

**LAKE COUNTY SCHOOL DISTRICT R-1
LEADVILLE, COLORADO
FINANCIAL STATEMENTS
JUNE 30, 2016**



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LAKE COUNTY SCHOOL DISTRICT R-1

**ROSTER OF SCHOOL OFFICIALS
JUNE 30, 2016**

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Kate Bartlett – Chief Financial Officer

Rena Sanchez – Accounting Manager

Noreen Flores – Human Resources

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LAKE COUNTY SCHOOL DISTRICT R-1

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Lake County School District R-1
Leadville, 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 Lake County School District R-1 (the District) 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 the District, 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 – 14, the budgetary comparison information on pages 47–51, the Schedule of the Proportionate Share of the Net Pension Liability on page 52 and the Schedule of Employer Contributions on page 53 be presented to supplement the basic financial statements 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 District'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 supplementary information, the schedule of expenditures of federal awards and the auditor's integrity report are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2016, on our consideration of the District'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 District's internal control over financial reporting and compliance.

Plutt Rogers & Company PC

November 1, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

LAKE COUNTY SCHOOL DISTRICT R-1

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2016

The discussion and analysis of Lake County School District R-1's (the "District") financial performance provides an overall review of the district's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the basic financial statements, notes to the financial statements, budgetary comparison schedules and additional supplementary information to broaden their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

The District's budget continues to remain fairly constant. Any increases in revenue are used to offset the additional cost of salary and benefits for staff. The District continues to maintain a healthy fund balance in the General Fund. The District budgets sufficient contingencies to cover any unanticipated operational needs. For the year ended June 30, 2016 the District's total net position decreased by \$1,606,978 to \$10,405,995.

Of the governmental activities net asset total of \$10,405,995, \$(17,495,005) is unrestricted.

The total cost of the District's programs increased \$3,739,456, or 28.1%, compared to 2015. Total revenues increased \$1,389,485 or 9.9%, compared to 2015.

The General Fund reported a fund balance of \$2,917,222 as of June 30, 2016, an increase of \$888,519. Of this amount, \$2,445,080, or 83.8% is unassigned.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's discussion and analysis is intended to serve as an introduction to Lake County School District's basic financial statements. The basic financial statements presented are comprised of three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the basic financial statements. Additional information consists of supplementary information and single audit information.

Government-wide Financial Statements

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of changes in the financial position of the District. Current and previous year information is presented for comparison.

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

LAKE COUNTY SCHOOL DISTRICT R-1

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2016

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.

Both government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the District include instruction, pupil activities, instructional support, general and school administration, business and central services, and transportation. The business-type activities of the District include Food Services.

The Government-wide financial statements can be found on pages 15-16 of this report.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All District funds can be divided into three categories: governmental funds and fiduciary funds.

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 seven Governmental Funds. The General Fund is the largest Governmental Fund and encompasses most of the District's revenues and expenditures. The other seven funds consist of the Designated Grants Fund, the Food Service Fund, the Center Fund, the Head Start Program Fund, the Bond Redemption Fund, the Capital Reserve Fund and the Building Fund. An annual

LAKE COUNTY SCHOOL DISTRICT R-1
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

appropriated budget for the District is adopted for each fund. A budgetary comparison statement has been provided for each fund to demonstrate compliance with the budget. The governmental fund financial statements can be found on pages 17 through 22 of this report.

Fiduciary Fund

The District acts as the agent for assets that belong to others, such as memorials, scholarships and student activity funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purpose. These activities are not included in the district-wide financial statements because it cannot use these assets to finance its operations. The basic fiduciary fund financial statements can be found on page 23 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is useful to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-46 of this report.

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 Designated 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.

LAKE COUNTY SCHOOL DISTRICT R-1
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$10,405,995 at June 30, 2016.

By far the largest portion of the District's net assets reflects its \$26,151,475 investment in capital assets net of accumulated depreciation and related debt. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net position represents resources that are subject to external restriction on how they may be used. At June 30, 2016, net position totaling \$1,749,525 were restricted, with \$1,193,383 restricted for debt service, \$116,142 restricted for pre-school, \$84,000 restricted for capital projects, and \$356,000 for TABOR emergencies.

At June 30, 2016 and June 30, 2015 the District reported positive net position balances for the District as a whole.

For fiscal year 2016, the District's net position decreased by \$1,606,978 resulting from excess expenses over revenues. The decrease is mainly the result of increases in pension costs offset by an increase in property taxes resulting from an increase in assessed valuation and the increase in the 2015 debt service mill levy because of the successful 2012 bond election.

LAKE COUNTY SCHOOL DISTRICT R-1

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

**Government-wide Financial Analysis
Table 1 -Condensed Statement of Net Position**

	Governmental Activities		
	2016	2015	Change
Current Assets	\$ 4,934,257	\$ 4,186,427	\$ 747,830
Restricted Assets	1,131,022	986,154	144,868
Capital Assets - Net	36,234,080	36,195,150	38,930
Total Assets	42,299,359	41,367,731	931,628
Deferred Outflows of Resources	2,552,231	2,426,759	125,472
Current Liabilities	1,354,961	1,463,398	(108,437)
Long-term Liabilities	10,225,066	10,747,311	(522,245)
Net Pension Liability	22,337,081	19,569,347	2,767,734
Total Liabilities	33,917,108	31,780,056	2,137,052
Deferred Inflows of Resources	528,487	1,461	527,026
Net Position:			
Net Investment in			
Capital Assets	26,151,475	25,662,968	488,507
Restricted	1,749,525	1,502,724	246,801
Unrestricted	(17,495,005)	(15,152,719)	(2,342,286)
Total Net Position	\$ 10,405,995	\$ 12,012,973	\$ (1,606,978)

Governmental Activities. For fiscal year 2016, governmental activities decreased the District's net position by \$1,606,978 from \$12,012,973 to \$10,405,995.

- The cost of all governmental activities for the current fiscal year was \$17,035,828.
- Users of some of the District's governmental programs paid \$236,232 for services.
- The federal and state governments subsidized certain programs with capital/operating grants and contributions totaling \$4,599,674.
- Most District governmental activities were funded by district and state taxpayers. For fiscal year 2016 this portion of governmental activities was funded with \$8,077,444 in property and specific ownership taxes, \$176,866 of payment in lieu of taxes, \$2,153,656 of unrestricted state equalization based on the statewide education aid formula and investment earnings of \$5,783.

LAKE COUNTY SCHOOL DISTRICT R-1

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

**Government-wide Financial Analysis
Table 2 -Condensed Statement of Activities**

	Governmental Activities		
	2016	2015	Change
Program Revenues:			
Charges for Services	\$ 236,232	\$ 240,954	\$ (4,722)
Operating Grants	4,147,284	3,919,552	227,732
Capital Grants	452,390	425,559	26,831
Total Program Revenues	4,835,906	4,586,065	249,841
General Revenues:			
Taxes	8,254,310	7,161,917	1,092,393
State Equalization	2,153,656	2,147,611	6,045
Investment Income	8,112	3,090	5,022
Other	176,866	140,682	36,184
Total General Revenues	10,592,944	9,453,300	1,139,644
Total Revenues	15,428,850	14,039,365	1,389,485
Expenses			
Instruction	8,269,431	5,377,328	2,892,103
Supporting Services	5,504,129	4,591,873	912,256
Community Services	1,769,602	1,442,254	327,348
Non-Capitalized Property	-	451,854	(451,854)
Debt Service Interest	309,830	323,146	(13,316)
Unallocated Depreciation	1,182,836	1,109,917	72,919
Total Expenses	17,035,828	13,296,372	3,739,456
Change in Net Position	(1,606,978)	742,993	(2,349,971)
Net Position - Beginning	12,012,973	11,269,980	742,993
Net Position - Ending	\$ 10,405,995	\$ 12,012,973	\$ (1,606,978)

LAKE COUNTY SCHOOL DISTRICT R-1
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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.

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. Revenues for the General Fund totaled \$10,915,327 in fiscal year 2016 compared to \$9,546,728 in fiscal year 2015, an increase of \$1,368,599 or 14.3%. Expenditures totaled \$9,858,539 compared to \$9,413,156, an increase of \$445,383 or 4.7%.

Revenues

Property Taxes. General Fund property tax revenues increased \$974,805 to \$7,019,807 or 16.1% due to collection of delinquent taxes. Property taxes accounted for 64.3% 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 increased \$5,433, or 1.7% to \$330,150.

State Equalization. State equalization revenue increased \$6,045 or 0.3% to \$2,153,656 in fiscal year 2016 and accounted for 19.7% of the District's General Fund revenue.

State and Federal Grants. State and federal grants revenue increased \$275,839 or 30.1% to \$1,191,217 from \$915,378 in fiscal year 2016 and accounted for 10.9% of the District's General Fund revenue.

