the Bonds are issued. The form of the District's Continuing Disclosure Undertaking is attached as Appendix A to this Official Statement.

A failure by the District to comply with the requirements of the Rule will not constitute an Event of Default under the authorizing resolution (although Bond owners will have any available remedy at law or in equity). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

The District has entered into continuing disclosure undertakings in connection with the issuance of its outstanding bonds. Within the five-year period from the date of this Official Statement, the District did not file or link certain of its Annual Financial Reports (“Audits”) in a timely manner with the Electronic Municipal Market Access system (“EMMA”) of the Municipal Securities Rulemaking Board (“MSRB”) in accordance with the Rule and the District’s existing continuing disclosure undertakings. Although Audits and other operating data were filed on EMMA by the District, some of those documents were not filed within the timeframe as set forth in the continuing disclosure undertaking. Additionally, the District did not report rating changes. With regard to the untimely filings of its Audits, other operating data and the rating change, the District filed the appropriate notices on EMMA on September 14, 2016 for all bonds then outstanding. The District has enrolled with the MSRB/EMMA to receive annual reminders of the scheduled filing deadlines. Such procedures are expected to assist the District with the timely submittal of future filings for compliance with District undertakings for the posting of the District’s Annual Financial Information.

#### **Interest of Certain Persons Named in This Official Statement**

The legal fees to be paid to Kutak Rock LLP are contingent upon the sale and delivery of the Bonds.

#### **Independent Auditors**

The basic financial statements of the District for the fiscal year ended June 30, 2016, which are appended hereto, have been audited by independent auditor, Plutt Rogers & Company PC, Certified Public Accountants, Littleton, Colorado, as stated in their report appearing therein. Such financial statements and the opinion thereto have been included without prior review or consent of the auditor.

#### **Additional Information**

Copies of constitutional provisions, statutes, resolutions, agreements, contracts, financial statements, reports, publications and other documents or compilations of data or information summarized or referred to herein are available as described in “INTRODUCTION—Additional Information.”

**Official Statement Certification**

The preparation of this Official Statement and its distribution have been authorized by the Board. This Official Statement is not to be construed as an agreement or contract between the District and any purchaser, owner or holder of any Bond.

**WELD COUNTY SCHOOL DISTRICT NO. RE-8,  
WELD COUNTY AND THE CITY AND  
COUNTY OF BROOMFIELD, COLORADO**

By /s/ Carol McDermott  
President, Board of Education

## APPENDIX A

### FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Agreement (this “Agreement”) is executed and delivered, as of January 25, 2017, by Weld County School District RE-8, in Weld County and the City and County of Broomfield, Colorado (the “District”) in connection with the issuance of \$48,600,000 aggregate principal amount of General Obligation Bonds, Series 2017 (the “Bonds”). The Bonds are being issued pursuant to a resolution adopted by the District’s Board of Education (the “Resolution”) prior to the issuance of the Bonds. Capitalized terms used but not otherwise defined herein shall have the meanings assigned thereto in the Resolution.

In consideration of the issuance of the Bonds by the District and the purchase of such Bonds by the owners thereof, the District hereby covenants and agrees as follows:

**Section 1. Purpose of this Agreement.** This Agreement is executed and delivered by the District as of the date set forth below, for the benefit of the holders and owners (the “Bondholders”) of the Bonds and in order to assist the Participating Underwriter (as defined below) in complying with the requirements of the Rule (as defined below).

**Section 2. Definitions.** The terms set forth below shall have the following meanings in this Agreement, unless the context clearly otherwise requires.

“*Agreement*” means the obligations of the District pursuant to Sections 4, 5 and 6.

“*Annual Financial Information*” means the financial information and operating data described in Exhibit I.

“*Annual Financial Information Disclosure*” means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as set forth in Section 4 hereof.

“*Audited Financial Statements*” means the audited consolidated financial statements of the District, prepared pursuant to the standards and as described in Exhibit I.

“*Commission*” means the Securities and Exchange Commission.

“*Dissemination Agent*” means initially the District and any successor agent designated as such in writing by the District and which has filed with the District a written acceptance of such designation, and such agent’s successors and assigns.

“*EMMA*” means the Electronic Municipal Market Access facility for municipal securities disclosure of the MSRB.

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended.

“*Material Event*” means the occurrence of any of the events with respect to the Bonds set forth in Exhibit II.

“*Material Events Disclosure*” means dissemination of a notice of a Material Event as set forth in Section 6.

“*MSRB*” means the Municipal Securities Rulemaking Board.

“*Participating Underwriter*” means each broker, dealer or municipal securities dealer acting as an underwriter in any primary offering of the Bonds.

“*Prescribed Form*” means, with regard to the filing of Annual Financial Information, Audited Financial Statements and notices of Material Events with the MSRB at [www.emma.msrb.org](http://www.emma.msrb.org) (or such other address or addresses as the MSRB may from time to time specify), such electronic format, accompanied by such identifying information, as shall have been prescribed by the MSRB and which shall be in effect on the date of filing of such information.

“*Rule*” means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

“*State*” means the State of Colorado.

**Section 3. CUSIP Number/Final Official Statement.** The final CUSIP <sup>1</sup>, © of the Bonds is 949323 KD0. The final Official Statement relating to the Bonds is dated January 10, 2017 (the “Final Official Statement”).

**Section 4. Annual Financial Information Disclosure.** Subject to Section 10 of this Agreement, the District hereby covenants that it will disseminate the Annual Financial Information and the Audited Financial Statements (in the form and by the dates set forth below and in Exhibit I) by the District’s delivery of such Annual Financial Information and Audited Financial Statements to the MSRB within 210 days of the completion date of the District’s fiscal year.

The District is required to deliver such information in Prescribed Form and by such time so that such entities receive the information by the dates specified.

If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the District will disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment is made to this Agreement, the Annual Financial Information for the year in which such amendment is made (or in any notice or supplement provided to the MSRB) shall contain a narrative description of the reasons for such amendment and its impact on the type of information being provided.

**Section 5. Material Events Disclosure.** Subject to Section 10 of this Agreement, the District hereby covenants that it will disseminate in a timely manner, not in excess of 10 Business Days after the occurrence of the event, Material Events Disclosure to the MSRB in Prescribed Form. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Bonds or defeasance of any Bonds need not be given under this Agreement any earlier than the notice (if any) of such redemption or

---

<sup>1</sup> The District takes no responsibility for the accuracy of CUSIP numbers, which are included solely for the convenience of owners of the Bonds.

© Copyright 2016 CUSIP Global Services. CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services is managed on behalf of the American Bankers Association by S&P Capital IQ.

defeasance is given to the owners of the Bonds pursuant to the Resolution. From and after the Effective Date, the District is required to deliver such Material Events Disclosure in the same manner as provided by Section 4 of this Agreement.

**Section 6. Duty To Update EMMA/MSRB.** The District shall determine, in the manner it deems appropriate, whether there has occurred a change in the MSRB's e-mail address or filing procedures and requirements under EMMA each time it is required to file information with the MSRB.

**Section 7. Consequences of Failure of the District to Provide Information.** The District shall give notice in a timely manner, not in excess of 10 Business Days after the occurrence of the event, to the MSRB in Prescribed Form of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

In the event of a failure of the District to comply with any provision of this Agreement, the Bondholder of any Bond may seek specific performance by court order to cause the District to comply with its obligations under this Agreement. A default under this Agreement shall not be deemed an Event of Default under the Resolution or any other agreement, and the sole remedy under this Agreement in the event of any failure of the District to comply with this Agreement shall be an action to compel performance.

**Section 8. Amendments; Waiver.** Notwithstanding any other provision of this Agreement, the District may amend this Agreement, and any provision of this Agreement may be waived, if:

- (i) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the District or type of business conducted;
- (ii) This Agreement, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- (iii) The amendment or waiver does not materially impair the interests of the Bondholders of the Bonds, as determined either by parties unaffiliated with the District or the District (such as the Paying Agent) or by an approving vote of the Bondholder Representative or of the Bondholders of the Bonds holding a majority of the aggregate principal amount of the Bonds (excluding Bonds held by or on behalf of the District or its affiliates) at the time of the amendment, pursuant to the terms of the Resolution; or
- (iv) The amendment or waiver is otherwise permitted by the Rule.

**Section 9. Termination of Agreement.** The Agreement of the District shall be terminated hereunder when the District shall no longer have any legal liability under the terms of the Resolution pursuant to the terms of the Resolution for any obligation on or relating to the repayment of the Bonds. The District shall give notice to the MSRB in a timely manner and in Prescribed Form if this Section is applicable.

**Section 10. Dissemination Agent.** The Dissemination Agent shall transmit all information delivered to it by the District hereunder to the MSRB as provided in this Agreement. The District may, from time to time, appoint or engage a substitute Dissemination Agent to assist it in carrying out its obligations under this Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.



**Section 11. Additional Information.** Nothing in this Agreement shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Material Event, in addition to that which is required by this Agreement. If the District chooses to include any information from any document or notice of occurrence of a Material Event in addition to that which is specifically required by this Agreement, the District shall not have any obligation under this Agreement to update such information or include it in any future disclosure or notice of the occurrence of a Material Event.

**Section 12. Beneficiaries.** This Agreement has been executed in order to assist the Participating Underwriter in complying with the Rule; however, this Agreement shall inure solely to the benefit of the District, the Dissemination Agent, if any, the District, the Bondholder Representative and the Bondholders of the Bonds, and shall create no rights in any other person or entity.

**Section 13. Recordkeeping.** The District shall maintain records of all Annual Financial Information Disclosure and Material Events Disclosure, including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

**Section 14. Assignment.** The District shall not transfer its obligations under the Resolution unless the transferee agrees to assume all obligations of the District under this Agreement or to execute a continuing disclosure agreement under the Rule.

**Section 15. Governing Law.** This Agreement shall be governed by the laws of the State.

## **EXHIBIT I**

### **ANNUAL FINANCIAL INFORMATION AND TIMING AND AUDITED FINANCIAL STATEMENTS**

“*Annual Financial Information*” means financial information and operating data exclusive of Audited Financial Statements as set forth below of the type appearing or incorporated by reference in Tables II, III, VI, IX, XI, XII and XIII in the Final Official Statement.

All or a portion of the Annual Financial Information and the Audited Financial Statements as set forth below may be included by reference to other documents which have been submitted to the MSRB or filed with the Commission, and such information need not be provided in the exact format as shown in the Final Official Statement. The District shall clearly identify each such item of information included by reference.

Annual Financial Information will be provided to the MSRB within 210 days after the last day of the District’s fiscal year. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included, and Audited Financial Statements will be provided to the MSRB within 10 Business Days after availability to the District.

Audited Financial Statements will be prepared in accordance with generally accepted accounting principles in the United States as in effect from time to time.

If any change is made to the Annual Financial Information as permitted by Section 4 of the Agreement, including for this purpose a change made to the fiscal year-end of the District, the District will disseminate a notice to the MSRB of such change in Prescribed Form as required by such Section 4.

## **EXHIBIT II**

### **EVENTS WITH RESPECT TO THE BONDS FOR WHICH MATERIAL EVENTS DISCLOSURE IS REQUIRED**

1. Principal and interest payment delinquencies
2. Nonpayment-related defaults, if material
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of credit or liquidity providers, or their failure to perform
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security
7. Modifications to rights of security holders, if material
8. Bond calls, if material, and tender offers
9. Defeasances
10. Release, substitution or sale of property securing repayment of the securities, if material
11. Rating changes
12. Bankruptcy, insolvency, receivership or similar event of the District\*
13. The consummation of a merger, consolidation or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material
14. Appointment of a successor or additional Paying Agent or the change of name of a Paying Agent, if material.

\*This event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

**APPENDIX B**

**AUDITED BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**WELD COUNTY SCHOOL DISTRICT RE-8**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2016**



## **SCHOOL OFFICIALS**

### **BOARD OF EDUCATION**

Carol McDermott - President

Amy O'Brien - Vice President

Heather Taylor - Secretary

Beth Block - Treasurer

Troy Boscia - Director

Susan K. Browne - Director

Janice Wilkin - Director

### **ADMINISTRATION**

Alan Kaylor – Superintendent

Brenda Johnson – Business Manager

THIS PAGE INTENTIONALLY LEFT BLANK



## TABLE OF CONTENTS

	<u>PAGE</u>
<b>FINANCIAL SECTION</b>	
<b>Independent Auditor's Report.....</b>	<b>1</b>
<b>Management's Discussion and Analysis.....</b>	<b>4</b>
<b>Basic Financial Statements</b>	
<b>Government-Wide Financial Statements</b>	
Statement of Net Position .....	13
Statement of Activities.....	14
<b>Fund Financial Statements</b>	
<b>Governmental Funds:</b>	
Balance Sheet .....	15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position .....	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	18
<b>Fiduciary Funds</b>	
Statement of Net Position .....	19
Statement of Changes in Net Position .....	20
<b>Notes to the Financial Statements .....</b>	<b>21</b>
<b>Required Supplementary Information</b>	
<b>Budgetary Comparison Schedules</b>	
General Fund .....	44
Grants Fund .....	45
<b>PERA Pension Plan</b>	
Schedule of the Proportionate Share of the Net Pension Liability .....	46
Schedule of Employer Contributions.....	47
<b>Note to Required Supplementary Information.....</b>	<b>48</b>

## Supplementary Information

### Combining and Individual Fund Statements and Schedules

#### Nonmajor Governmental Funds

Combining Balance Sheet .....	49
Combining Statement of Revenues, Expenditures and Changes in Fund Balances ..	50

#### Budgetary Comparison Schedules

Food Service Fund .....	51
Bond Redemption Fund .....	52
Capital Reserve Fund .....	53
Building Fund .....	54
Private Purpose Trust Fund.....	55

Statement of Changes in Assets and Liabilities – Agency Fund.....	56
---	----

## COMPLIANCE SECTION

### SINGLE AUDIT

Schedule of Expenditures of Federal Awards .....	57
Notes to Schedule of Expenditures of Federal Awards .....	58
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	59
Independent Auditor's Report on Compliance for each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133 .....	61
Schedule of Findings and Questioned Costs.....	63
Schedule of Prior Year Findings and Questioned Costs.....	64

### STATE COMPLIANCE

Colorado Department of Education Auditor's Integrity Report .....	65
---	----

## **FINANCIAL SECTION**

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Education  
Weld County School District Re-8  
Fort Lupton, Colorado

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Weld County School District Re-8, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Weld County School District Re-8, as of June 30, 2016, 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 on pages 4-12, the budgetary comparison information on pages 44-45, the Schedule of the Proportionate Share of the Net Pension Liability on page 46 and the Schedule of Employer Contributions on page 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Weld County School District Re-8's basic financial statements. The combining and individual fund financial statements and schedules and the Colorado Department of Education Auditor's Integrity Report, as listed in the table of contents, are presented for purposes of legal compliance and additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules, the Colorado Department of Education Auditor's Integrity Report and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2016, on our consideration of Weld County School District Re-8's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Weld County School District Re-8's internal control over financial reporting and compliance.

*Plutt Rogers & Company PC*

December 16, 2016

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

**WELD COUNTY SCHOOL DISTRICT RE-8**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2016**

As management of the Weld County School District Re-8 (the District) we offer readers of the District's basic financial statements this narrative and analysis of the financial activities of the District for the year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information provided in the accompanying financial statements.

**Financial Highlights**

The liabilities and deferred inflows of the District exceeded its assets and deferred outflows at the close of the most recent fiscal year by \$(17,217,198) (net position), a change of \$(2,571,163) from the previous fiscal year of \$(14,646,035). 2015 saw the implementation of GASB 68 which included a Net Pension Liability of \$43,056,888 which increased to \$48,920,237 in 2016. (See Note 8 for additional information).

For the year ended June 30, 2016, the General Fund's fund balance decreased \$1,573,914. The decrease was due largely to investing reserves into new positions to increase student achievement.

The General Fund operations of the District are funded primarily by the tax revenue received under the State School Finance Act (the Act) in the amount of \$19,125,723 and State Equalization refunded payments to CDE totaling \$216,115. Total revenue for the year was \$21,411,214.

**Overview of the Financial Statements**

This management's discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The basic statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

***Government-Wide Financial Statements***

The government-wide funds 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 the District's assets and liabilities, with the difference between the two 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.

During the year ended June 30, 2015, the District implemented GASB 68 which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The District provides its employees with a pension administered by PERA. GASB 68 requires the District to record our proportionate share, as defined in Statement No. 68, of PERA's unfunded pension liability. The District's portion increased \$5,863,349 to \$48,920,237.

The governmental activities of the District include instruction and support services.



## **WELD COUNTY SCHOOL DISTRICT RE-8**

### **Management's Discussion and Analysis For the Year Ended June 30, 2016**

The statement of activities presents information reporting how the District's net position changed during fiscal year 2016. 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 this statement for some items that will result in cash flows for future fiscal periods. Earned but unused vacation leave and uncollected taxes are examples of these types of items.

The government-wide financial statements of the District are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the District include instruction, pupil activities, instructional support, general and school administration, business and central services, transportation and Food Services.

The Government-wide financial statements can be found on pages 13-14 of this report.

#### ***Fund Financial Statements***

A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The District keeps track of these monies to ensure and demonstrate compliance with finance-related legal requirements. Governmental funds are used to account for functions reported as governmental activities in the government-wide financial statements. Enterprise funds are used to report the functions presented as business-type activities in the government-wide financial statements.

#### **Governmental Funds**

Governmental funds account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

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

The District uses six Governmental Funds. The General Fund is the largest Governmental Fund and encompasses most of the District's revenues and expenditures. The other five funds consist of the Food Services Fund, the Grants Fund, the Bond Redemption Fund, the Capital Reserve Fund and the Building Fund. An annual appropriated budget for the District is adopted for each fund. A budgetary comparison

## **WELD COUNTY SCHOOL DISTRICT RE-8**

### **Management's Discussion and Analysis For the Year Ended June 30, 2016**

statement has been provided for each fund to demonstrate compliance with the budget. The governmental fund financial statements can be found on pages 15-18 of this report.

#### **Fiduciary Funds**

Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the District's own programs. The District's fiduciary funds are the Scholarship Trust Fund and the Pupil Activity Fund. The Pupil Activity Fund generally accounts for student generated revenues and expenditures related to non-classroom activities. The Scholarship Trust Fund provides scholarships to qualifying students. The basic fiduciary fund financial statements can be found on pages 19-20 of this report.

#### ***Notes to the Financial Statements***

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

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

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information (RSI) concerning the District. The District adopts an annual appropriated budget for all funds, except Agency funds. A budgetary comparison schedule has been provided for the General Fund and the Grants Fund to demonstrate compliance with this budget.

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

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Additionally, budget to actual schedules are presented for all other funds not presented as part of the required supplementary information.

#### **Government – Wide Financial Analysis**

As noted previously, net position may serve over time as a useful indicator of the District's financial position. For the year ended June 30, 2016, the District's combined liabilities exceeded assets by \$17,217,198. Of this amount \$(33,702,250) is unrestricted; however, since it is negative, it is not available to meet the District's ongoing financial obligations. \$13,674,495 is invested in capital assets. In addition, \$157,482 is restricted for Preschool; \$1,900,075 is restricted for debt service; and \$753,000 is restricted for emergencies under TABOR.

**WELD COUNTY SCHOOL DISTRICT RE-8**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2016**

**Weld County School District Re-8**  
**Net Position**

	<b>Governmental Activities</b>	
	<b>2016</b>	<b>2015</b>
<b>Assets</b>		
Current Assets	\$ 16,900,759	\$ 18,191,901
Capital Assets, Net	28,264,283	28,759,737
<b>Total Assets</b>	<b>45,165,042</b>	<b>46,951,638</b>
<b>Deferred Outflows Of Resources</b>		
Deferred Charge on Refunding	138,190	161,221
Deferred Outflows of Resources Related to Pensions	5,438,882	2,165,952
<b>Total Deferred Outflows Of Resources</b>	<b>5,577,072</b>	<b>2,327,173</b>
<b>Liabilities</b>		
Current Liabilities	3,190,656	3,095,500
Non-current Liabilities	64,553,529	60,029,762
<b>Total Liabilities</b>	<b>67,744,185</b>	<b>63,125,262</b>
<b>Deferred Inflows Of Resources</b>		
Deferred Inflows of Resources Related to Pensions	215,127	799,584
<b>Net Position</b>		
Net Investment in Capital Assets	13,674,495	13,305,392
Restricted	2,810,557	2,330,687
Unrestricted	(33,702,250)	(30,282,114)
<b>Total Net Position</b>	<b>\$ (17,217,198)</b>	<b>\$ (14,646,035)</b>

**Governmental Activities**

Governmental activities decreased the District's net position by \$2,571,163 due to pension expense in GASB No.68. Revenue for 2016 decreased \$258,744 or -1.0% from 2015.

The decrease in revenue was mainly due to recognition of State of Colorado Building Excellent Schools Today (BEST) Grant revenue in 2016 amounting to \$-0- compared to \$4,349,008 in 2015. State funding decreased as a result of an increase in property tax revenue. Colorado Department of Education Per Pupil Funding formula increased. Specifically, property and specific ownership revenues increased \$8,778,128 to \$19,997,600 while State Equalization revenues decreased \$8,338,255. Expenses increased \$2,163,366

**WELD COUNTY SCHOOL DISTRICT RE-8**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2016**

or 7.9%. Instruction spending increased \$873,966 or 6.0% while support costs increased \$1,334,423 or 10.8%. Additionally, interest on long-term debt decreased \$45,023.

**Weld County School District Re-8**  
**Change in Net Position**

	<b>Governmental Activities</b>	
	<b>2016</b>	<b>2015</b>
<b>Program Revenues</b>		
Charges for Services	\$ 198,805	\$ 161,747
Operating Grants	4,208,326	4,261,747
Capital Grants	46,910	1,088,570
<b>General Revenues</b>		
Property Taxes	21,216,321	12,055,770
Specific Ownership Taxes	871,877	949,059
State Equalization	(216,115)	8,122,140
Investment Income	27,769	17,472
Other Revenues	576,239	532,371
<b>Total Revenues</b>	<b>26,930,132</b>	<b>27,188,876</b>
<b>Expenses</b>		
Instruction	15,337,068	14,463,102
Supporting Services	13,677,861	12,343,438
Interest on Long Term Debt	486,366	531,389
<b>Total Expenses</b>	<b>29,501,295</b>	<b>27,337,929</b>
<b>Change in Net Position</b>	<b>(2,571,163)</b>	<b>(149,053)</b>
<b>Net Position, Beginning, As Restated</b>	<b>(14,646,035)</b>	<b>(14,496,982)</b>
<b>Net Position, Ending</b>	<b>\$ (17,217,198)</b>	<b>\$ (14,646,035)</b>

**Financial Analysis of the District's 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, *unreserved fund balance* may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

## WELD COUNTY SCHOOL DISTRICT RE-8

### Management's Discussion and Analysis For the Year Ended June 30, 2016

#### General Fund

The General Fund is the major operating fund of the District, providing the majority of the resources for the educational and support programs. The General Fund includes the Mill Levy Override Funds MLO 2020 and MLO 2026 and the Preschool Fund. The Preschool Program is required to receive a certain amount of revenue transferred from the General Fund based on Per Pupil Revenue (PPR). Revenues for the General Fund totaled \$21,411,214 in fiscal year 2016 compared to \$20,897,505 in fiscal year 2015, an increase of \$513,709 or 2.5%. Expenditures totaled \$22,533,128 compared to \$21,144,665, an increase of \$1,388,463 or 6.6%.

#### Revenues

**Property Taxes.** General Fund property tax revenues increased \$8,855,310 or 86.2% due to an increase in the assessed valuation. Property taxes accounted for about 89.3% of the District's General Fund revenue.

**Specific Ownership Taxes.** Specific ownership tax is applied to the fair value of vehicles registered in Colorado. Specific ownership tax decreased \$77,182, or -8.1%. Specific Ownership taxes accounted for 4.1% of the District's General Fund revenue.

**State Equalization.** State equalization revenue decreased \$8,338,255 or -102.7% in fiscal year 2016 and accounted for 0.0% of the District's General Fund revenue.

**State and Federal Grants.** State grants revenue increased \$19,420 or 2.0% in fiscal year 2016 and accounted for 3.7% of the District's General Fund revenue.

Revenues	2016	2015	Amount of Change	Percentage Change
Property Taxes	\$ 19,125,723	\$ 10,270,413	8,855,310	86.2%
Specific Ownership Tax	871,877	949,059	(77,182)	-8.1%
State Equalization	(216,115)	8,122,140	(8,338,255)	-102.7%
State Grants	1,010,839	991,419	19,420	2.0%
Investment Income	19,606	10,695	8,911	83.3%
Miscellaneous	599,284	553,779	45,505	8.2%
Total	<u>\$ 21,411,214</u>	<u>\$ 20,897,505</u>	<u>\$ 513,709</u>	<u>2.5%</u>

## WELD COUNTY SCHOOL DISTRICT RE-8

### Management's Discussion and Analysis For the Year Ended June 30, 2016

#### Expenditures

Overall expenditures for the General Fund increased \$1,388,463 or 6.6% from the previous year.

Expenditures	2016	2015	Amount of Change	Percentage Change
Instruction	\$ 12,223,218	\$ 11,716,800	506,418	4.3%
Students	1,023,985	930,465	93,520	10.1%
Instructional Staff	1,258,577	1,239,541	19,036	1.5%
General Administration	638,676	448,266	190,410	42.5%
School Administration	1,793,294	1,743,147	50,147	2.9%
Business Services	304,644	252,736	51,908	20.5%
Operations and Maintenance	3,101,784	2,683,746	418,038	15.6%
Student Transportation	766,237	735,137	31,100	4.2%
Central Support	1,403,713	1,375,905	27,808	2.0%
Community Services	19,000	18,922	78	0.4%
	<u>\$ 22,533,128</u>	<u>\$ 21,144,665</u>	<u>\$ 1,388,463</u>	<u>6.6%</u>

#### Other Major Funds

The Designated Grants Fund is used to maintain separate accounting for federal, state and local grant funded programs, which normally have a different fiscal period than that of the District. Total revenues for the Designated Grants fund were \$2,256,812, which equaled expenditures. Revenues decreased \$920,188 in fiscal year 2016 due to recognition of State of Colorado Building Excellent Schools Today (BEST) Grant revenue in 2015. The Building Fund accounts for the proceeds of the 2012 and 2013 general obligation bonds amounting to \$11,725,000. The purpose of the bonds and the BEST Grant is for renovating and upgrading various school properties. During the year ended June 30, 2016, the District expended \$466,891 on the various improvement projects.