LAKE COUNTY SCHOOL DISTRICT R-1

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2016

Revenues	2016	2015	Amount of Change	Percentage Change
Property Taxes	\$ 7,019,807	\$ 6,045,002	\$ 974,805	16.1%
Specific Ownership Tax	330,150	324,717	5,433	1.7%
State Equalization	2,153,656	2,147,611	6,045	0.3%
State Grants	936,789	679,489	257,300	37.9%
Federal	254,428	235,889	18,539	7.9%
Investment Income	5,783	2,105	3,678	174.7%
Miscellaneous	214,714	111,915	102,799	91.9%
Total	<u>\$ 10,915,327</u>	<u>\$ 9,546,728</u>	<u>\$ 1,368,599</u>	<u>14.3%</u>

Expenditures

Overall expenditures for the General Fund increased just 4.7% from the previous year.

Expenditures	2016	2015	Amount of Change	Percentage Change
Instruction	\$ 5,850,436	\$ 5,557,726	\$ 292,710	5.3%
Students	363,172	360,179	2,993	0.8%
Instructional Staff	464,025	536,678	(72,653)	-13.5%
General Administration	463,639	370,467	93,172	25.1%
School Administration	698,158	637,504	60,654	9.5%
Business	160,775	148,910	11,865	8.0%
Operations and Maintenance	1,278,950	1,260,498	18,452	1.5%
Student Transportation	359,284	338,175	21,109	6.2%
Risk Management	220,100	203,019	17,081	8.4%
	<u>\$ 9,858,539</u>	<u>\$ 9,413,156</u>	<u>\$ 445,383</u>	<u>4.7%</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 \$1,473,106, which equaled expenditures.

The Bond Redemption Debt Service Fund is used to account for the requirements of the series 2012 general obligation bonds. The primary revenue source for the Bond Redemption Debt Service Fund is a voter approved floating mill levy of 3.369 mills which generated \$904,353. The Bond Redemption Debt Service Fund expenditures primarily reflect principal and interest costs on the District's general obligation debt.

The Capital Reserve Fund is used to acquire land and improvements, new facilities, additions, repairs and renovations to existing facilities, equipment and safety upgrades. Total revenues for the Capital Reserve Fund were \$713,256, while expenditures totaled \$724,144. The most

LAKE COUNTY SCHOOL DISTRICT R-1
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

significant revenue source was provided grants of \$425,390 and by payment in lieu of taxes of \$176,866. The revenues were used to fund renovations to schools of \$355,855, upgrades to equipment of \$352,751 and a vehicle for \$15,538.

GENERAL FUND BUDGETARY HIGHLIGHTS

Total budgeted appropriations for the General Fund adopted by the Board of Education for fiscal year 2016 were \$12,140,286. The adopted budget was modified to reflect additional transfer of funds to the Food Service Fund of \$4,269.

In fiscal year 2016, property tax revenues received in the General Fund was \$7,019,807 compared to last year's amount of \$6,045,002.

State Equalization funds amounted to \$2,153,656 compared to last year's amount of \$2,147,611. This was \$31,496 more than the budget of \$2,122,160.

In fiscal year 2016, final budgeted expenditures for the General Fund totaled \$12,140,286 while actual expenditures totaled \$10,026,808.

LAKE COUNTY SCHOOL DISTRICT R-1

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2016

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - As of June 30, 2016 total capital asset was \$36,234,080. This is a net increase of \$38,930 from June 30, 2015. The District's primary expenditures were from improvements to Schools. The following is a summary of the of the District's capital asset balances.

	<u>Balance 6/30/2015</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance 6/30/2016</u>
Governmental activities				
Capital assets not being depreciated				
Land and sites	\$ 186,526	\$ -	\$ -	\$ 186,526
Total Capital assets not being depreciated	<u>186,526</u>	<u>-</u>	<u>-</u>	<u>186,526</u>
Capital assets being depreciated				
Buildings	44,635,636	1,090,007	-	45,725,643
Transportation equipment	1,624,934	108,215	31,250	1,701,899
Other equipment	<u>594,322</u>	<u>23,544</u>	<u>142,219</u>	<u>475,647</u>
Total capital assets being depreciated	<u>46,854,892</u>	<u>1,221,766</u>	<u>173,469</u>	<u>47,903,189</u>
Less accumulated depreciation				
Buildings	9,476,112	1,021,497	-	10,497,609
Transportation equipment	1,071,941	131,466	31,250	1,172,157
Other equipment	<u>298,215</u>	<u>29,873</u>	<u>142,219</u>	<u>185,869</u>
Total accumulated depreciation	<u>10,846,268</u>	<u>1,182,836</u>	<u>173,469</u>	<u>11,855,635</u>
Governmental activities capital assets, net	<u>\$ 36,195,150</u>	<u>\$ 38,930</u>	<u>\$ -</u>	<u>\$ 36,234,080</u>

Additional information on the District's capital assets may be found in Note 4 in the Notes to the Financial Statements section.

LAKE COUNTY SCHOOL DISTRICT R-1
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

Long-term Debt - The long-term debt as of June 30, 2016 is \$10,297,734. The following is a summary of the District's long-term debt balances.

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
General Obligation Bonds, Series 2012	\$ 10,532,182	\$ -	\$ 449,577	\$ 10,082,605
Early Retirement Obligations	300,128	-	84,999	215,129
Total Long -Term Obligations	<u>\$ 10,832,310</u>	<u>\$ -</u>	<u>\$ 534,576</u>	<u>\$ 10,297,734</u>

Additional information on the District's long-term debt may be found in Note 5 in the Notes to the Financial Statements section.

FACTORS BEARING ON DISTRICT'S FUTURE

Over the past few years, the District was able to continue to build our fund balance. The District enrollment for 2016 decreased 12.3 FTE and will have a significant impact on our fund balance in the future. The state averaging will continue to have an impact on future years if the declining enrollment trend continues. The District will have continued financial challenges with the maintenance of effort in staffing and operational costs if the decline continues.

Increased salaries will need to be maintained for retention purposes, but the decrease in enrollment will affect our staffing. Our District continues to rely on grant dollars for many programs. The acquisition of grants will need to continue in order to maintain the current programs for our students. Our capital project needs exceed the amount we are able to set aside for capital projects. The District continues to need support from the state capital construction grant dollars.

Requests for Information

This financial report is designed to provide a general overview of the Lake County School District R 1's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the:

Chief Financial Officer
107 Spruce Street
Leadville, Colorado 80461

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BASIC FINANCIAL STATEMENTS

LAKE COUNTY SCHOOL DISTRICT R-1

**STATEMENT OF NET POSITION
JUNE 30, 2016**

	Governmental Activities
ASSETS	
Cash and Investments	\$ 4,238,504
Restricted Cash and Investments	1,131,022
Cash with County Treasurer	99,623
Property Taxes	122,847
Accounts Receivable	1,258
Grants Receivable	472,025
Capital Assets Not Being Depreciated	186,526
Capital Assets, Net of Accumulated Depreciation	36,047,554
TOTAL ASSETS	42,299,359
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows of Resources Related to Pensions	2,552,231
LIABILITIES	
Accounts Payable	92,489
Accrued Salaries and Benefits	1,066,283
Unearned Revenue	196,189
Noncurrent Liabilities:	
Due Within One Year	463,090
Due in More Than One Year	9,761,976
Net Pension Liability	22,337,081
TOTAL LIABILITIES	33,917,108
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of Resources Related to Pensions	528,487
NET POSITION	
Net Investment in Capital Assets	26,151,475
Restricted for:	
Tabor Emergency	356,000
Debt Service	1,193,383
Colorado Preschool Program	116,142
Capital Projects	84,000
Unrestricted	(17,495,005)
TOTAL NET POSITION	\$ 10,405,995

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

LAKE COUNTY SCHOOL DISTRICT R-1

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

					NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			GOVERNMENTAL ACTIVITIES
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS	
GOVERNMENTAL ACTIVITIES:					
Current:					
Instruction	\$ 8,269,431	\$ -	\$ 1,808,962	\$ -	\$ (6,460,469)
Supporting Services	5,504,129	-	1,093,066	-	(4,411,063)
Community Services	1,769,602	236,232	1,245,256	-	(288,114)
Property	-	-	-	452,390	452,390
Interest on Long-Term Debt	309,830	-	-	-	(309,830)
Unallocated Depreciation	1,182,836	-	-	-	(1,182,836)
TOTAL GOVERNMENT ACTIVITIES	17,035,828	236,232	4,147,284	452,390	(12,199,922)
GENERAL REVENUES:					
Taxes:					
					7,019,807
					904,353
					330,150
					176,866
					2,153,656
					8,112
					10,592,944
CHANGE IN NET POSITION					
(1,606,978)					
NET POSITION - Beginning					
12,012,973					
NET POSITION - Ending					
\$ 10,405,995					

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

LAKE COUNTY SCHOOL DISTRICT R-1

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2016

(With Comparative Totals for June 30, 2015)

	GENERAL	DESIGNATED GRANTS	BOND REDEMPTION
ASSETS			
Cash and Investments	\$ 3,389,544	\$ 160,537	\$ -
Restricted Cash and Investments	-	-	1,131,022
Cash with County Treasurer	51,618	-	48,005
Property Taxes	108,491	-	14,356
Accounts Receivable	1,258	-	-
Grants Receivable	127,146	265,787	-
Due from Other Funds	126,138	-	-
Inventory	-	-	-
TOTAL ASSETS	\$ 3,804,195	\$ 426,324	\$ 1,193,383
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 20,905	\$ 49,513	\$ -
Accrued Salaries and Benefits	837,899	99,507	-
Unearned Revenue	28,169	160,537	-
Due to Other Funds	-	116,767	-
TOTAL LIABILITIES	886,973	426,324	-
FUND BALANCES			
Restricted For:			
Tabor Emergency	356,000	-	-
Debt Service	-	-	1,193,383
Colorado Preschool Program	116,142	-	-
Capital Projects	-	-	-
Assigned:			
Other Purposes	-	-	-
Unassigned	2,445,080	-	-
TOTAL FUND BALANCES	2,917,222	-	1,193,383
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,804,195	\$ 426,324	\$ 1,193,383

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

CAPITAL RESERVE	TOTAL NONMAJOR FUNDS	TOTAL	
		2016	2015
\$ 668,526	\$ 19,897	\$ 4,238,504	\$ 3,192,363
-	-	1,131,022	986,154
-	-	99,623	140,034
-	-	122,847	104,611
-	-	1,258	-
20,225	58,867	472,025	745,800
-	-	126,138	167,329
-	-	-	3,619
<u>\$ 688,751</u>	<u>\$ 78,764</u>	<u>\$ 6,191,417</u>	<u>\$ 5,339,910</u>
\$ 21,211	\$ 860	\$ 92,489	\$ 347,568
-	56,209	993,615	912,560
-	7,483	196,189	118,271
-	9,371	126,138	167,329
<u>21,211</u>	<u>73,923</u>	<u>1,408,431</u>	<u>1,545,728</u>
-	-	356,000	322,000
-	-	1,193,383	1,046,108
-	-	116,142	129,052
84,000	-	84,000	5,564
583,540	4,841	588,381	713,807
-	-	2,445,080	1,577,651
<u>667,540</u>	<u>4,841</u>	<u>4,782,986</u>	<u>3,794,182</u>
<u>\$ 688,751</u>	<u>\$ 78,764</u>	<u>\$ 6,191,417</u>	<u>\$ 5,339,910</u>

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LAKE COUNTY SCHOOL DISTRICT R-1
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2016

Total Fund Balance - Governmental Funds \$ 4,782,986

Total net Position reported for governmental activities in the statement of net position is different because:

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

Capital Assets Cost	\$ 48,089,715	
Accumulated Depreciation	(11,855,635)	36,234,080

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 year end are:

Bonds Payable	(10,082,605)	
Net Pension Liability	(22,337,081)	
Early Retirement Liability	(215,129)	(32,634,815)

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	652,953	
Deferred outflows of resources related to pensions	1,899,278	
Deferred inflows of resources related to pensions	(528,487)	2,023,744

Net Position - Governmental Activities \$ 10,405,995

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

LAKE COUNTY SCHOOL DISTRICT R-1

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS**

YEAR ENDED JUNE 30, 2016

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

	<u>GENERAL</u>	<u>DESIGNATED GRANTS</u>	<u>BOND REDEMPTION</u>
REVENUES			
Local Sources	\$ 7,570,454	\$ 118,229	\$ 906,682
Intermediate Sources	-	-	-
State Sources	3,090,445	370,832	-
Federal Sources	254,428	964,045	-
TOTAL REVENUES	<u>10,915,327</u>	<u>1,453,106</u>	<u>906,682</u>
EXPENDITURES			
Current:			
Instruction	5,850,436	445,728	-
Supporting Services	4,008,103	956,458	-
Community Support	-	-	-
Capital Outlay	-	70,920	-
Debt Service	-	-	759,407
TOTAL EXPENDITURES	<u>9,858,539</u>	<u>1,473,106</u>	<u>759,407</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>1,056,788</u>	<u>(20,000)</u>	<u>147,275</u>
OTHER FINANCING SOURCES			
Transfers In (Out)	(168,269)	20,000	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(168,269)</u>	<u>20,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>888,519</u>	<u>-</u>	<u>147,275</u>
FUND BALANCES, Beginning	<u>2,028,703</u>	<u>-</u>	<u>1,046,108</u>
FUND BALANCES, Ending	<u><u>\$ 2,917,222</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,193,383</u></u>

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

CAPITAL RESERVE	TOTAL NONMAJOR FUNDS	TOTAL	
		2016	2015
\$ 176,866	\$ 379,759	\$ 9,151,990	\$ 8,169,141
-	-	-	10,698
452,390	15,907	3,929,574	3,571,545
-	1,128,813	2,347,286	2,287,981
629,256	1,524,479	15,428,850	14,039,365
-	-	6,296,164	5,834,625
-	76,616	5,041,177	4,869,849
-	1,542,670	1,542,670	1,509,129
724,144	-	795,064	5,199,033
-	-	759,407	759,603
724,144	1,619,286	14,434,482	18,172,239
(94,888)	(94,807)	994,368	(4,132,874)
84,000	64,269	-	-
84,000	64,269	-	-
(10,888)	(30,538)	994,368	(4,132,874)
678,428	35,379	3,788,618	7,927,056
\$ 667,540	\$ 4,841	\$ 4,782,986	\$ 3,794,182

LAKE COUNTY SCHOOL DISTRICT R-1

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2016

Net change in fund balances - governmental funds \$ 994,368

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capitalized Expenses	1,221,766	
Depreciation Expense	<u>(1,182,836)</u>	38,930

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.

(3,174,852)

The issuance of long-term debt (e.g., bonds, notes) provides current financial resources to the governmental funds. However, issuing debt increases long-term liabilities on the statement of net assets, so this transaction has no effect on net position.

Repayments of principal:

General Obligation Refunding Bonds	449,577
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Accrued compensated absences are recorded on the cash basis in the funds:

Accrued Compensated Absences Paid (Accrued) - net	<u>84,999</u>
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Change in net position of governmental activities \$ (1,606,978)

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

LAKE COUNTY SCHOOL DISTRICT R-1
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2016
(With Comparative Totals for June 30, 2015)

	PUPIL ACTIVITY AGENCY FUND	
	2016	2015
ASSETS		
Cash	\$ 233,871	\$ 212,539
LIABILITIES		
Accounts Payable	\$ 233,871	\$ 212,539

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

LAKE COUNTY SCHOOL DISTRICT R-1

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Lake County School District R - 1 (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (US GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and reporting principles. Following is a summary of the more significant policies:

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.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) present financial information of the District as a whole. The reporting information includes all of the non-fiduciary activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities normally are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segments 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

LAKE COUNTY SCHOOL DISTRICT R-1

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.

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 proprietary fund and 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.

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity, with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained by the District is consistent with legal and managerial requirements.

LAKE COUNTY SCHOOL DISTRICT R-1

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

The District reports the following major funds:

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

The ***Bond Redemption Fund*** accounts for property taxes restricted for the payment of general obligation debt issued by the District.

The ***Capital Reserve Fund*** accounts for resources to be used for ongoing capital needs, such as site acquisition, building additions and equipment purchases.

The District reports the Food Service, Center and Head Start Program Special Revenue Funds as non-major governmental funds.

Additionally, the District reports the following fund types:

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

The ***Pupil Activity Agency Fund*** is used to account for resources used to support each school's student and fundraising activities.

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. Restricted Cash and Investments

Certain assets and their related liabilities whose use is restricted under grant requirements, construction, bonded debt service and other purposes by contractual agreement and/or debt

LAKE COUNTY SCHOOL DISTRICT R-1

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

indentures are segregated on the government-wide statement of net position and the fund balance sheets.

3. 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.

4. Interfund Receivables/Payables

Receivables and payables between individual funds are classified in the fund financial statements as interfund receivables and interfund payables. Any residual balances outstanding between governmental and business-type activities are reported in the government-wide financial statements as internal balances.

5. Property Taxes

Property taxes are recognized as revenue in the year in which they are intended to finance operating expenses, pursuant to the Colorado school district funding formula. As 2015 property taxes were both measurable and available at June 30, 2016, the District has recognized a receivable (net of uncollectible portion) for property taxes levied January 1, 2016 but not collected by June 30, 2016.

Property Tax Revenues – Property taxes are levied on December 15 based on the assessed value of property as certified by the County Assessor by December 10. Assessed values are an approximation of market value. The property tax may be paid in total by April 30 or one-half payment by February 28 and the second half by June 15. The billings are considered due on these dates. The bill becomes delinquent and penalties and interest may be assessed by the County Treasurer on the post mark day following these dates. The tax sale date is the first Thursday of November.

6. Capital Assets

Capital assets, which include buildings, site improvements, vehicles and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary fund in the fund 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.

LAKE COUNTY SCHOOL DISTRICT R-1

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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.

Depreciation has been provided over the estimated useful lives of the asset in the government-wide presentation. Depreciation is calculated using the straight-line method over the following useful lives:

Buildings and Sites	30 - 50 years
Transportation Equipment	10 years
Equipment and Furniture	5 - 15 years

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

8. Accrued Salaries and Benefits

Salaries and benefits of certain contractually employed personnel are paid over a twelve-month period from August to July, 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.