#### General Fund Budgetary Highlights

General Fund revenues and other financing sources budgeted were \$21,175,142 and actual revenues were \$21,411,214. The District budgeted for General Fund expenditures of \$32,274,350 for the year ended June 30, 2016. Actual expenditures were \$22,533,128.

#### Capital Assets

As of June 30, 2016, the District's Governmental Activities Capital Assets had \$26,264,283 net of accumulated depreciation, invested in a broad range of capital assets, including buildings and

## WELD COUNTY SCHOOL DISTRICT RE-8

### Management's Discussion and Analysis For the Year Ended June 30, 2016

improvements, site improvements, transportation equipment and other equipment. The District's primary expenditures were the middle school renovation project. The following is a summary of the of the District's capital asset balances.

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital Assets Not Being Depreciated				
Construction in Process	<u>\$ 1,672,847</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,672,847</u>
Capital Assets Being Depreciated				
Buildings and Improvements	39,561,245	110,092	-	39,671,337
Sire Improvements	2,296,418	-	-	2,296,418
Transportation Equipment	1,862,958	-	-	1,862,958
Vehicles	157,152	-	-	157,152
Other Equipment	<u>249,358</u>	<u>21,737</u>	<u>-</u>	<u>271,095</u>
Subtotal	44,127,131	131,829	-	44,258,960
Accumulated Depreciation	<u>(17,040,241)</u>	<u>(627,283)</u>	<u>-</u>	<u>(17,667,524)</u>
Total Capital Assets Being Depreciated	<u>27,086,890</u>	<u>(495,454)</u>	<u>-</u>	<u>26,591,436</u>
Total Governmental Activities Capital Assets	<u>\$ 28,759,737</u>	<u>\$ (495,454)</u>	<u>\$ -</u>	<u>\$ 28,264,283</u>

Additional information can be found in Note 4 to the financial statements.

#### Long-Term Debt

As of June 30, 2016, the District has long-term debt of \$15,633,292. On November 6, 2012, the district voters approved Ballot Issue 3B, Fort Lupton School Facility Bonds, by increasing its debt by \$11,725,000 with a repayment schedule of up to \$17,590,000 to extend the useful life of existing school facilities and reducing the operation and maintenance costs. A portion of the approved funds were matched by the Colorado BEST program with \$5.5 million of the costs being paid for through a BEST cash grant.

The following is a summary of the District's long-term debt balances.

	<b>2016</b>	<b>2015</b>
General Obligation Bonds	\$ 15,155,000	\$ 16,400,000
Deferred Premium	353,196	381,827
Capital Leases	38,899	115,230
Compensated Absences	<u>86,197</u>	<u>75,817</u>
	<u>\$ 15,633,292</u>	<u>\$ 16,972,874</u>

Additional information can be found in Note 5 to the financial statements.

## **WELD COUNTY SCHOOL DISTRICT RE-8**

### **Management's Discussion and Analysis For the Year Ended June 30, 2016**

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

Current school finance legislation continues to have language associated with "negative factors" which continue to erode the District's budget. While local assessed valuations have risen, unlike other governmental entities that may see revenues rise due to valuation, education participates in an equalized funding formula which has nullified the effect of rising valuations and additional dollars to the district.

The primary factors driving the budget for the District are student enrollment and rescissions imposed by the State. The Funded Pupil Count for the 2015 - 16 school year was 2,229.2. The Funded Pupil Count projected for the 2016 - 17 school year is expected to be 2,212.9. These factors, in addition to expected rescission factors, were considered in preparing the District's budget for 2016 - 17.

In the November 2016 election, the community voted to approve a \$48.6 million Bond that will improve each and every school in the district. The breakdown on the money will allow each school to receive new furniture in every classroom, safety improvements including fire sprinklers, American Disabilities Act compliant door hardware, lighting, technology, classroom acoustics, as well as enhancements to the secure entrances. The cost breakdown on your investment is as follows:

- Fort Lupton High School will receive \$10.692 million.
- Twombly Elementary School will receive \$6.804 million.
- Butler Elementary School will receive \$7.29 million.
- Fort Middle School will receive \$972,000.
- New building for Early Childhood Center combination Administrative/Board Room \$5.346 million.
- New building to replace the temporary buildings at Quest. Quest will receive \$17.496 million.

#### **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:

Weld County School District Re-8  
Business Office  
301 Reynolds Street  
Fort Lupton, CO 80621



## **BASIC FINANCIAL STATEMENTS**

**WELD COUNTY SCHOOL DISTRICT RE-8**

**STATEMENT OF NET POSITION**

**June 30, 2016**

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and Investments	\$ 15,974,914
Cash with County Treasurer	36,156
Accounts Receivable	88,963
Taxes Receivable	184,042
Grants Receivable	577,617
Inventory	39,067
Capital Assets Not Being Depreciated	1,672,847
Capital Assets, Net of Accumulated Depreciation	26,591,436
Total Assets	45,165,042
<b>Deferred Outflows of Resources</b>	
Deferred Charge on Refunding	138,190
Deferred Outflows of Resources Related to Pensions	5,438,882
Total Deferred Outflows of Resources	5,577,072
<b>Liabilities</b>	
Accounts Payable	300,895
Accrued Liabilities	14,810
Accrued Salaries and Benefits	2,515,818
Unearned Revenues	320,341
Accrued Interest Payable	38,792
Noncurrent Liabilities:	
Due Within One Year	1,415,096
Due in More Than One Year	14,218,196
Net Pension Liability	48,920,237
Total Liabilities	67,744,185
<b>Deferred Inflows of Resources</b>	
Deferred Inflows of Resources Related to Pensions	215,127
<b>Net Position</b>	
Net Investment in Capital Assets	13,674,495
Restricted for:	
Debt Service	1,900,075
Preschool	157,482
Emergencies	753,000
Unrestricted	(33,702,250)
Total Net Position	\$ (17,217,198)

The notes to the financial statements are an integral part of this statement.

**WELD COUNTY SCHOOL DISTRICT RE-8**

**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2016**

Function/Program Activities	Expenses	Program Revenues			Net (Expense) Revenues And Changes In Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>					
Instruction	\$ 15,337,068	\$ 31,298	\$ 3,069,517	\$ -	\$ (12,236,253)
Supporting Services	13,677,861	167,507	1,138,809	46,910	(12,324,635)
Interest and Fiscal Charges	486,366	-	-	-	(486,366)
<b>Total</b>	<b>\$ 29,501,295</b>	<b>\$ 198,805</b>	<b>\$ 4,208,326</b>	<b>\$ 46,910</b>	<b>(25,047,254)</b>
General Revenues:					
Local Property Taxes					21,216,321
Specific Ownership Taxes					871,877
State Equalization					(216,115)
Unrestricted Investment Earnings					27,769
Miscellaneous					576,239
Total General Revenues					22,476,091
Change in Net Position					(2,571,163)
Net Position - Beginning					(14,646,035)
Net Position - Ending					\$ (17,217,198)

The notes to the financial statements are an integral part of this statement.

**WELD COUNTY SCHOOL DISTRICT RE-8**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2016**

	<b>General</b>	<b>Grants</b>	<b>Building</b>	<b>Total Nonmajor Funds</b>	<b>Total</b>
<b>Assets</b>					
Cash and Investments	\$ 12,055,168	\$ 320,341	\$ 819,117	\$ 2,780,288	\$ 15,974,914
Cash with County Treasurer	36,156	-	-	-	36,156
Accounts Receivable	65,930	23,033	-	-	88,963
Taxes Receivable	161,686	-	-	22,356	184,042
Grants Receivable	-	481,199	-	96,418	577,617
Inventory	-	-	-	39,067	39,067
Due from Other Funds	107,716	-	-	-	107,716
Total Assets	<u>\$ 12,426,656</u>	<u>\$ 824,573</u>	<u>\$ 819,117</u>	<u>\$ 2,938,129</u>	<u>\$ 17,008,475</u>
<b>Liabilities</b>					
Accounts Payable	\$ 89,770	\$ 189,957	\$ -	\$ 21,168	\$ 300,895
Accrued Liabilities	14,810	-	-	-	14,810
Accrued Salaries and Benefits	2,233,129	206,559	-	76,130	2,515,818
Unearned Revenues	-	320,341	-	-	320,341
Due to Other Funds	-	107,716	-	-	107,716
Total Liabilities	<u>2,337,709</u>	<u>824,573</u>	<u>-</u>	<u>97,298</u>	<u>3,259,580</u>
<b>Deferred Inflows of Resources</b>					
Unavailable Revenue - Property Taxes	<u>98,751</u>	<u>-</u>	<u>-</u>	<u>16,833</u>	<u>115,584</u>
<b>Fund Balances</b>					
Nonspendable	-	-	-	39,067	39,067
Restricted					
Emergencies	753,000	-	-	-	753,000
Colorado Preschool Program	157,482	-	-	-	157,482
Debt Service	-	-	-	1,938,867	1,938,867
Capital Projects	-	-	819,117	-	819,117
Assigned					
Subsequent Year's Expenditures	2,284,833	-	-	-	2,284,833
Future Land Purchases	188,447	-	-	-	188,447
Other Purposes	-	-	-	846,064	846,064
Unassigned	<u>6,606,434</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,606,434</u>
Total Fund Balances	<u>9,990,196</u>	<u>-</u>	<u>819,117</u>	<u>2,823,998</u>	<u>13,633,311</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 12,426,656</u>	<u>\$ 824,573</u>	<u>\$ 819,117</u>	<u>\$ 2,938,129</u>	<u>\$ 17,008,475</u>

The notes to the financial statements are an integral part of this statement.

**WELD COUNTY SCHOOL DISTRICT RE-8**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
For the Year Ended June 30, 2016**

Total Fund Balances of Governmental Funds	\$ 13,633,311
---	---------------

Total Net Position reported for governmental activities in the statement of net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:

Capital Assets Cost	\$ 45,931,807	
Accumulated Depreciation	<u>(17,667,524)</u>	28,264,283

Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the funds. This amount represents property taxes.	115,584
---	---------

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current and long-term - are reported in the statement of net position.

Balances at June, 30, 2015 are:

Bonds Payable	(15,155,000)	
Bond Premium (to be amortized as interest expense)	(353,196)	
Deferred Loss on Refunding (to be amortized as interest expense)	138,190	
Capital Leases	(38,899)	
Net Pension Liability	(48,920,237)	
Compensated Absences	(86,197)	
Accrued Interest Payable	<u>(38,792)</u>	<u>(64,454,131)</u>

Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds

Pension contributions from the measurement date to June 30, 2016	1,279,290	
Deferred outflows of resources related to pensions	4,159,592	
Deferred inflows of resources related to pensions	<u>(215,127)</u>	<u>5,223,755</u>
Total Net Position of Governmental Activities		<u><u>\$ (17,217,198)</u></u>

The notes to the financial statements are an integral part of this statement.

**WELD COUNTY SCHOOL DISTRICT RE-8**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2016**

	<b>General</b>	<b>Grants</b>	<b>Building</b>	<b>Total Nonmajor Funds</b>	<b>Total</b>
<b>Revenues</b>					
Local Sources	\$ 20,616,490	\$ 24,283	\$ 4,517	\$ 2,143,254	\$ 22,788,544
State Sources	794,724	622,655	-	20,189	1,437,568
Federal Sources	-	1,609,874	-	933,998	2,543,872
Charges for Services	-	-	-	160,148	160,148
<b>Total Revenues</b>	<b>21,411,214</b>	<b>2,256,812</b>	<b>4,517</b>	<b>3,257,589</b>	<b>26,930,132</b>
<b>Expenditures</b>					
Current:					
Instruction	12,223,218	1,431,538	-	-	13,654,756
Supporting Services	10,309,910	825,274	-	1,239,042	12,374,226
Capital Outlay	-	-	466,891	7,260	474,151
Debt Service:					
Principal	-	-	-	1,321,331	1,321,331
Interest and Fiscal Charges	-	-	-	495,928	495,928
<b>Total Expenditures</b>	<b>22,533,128</b>	<b>2,256,812</b>	<b>466,891</b>	<b>3,063,561</b>	<b>28,320,392</b>
<b>Excess Revenues Over (Under) Expenditures</b>	<b>(1,121,914)</b>	<b>-</b>	<b>(462,374)</b>	<b>194,028</b>	<b>(1,390,260)</b>
<b>Other Financing Sources</b>					
Transfers In	-	-	-	452,000	452,000
Transfers Out	(452,000)	-	-	-	(452,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(452,000)</b>	<b>-</b>	<b>-</b>	<b>452,000</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(1,573,914)</b>	<b>-</b>	<b>(462,374)</b>	<b>646,028</b>	<b>(1,390,260)</b>
<b>Fund Balances, Beginning</b>	<b>11,564,110</b>	<b>-</b>	<b>1,281,491</b>	<b>2,177,970</b>	<b>15,023,571</b>
<b>Fund Balances, Ending</b>	<b>\$ 9,990,196</b>	<b>\$ -</b>	<b>\$ 819,117</b>	<b>\$ 2,823,998</b>	<b>\$ 13,633,311</b>

The notes to the financial statements are an integral part of this statement.