LAKE COUNTY SCHOOL DISTRICT R-1

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

9. Unearned Revenues

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

10. Compensated Absences

District employees are entitled to certain compensated absences based upon their length of employment. Except for vacation time, compensated absences do not vest or accumulate and are not recorded as expenditures when they are paid. Compensated absences (accrued vacation) are not reflected in the General Fund as the current amount due is determined to be insignificant. For those employees contracted to work a set number of days during a year, no vacation accrual accumulates.

Early Retirement - The District has periodically paid early retirement benefits to employees. The amount of this benefit varies depending on length of service. A long-term liability is reported in the government-wide financial statements for the benefits approved by the Board of Education and earned and accepted by the employees.

11. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. In the fund, financial statements, governmental fund types 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.

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

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

LAKE COUNTY SCHOOL DISTRICT R-1

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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 generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. An example of such an estimate that has been made by management is depreciation expense.

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 proprietary and District-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in financial statements 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 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.

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 Capital Purposes – represents the portion of unspent grant proceeds legally restricted to capital purposes as defined by contractual agreement.

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).

LAKE COUNTY SCHOOL DISTRICT R-1

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2016

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.

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

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 the Board of Education intends to use resources for a specific action but without a formal action.
- *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.

LAKE COUNTY SCHOOL DISTRICT R-1

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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

15. Revenues and Expenditures/Expenses

Revenues and Expenditures/Expenses – Revenues for governmental funds are recorded when they are determined to be both measurable and available. Generally, fees and non-tax revenues are recognized when received. Grants from other governments are recognized when qualifying expenditures are incurred. Expenditures for governmental funds are recorded when the related liability is incurred.

Revenues and expenses of proprietary funds are recognized in essentially the same manner as in commercial accounting.

NOTE 2: CASH AND INVESTMENTS

The District holds the following cash and investments as of June 30, 2016:

Deposits	\$ 1,966,693
Investments	<u>3,636,704</u>
Total Cash and Investments	<u><u>\$ 5,603,397</u></u>

The cash and investments are allocated in the financial statements as follows:

Governmental Activities - Unrestricted	\$ 4,238,504
Governmental Activities - Restricted for Debt Service	1,131,022
Fiduciary Activities	<u>233,871</u>
Total Cash and Investments	<u><u>\$ 5,603,397</u></u>

LAKE COUNTY SCHOOL DISTRICT R-1

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Deposits

Custodial Credit Risk

In the case of deposits, this is the risk that in the event of bank failure, the government's deposits may not be returned to it. The District's deposit policy is in accordance with CRS 11-10.5-101, The Colorado Public Deposit Protection Act (PDPA), which governs the investment of public funds. PDPA requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amount on deposit in excess of federal insurance levels (\$250,000) must be collateralized by eligible collateral as determined by the PDPA. The financial institution is allowed to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The institution's internal records identify collateral by depositor and as such, these deposits are considered 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, all the District's deposits as shown below were either insured by federal depository insurance or collateralized under PDPA and are therefore not deemed to be exposed to custodial credit risk.

	BANK BALANCE	CARRYING BALANCE
FDIC Insurance	\$ 500,000	\$ 500,000
PDPA Collateralized	1,518,220	1,466,693
Total Deposits	<u>\$ 2,018,220</u>	<u>\$ 1,966,693</u>

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 agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptance of certain banks
- Commercial paper holding the highest credit rating category and with a maturity within 180 days;
- Written repurchase agreements collateralized by certain authorized securities;

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**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

- Certain money market funds;
- Guaranteed investment contracts.
- Local government investment pools

As of June 30, 2016, the District's investments consisted of the following:

	<u>Fair Value</u>	<u>Weighted Maturity in Days</u>
Colotrust	\$ 3,636,704	1
Total Investments	<u>\$ 3,636,704</u>	

As of June 30, 2016, the District has invested \$3,636,704 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. COLOTRUST is rated AAAM by Standard and Poor's.

Interest Rate Risk

The District manages its interest rate risk by setting a maximum maturity date no more than five years from the date of purchase unless otherwise authorized by the Board of Education.

NOTE 3: INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2016, is as follows:

<u>Due To:</u>	<u>Due From:</u>		
	Designated Grants Fund	Nonmajor Governmental Funds	Total
General Fund	<u>\$ 116,767</u>	<u>\$ 9,371</u>	<u>\$ 126,138</u>

LAKE COUNTY SCHOOL DISTRICT R-1

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

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.

During the year ended June 30, 2016 transfers were as follows.

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 168,269
Designated Grants Fund	20,000	
Capital Reserve Fund	84,000	
Nonmajor Governmental Funds	64,269	
	<u>\$ 168,269</u>	<u>\$ 168,269</u>

NOTE 4: CAPITAL ASSETS

Capital Asset Activity for the year ended June 30, 2016 was as follows:

	<u>Balance 6/30/2015</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance 6/30/2016</u>
Governmental activities				
Capital assets not being depreciated				
Land and sites	\$ 186,526	\$ -	\$ -	\$ 186,526
Total Capital assets not being depreciated	186,526	-	-	186,526
Capital assets being depreciated				
Buildings	44,635,636	1,090,007	-	45,725,643
Transportation equipment	1,624,934	108,215	31,250	1,701,899
Other equipment	594,322	23,544	142,219	475,647
Total capital assets being depreciated	46,854,892	1,221,766	173,469	47,903,189
Less accumulated depreciation				
Buildings	9,476,112	1,021,497	-	10,497,609
Transportation equipment	1,071,941	131,466	31,250	1,172,157
Other equipment	298,215	29,873	142,219	185,869
Total accumulated depreciation	10,846,268	1,182,836	173,469	11,855,635
Governmental activities capital assets, net	<u>\$ 36,195,150</u>	<u>\$ 38,930</u>	<u>\$ -</u>	<u>\$ 36,234,080</u>

The District does not allocate its depreciation expense against its governmental activity program.

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**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 5: LONG-TERM DEBT

The following is an analysis of changes in long-term debt for the year ended June 30, 2016:

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>	<u>Current Portion</u>
General Obligation Bonds, Series 2012	\$ 10,532,182	\$ -	\$ 449,577	\$ 10,082,605	\$ 463,090
Early Retirement Obligations	300,128	-	84,999	215,129	72,668
Total Long -Term Obligations	<u>\$ 10,832,310</u>	<u>\$ -</u>	<u>\$ 534,576</u>	<u>\$ 10,297,734</u>	<u>\$ 535,758</u>

General Obligation Bonds, Series 2012

\$11,396,379 General Obligation Bonds, Series 2012 were issued to finance improvements to the Lake County High School. Principal payments are due annually on December 1, beginning December 1, 2013 through 2032. Interest payments are due semi-annually on June 1 and December 1. Interest accrues at the rate of 3.005898%. The Bonds are subject to redemption prior to maturity at the option of the District, in whole but not in part, on December 1, 2022 and on any date, thereafter, at a redemption price equal to the principal amount thereof and a redemption premium of 3% of the principal amount so redeemed, plus accrued interest to the redemption date.

The District's general obligation bonds will mature as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 463,090	\$ 296,113	\$ 759,203
2018	477,010	281,984	758,994
2019	491,349	267,430	758,779
2020	506,118	252,438	758,556
2021	521,332	236,996	758,328
2022-2026	2,851,354	936,607	3,787,961
2027-2031	3,306,447	474,674	3,781,121
2032-2033	1,465,905	44,390	1,510,295
Total	<u>\$ 10,082,605</u>	<u>\$ 2,790,632</u>	<u>\$ 12,873,237</u>

Early Retirement Obligations

The District has offered early retirement incentives to staff that are payable over a five-year period subsequent to retirement in the form of a monthly benefit. The current portion of the early

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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

retirement incentive has been included in the District's accrued salaries and benefits in the General Fund. Required payments related to the early retirement obligation are as follows:

Fiscal Year	Early Retirement Obligations
2017	\$ 72,668
2018	66,774
2019	65,233
2020	10,454
Total	\$ 215,129

NOTE 6: 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.

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.

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NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2016

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.

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 ¹	10.15%	10.15%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) ¹	(1.02)%	(1.02)%
Amount Apportioned to the SCHDTF ¹	9.13%	9.13%

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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹	4.20%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	4.00%	4.50%
Total Employer Contribution Rate to the SCHDTF ¹	17.33%	18.13%

¹Rates 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 \$1,233,696 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 \$22,337,081 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 0.1460484634%, which was an increase of 0.0016610290% from its proportion measured as of December 31, 2014 of 0.1443874344%.

For the year ended June 30, 2016, the District recognized pension expense of \$1,233,696. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 316,592
Net difference between projected and actual earnings on pension plan investments	1,899,278	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	211,895
Contributions subsequent to the measurement date	652,953	N/A
Total	<u>\$ 2,552,231</u>	<u>\$ 528,487</u>

\$2,552,231 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:

Year ended June 30,

2017	\$ 516,824
2018	516,824
2019	528,208
2020	554,771

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

Price inflation	2.80%
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

LAKE COUNTY SCHOOL DISTRICT R-1

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2016

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

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

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

- 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 most recent analysis of the long-term expected rate of return, presented to the PERA Board on November 15, 2013, the target allocation and best estimates of geometric real rates of

LAKE COUNTY SCHOOL DISTRICT R-1

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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%	

* 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

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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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.
- 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	\$28,955,386	\$22,337,081	\$16,831,887

LAKE COUNTY SCHOOL DISTRICT R-1

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2016

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.

NOTE 7: POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description.

The District contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer postemployment healthcare plan administered by the PERA. The HCTF provides a health care premium subsidy to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the CRS, as amended, assigns the authority to establish the HCTF benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the HCTF. That report may be obtained as described previously.

Funding Policy.

The District was required to contribute at the rate of 1.02% of covered salaries for all PERA members as set by statute. No member contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contributions of the HCTF is established under Title 24, Article 51, Section 208 of the CRS, as amended. The District's apportionment to the HCTF for the years ended June 30, 2016, 2015 and 2014 were \$66,969, \$63,718 and \$59,353, respectively, equal to their required contribution for each year.

NOTE 8: JOINTLY GOVERNED ORGANIZATION

The District is a participant among nine other districts and the Colorado Mountain College in a jointly governed organization to operate the Mountain Board of Cooperative Educational Services (BOCES). The BOCES was formed for the purpose of administrative functions among member districts for special education and federal grants. The BOCES is governed by a board of directors consisting of a member of the board of education and the superintendent from each of the participating members. The District does not have an ongoing financial interest in or ongoing financial responsibility for the BOCES. For the year ended June 30, 2016 the District paid assessments totaling \$77,710 to the BOCES. Financial statements for the BOCES can be obtained from the BOCES administrative offices at: 1713 Mount Lincoln Drive West, Leadville, CO 80461.

LAKE COUNTY SCHOOL DISTRICT R-1

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 9: 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 worker's 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 years.

NOTE 10: COMMITMENTS AND CONTINGENCIES

Claims and Judgments

The District participates in a number of federal, state, and county programs that are fully or partially funded by grants received from other governmental units. 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. As of 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 any of the individual governmental funds or the overall financial position of the District.

Litigation

The District is involved in various litigations. District management estimates that the potential claims against the District not covered by insurance resulting from such litigation would be insignificant.

LAKE COUNTY SCHOOL DISTRICT R-1

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2016

Significant Taxpayer

The assessed properties within the boundaries of Lake County include one taxpayer that represents approximately 30% of the total taxable assessed valuation of the County. Non-payment of taxes by this taxpayer would materially affect the revenues of the District.

Tabor Amendment

In November 1992, Colorado voters passed the Tabor Amendment (Amendment 1) to the State Constitution which limits state and local government tax powers and imposes spending limitations. The District is subject to the Tabor Amendment.

Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded unless the District's electorate votes to retain the revenue. The Tabor Amendment is subject to many interpretations, but the District believes it is in substantial compliance with the Amendment.

In November 1996, voters within the District approved the following ballot question:

“WITHOUT INCREASING ANY TAX RATE OR IMPOSING ANY NEW TAX SHALL LAKE COUNTY SCHOOL DISTRICT R-1 BE AUTHORIZED TO COLLECT, KEEP AND EXPEND ALL GRANTS FROM STATE OR LOCAL GOVERNMENTS OR PRIVATE SOURCES RECEIVED IN THE YEARS 1996 TO AND INCLUDING 2001 WITHOUT REGARD TO ANY SPENDING, REVENUE-RAISING, OR OTHER LIMITATION IN ARTICLE X SECTION 20 OF THE COLORADO CONSTITUTION OR OTHER LAWS OR OTHER LAWS OF THE STATE?”

The Tabor Amendment requires the District to establish a reserve for emergencies. At June 30, 2016, the District reserved \$356,000 in the General Fund for that purpose.

Budget Compliance

The District may be in violation of State Statutes as the expenditures of the Food Service Fund exceeded the appropriated budget amounts.

REQUIRED SUPPLEMENTARY INFORMATION

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LAKE COUNTY SCHOOL DISTRICT R-1

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GENERAL FUND

YEAR ENDED JUNE 30, 2016

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

	2016				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POS (NEG)	2015 ACTUAL
REVENUES					
Local Sources					
Property Taxes	\$ 6,166,716	\$ 6,166,716	\$ 6,753,501	\$ 586,785	\$ 6,007,203
Specific Ownership Taxes	269,767	269,767	330,150	60,383	324,717
Delinquent Taxes	50,000	50,000	266,306	216,306	37,799
Interest	2,000	2,000	5,783	3,783	2,105
Pupil Activity Revenue	21,000	21,000	15,782	(5,218)	16,257
Rent Revenue	2,400	2,400	6,915	4,515	5,750
Donations	516,691	520,960	167,778	(353,182)	38,274
Other Local	69,016	69,016	24,239	(44,777)	40,936
Total Local Sources	7,097,590	7,101,859	7,570,454	468,595	6,473,041
Intermediate Sources					
Forest Service	15,000	15,000	-	(15,000)	10,698
State Sources					
State Equalization	2,122,160	2,122,160	2,153,656	31,496	2,147,611
Vocational Education	12,894	12,894	14,327	1,433	28,355
ELPA	57,374	57,374	56,515	(859)	36,839
Transportation	76,560	76,560	89,299	12,739	71,383
BOCES Passthrough	211,795	211,795	217,088	5,293	228,729
Other State	283,349	283,349	559,560	276,211	314,183
Total State Sources	2,764,132	2,764,132	3,090,445	326,313	2,827,100
Federal Sources					
Other	82,589	82,589	101,511	18,922	84,649
Federal BOCES Passthrough	148,003	148,003	152,917	4,914	151,240
Total Federal Sources	230,592	230,592	254,428	23,836	235,889
TOTAL REVENUES	10,107,314	10,111,583	10,915,327	803,744	9,546,728
EXPENDITURES					
Instruction					
Salaries	3,593,161	3,593,161	3,728,334	(135,173)	3,537,281
Benefits	1,379,327	1,379,327	1,353,889	25,438	1,315,388
Purchased Services - Professional	310,102	310,102	323,379	(13,277)	276,623
Purchased Services - Property	95	95	100	(5)	-
Purchased Services - Other	266,464	266,464	244,577	21,887	247,942
Supplies	203,726	203,726	189,310	14,416	162,813
Property	1,000	1,000	2,877	(1,877)	11,969
Other	13,400	13,400	7,970	5,430	5,710
Total Instruction	5,767,275	5,767,275	5,850,436	(83,161)	5,557,726

(Continued)

LAKE COUNTY SCHOOL DISTRICT R-1

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GENERAL FUND

YEAR ENDED JUNE 30, 2016

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

(Continued)

	2016			VARIANCE WITH	
	ORIGINAL	FINAL		FINAL BUDGET	2015
	BUDGET	BUDGET	ACTUAL	POS (NEG)	ACTUAL
EXPENDITURES (Continued)					
Students					
Salaries	\$ 313,086	\$ 313,086	\$ 249,239	\$ 63,847	\$ 236,010
Benefits	142,519	142,519	107,274	35,245	96,858
Purchased Services - Professional	3,538	3,538	4,842	(1,304)	6,591
Purchased Services - Other	7,969	7,969	439	7,530	1,596
Supplies	1,600	1,600	1,378	222	19,124
Total Student Support	468,712	468,712	363,172	105,540	360,179
Instructional Staff					
Salaries	185,278	185,278	151,442	33,836	158,406
Benefits	68,840	68,840	50,528	18,312	53,464
Purchased Services - Professional	242,160	242,160	188,848	53,312	187,615
Purchased Services - Property	700	700	-	700	-
Purchased Services - Other	2,650	2,650	714	1,936	486
Supplies	113,500	113,500	51,264	62,236	131,133
Property	46,200	46,200	21,229	24,971	5,574
Total Instructional Staff	659,328	659,328	464,025	195,303	536,678
General Administration					
Salaries	297,269	297,269	298,938	(1,669)	248,872
Benefits	105,456	105,456	102,201	3,255	81,527
Purchased Services - Professional	19,000	19,000	24,226	(5,226)	4,055
Purchased Services - Other	17,500	17,500	17,056	444	15,423
Supplies	5,500	5,500	6,310	(810)	5,748
Property	500	500	-	500	-
Other	12,200	12,200	14,908	(2,708)	14,842
Total General Administration	457,425	457,425	463,639	(6,214)	370,467
School Administration					
Salaries	445,218	445,218	502,182	(56,964)	465,697
Benefits	170,475	170,475	191,200	(20,725)	167,521
Purchased Services - Other	650	650	424	226	244
Supplies	4,350	4,350	4,072	278	4,042
Property	200	200	280	(80)	-
Total School Administration	620,893	620,893	698,158	(77,265)	637,504
Business					
Salaries	96,702	96,702	96,137	565	86,618
Benefits	46,568	46,568	42,475	4,093	36,872
Purchased Services - Professional	5,000	5,000	15,755	(10,755)	13,437
Purchased Services - Other	3,500	3,500	5,876	(2,376)	10,187
Supplies	1,000	1,000	307	693	408
Property	400	400	-	400	-
Other	50	50	225	(175)	1,388
Total Business	153,220	153,220	160,775	(7,555)	148,910