**WELD COUNTY SCHOOL DISTRICT RE-8**

**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, 2016**

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

Net Change in Fund Balance of Governmental Funds	\$ (1,390,260)
--	----------------

Capital outlays to purchase or construct capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities.

Capital Outlay	\$ 131,829	
Depreciation Expense	<u>(627,283)</u>	(495,454)

Governmental funds report District pension contributions as expenditures.

However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. This is the amount by which costs of benefits earned net of employee contributions exceeded pension contributions from the measurement date (12/31/15) to June 30, 2016.

(2,005,962)

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.

Change in compensated absences liability	(10,380)
--	----------

The issuance of long-term debt and capital leases provides current financial resources to governmental funds, while the repayment of the principal of long-term debt and capital leases consume current financial resources of governmental funds. These transactions, however, have no effect on net position.

Repayments:

General Obligation Bonds Principal Payment	1,245,000	
Capital Leases Principle Payments	<u>76,331</u>	1,321,331

Interest expense in the statement of activities differs from the amount reported in governmental funds because of additional accrued and accreted interest, amortization of bond premiums, issue costs and refunding losses.

Change in accrued interest on long-term debt	3,962	
Amortization of bond premium	28,631	
Amortization of deferred loss on refunding	<u>(23,031)</u>	<u>9,562</u>

Change in Net Position of Governmental Activities	<u><u>\$ (2,571,163)</u></u>
---	------------------------------

The notes to the financial statements are an integral part of this statement.

WELD COUNTY SCHOOL DISTRICT RE-8

STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
June 30, 2016

	Private Purpose Trust Fund	Agency Fund
<b>Assets</b>		
Cash and Investments	\$ 22,286	\$ 90,612
<b>Total Assets</b>	22,286	\$ 90,612
<b>Liabilities</b>		
Accounts Payable	1,000	\$ 1,483
Due to Student Groups	-	89,129
<b>Total Liabilities</b>	1,000	\$ 90,612
<b>Net Position Held In Trust for Scholarships</b>	\$ 21,286	

The notes to the financial statements are an integral part of this statement.



**WELD COUNTY SCHOOL DISTRICT RE-8**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FIDUCIARY FUNDS**  
**June 30, 2016**

	<u>Private Purpose Trust Fund</u>
<b>Additions</b>	
Investment Income	\$ 3
Other Revenue	<u>1,000</u>
<b>Total Additions</b>	<u>1,003</u>
<b>Deductions</b>	
Scholarships	<u>1,000</u>
<b>Total Deductions</b>	<u>1,000</u>
<b>Change in Net Position</b>	3
<b>Net Position, Beginning</b>	<u>21,283</u>
<b>Net Position, Ending</b>	<u><u>\$ 21,286</u></u>

The notes to the financial statements are an integral part of this statement.

## WELD COUNTY SCHOOL DISTRICT RE-8

### NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

---

---

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Weld County School District RE-8 (the "District") was consolidated in 1949. The District provides educational services to certain residents of Weld County, Colorado. The District is governed by a seven-member Board of Education.

The accounting policies of 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 more significant policies.

##### A. Reporting Entity

The financial reporting entity consists of the District and organizations for which the District is financially accountable. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the District. In addition, any 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 the organization provides benefits to, or imposes financial burdens on, the District.

Based upon the application of these criteria, no additional organizations are included within the District's reporting entity.

##### B. Government-wide and Fund Financial Statements

The government-wide financial statements (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 statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

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*. Internally dedicated resources are reported as general revenues rather than as program revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the District's government-wide financial statements. Major

## WELD COUNTY SCHOOL DISTRICT RE-8

### NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

---

individual governmental funds are reported in separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major funds.

#### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and *accrual basis of accounting*, as are the fiduciary fund financial statements. Agency funds, however, are custodial in nature and do not present results of operations or have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. On an accrual basis, property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue in the fiscal year in which all eligibility requirements imposed by the provider have been met.

Governmental Funds are used to account for the District's general government activities. Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the period or soon enough thereafter to pay liabilities of the current fiscal period. For this purpose, the government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from long-term debt and capital leases are reported as other financing sources.

Those revenues subject to accrual are property taxes, interest revenue and charges for services. Specific ownership taxes collected and held by the county at year end, on behalf of the District, are also recognized as revenue. Other revenues, such as transportation, vocational and special education, are not subject to accrual because, generally, they are not measurable until received in cash. Entitlements and shared revenues are recorded at the time of receipt, or earlier if the accrual criteria are met.

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 required to be accounted for in another fund.

The **Grants Fund** accounts for federal, state and local grant revenues and the related expenditures.

The **Building Fund** accounts for all resources available for acquiring capital sites, buildings, and equipment through the use of bond sale proceeds.

## WELD COUNTY SCHOOL DISTRICT RE-8

### NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

---

---

The *nonmajor* governmental funds of the District include the **Food Service Fund**, the **Bond Redemption Fund** and the **Capital Reserve Fund**.

In addition, the District reports the following fund types:

The **Private-Purpose Trust Fund** accounts for the activities of various scholarship accounts. The District holds all resources in a purely custodial capacity.

The **Agency Fund** is used to account for resources used to support each school's student and fundraising activities. The District holds all resources in a purely custodial capacity.

#### D. Assets, Liabilities and Fund Balance/Net Position

##### 1. Deposits and Investments

The District utilizes the pooled cash concept whereby cash balances of each of the District's funds are pooled and invested by the District.

Cash and investments are presented on the balance sheet in the basic financial statements at fair value.

##### 2. Accounts Receivable

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 in the current year but not received at year end are identified as property taxes receivable and are presented net of an allowance for uncollectible taxes.

##### 3. Interfund Receivables/Payables

Receivables and payables between individual funds are classified in the fund financial statements as interfund receivables and interfund payables.

##### 4. 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. Payments are due 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 of November 1.

## WELD COUNTY SCHOOL DISTRICT RE-8

### NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

---

#### 5. Inventories

Food Service Fund inventories consist of purchased and donated commodities. Purchased inventories are stated at average cost. Donated inventories, received at no cost under a program supported by the federal government, are valued based upon the cost furnished by the federal government.

#### 6. Capital Assets

Capital assets, which include buildings, site improvements, vehicles and equipment, are reported in the governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 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 estimated fair market value at 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
Site Improvements	20 years
Vehicles	6 – 8 years
Equipment	5 – 15 years

#### 7. Accrued Salaries and Benefits

Salaries and benefits of certain contractually employed personnel are paid over a twelve month period from September to August, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, are reflected as a liability in the financial statements.

#### 8. Unearned Revenues

Unearned revenues include grants that have been collected but the corresponding expenditures have not been incurred.

## **WELD COUNTY SCHOOL DISTRICT RE-8**

### **NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2016**

---

#### **9. Deferred Outflows/Inflows of Resources**

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

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

#### **10. Compensated Absences**

Employees of the District are allowed to accumulate unused vacation and sick time based on their length of employment and classification. Generally, vacation time may only be accrued for one year. Upon termination of employment from the District, an employee will be compensated for all accrued vacation time but not for accumulated sick time. Therefore, no liability for accrued sick time is reported in the financial statements.

Compensated absences are recognized as current salary costs when paid in the governmental funds. A long-term liability has been reported in the government-wide financial statements for the accrued compensated absences.

Early Retirement - Employees meeting specific age and years of service criteria are eligible to receive early retirement bonuses. A liability is reported in the financial statements when the bonuses are earned and accepted.

#### **11. Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bonds payable are reported net of the applicable bond premiums and discounts. Bond premiums, discounts and deferred losses on bond refunding are deferred and amortized over the life of the bonds using the straight-line method and charged to interest expense. The unamortized deferred loss on refunding is reflected as a deferred outflow of resources.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, even if withheld from the actual new proceeds received, are reported as debt service expenditures in both the government-wide and fund financial statements.

## WELD COUNTY SCHOOL DISTRICT RE-8

### NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

---

#### 12. Pensions

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

#### 13. Estimates

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

#### 14. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net position."

##### Net Position

Net position represents the difference between the assets and liabilities in the District-wide and fiduciary financial statements. The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The District reports the following restricted net positions:

***Restricted for Debt Service*** – represents the portion of net position that is legally restricted to payment of principal and interest on long-term debt maturing in future years.

***Restricted for Colorado Preschool Program*** – Represents the portion of net position that are legally restricted to the Colorado Preschool Program as defined by the School Finance Act of 1994, as amended.

## WELD COUNTY SCHOOL DISTRICT RE-8

### NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

---

***Restricted for Emergencies*** – Emergency reserves have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 10).

Unrestricted net position represents assets that do not have any third-party limitations on their use.

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

#### **Fund Balance**

Generally, fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Fund balances are classified as follows:

- ***Nonspendable*** - Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.
- ***Restricted*** - Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- ***Committed*** - Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Education through the adoption of a resolution. The Board of Education also may modify or rescind the commitment.
- ***Assigned*** - Fund balances are reported as assigned when amounts are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the Board of Education has authorized the District's Business Manager or the District's Director of Finance to assign fund balances.

***Subsequent Year's Expenditures*** – The District has assigned \$2,284,883 of the year-end fund balance which is appropriated in the 2016-2017 budget.



## WELD COUNTY SCHOOL DISTRICT RE-8

### NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

---

***Future Land Purchases*** – The District has assigned \$188,447 for future land purchases or development.

- *Unassigned* - Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The District reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds.

#### **Flow Assumptions**

When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the District's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the District's policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

#### **Current Year GASB Pronouncements**

For the year ended June 30, 2016, the District adopted the provisions of GASB Statement No. 72 Titled Fair Value Measurements and Application, which is effective for financial statement periods beginning June 30, 2015. Statement No. 72 requires disclosures to be made about fair value measurements, the level of hierarchy, and valuation techniques.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

**Level 1:** Quoted prices (unadjusted) in active markets for an identical asset or liability that a government can access at the measurement date.

**Level 2:** Inputs other than quoted prices included within Level 1, that are observable for an asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

## WELD COUNTY SCHOOL DISTRICT RE-8

### NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

---

---

**Level 3:** Unobservable inputs for an asset or liability.

The District had no items that require the fair value measurement of assets recognized in the accompanying statement of net position measured at fair value on a recurring basis within the fair value hierarchy at June 30, 2016.

#### NOTE 2: CASH AND INVESTMENTS

At June 30, 2016, the District had the following cash and investments:

Cash on Hand	\$ 1,840
Deposits	3,439,797
Investments	<u>12,646,175</u>
Total	<u>\$ 16,087,812</u>

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

Governmental Activities	\$ 15,974,914
Fiduciary Funds	<u>112,898</u>
Total	<u>\$ 16,087,812</u>

#### Deposits

##### Custodial credit risk

Custodial risk for deposits is the risk that, in the event of a failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The Colorado Public Deposit Protection Act (PDPA) governs the investment of public funds. PDPA requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels (\$250,000) must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. The institution's internal records identify the collateral by depositor and as such, these deposits are considered to be uninsured but collateralized. The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. At June 30, 2016, the District's bank deposits amounting to \$3,699,612, were insured by either federal depository

## WELD COUNTY SCHOOL DISTRICT RE-8

### NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

---

---

insurance or collateralized by the financial institutions' agent not in the District's name and consequently were not exposed to custodial credit risk.

#### Investments

Under Colorado statutes, the District may lawfully invest eligible funds in the following securities:

- Obligations of the United States and certain U.S. government agencies' securities;
- Certain international agencies' securities;
- General obligation and revenue bonds of U.S. local government entities;
- Bankers' acceptances of certain banks;
- Commercial paper holding the highest credit rating category and with a maturity within 180 days;
- Local government investment pools;
- Written repurchase agreements collateralized by certain authorized securities;
- Certain money market funds;
- Guaranteed investment contracts.

Custodial Credit Risk – Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's safekeeping bank must meet the following requirements under District policy: the purchase and sale of securities and repurchase agreements shall be settled on a delivery versus payment basis. Ownership of all securities shall be perfected in the name of the District. Sufficient evidence to title shall be consistent with modern investment, banking and commercial practices. As of June 30, 2016, none of the District's investments were exposed to custodial credit risk.

Interest Rate Risk – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. To manage exposure to this risk, the District's board approved investment policy limits investment maturities to five years or less. The Colorado revised statute 24-75-601 also limits investment maturities to five years or less.

Credit Risk – Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Credit risk in the portfolio is minimized by investing the majority of assets in U.S. Treasury and Instrumentalities which have the support of the U.S. government and failure to receive maturing funds is remote.