(Continued)

LAKE COUNTY SCHOOL DISTRICT R-1
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2016
(With Comparative Totals for the Year Ended June 30, 2015)

(Continued)

	2016			VARIANCE WITH	
	ORIGINAL	FINAL	ACTUAL	FINAL BUDGET	2015
	BUDGET	BUDGET		POS (NEG)	ACTUAL
EXPENDITURES (Continued)					
Supporting Services (Continued)					
Operations and Maintenance					
Salaries	\$ 516,312	\$ 516,312	\$ 529,368	\$ (13,056)	\$ 532,517
Benefits	226,389	226,389	223,513	2,876	231,426
Purchased Services - Professional	60,000	60,000	52,892	7,108	52,621
Purchased Services - Property	118,000	118,000	125,538	(7,538)	105,999
Purchased Services - Other	1,500	1,500	2,393	(893)	118
Supplies	325,000	325,000	328,788	(3,788)	315,253
Property	15,000	15,000	9,570	5,430	14,765
Other	18,615	18,615	6,888	11,727	7,799
Total Operations and Maintenance	<u>1,280,816</u>	<u>1,280,816</u>	<u>1,278,950</u>	<u>1,866</u>	<u>1,260,498</u>
Student Transportation					
Salaries	181,843	181,843	192,078	(10,235)	175,064
Benefits	117,550	117,550	122,106	(4,556)	104,934
Purchased Services - Professional	5,000	5,000	4,665	335	4,840
Purchased Services - Property	15,000	15,000	25,334	(10,334)	29,930
Purchased Services - Other	5,500	5,500	1,718	3,782	769
Supplies	21,200	21,200	13,383	7,817	20,898
Property	3,000	3,000	-	3,000	1,740
Total Student Transportation	<u>349,093</u>	<u>349,093</u>	<u>359,284</u>	<u>(10,191)</u>	<u>338,175</u>
Risk Management					
Purchased Services - Other	205,000	205,000	220,100	(15,100)	203,019
Total Supporting Services	<u>4,194,487</u>	<u>4,194,487</u>	<u>4,008,103</u>	<u>186,384</u>	<u>3,855,430</u>
Reserves					
Reserves for Contingencies	2,010,255	2,010,255	-	2,010,255	-
TOTAL EXPENDITURES	<u>11,972,017</u>	<u>11,972,017</u>	<u>9,858,539</u>	<u>2,113,478</u>	<u>9,413,156</u>
EXCESS OF REVENUES OVER					
(UNDER) EXPENDITURES	(1,864,703)	(1,860,434)	1,056,788	2,917,222	133,572
OTHER FINANCING USES					
Transfers In (Out)	(164,000)	(168,269)	(168,269)	-	(92,948)
NET CHANGE IN FUND BALANCE	<u>(2,028,703)</u>	<u>(2,028,703)</u>	<u>888,519</u>	<u>2,917,222</u>	<u>40,624</u>
FUND BALANCE, Beginning	<u>2,028,703</u>	<u>2,028,703</u>	<u>2,028,703</u>	<u>-</u>	<u>1,988,079</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,917,222</u>	<u>\$ 2,917,222</u>	<u>\$ 2,028,703</u>

See the Accompanying Independent Auditor's Report.

LAKE COUNTY SCHOOL DISTRICT R-1

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

SPECIAL REVENUE FUND - DESIGNATED GRANTS FUND

YEAR ENDED JUNE 30, 2016

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

	2016				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POS (NEG)	2015 ACTUAL
REVENUES					
Local					
Donations	\$ 82,650	\$ 418,608	\$ 118,229	\$ (300,379)	\$ 334,693
State					
School Counselor Grant	119,113	119,113	119,113	-	57,371
Student Wellness	50,000	50,000	50,000	-	50,000
Other State	177,800	465,367	201,719	(263,648)	197,844
Total State	346,913	634,480	370,832	(263,648)	305,215
Federal					
				-	
Title I, A - Improving Basic Programs	268,492	294,639	262,831	(31,808)	277,429
NCLB Title I Part A	181,192	181,192	181,192	-	224,584
21st Century Community Learning Centers	262,170	262,170	245,180	(16,990)	217,904
Title VI - Rural and Low Income Schools	25,443	25,443	23,735	(1,708)	12,062
Title III Set Aside Immigrant NCLB ELA	-	-	-	-	-
Title III, Part A	31,019	31,019	31,019	-	36,909
Title II , Part A - Teacher Quality	43,508	43,508	86,878	43,370	49,258
Carl Perkins Vocational Education	30,587	30,587	34,196	3,609	26,735
Race to the Top	-	-	-	-	62,369
Other	672	672	99,014	98,342	69,453
Total Federal	843,083	869,230	964,045	94,815	976,703
TOTAL REVENUES	1,272,646	1,922,318	1,453,106	(469,212)	1,616,611
EXPENDITURES					
Instruction					
Salaries	140,971	140,971	139,849	1,122	129,124
Benefits	40,482	40,482	38,286	2,196	27,014
Purchased Services - Professional	87,082	163,432	164,989	(1,557)	64,654
Purchased Services - Other	34,761	34,761	31,116	3,645	12,724
Supplies	70,035	70,035	43,748	26,287	43,383
Property	27,830	27,830	27,740	90	-
Total Instruction	401,161	477,511	445,728	31,783	276,899
Pupil Support					
				-	
Salaries	\$ 351,945	\$ 351,945	\$ 345,408	\$ 6,537	\$ 236,416
Benefits	105,239	105,239	105,181	58	72,466
Purchased Services - Professional	-	92,805	89,799	3,006	168,734
Purchased Services - Other	-	143,259	103,410	39,849	107,663
Supplies	24,542	24,542	10,796	13,746	16,247
Total Pupil Support	481,726	717,790	654,594	63,196	601,526

(Continued)

LAKE COUNTY SCHOOL DISTRICT R-1

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

SPECIAL REVENUE FUND - DESIGNATED GRANTS FUND

YEAR ENDED JUNE 30, 2016

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

(Continued)

	2016			VARIANCE WITH FINAL BUDGET POS (NEG)	2015 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
EXPENDITURES (Continued)					
Staff Support					
Salaries	208,853	208,853	215,646	(6,793)	203,199
Benefits	72,906	72,906	67,581	5,325	66,799
Purchased Services - Professional	-	-	-	-	21,727
Purchased Services - Other	-	-	-	-	4,212
Supplies	-	-	-	-	302
Total Staff Support	281,759	281,759	283,227	(1,468)	296,239
School Administration					
Salaries	18,637	18,637	18,637	-	27,538
Benefits	-	-	-	-	4,796
Total School Administration	18,637	18,637	18,637	-	32,334
Business Services					
Salaries	-	-	-	-	2,959
Total Business Services	-	-	-	-	2,959
Site Improvement Services					
Purchased Services - Professional	-	211,354	67,815	143,539	215,296
Property	-	125,904	3,105	122,799	211,358
Total Site Improvement Services	-	337,258	70,920	266,338	426,654
TOTAL EXPENDITURES	1,183,283	1,832,955	1,473,106	359,849	1,636,611
EXCESS OF REVENUES OVER EXPENDITURES	89,363	89,363	(20,000)	(109,363)	(20,000)
OTHER FINANCING USES					
Transfers In (Out)	20,000	20,000	20,000	-	20,000
TOTAL OTHER FINANCING USES	20,000	20,000	20,000	-	20,000
NET CHANGE IN FUND BALANCE	109,363	109,363	-	(109,363)	-
FUND BALANCE, Beginning	-	-	-	-	-
FUND BALANCE, Ending	\$ 109,363	\$ 109,363	\$ -	\$ (109,363)	\$ -

See the Accompanying Independent Auditor's Report.

LAKE COUNTY SCHOOL DISTRICT R-1

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

PERA PENSION PLAN - SCHOOL DIVISION TRUST FUND

LAST TEN YEARS *

	2015	2014	2013
District Proportion of the Net Pension Liability (Asset)	0.1460484634%	0.1443874344%	0.1435390193%
District Proportionate Share of the Net Pension Liability (Asset)	\$ 22,337,081	\$ 19,569,347	\$ 18,308,363
District Covered Employee Payroll	\$ 6,363,878	\$ 6,049,167	\$ 5,786,362
Proportionate Share of Net Pension Liability as a Percentage of its Covered Employee Payroll	350.998%	323.505%	316.405%
Total Pension Liability	\$ 37,447,062,000	\$ 36,473,966,000	\$ 35,494,976,000
Plan Fiduciary Net Position	22,152,768,000	22,920,607,000	22,740,003,000
Net Pension Liability	<u>\$ 15,294,294,000</u>	<u>\$ 13,553,359,000</u>	<u>\$ 12,754,973,000</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	59.2%	62.8%	64.1%

* 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.

See the Accompanying Independent Auditor's Report.

LAKE COUNTY SCHOOL DISTRICT R-1

**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	\$ 1,233,696	\$ 1,120,600	\$ 990,535	\$ 926,219
Contributions in Relation to the Contractually Required Contribution	<u>(1,233,696)</u>	<u>(1,120,600)</u>	<u>(990,535)</u>	<u>(926,219)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 6,571,617	\$ 6,256,642	\$ 5,822,274	\$ 5,748,203
Contributions as a Percentage of Covered Employee Payroll	18.78%	17.92%	17.00%	16.11%

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

LAKE COUNTY SCHOOL DISTRICT R-1

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, except for the enterprise fund which budgets on a non-GAAP basis. 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:

- Budgets are required by state law for all funds. By May 31, the Superintendent of Schools submits to the Board of Education a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. All appropriations lapse at year end.
- Public hearings are conducted by the Board of Education to obtain taxpayer comments.
- Prior to June 30, the budget is adopted by formal resolution.
- Expenditures may not legally exceed appropriations at the fund level.
- Revisions that alter the total expenditures of any fund must be approved by the Board of Education.
- Budgeted amounts reported in the accompanying financial statements are as originally adopted or as revised by the Board of Education.
- Budget amendments increasing total fund appropriations must be approved by the Board of Education. During the year, supplemental appropriation resolutions were approved by the Board of Education.
- During the year ended June 30, 2016, supplementary appropriations approved by the District as follows:

	Original Appropriation	Modified Appropriation
General Fund	\$ 12,136,017	\$ 12,140,286
Designated Grants Fund	1,183,283	1,832,955
Food Service Fund	661,717	665,986
Center Fund	226,682	226,682
Head Start Fund	713,650	713,650
Bond Redemption Fund	1,801,534	1,801,534
Capital Reserve Fund	1,950,775	1,950,775
Pupil Activity	250,000	250,000
	<u>\$ 18,923,658</u>	<u>\$ 19,581,868</u>

SUPPLEMENTARY INFORMATION

LAKE COUNTY SCHOOL DISTRICT R-1
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016
(With Comparative Totals for June 30, 2015)

	SPECIAL REVENUE FUNDS				
	FOOD SERVICE FUND	CENTER FUND	HEAD START FUND	TOTAL 2016	TOTAL 2015
ASSETS					
Cash and Investments	\$ 2,089	\$ 17,808	\$ -	\$ 19,897	\$ 55,804
Grants Receivable	10,937	2,710	45,220	58,867	90,093
Inventory	-	-	-	-	3,619
TOTAL ASSETS	\$ 13,026	\$ 20,518	\$ 45,220	\$ 78,764	\$ 149,516
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 416	\$ 20	\$ 424	\$ 860	\$ 3,815
Accrued Salaries and Benefits	10,304	8,174	37,731	56,209	49,314
Deferred Revenue	-	7,483	-	7,483	7,483
Due to Other Funds	2,306	-	7,065	9,371	53,525
TOTAL LIABILITIES	13,026	15,677	45,220	73,923	114,137
FUND BALANCES					
Assigned	-	4,841	-	4,841	35,379
TOTAL FUND BALANCES	-	4,841	-	4,841	35,379
TOTAL LIABILITIES AND FUND BALANCES	\$ 13,026	\$ 20,518	\$ 45,220	\$ 78,764	\$ 149,516

See the accompanying Independent Auditors' Report.

LAKE COUNTY SCHOOL DISTRICT R-1

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016
(With Comparative Totals for the Year Ended June 30, 2015)

	SPECIAL REVENUE FUNDS				
	FOOD SERVICE FUND	CENTER FUND	HEAD START FUND	TOTAL 2016	TOTAL 2015
REVENUES					
Local Sources	\$ 119,035	\$ 124,500	\$ 136,224	\$ 379,759	\$ 427,542
State Sources	15,907	-	-	15,907	13,671
Federal Sources	547,712	3,675	577,426	1,128,813	1,075,389
TOTAL REVENUES	682,654	128,175	713,650	1,524,479	1,516,602
EXPENDITURES					
Supporting Services	-	10,928	65,688	76,616	81,361
Community Support	746,923	147,785	647,962	1,542,670	1,509,129
TOTAL EXPENDITURES	746,923	158,713	713,650	1,619,286	1,590,490
EXCESS REVENUES OVER (UNDER)					
EXPENDITURES	(64,269)	(30,538)	-	(94,807)	(73,888)
OTHER FINANCING SOURCES (USES)					
Transfers In (Out)	64,269	-	-	64,269	72,948
TOTAL OTHER FINANCING SOURCES	64,269	-	-	64,269	72,948
NET CHANGE IN FUND BALANCE	-	(30,538)	-	(30,538)	(940)
FUND BALANCES, Beginning	-	35,379	-	35,379	36,319
FUND BALANCES, Ending	\$ -	\$ 4,841	\$ -	\$ 4,841	\$ 35,379

See the accompanying Independent Auditors' Report.

LAKE COUNTY SCHOOL DISTRICT R-1
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND - FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2016
(With Comparative Totals for the Year Ended June 30, 2015)

	2016			VARIANCE WITH	
	ORIGINAL	FINAL		FINAL BUDGET	2015
	BUDGET	BUDGET	ACTUAL	POS (NEG)	ACTUAL
REVENUES					
Lunch Sales	\$ 90,000	\$ 90,000	\$ 73,724	\$ (16,276)	\$ 74,627
Ala Carte Sales	13,000	13,000	18,207	5,207	9,232
Special Function Sales	13,000	13,000	27,104	14,104	19,235
Donations	14,000	14,000	-	(14,000)	2,189
SMCN	6,000	6,000	4,485	(1,515)	4,542
Start Smart	3,000	3,000	6,294	3,294	4,237
Other State	3,500	3,500	5,128	1,628	4,892
Commodity Distribution	40,000	40,000	31,958	(8,042)	35,175
National School Lunch Program	300,000	300,000	266,474	(33,526)	289,299
National School Breakfast Program	110,217	110,217	176,565	66,348	130,467
Summer Food Program	-	-	4,855	4,855	3,584
CACFP Snack Grant	-	-	39,836	39,836	42,645
Other Federal	9,000	9,000	28,024	19,024	15,070
TOTAL REVENUES	601,717	601,717	682,654	80,937	635,194
EXPENDITURES					
Salaries	247,332	247,332	275,056	(27,724)	249,174
Benefits	117,782	117,782	134,713	(16,931)	111,052
Purchased Services - Other	1,600	1,600	1,368	232	459
Supplies	8,000	8,000	1,299	6,701	7,086
Food	187,003	191,272	236,088	(44,816)	262,566
Milk	60,000	60,000	66,441	(6,441)	66,468
Commodities	40,000	40,000	31,958	8,042	57
Equipment	-	-	-	-	265
Other	-	-	-	-	865
TOTAL EXPENDITURES	661,717	665,986	746,923	(80,937)	697,992
REVENUES OVER (UNDER)					
EXPENDITURES	(60,000)	(64,269)	(64,269)	-	(62,798)
OTHER FINANCING USES					
Transfers In	60,000	64,269	64,269	-	72,948
TOTAL OTHER FINANCING USES	60,000	64,269	64,269	-	72,948
NET CHANGE IN FUND BALANCE	-	-	-	-	10,150
FUND BALANCE, Beginning	-	-	-	-	(10,150)
FUND BALANCE, Ending	\$ -	\$ -	\$ -	\$ -	\$ -

See the Accompanying Independent Auditor's Report.

LAKE COUNTY SCHOOL DISTRICT R-1
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND - CENTER FUND
YEAR ENDED JUNE 30, 2016
(With Comparative Totals for the Year Ended June 30, 2015)

	2016			
	ORIGINAL & FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POS (NEG)	2015 ACTUAL
REVENUES				
Tuition	\$ 113,000	\$ 94,500	\$ (18,500)	\$ 115,853
Donations	70,000	30,000	(40,000)	69,000
IDEA Preschool	8,303	3,675	(4,628)	3,303
TOTAL REVENUES	191,303	128,175	(63,128)	188,156
EXPENDITURES				
Operations and Maintenance				
Salaries	12,500	7,532	4,968	11,155
Benefits	6,256	3,396	2,860	5,730
Total Operations and Maintenance	18,756	10,928	7,828	16,885
Community Support			-	
Salaries	103,245	87,750	15,495	115,543
Benefits	38,408	36,855	1,553	40,325
Purchased Services - Professional	1,700	2,166	(466)	1,741
Purchased Services - Other	-	-	-	-
Supplies	21,593	19,094	2,499	22,788
Other	2,514	1,920	594	1,964
Contingency	40,466	-	40,466	-
Total Community Support	207,926	147,785	60,141	182,361
TOTAL EXPENDITURES	226,682	158,713	67,969	199,246
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(35,379)	(30,538)	4,841	(11,090)
FUND BALANCE, Beginning	35,379	35,379	-	46,469
FUND BALANCE, Ending	\$ -	\$ 4,841	\$ 4,841	\$ 35,379

See the Accompanying Independent Auditor's Report.