Concentration of Credit Risk – The District's investment policy seeks diversification to reduce overall portfolio risk while attaining market rates of return to enable the District to meet its anticipated cash requirements. The District's policy requires that at least 50% of the portfolio

## WELD COUNTY SCHOOL DISTRICT RE-8

### NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

---

---

will be invested in some combination of U.S. Treasury securities, Federal Instrumentality securities, Repurchase Agreements or Eligible Local Governmental Investment Pools. The 50% requirement in this combination of safe investments assures that the District's credit risk is spread across a variety of securities and that imprudent concentrations will not occur in slightly more aggressive securities.

As of June 30, 2016, the District has invested \$12,646,175 in the Colorado Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local government entities in Colorado pursuant to Part 7 of Article 75 of Title 24 of the Colorado Revised Statutes, to pool surplus funds for investment purposes. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. The fair value of the position in the pool is the same as the value of the pool shares. The designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned by the pool are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the pool. Investments of the pool consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury Notes. The District's investment in COLOTRUST is rated AAAM by Standard and Poor's.

#### NOTE 3: INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The District's claim on cash account holds the cash of all funds. As a result, negative claim on cash balances occur in certain funds and are in essence "financed" by other funds. Positive book cash balances are displayed on the balance sheet as "due from other funds", while negative cash balances are included in "Due to other funds" on the balance sheet.

Interfund balances as of June 30, 2016, consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Grants Fund	<u>\$ 107,716</u>

The balance shown above constitute reimbursements to the General Fund for expenditures/ expenses initially made from it that are properly applicable to the Grants. These transactions took place due to grants reimbursement cycle.

Transfers are used to 1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, 2) move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and, 3) provide additional resources for current operations or debt service.

# WELD COUNTY SCHOOL DISTRICT RE-8

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

During the year ended June 30, 2016, the General Fund transferred \$152,000 to the Food Service Fund and \$300,000 to the Capital Reserve Fund to subsidize operations of those funds.

### NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016, is summarized below.

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated:				
Construction in Process	\$ 1,672,847	\$ -	\$ -	\$ 1,672,847
Capital Assets Being Depreciated:				
Buildings and Improvements	39,561,245	110,092	-	39,671,337
Site Improvements	2,296,418	-	-	2,296,418
Transportation Equipment	1,862,958	-	-	1,862,958
Vehicles	157,152	-	-	157,152
Other Equipment	249,358	21,737	-	271,095
Total Capital Assets Being Depreciated	44,127,131	131,829	-	44,258,960
Less Accumulated Depreciation				
Buildings and Improvements	(14,433,585)	(509,436)	-	(14,943,021)
Site Improvements	(1,116,482)	(10,162)	-	(1,126,644)
Transportation Equipment	(1,235,940)	(89,816)	-	(1,325,756)
Vehicles	(149,659)	-	-	(149,659)
Other Equipment	(104,575)	(17,869)	-	(122,444)
Total Accumulated Depreciation	(17,040,241)	(627,283)	-	(17,667,524)
Total Capital Assets Being Depreciated, Net	27,086,890	(495,454)	-	26,591,436
Total Governmental Activities Capital Assets	\$ 28,759,737	\$ (495,454)	\$ -	\$ 28,264,283

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

### Governmental Activities

Instruction	\$ 489,762
Supporting Services	137,521
Total	<u>\$ 627,283</u>

# WELD COUNTY SCHOOL DISTRICT RE-8

## NOTES TO THE FINANCIAL STATEMENTS June 30, 2016

### NOTE 5: LONG-TERM DEBT

Following is a summary of long-term debt transactions for the year ended June 30, 2016.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
General Obligation Bonds:					
Series 2007, Refunding	\$ 5,650,000	\$ -	\$ 755,000	\$ 4,895,000	\$ 790,000
Series 2012	7,600,000	-	-	7,600,000	-
Series 2013	3,150,000	-	490,000	2,660,000	500,000
Subtotal General Obligation Bonds	<u>16,400,000</u>	<u>-</u>	<u>1,245,000</u>	<u>15,155,000</u>	<u>1,290,000</u>
Capital Lease Obligations:					
Transportation Equipment, 2014	52,191	-	34,572	17,619	17,619
Transportation Equipment, 2014	63,039	-	41,759	21,280	21,280
Subtotal Capital Leases	<u>115,230</u>	<u>-</u>	<u>76,331</u>	<u>38,899</u>	<u>38,899</u>
Compensated Absences	75,817	66,881	56,501	86,197	86,197
	16,591,047	<u>\$ 66,881</u>	<u>\$ 1,377,832</u>	15,280,096	<u>\$ 1,415,096</u>
Less Current Portion	(1,397,148)			(1,415,096)	
Plus Unamortized Original Issue Premium	381,827	<u>\$ -</u>	<u>\$ 28,631</u>	353,196	
<b>Total Long-term liabilities</b>	<u>\$ 15,575,726</u>			<u>\$ 14,218,196</u>	

Compensated absences are expected to be liquidated by the General Fund.

### General Obligation Bonds

\$6,720,000 General Obligation Refunding Bonds, Series 2007, were issued to advance refund a portion of the General Obligation Bonds, Series 2002. Principal payments are due annually on December 1, through 2021. Interest payments are due semi-annually on June 1 and December 1, with interest accruing at rates ranging from 3.75% to 5.00%. Repayment of both principal and interest on the bonds are insured by Assured Guaranty Municipal Corp. Bonds maturing on or after January 1, 2017 are callable at par in any order of maturity on December 1, 2016. The bonds are rated A2 by Moody's and AA by Standard and Poor's.

\$7,600,000 General Obligation Bonds, Series 2012, were issued to finance improvements to Fort Lupton High School, Fort Lupton Middle School, Butler Elementary School and Twombly Elementary School. Principal payments are due annually on December 1, through 2029. Interest payments are due semi-annually on June 1 and December 1, with interest accruing at rates ranging from 2.00% to 2.75%. Bonds maturing on or after January 1, 2023 are callable at par in any order of maturity on December 1, 2022. The bonds are rated Aa2 by Moody's.

**WELD COUNTY SCHOOL DISTRICT RE-8****NOTES TO THE FINANCIAL STATEMENTS****June 30, 2016**

\$4,125,000 General Obligation Bonds, Series 2013, were issued to finance improvements to Fort Lupton High School, Fort Lupton Middle School, Butler Elementary School and Twombly Elementary School. Principal payments are due annually on December 1, through 2032. Interest payments are due semi-annually on June 1 and December 1, with interest accruing at rates ranging from 2.00% to 3.50%. Bonds maturing on or after January 1, 2023 are callable at par in any order of maturity on December 1, 2022. The bonds are rated Aa2 by Moody's.

Bond payments to maturity are as follows:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 1,290,000	\$ 440,753	\$ 1,730,753
2018	1,340,000	395,341	1,735,341
2019	1,380,000	353,138	1,733,138
2020	1,425,000	309,293	1,734,293
2021	1,470,000	261,638	1,731,638
2022-2026	3,490,000	897,739	4,387,739
2027-2031	3,295,000	488,507	3,783,507
2032-2033	1,465,000	46,125	1,511,125
<b>Total</b>	<b>\$ 15,155,000</b>	<b>\$ 3,192,534</b>	<b>\$ 18,347,534</b>

**Capital Leases**

The District has entered into capital lease agreements for the purpose of acquiring and financing transportation equipment. All of these agreements qualify as capital leases for accounting purposes and therefore have been recorded at the present value of their future minimum lease payments as of the inception date.

Assets acquired through capital leases follow:

<b>Asset</b>	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Net Book Value</b>
2014 77 Passenger Bus	\$ 102,188	\$ (25,548)	\$ 76,640
2014 84 Passenger Bus	123,427	(30,858)	92,569
<b>Total</b>	<b>\$ 225,615</b>	<b>\$ (56,406)</b>	<b>\$ 169,209</b>

On November 4, 2013, the District entered into a capital lease agreement with the Bank of Colorado to finance transportation equipment. The agreement requires quarterly lease payments of \$8,928, through November 2016, including interest at 2.85%.

## WELD COUNTY SCHOOL DISTRICT RE-8

### NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

---

---

On November 4, 2013, the District entered into a capital lease agreement with the Bank of Colorado to finance transportation equipment. The agreement requires quarterly lease payments of \$10,784, through November 2016, including interest at 2.85%.

Aggregate minimum lease payments, to maturity, are as follows:

<u>Year Ending June 30,</u>	
2017	\$ 39,298
Minimum Lease Payments	39,298
Less Interest Portion	(399)
Present Value of Minimum Lease Payments	<u>\$ 38,899</u>

#### 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 accounts for its risk activities in the General Fund.

The District purchases commercial insurance for its workers' compensation risks. For its risk of property loss or damage and general liability, the District participates in the Colorado School Districts Self-Insurance Pool (CSDSIP).

The CSDSIP is sponsored by the Colorado Association of School Boards, and 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 board which is comprised of eight members. The eight members include the president, vice president and executive director of the Colorado Association of School Boards (CASB), with the remaining five members being appointed by the Board of Directors of CASB. The District pays an annual premium to the CSDSIP for various types of property and liability insurance coverage. The pool 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. Settled claims have not exceeded this coverage in any of the past three fiscal years.

#### NOTE 7: FORT LUPTON PUBLIC AND SCHOOL LIBRARY

In 1976, the District and the City of Fort Lupton (the "City") formed the Fort Lupton Public and School Library (the "Library") through intergovernmental agreement, and as allowed by State statutes. The agreement was modified on March 16, 2006 to include the Fort Lupton Public and



## WELD COUNTY SCHOOL DISTRICT RE-8

### NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

---

---

School Library Board of Trustees which caused the library to be recognized as a “Joint Library” as defined by statute and to bring it into compliance with the provisions of the Colorado Library Law (CRS 24-90-101, et seq.). The Library is governed by the Library Board of Trustees consisting of seven members. Three each are appointed by the District and the City and one member is appointed by the six appointees. In addition to serving as Fort Lupton High School’s library, the Library also serves the general public. The obligations of the District to the Library are limited to providing space within Fort Lupton High School for the Library, providing appurtenances to the site, including off street parking, accessible restrooms and services necessary for use of the site as a public library and providing maintenance, custodial care and utilities. Financial information for the Library may be obtained by contacting the City.

#### NOTE 8: EMPLOYEE PENSION PLAN

##### Defined Benefit Pension Plan

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

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

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

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

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

## WELD COUNTY SCHOOL DISTRICT RE-8

### NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

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% or 100% on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

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

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

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

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

	For the Year Ended December 31, 2015	For the Year Ended December 31, 2016
Employer Contribution Rate <sup>1</sup>	10.15%	10.15%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) <sup>1</sup>	(1.02)%	(1.02)%
Amount Apportioned to the SCHDTF <sup>1</sup>	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	4.20%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	4.00%	4.50%

# WELD COUNTY SCHOOL DISTRICT RE-8

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

Total Employer Contribution Rate to the SCHDTF <sup>1</sup>	17.33%	18.13%
---	--------	--------

<sup>1</sup>Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District were \$2,519,204 for the year ended June 30, 2016.

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

At June 30, 2016, the District reported a liability of \$48,920,237 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The District's proportion of the net pension liability was based on the District's contributions to the SCHDTF for the calendar year 2015 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2015, the District's proportion was 0.3198593975%, which was an increase of 0.0021751400% from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$2,005,962. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 693,366
Net difference between projected and actual earnings on pension plan investments	4,159,592	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	215,127
Contributions subsequent to the measurement date	1,279,290	N/A
Total	\$ 5,438,882	\$ 908,493

## WELD COUNTY SCHOOL DISTRICT RE-8

### NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

---

---

\$5,438,882 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	
2017	\$ 2,182,190
2018	2,182,190
2019	2,325,822
2020	2,660,974
2021	

*Actuarial assumptions.* The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions and other inputs:

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

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

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

Changes to assumptions or other inputs since the December 31, 2013 actuarial valuation are as follows:

## WELD COUNTY SCHOOL DISTRICT RE-8

### NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

- The following programming changes were made:
  - Valuation of the full survivor benefit without any reduction for possible remarriage.
  - Reflection of the employer match on separation benefits for all eligible years.
  - Reflection of one year of service eligibility for survivor annuity benefit.
  - Refinement of the 18-month annual increase timing.
  - Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.
- The following methodology changes were made:
  - Recognition of merit salary increases in the first projection year.
  - Elimination of the assumption that 35% of future disabled members elect to receive a refund.
  - Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
  - Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year.

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

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

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

## WELD COUNTY SCHOOL DISTRICT RE-8

### NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

---

---

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

*Discount rate.* The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate 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 3.90%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, including 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 included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.

## WELD COUNTY SCHOOL DISTRICT RE-8

### NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

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

Based on the above actuarial cost method and assumptions, the SCHDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

*Sensitivity of the 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 7.50%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$63,414,924	\$48,920,237	\$36,863,361

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

#### NOTE 9: POSTEMPLOYMENT HEALTHCARE BENEFITS

##### Health Care Trust Fund

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

*Funding Policy* – The District is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The

## **WELD COUNTY SCHOOL DISTRICT RE-8**

### **NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2016**

---

---

contribution requirements for the District are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2016, 2015 and 2014 the District contributions to the HCTF were \$144,951, \$138,098 and \$135,134, respectively, equal to their required contributions for each year.

#### **NOTE 10: COMMITMENTS AND CONTINGENCIES**

##### **Claims and Judgments**

The District participates in a number of federal and state 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, 2016, significant amounts of grant expenditures have not been audited but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the District.

##### **Tabor Amendment**

In November 1992, Colorado voters passed an amendment to the State Constitution, Article X, Section 20, (the "Amendment") which limits state and local government tax powers and imposes spending limitations. The District is subject to the Amendment.

Fiscal year 1993 provides the basis for spending limitations in future years to which may be applied allowable increases for inflation and student enrollment. In November 1997, voters within the District authorized the District to collect, retain, and expend the full revenues received from any source. The Amendment is subject to many interpretations, but the District believes it is in substantial compliance with the Amendment.

The Amendment requires the District to establish a reserve for emergencies. At June 30, 2016, the District's reserve of \$753,000 was reported as a restriction of fund balance in the General Fund.



## **REQUIRED SUPPLEMENTARY INFORMATION**

**WELD COUNTY SCHOOL DISTRICT RE-8**

**GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
For the Year Ended June 30, 2016**

	<b>Budgeted Amounts</b>			<b>Variance With Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
<b>Local Sources</b>				
Property Taxes	\$ 10,839,358	\$ 19,171,761	\$ 19,125,723	\$ (46,038)
Specific Ownership Taxes	743,988	802,042	871,877	69,835
Tuition and Fees	30,000	30,000	38,657	8,657
Net Investment Income	10,500	10,500	19,606	9,106
Other	513,405	470,793	560,627	89,834
Total Local Sources	12,137,251	20,485,096	20,616,490	131,394
<b>State Sources</b>				
State Equalization	8,020,739	(216,177)	(216,115)	62
Exceptional Children's Education Act	633,431	633,431	731,893	98,462
Hold Harmless Kindergarten	54,863	54,863	57,192	2,329
Vocational Education	65,000	42,929	23,620	(19,309)
Transportation	175,000	175,000	184,622	9,622
Other	-	-	13,512	13,512
Total State Sources	8,949,033	690,046	794,724	104,678
<b>Total Revenues</b>	21,086,284	21,175,142	21,411,214	236,072
<b>Expenditures</b>				
<b>Current</b>				
Instruction	14,819,295	14,692,368	12,223,218	2,469,150
Students	1,051,015	1,031,930	1,023,985	7,945
Instructional Staff	1,232,546	1,437,574	1,258,577	178,997
General Administration	610,556	700,913	638,676	62,237
School Administration	1,875,187	1,848,316	1,793,294	55,022
Business Services	292,674	297,917	304,644	(6,727)
Operations and Maintenance	3,729,434	3,677,459	3,101,784	575,675
Student Transportation	895,891	842,439	766,237	76,202
Central Support	1,652,186	1,646,246	1,403,713	242,533
Community Services	29,628	25,230	19,000	6,230
Reserves	5,285,115	6,073,958	-	6,073,958
<b>Total Expenditures</b>	31,473,527	32,274,350	22,533,128	9,741,222
<b>Excess Revenues</b>				
<b>Over (Under) Expenditures</b>	(10,387,243)	(11,099,208)	(1,121,914)	9,977,294
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(400,000)	(475,000)	(452,000)	23,000
<b>Net Change in Fund Balance</b>	(8,387,243)	(9,174,208)	(1,573,914)	7,600,294
<b>Fund Balance - Beginning</b>	8,387,243	9,174,208	11,564,110	2,389,902
<b>Fund Balance - Ending</b>	\$ -	\$ -	\$ 9,990,196	\$ 9,990,196

See the accompanying Independent Auditor's Report.

**WELD COUNTY SCHOOL DISTRICT RE-8**  
**SPECIAL REVENUE FUND - GRANTS FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**For the Year Ended June 30, 2016**

	<b>Budgeted Amounts</b>			<b>Variance With Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Local Grants	\$ 14,820	\$ 25,515	\$ 24,283	\$ (1,232)
State Grants	490,851	934,186	622,655	(311,531)
Federal Grants	2,293,985	1,918,108	1,609,874	(308,234)
<b>Total Revenues</b>	<b>2,799,656</b>	<b>2,877,809</b>	<b>2,256,812</b>	<b>(620,997)</b>
<b>Expenditures</b>				
Current				
Instruction	2,799,656	2,877,809	1,431,538	1,446,271
Students	-	-	247,593	(247,593)
Instructional Staff	-	-	511,330	(511,330)
General Administration	-	-	60,764	(60,764)
Community Services	-	-	5,587	(5,587)
Capital Outlay	-	-	-	-
<b>Total Expenditures</b>	<b>2,799,656</b>	<b>2,877,809</b>	<b>2,256,812</b>	<b>620,997</b>
<b>Net Change in Fund Balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balance, Beginning</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balance, Ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

See the accompanying Independent Auditor's Report.

**WELD COUNTY SCHOOL DISTRICT RE-8**

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
PERA PENSION PLAN - SCHOOL DIVISION TRUST FUND**

**LAST TEN YEARS \***

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District Proportion of the Net Pension Liability (Asset)	0.31986%	0.32624%	0.32624%
District Proportionate Share of the Net Pension Liability (Asset)	\$ 48,920,237	\$ 43,056,888	\$ 41,611,861
District Covered Employee Payroll	\$ 13,939,399	\$ 13,308,692	\$ 13,151,784
Proportionate Share of Net Pension Liability as a Percentage of its Covered Employee Payroll	350.949%	323.525%	316.397%
Calculation of Collective Net Pension Liability (\$ in thousands):			
Total Pension Liability	\$ 37,447,062	\$ 36,473,966	\$ 35,494,976
Plan Fiduciary Net Position	<u>22,152,768</u>	<u>22,920,607</u>	<u>22,740,003</u>
Net Pension Liability	<u>\$ 15,294,294</u>	<u>\$ 13,553,359</u>	<u>\$ 12,754,973</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	59.16%	62.84%	64.07%

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

NOTE: Information for the prior seven years was not available to report.

**WELD COUNTY SCHOOL DISTRICT RE-8**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

**PERA PENSION PLAN - SCHOOL DIVISION TRUST FUND**

**LAST TEN FISCAL YEARS**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ 2,519,204	\$ 2,285,515	\$ 2,116,465	\$ 1,946,617
Contributions in Relation to the Contractually Required Contribution	<u>(2,519,204)</u>	<u>(2,285,515)</u>	<u>(2,116,465)</u>	<u>(1,946,617)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 14,210,929	\$ 13,538,972	\$ 13,248,391	\$ 12,908,385
Contributions as a Percentage of Covered Employee Payroll	17.73%	16.88%	15.98%	15.08%

NOTE: Information for the prior six years was not available to report.

## WELD COUNTY SCHOOL DISTRICT RE-8

### NOTE TO REQUIRED SUPPLEMENTARY INFORMATION June 30, 2016

---

---

#### NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

##### Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for all funds. All annual appropriations lapse at fiscal year-end.

The District adheres to the following procedures in establishing the budgetary data reflected in the financial statements. By May 31, 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. Authorization to transfer budget amounts between line items within any fund rests with the Superintendent. Revisions that alter the total expenditures of any fund must be approved by the Board of Education.

During the year ended June 30, 2016, supplementary appropriations approved by the District as follows:

	<b>Original</b>	<b>Modified</b>	
	<b>Appropriation</b>	<b>Appropriation</b>	<b>Change</b>
General Fund	\$ 31,873,527	\$ 32,749,350	\$ 875,823
Grants Fund	2,799,656	2,877,809	78,153
Bond Redemption Fund	3,358,969	3,679,036	320,067
Capital Reserve Fund	716,758	941,996	225,238
Building Fund	972,347	1,283,906	311,559
Food Service Fund	1,258,181	1,305,454	47,273

**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

**WELD COUNTY SCHOOL DISTRICT RE-8**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2016**

	<b>Food Service</b>	<b>Bond Redemption</b>	<b>Capital Reserve</b>	<b>Total</b>
<b>Assets</b>				
Cash and Investments	\$ 1,424	\$ 1,933,344	\$ 845,520	\$ 2,780,288
Taxes Receivable	-	22,356	-	22,356
Grants Receivable	96,418	-	-	96,418
Inventory	39,067	-	-	39,067
Total Assets	<u>\$ 136,909</u>	<u>\$ 1,955,700</u>	<u>\$ 845,520</u>	<u>\$ 2,938,129</u>
<b>Liabilities</b>				
Accounts Payable	\$ 21,168	\$ -	\$ -	\$ 21,168
Accrued Salaries and Benefits	76,130	-	-	76,130
Total Liabilities	<u>97,298</u>	<u>-</u>	<u>-</u>	<u>97,298</u>
<b>Deferred Inflows of Resources</b>				
Unavailable Revenue - Property Taxes	-	16,833	-	16,833
<b>Fund Balances</b>				
Nonspendable	39,067	-	-	39,067
Restricted for Debt Service	-	1,938,867	-	1,938,867
Assigned	544	-	845,520	846,064
Unassigned	-	-	-	-
Total Fund Balances	<u>39,611</u>	<u>1,938,867</u>	<u>845,520</u>	<u>2,823,998</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 136,909</u>	<u>\$ 1,955,700</u>	<u>\$ 845,520</u>	<u>\$ 2,938,129</u>

See the accompanying Independent Auditor's Report.



**WELD COUNTY SCHOOL DISTRICT RE-8**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2016**

	<b>Food Service</b>	<b>Bond Redemption</b>	<b>Capital Reserve</b>	<b>Total</b>
<b>Revenues</b>				
Local Sources	\$ -	\$ 2,090,598	\$ 49,010	\$ 2,139,608
Charges for Services	160,148	-	-	160,148
Net Investment Income	5	3,641	-	3,646
State Sources	20,189	-	-	20,189
Federal Sources	933,998	-	-	933,998
<b>Total Revenues</b>	<b>1,114,340</b>	<b>2,094,239</b>	<b>49,010</b>	<b>3,257,589</b>
<b>Expenditures</b>				
Current:				
Supporting Services	1,227,274	-	-	1,227,274
Capital Outlay	1,402	-	5,858	7,260
Debt Service:				
Principal	-	1,245,000	76,331	1,321,331
Interest and Fiscal Charges	-	493,409	2,519	495,928
<b>Total Expenditures</b>	<b>1,228,676</b>	<b>1,738,409</b>	<b>96,476</b>	<b>3,063,561</b>
<b>Excess Revenues Over (Under) Expenditures</b>	<b>(114,336)</b>	<b>355,830</b>	<b>(47,466)</b>	<b>194,028</b>
<b>Other Financing Sources</b>				
Transfers In	152,000	-	300,000	452,000
<b>Total Other Financing Sources</b>	<b>152,000</b>	<b>-</b>	<b>300,000</b>	<b>452,000</b>
<b>Net Change in Fund Balances</b>	<b>37,664</b>	<b>355,830</b>	<b>252,534</b>	<b>646,028</b>
<b>Fund Balances, Beginning</b>	<b>1,947</b>	<b>1,583,037</b>	<b>592,986</b>	<b>2,177,970</b>
<b>Fund Balances, Ending</b>	<b>\$ 39,611</b>	<b>\$ 1,938,867</b>	<b>\$ 845,520</b>	<b>\$ 2,823,998</b>

See the accompanying Independent Auditor's Report.

**WELD COUNTY SCHOOL DISTRICT RE-8**

**FOOD SERVICE FUND  
BUDGETARY COMPARISON SCHEDULE  
For the Year Ended June 30, 2016**

	<b>Budgeted Amounts</b>			<b>Variance With Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Charges for Services:				
Food Sales	\$ 176,680	\$ 147,005	\$ 160,148	\$ 13,143
Investment Income	1	2	5	3
State Sources	21,500	21,500	20,189	(1,311)
Federal Sources:				
School Breakfast Program	260,000	260,000	256,135	(3,865)
National School Lunch Program	620,000	620,000	589,251	(30,749)
Summer Food Program	12,000	12,000	16,911	4,911
Donated Commodities	68,000	68,000	71,701	3,701
Transfers In	100,000	175,000	152,000	(23,000)
<b>Total Revenues</b>	<b>1,258,181</b>	<b>1,303,507</b>	<b>1,266,340</b>	<b>(37,167)</b>
<b>Expenditures</b>				
Salaries	351,276	360,847	349,055	11,792
Benefits	174,712	191,571	196,502	(4,931)
Purchased Services	33,775	167,175	171,648	(4,473)
Commodities	500	500	8,452	(7,952)
Supplies and Materials	631,600	553,688	501,336	52,352
Capital Outlay	39,800	31,500	1,402	30,098
Other	200	173	281	(108)
Reserves	26,318	-	-	-
<b>Total Expenditures</b>	<b>1,258,181</b>	<b>1,305,454</b>	<b>1,228,676</b>	<b>76,778</b>
<b>Net Change in Fund Balance</b>	<b>-</b>	<b>(1,947)</b>	<b>37,664</b>	<b>39,611</b>
<b>Fund Balance, Beginning</b>	<b>-</b>	<b>1,947</b>	<b>1,947</b>	<b>-</b>
<b>Fund Balance, Ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 39,611</b>	<b>\$ 39,611</b>

See the accompanying Independent Auditor's Report.

**WELD COUNTY SCHOOL DISTRICT RE-8**

**BOND REDEMPTION FUND  
BUDGETARY COMPARISON SCHEDULE  
For the Year Ended June 30, 2016**

	<b>Budgeted Amounts</b>			<b>Variance With Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Local Sources				
Property Taxes	\$ 1,758,553	\$ 2,095,500	\$ 2,090,598	\$ (4,902)
Net Investment Income	500	499	3,641	3,142
<b>Total Revenues</b>	<u>1,759,053</u>	<u>2,095,999</u>	<u>2,094,239</u>	<u>(1,760)</u>
<b>Expenditures</b>				
Debt Service:				
Principal	1,200,000	1,290,000	1,245,000	45,000
Interest and Fiscal Charges	539,303	472,503	493,409	(20,906)
Reserves	<u>1,619,666</u>	<u>1,916,533</u>	<u>-</u>	<u>1,916,533</u>
<b>Total Expenditures</b>	<u>3,358,969</u>	<u>3,679,036</u>	<u>1,738,409</u>	<u>1,940,627</u>
 <b>Net Change in Fund Balance</b>	 (1,599,916)	 (1,583,037)	 355,830	 1,938,867
<b>Fund Balance, Beginning</b>	<u>1,599,916</u>	<u>1,583,037</u>	<u>1,583,037</u>	<u>-</u>
<b>Fund Balance, Ending</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,938,867</u></u>	<u><u>\$ 1,938,867</u></u>

See the accompanying Independent Auditor's Report.

**WELD COUNTY SCHOOL DISTRICT RE-8**

**CAPITAL RESERVE FUND  
BUDGETARY COMPARISON SCHEDULE  
For the Year Ended June 30, 2016**

	<b>Budgeted Amounts</b>			<b>Variance With Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Local Sources	\$ 46,910	\$ 49,010	\$ 49,010	\$ -
<b>Expenditures</b>				
Current:				
Operations and Maintenance	108,116	108,116	-	108,116
Student Transportation	-	36,000	11,768	24,232
Capital Outlay	198,000	239,000	5,858	233,142
Debt Service:				
Principal	75,000	75,000	76,331	(1,331)
Interest and Fiscal Charges	1,500	2,500	2,519	(19)
Reserves	334,142	481,380	-	481,380
<b>Total Expenditures</b>	<b>716,758</b>	<b>941,996</b>	<b>96,476</b>	<b>845,520</b>
<b>Excess Revenues Over (Under) Expenditures</b>	<b>(669,848)</b>	<b>(892,986)</b>	<b>(47,466)</b>	<b>845,520</b>
<b>Other Financing Sources</b>				
Transfers In	300,000	300,000	300,000	-
<b>Total Other Financing Sources</b>	<b>300,000</b>	<b>300,000</b>	<b>300,000</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>(369,848)</b>	<b>(592,986)</b>	<b>252,534</b>	<b>845,520</b>
<b>Fund Balance, Beginning</b>	<b>369,848</b>	<b>592,986</b>	<b>592,986</b>	<b>-</b>
<b>Fund Balance, Ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 845,520</b>	<b>\$ 845,520</b>

See the accompanying Independent Auditor's Report.

**WELD COUNTY SCHOOL DISTRICT RE-8**

**BUILDING FUND  
BUDGETARY COMPARISON SCHEDULE  
For the Year Ended June 30, 2016**

	<b>Budgeted Amounts</b>			<b>Variance With Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Local Sources				
Net Investment Income	\$ 500	\$ 2,415	\$ 4,517	\$ 2,102
Local Sources	-	-	-	-
<b>Total Revenues</b>	<b>500</b>	<b>2,415</b>	<b>4,517</b>	<b>2,102</b>
<b>Expenditures</b>				
Capital Outlay	972,347	1,283,906	466,891	817,015
Reserves	-	-	-	-
<b>Total Expenditures</b>	<b>972,347</b>	<b>1,283,906</b>	<b>466,891</b>	<b>817,015</b>
<b>Net Change in Fund Balance</b>	<b>(971,847)</b>	<b>(1,281,491)</b>	<b>(462,374)</b>	<b>819,117</b>
<b>Fund Balance, Beginning</b>	<b>971,847</b>	<b>1,281,491</b>	<b>1,281,491</b>	<b>-</b>
<b>Fund Balance, Ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 819,117</b>	<b>\$ 819,117</b>

See the accompanying Independent Auditor's Report.

**WELD COUNTY SCHOOL DISTRICT RE-8**

**PRIVATE PURPOSE TRUST FUND  
BUDGETARY COMPARISON SCHEDULE**

**For the Year Ended June 30, 2016  
(With Comparative Totals for the Year Ended June 30, 2015)**

	<b>Budgeted Amounts</b>			<b>Variance With Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Local Sources				
Net Investment Income	\$ 2	\$ 2	\$ 3	\$ 1
Other Revenue	-	-	1,000	1,000
<b>Total Revenues</b>	<u>2</u>	<u>2</u>	<u>1,003</u>	<u>1,001</u>
<b>Expenditures</b>				
Scholarships	525	525	1,000	(475)
Reserves	20,759	20,760	-	20,760
<b>Total Expenditures</b>	<u>21,284</u>	<u>21,285</u>	<u>1,000</u>	<u>20,285</u>
 <b>Net Change in Fund Balance</b>	 (21,282)	 (21,283)	 3	 21,286
<b>Fund Balance, Beginning</b>	<u>21,282</u>	<u>21,283</u>	<u>21,283</u>	<u>-</u>
<b>Fund Balance, Ending</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 21,286</u></u>	<u><u>\$ 21,286</u></u>

See the accompanying Independent Auditor's Report.

**WELD COUNTY SCHOOL DISTRICT RE-8**

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**

**AGENCY FUND**

**For the Year Ended June 30, 2016**

	<u>Balance 6/30/15</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/16</u>
<b>PUPIL ACTIVITIES</b>				
<b>Assets</b>				
Cash and Investments	\$ 75,738	\$ 278,289	\$ 263,415	\$ 90,612
<b>Total Assets</b>	<u>\$ 75,738</u>	<u>\$ 278,289</u>	<u>\$ 263,415</u>	<u>\$ 90,612</u>
<b>Liabilities</b>				
Accounts Payable	\$ 8,377	\$ 1,483	\$ 8,377	\$ 1,483
Due to Student Groups	<u>67,361</u>	<u>276,806</u>	<u>255,038</u>	<u>89,129</u>
<b>Total Liabilities</b>	<u>\$ 75,738</u>	<u>\$ 278,289</u>	<u>\$ 263,415</u>	<u>\$ 90,612</u>

See the accompanying Independent Auditor's Report.

## **COMPLIANCE SECTION**



## **SINGLE AUDIT**

The following reports, opinions and schedules report on Federal funds received by the District. The Single Audit Act of 1996 and the Office of Management and Budget (OMB) Circular A-133 establish the reporting requirements for Federal funds.

**WELD COUNTY SCHOOL DISTRICT RE-8**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For the Year Ended June 30, 2016**

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Accrued (Deferred) Revenue 6/30/2015</b>	<b>Receipts</b>	<b>Expenditures</b>	<b>Accrued (Deferred) Revenue 6/30/2016</b>
<b>U.S. Department of Education</b>					
Passed Through State Department of Education					
Title I, Part A	84.010	\$ 153,041	\$ 434,406	\$ 397,858	\$ 116,493
Special Education - IDEA Part B	84.027	208,036	742,914	799,059	264,181
Special Education - IDEA Part B Preschool	84.173	2,528	22,263	21,847	2,112
Title I, Part H - High School Graduation Initiative	84.360	11,097	13,748	10,000	7,349
Title III, Part A - English Language Acquisition	84.365	7,995	41,596	44,354	10,753
Title II, Part A - Improving Teacher Quality	84.367	28,108	108,097	98,708	18,719
Passed Through State Department of Human Services					
Vocational Rehabilitation	84.126	57,576	146,941	135,496	46,131
Passed Through State Community College System					
Vocational Education	84.048	9,238	25,713	23,686	7,211
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>		<u>477,619</u>	<u>1,535,678</u>	<u>1,531,008</u>	<u>472,949</u>
<b>U.S. Department of Agriculture</b>					
Passed Through State Department of Human Services					
Food Donation	10.555	-	30,704	30,704	-
Passed Through State Department of Education					
School Breakfast Program	10.553	-	238,067	256,136	18,069
National School Lunch Program	10.555	-	547,423	589,250	41,827
Summer Food Service Program	10.559	13,607	18,497	16,912	12,022
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>		<u>13,607</u>	<u>834,691</u>	<u>893,002</u>	<u>71,918</u>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>		<u>\$ 491,226</u>	<u>\$ 2,370,369</u>	<u>\$ 2,424,010</u>	<u>\$ 544,867</u>

See the accompanying Independent Auditor's Report.

**WELD COUNTY SCHOOL DISTRICT RE-8**

**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**June 30, 2016**

---

---

**NOTE 1: BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, using the accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in the financial statements.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education  
Weld County School District Re-8  
Fort Lupton, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Weld County School District Re-8, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Weld County School District Re-8's basic financial statements, and have issued our report thereon dated December 16, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Weld County School District Re-8's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Weld County School District Re-8's internal control. Accordingly, we do not express an opinion on the effectiveness of Weld County School District Re-8's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Weld County School District Re-8's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material

effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### **Purpose of this Report**

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

*Plutt Rogers & Company PC*

December 16, 2016

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

To the Board of Education  
Weld County School District Re-8  
Fort Lupton, Colorado

**Report on Compliance for Each Major Federal Program**

We have audited Weld County School District Re-8's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Weld County School District Re-8's major federal programs for the year ended June 30, 2016. Weld County School District Re-8's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Weld County School District Re-8's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Weld County School District Re-8's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Weld County School District Re-8's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Weld County School District Re-8 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

## Report on Internal Control over Compliance

Management of Weld County School District Re-8 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Weld County School District Re-8's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Weld County School District Re-8's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Plutt Rogers & Company PC*

December 16, 2016

WELD COUNTY SCHOOL DISTRICT RE-8

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30,**

---

---

**I. Summary of the Independent Auditor's Results**

***Financial Statements***

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- |   |           |                            |
|---|-----------|----------------------------|
| • Material weakness(es) identified?                     | _____ Yes | <u>  X  </u> No            |
| • Significant deficiency(ies) identified?               | _____ Yes | <u>  X  </u> None Reported |
| • Noncompliance material to financial statements noted? | _____ Yes | <u>  X  </u> No            |

***Federal Awards***

Internal control over major programs:

- |   |           |                            |
|---|-----------|----------------------------|
| • Material weakness(es) identified?       | _____ Yes | <u>  X  </u> No            |
| • Significant deficiency(ies) identified? | _____ Yes | <u>  X  </u> None Reported |

Type of auditor's report issued on compliance for major programs:

Unqualified

- |  |           |                 |
|--|-----------|-----------------|
| • Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? | _____ Yes | <u>  X  </u> No |
|--|-----------|-----------------|

**Identification of major programs:**

Child Nutrition Cluster:

10.553	School Breakfast Program
10.555	National School Lunch Program
10.559	Summer Food Service Program for Children

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

- |  |                  |          |
|--|------------------|----------|
| • Auditee qualified as low-risk auditee? | <u>  X  </u> Yes | _____ No |
|--|------------------|----------|

**II. Findings relating to the financial statement audit as required to be reported in accordance with generally accepted government auditing standards**

There were no findings required to be reported under *Government Auditing Standards*.

**III. Findings and questioned costs for federal awards**

There were no findings or questioned costs required to be reported under *Government Auditing Standards*.



**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30,**

Finding	Status	Corrective Action Plan or Other Explanation
None Reported		

## **STATE COMPLIANCE**



**Colorado Department of Education**  
**Auditors Integrity Report**  
 District: 3140 - WELD COUNTY S/D  
 RE-8  
 Fiscal Year 2015-16  
 Colorado School District/BOCES

Page: 1

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Governmental	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
		+		-	=
10 General Fund		10,761,639	19,864,131	21,256,670	9,369,100
18 Risk Mgmt Sub-Fund of General Fund		603,068	414,032	553,487	463,613
19 Colorado Preschool Program Fund		199,404	681,050	722,971	157,482
<b>Sub- Total</b>		<b>11,564,110</b>	<b>20,959,213</b>	<b>22,533,128</b>	<b>9,990,196</b>
11 Charter School Fund		0	0	0	0
20,26-29 Special Revenue Fund		0	0	0	0
21 Food Service Spec Revenue Fund		1,947	1,266,340	1,228,676	39,611
22 Govt Designated-Purpose Grants Fund		0	2,256,812	2,256,812	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		1,583,037	2,094,239	1,738,409	1,938,867
39 Certificate of Participation (COP) Debt Service Fund		0	0	0	0
41 Building Fund		1,281,491	4,517	466,891	819,117
42 Special Building Fund		0	0	0	0
43 Capital Reserve Capital Projects Fund		592,986	349,010	96,477	845,520
<b>Totals</b>		<b>15,023,571</b>	<b>26,930,132</b>	<b>28,320,392</b>	<b>13,633,311</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		21,283	1,003	1,000	21,286
73 Agency Fund		0	0	0	0
74 Pupil Activity Agency Fund		67,361	276,806	255,038	89,129
79 GASB 34-Permanent Fund		0	0	0	0
85 Foundations		0	0	0	0
<b>Totals</b>		<b>88,644</b>	<b>277,809</b>	<b>256,038</b>	<b>110,415</b>
<b>FINAL</b>					

\*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.

THIS PAGE INTENTIONALLY LEFT BLANK

## APPENDIX C

### ECONOMIC AND DEMOGRAPHIC INFORMATION

The following information is provided to give prospective investors general information concerning selected economic and demographic conditions existing in the area within which the District is located. The statistics presented below have been obtained from the referenced sources and represent the most current information available from such sources; however, certain of the information is released only after a significant amount of time has passed since the most recent date of the reported data and therefore, such information may not be indicative of economic and demographic conditions as they currently exist or conditions which may be experienced in the near future. Further, the reported data has not been adjusted to reflect economic trends, notably inflation. Finally, other economic and demographic information not presented herein may be available concerning the area in which the District is located and prospective investors may want to review such information prior to making their investment decision. *The following information is not to be relied upon as a representation or guarantee of the District of its officers, employees, or advisors.*

#### Population

The following table sets forth population statistics for the City of Fort Lupton, Weld County and the State of Colorado.

Population						
Year	City of Fort Lupton	Percent Change	Weld County	Percent Change	Colorado	Percent Change
1970	2,489	--	89,297	--	2,207,259	--
1980	4,251	70.79%	123,438	38.23%	2,889,964	30.93%
1990	5,159	21.36	131,821	6.79	3,294,394	13.99
2000	6,787	31.56	180,936	37.26	4,301,261	30.56
2010	7,377	8.69	252,825	39.73	5,029,196	16.92
2015 <sup>1</sup>	7,847	6.37	284,876	12.68	5,456,584	8.50

<sup>1</sup> Estimate

Sources: U.S. Department of Commerce, Bureau of the Census, and Colorado Division of Local Government, Demography Section

#### Housing Stock

The following table sets forth a comparison of housing units within the City and the County.

Housing Units			
	2000	2010	2014
City of Fort Lupton	2,132	2,534	2,541
Weld County	66,194	98,281	100,640

Source: U.S. Department of Commerce, Bureau of the Census

## Income

The following tables set forth historical median household effective buying income, the percentage of households by classification of effective buying income (“EBI”) levels, and the per capita personal income levels for the County, the State and the United States.

### Median Household Effective Buying Income <sup>1</sup>

	2012	2013	2014	2015	2016
Weld County	\$40,625	\$39,522	\$45,591	\$49,311	\$52,579
Colorado	43,515	43,718	47,469	49,949	52,345
United States	41,253	41,358	43,715	45,448	46,738

<sup>1</sup> Calculated as of January 1.

Source: The Nielsen Company, *Site Reports*, 2012-2016

### Percent of Households by Effective Buying Income Groups – 2016 <sup>1</sup>

	Less Than \$25,000	\$25,000- \$49,999	\$50,000- \$99,999	\$100,000- \$149,999	\$150,000- \$499,999
Weld County	19.74%	27.99%	36.97%	10.87%	4.41%
Colorado	20.38	27.70	33.85	11.61	6.45
United States	24.81	28.82	31.30	9.45	5.62

<sup>1</sup> May not total 100% due to rounding. Calculated as of January 1, 2016.

Source: The Nielsen Company, *Site Reports*, 2016

### Per Capita Personal Income

	2011	2012	2013	2014	2015
Weld County	\$34,576	\$36,543	\$37,615	\$40,830	\$42,787
Colorado	42,946	45,073	46,792	49,768	50,899
United States	42,453	44,267	44,462	46,414	48,112

Source: U.S. Department of Commerce, Bureau of Economic Analysis

## Building Permit Activity

Set forth in the following table is historical building permit activity for the County.

### History of All Permit Activity in Unincorporated Weld County

Year	Total Permits	Total Valuation
2011	2,316	\$126,192,373
2012	2,327	322,182,878
2013	2,451	365,074,000
2014	2,653	782,793,452
2015	1,580	258,577,869
2016 <sup>1</sup>	1,860	235,054,876

<sup>1</sup> Permits issued through October 31, 2016.  
Source: Weld County Building Department

## Foreclosure Activity

Set forth in the following table is a five-year history of foreclosures filed within the County.

### History of Foreclosures in Weld County

Year	Number of Foreclosures Filed	Percent Change
2011	1,919	--
2012	1,563	(18.55)%
2013	823	(47.34)
2014	579	(29.65)
2015	424	(26.77)
2016 <sup>1</sup>	373	--

<sup>1</sup> Foreclosures filed through December 7, 2016.  
Source: The Weld County Public Trustee Office

## Retail Sales

The following table sets forth retail sales figures as reported by the State for the City, County and the State of Colorado.

## Retail Sales

Year	City of Fort Lupton	Percent Change	Weld County	City as a Percent of County	Colorado
2011	\$272,078,070	--	\$ 7,454,857,643	3.65%	\$154,697,942,972
2012	233,831,125	(14.06)%	8,372,182,231	2.79	164,387,648,458
2013	257,141,536	9.97	9,703,732,058	2.65	172,784,033,081
2014	286,174,937	11.29	11,663,178,783	2.45	182,374,956,947
2015	273,515,941	(4.42)	10,531,427,501	2.60	182,836,468,711

Source: State of Colorado, Department of Revenue, *Sales Tax Statistics*, 2011-2015

## Employment

The following tables set forth employment statistics by industry and the most recent historical labor force estimates for the County.

### Total Business Establishments and Employment—Weld County

Industry <sup>1</sup>	First Quarter 2015		First Quarter 2016		Annual Change	
	Units	Average Employment	Units	Average Employment	Units	Average Employment
Agriculture, forestry, fishing and hunting	220	3,563	230	3,760	10	197
Mining	231	8,898	245	5,892	14	(3,006)
Utilities	29	317	32	339	3	22
Construction	883	10,031	929	8,878	46	(1,153)
Manufacturing	307	12,463	318	13,422	11	959
Wholesale trade	440	4,085	461	3,913	21	(172)
Retail trade	620	9,413	641	9,787	21	374
Transportation and warehousing	378	3,978	388	3,228	10	(750)
Information	80	638	81	688	1	50
Finance and insurance	345	3,024	341	2,976	(4)	(48)
Real estate and rental and leasing	258	1,229	283	1,219	25	(10)
Professional and technical services	745	2,597	764	2,611	19	14
Management of companies and enterprises	46	1,451	59	1,407	13	(44)
Administrative and waste services	360	5,875	401	5,441	41	(434)
Educational services	67	483	74	515	7	32
Health care and social assistance	441	8,555	460	9,011	19	456
Arts, entertainment and recreation	75	787	75	808	--	21
Accommodation and food services	408	7,276	436	7,502	28	226
Other services	444	2,253	514	2,331	70	78
Non-classifiable	8	7	9	18	1	11
Government	150	14,761	150	15,198	--	437
Total	<u>6,536</u>	<u>101,684</u>	<u>6,891</u>	<u>98,943</u>	<u>355</u>	<u>(2,741)</u>

<sup>1</sup> Information provided herein reflects only those employers who are subject to State unemployment insurance law.

Source: Colorado Department of Labor and Employment, Labor Market Information, Quarterly Census of Employment and Wages (QCEW)



### Labor Force Estimates

Year	Weld County (Greeley MSA)		Colorado	
	Labor Force	Percent Unemployed	Labor Force	Percent Unemployed
2011	134,285	8.6%	2,736,079	8.4%
2012	137,021	7.8	2,759,437	7.9
2013	139,744	6.6	2,780,536	6.8
2014	146,108	4.5	2,815,200	5.0
2015	147,984	3.8	2,828,529	3.9
2016 <sup>1</sup>	150,870	3.6	2,887,356	3.4

<sup>1</sup> Labor force estimates through September 30, 2016.

Source: State of Colorado, Division of Employment and Training

The following table sets forth selected major employers in the County. No independent investigation has been made of and no representation is made herein as to the stability or financial condition of the listed entities, or the likelihood that they will maintain their status as major employers in the area.

### 2015 Selected Major Employers in Weld County <sup>1</sup>

Firm	Product or Service	Estimated Number of Employees
JBS Swift Beef Company	Meat Processing and Transportation	4,523
Banner Health (NMC)	Regional Hospital	3,069
Vestas	Wind Turbine & Blade Manufacturer	1,980
Weld County School District RE-6	Education	1,923
State Farm Insurance Companies	Insurance Operations	1,720
State of Colorado (includes University of Northern Colorado)	Higher Education	1,442
Weld County	County Government	1,405
Halliburton Energy Services Inc.	Oil and Gas Exploration	1,110
Greeley (City of)	Municipal Government	857
TeleTech	Financial Services	700

<sup>1</sup> Most recent information available.

Source: Weld County 2015 CAFR - Upstate Colorado Economic Development

## **APPENDIX D**

### **FORM OF BOND COUNSEL OPINION**

Weld County School District RE-8  
Fort Lupton, Colorado

George K. Baum & Company  
Denver, Colorado

\$48,600,000

Weld County School District No. RE-8  
In Weld County and the City and County of Broomfield, Colorado  
General Obligation Bonds, Series 2017

Ladies and Gentlemen:

We have been engaged by Weld County School District No. RE-8, in Weld County and the City and County of Broomfield, Colorado (the “District”), to act as bond counsel for the issuance of its General Obligation Bonds, Series 2017, in the aggregate principal amount of \$48,600,000 (the “Bonds”). We have examined the constitution and the laws of the State of Colorado (the “State”); the provisions of the Internal Revenue Code of 1986, as amended (the “Code”), and the regulations, rulings and judicial decisions relevant to the opinions set forth in paragraph 3 below; the provisions of the Securities Act of 1933, as amended, and the regulations, rulings and judicial decisions relevant to the opinion set forth in paragraph 5 below; and such certified proceedings, certificates, documents, opinions and other papers as we deem necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law and as of the date hereof, that:

1. The Bonds are valid and binding general obligations of the District.
2. All taxable property within the boundaries of the District is subject to ad valorem taxation, without limitation as to rate and in an amount sufficient to pay the principal of and the interest on the Bonds when due. The District is required by law to include in its annual tax levy the principal of and interest coming due on the Bonds to the extent the necessary funds are not provided from other sources.
3. Under existing laws, regulations, rulings and judicial decisions existing on the date hereof, interest on the Bonds (including any original issue discount properly allocable to certain of the Bonds) is excludable from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum tax. The opinions set forth in the preceding sentences assume compliance by the District with certain requirements of the Code that must be met subsequent to the issuance of the Bonds. Failure to comply with such requirements could cause such interest to be included in gross income for federal income tax purposes or could otherwise adversely affect such opinions, retroactive to the date of issuance of the Bonds. The District has covenanted in the resolution adopted by the Board of Education of the District authorizing the issuance of the Bonds (the “Resolution”) and in the Tax Compliance Certificate executed and delivered in connection with the issuance of the Bonds to comply with such requirements. We express no opinion regarding other federal

tax consequences arising with respect to the Bonds. We note, however, that interest on the Bonds is taken into account in determining adjusted current earnings for purposes of the alternative minimum tax imposed on corporations (as defined for federal income tax purposes).

4. Under State statutes existing on the date hereof, the interest on the Bonds (including any original issue discount properly allocable to certain of the Bonds) is exempt from State of Colorado income taxation. We express no opinion regarding other tax consequences arising with respect to the Bonds under the laws of the State or any other state or jurisdiction.

5. The Bonds are exempt from registration under the Securities Act of 1933, as amended.

The rights of the holders of the Bonds and the enforceability of the Bonds and the Resolution may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity, by the exercise by the State of Colorado and its governmental bodies of the police power inherent in the sovereignty of the State of Colorado and by the exercise by the United States of America of the powers delegated to it by the Constitution of the United States of America.

We express no opinion herein as to any matter not specifically set forth above. In particular, but without limitation, we express no opinion herein as to the accuracy, adequacy or completeness of any official statement, memorandum, prospectus or other statement used in connection with the offer and sale of the Bonds.

This opinion is given as of the date hereof and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

This opinion may be relied upon solely by the addressees hereto in connection with the issuance of the Bonds. This opinion may not be relied upon for any other purpose or by any person other than the addressees.

Respectfully submitted,

## APPENDIX E

### BOOK-ENTRY-ONLY SYSTEM

*The information in this section concerning The Depository Trust Company (“DTC”) New York, New York and DTC’s book entry only system has been obtained from DTC, and the District and the Underwriters take no responsibility for the accuracy thereof.*

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for the Bonds, as set forth on the cover page hereof, in the aggregate principal amount of each maturity of the Bonds and deposited with DTC.

DTC, the world’s largest securities depository, is a limited purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation & Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has an S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of Bonds; DTC’s records reflect only the identity

of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants remain responsible for keeping accounts of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds are to be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other name as may be requested by an authorized representative of DTC) is the responsibility of the District or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to Tender or Remarketing Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to Tender or Remarketing Agent. The requirement for physical delivery of the Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book entry credit for tendered Bonds to Tender or Remarketing Agent's DTC account.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, in the

event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book entry only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.