LAKE COUNTY SCHOOL DISTRICT R-1
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND - HEAD START PROGRAM FUND
YEAR ENDED JUNE 30, 2016
(With Comparative Totals for the Year Ended June 30, 2015)

	2016			
	ORIGINAL & FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POS (NEG)	2015 ACTUAL
REVENUES				
In-kind Donations	\$ 171,374	\$ 136,224	\$ (35,150)	\$ 137,406
Head Start Grant	542,276	577,426	35,150	555,846
TOTAL REVENUES	713,650	713,650	-	693,252
EXPENDITURES				
Operations and Maintenance				
Salaries	18,765	25,237	(6,472)	23,908
Benefits	8,500	11,362	(2,862)	12,413
Total Operations and Maintenance	27,265	36,599	(9,334)	36,321
Transportation				
Salaries	17,000	20,327	(3,327)	19,854
Benefits	6,919	8,762	(1,843)	8,301
Total Transportation	23,919	29,089	(5,170)	28,155
Community Support				
Salaries	307,700	307,448	252	312,158
Benefits	145,403	137,945	7,458	125,347
Purchased Services - Professional	15,831	18,946	(3,115)	13,730
Purchased Services - Other	5,745	4,087	1,658	10,226
Supplies	15,913	43,267	(27,354)	29,585
Other	171,874	136,269	35,605	137,730
Total Community Support	662,466	647,962	14,504	628,776
TOTAL EXPENDITURES	713,650	713,650	-	693,252
EXCESS REVENUES OVER (UNDER) EXPENDITURES	-	-	-	-
FUND BALANCE, Beginning	-	-	-	-
FUND BALANCE, Ending	\$ -	\$ -	\$ -	\$ -

See the Accompanying Independent Auditor's Report.

LAKE COUNTY SCHOOL DISTRICT R-1
BUDGETARY COMPARISON SCHEDULE
BOND REDEMPTION FUND
YEAR ENDED JUNE 30, 2016
(With Comparative Totals for the Year Ended June 30, 2015)

	2016		
	ORIGINAL & FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POS (NEG)
			2015 ACTUAL
REVENUES			
Property Taxes	\$ 789,006	\$ 904,353	\$ 115,347
Interest Income	-	2,329	2,329
TOTAL REVENUES	789,006	906,682	117,676
EXPENDITURES			
Debt Service			
Principal	449,577	449,577	-
Interest	309,830	309,830	-
Other	1,042,127	-	1,042,127
TOTAL EXPENDITURES	1,801,534	759,407	1,042,127
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(1,012,528)	147,275	1,159,803
FUND BALANCE, Beginning	1,046,108	1,046,108	-
FUND BALANCE, Ending	\$ 33,580	\$ 1,193,383	\$ 1,159,803
			\$ 1,046,108

See the Accompanying Independent Auditor's Report.

LAKE COUNTY SCHOOL DISTRICT R-1

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

CAPITAL PROJECTS CAPITAL RESERVE FUND

YEAR ENDED JUNE 30, 2016

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

	2016		VARIANCE WITH FINAL BUDGET POS (NEG)	2015 ACTUAL
	ORIGINAL & FINAL BUDGET	ACTUAL		
REVENUES				
Payment In Lieu of Taxes	\$ 145,000	\$ 176,866	\$ 31,866	\$ 140,682
Capital Construction Grants	1,043,347	452,390	(590,957)	425,559
TOTAL REVENUES	<u>1,188,347</u>	<u>629,256</u>	<u>(559,091)</u>	<u>566,241</u>
EXPENDITURES				
Facilities/Property				
Buildings	1,332,422	355,855	976,567	678,351
Equipment	546,353	352,751	193,602	122,129
Vehicles	72,000	15,538	56,462	36,896
TOTAL EXPENDITURES	<u>1,950,775</u>	<u>724,144</u>	<u>1,226,631</u>	<u>837,376</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(762,428)	(94,888)	667,540	(271,135)
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	84,000	84,000	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>84,000</u>	<u>84,000</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(678,428)	(10,888)	667,540	(271,135)
FUND BALANCE, Beginning	<u>678,428</u>	<u>678,428</u>	<u>-</u>	<u>949,563</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ 667,540</u>	<u>\$ 667,540</u>	<u>\$ 678,428</u>

See the Accompanying Independent Auditor's Report.

LAKE COUNTY SCHOOL DISTRICT R-1
BUDGETARY COMPARISON SCHEDULE
PUPIL ACTIVITY FUND
YEAR ENDED JUNE 30, 2016
(With Comparative Totals for the Year Ended June 30, 2015)

	2016		VARIANCE WITH FINAL BUDGET POS (NEG)	2015 ACTUAL
	ORIGINAL & FINAL BUDGET	ACTUAL		
Receipts	\$ 250,000	\$ 253,822	\$ 3,822	\$ 240,019
Disbursements	250,000	232,490	17,510	226,015
Net Receipts (Disbursements)	<u>\$ -</u>	21,332	<u>\$ 21,332</u>	14,004
CASH IN BANK, Beginning		212,539		198,535
CASH IN BANK, Ending		<u>\$ 233,871</u>		<u>\$ 212,539</u>

See the Accompanying Independent Auditor's Report.

LAKE COUNTY SCHOOL DISTRICT R-1
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
PUPIL ACTIVITY AGENCY FUND
YEAR ENDED JUNE 30, 2016

	<u>BALANCE</u> <u>June 30, 2015</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>June 30, 2016</u>
ASSETS				
Cash	\$ 212,539	\$ 253,822	\$ 232,490	\$ 233,871
LIABILITIES				
Accounts Payable	\$ 212,539	\$ 253,822	\$ 232,490	\$ 233,871

See the Accompanying Independent Auditor's Report.

SINGLE AUDIT

The following reports, opinion 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.

LAKE COUNTY SCHOOL DISTRICT R-1

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2016

Federal Grantor/ Pass-Through Grantor/ Program Title	District's Program Number	Federal CFDA Number	Beginning Balance Accrued (Deferred)	Total Receipts	Total Expenditures	Ending Balance Accrued (Deferred)
U.S. Department of Agriculture						
Passed Through State Department of Human Services						
Food Distribution	4550	10.555	\$ -	31,958	\$ 31,958	\$ -
Passed Through State Department of Education						
School Breakfast Program	4553	10.553	3,494	180,059	176,565	-
National School Lunch Program	4555	10.555	7,223	273,697	266,474	-
Summer Food Service Program	5559	10.559	-	4,855	4,855	-
CDE Fresh Fruit & Vegetable	4582	10.582	4,441	29,217	28,024	3,248
Passed Through State Department of Public Health and Environment:						
Child & Adult Care Food Program	4558	10.558	-	39,836	39,836	-
Child Nutrition Discretionary Grants	5579	10.579	-	-	18,275	18,275
Total U.S. Department of Agriculture			15,158	559,622	565,987	21,523
U.S. Department of Education						
Passed Through State Department of Education						
Adult Education & Family Literacy Act	5002	84.002	8,651	2,693	-	5,958
Title I	4010	84.010	40,701	248,288	262,831	55,244
Title I	5010	84.010	38,000	192,569	181,192	26,623
21st Century Learning Centers	5287	84.287	42,492	214,896	245,180	72,776
Title VI Part B Rural and Low Income Schools	7358	84.358	-	14,156	23,735	9,579
Title III Part A English Language Acquisition	4365	84.365	4,704	22,681	31,019	13,042
Title III Part A English Language Acquisition	5365	84.365	10,503	86,773	98,343	22,073
Title II Part A Improving Teacher Quality	4367	84.367	-	38,795	43,594	4,799
Title II Part A Improving Teacher Quality	5367	84.367	-	34,974	43,284	8,310
Race to the Top	5413	84.413	12,370	13,041	671	-
Passed Through Mountain BOCES:						
Title VI-B IDEA Special Education	4027	84.027	103,982	149,557	152,917	107,342
Title VI-B IDEA Preschool	4173	84.173	1,982	2,947	3,675	2,710
Passed Through Colorado Mountain College						
Carl Perkins Vocational & Applied Training	4048	84.048	26,734	38,944	34,196	21,986
Total U.S. Department of Education			290,119	1,060,314	1,120,637	350,442
U.S. Department of Health and Human Services						
Direct Program:						
Head Start	8600	93.600	72,589	604,795	577,426	45,220
Total Federal Assistance			\$ 377,866	\$ 2,224,731	\$ 2,264,050	\$ 417,185

See the Accompanying Independent Auditor's Report.

LAKE COUNTY SCHOOL DISTRICT R-1

**NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2016**

NOTE 1: BASIS OF PRESENTATION

In 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. Therefore, some amounts presented in this schedule may differ from amounts presented in the financial statements.

Board of Education
Lake County School District R-1
Leadville, Colorado

**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***

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities each major fund and the aggregate remaining fund information of Lake County School District R-1 (the District), 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, and have issued our report thereon dated November 1, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District'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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 the District'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

November 1, 2016

Board of Education
Lake County School District R-1
Leadville, Colorado

**Independent Auditor's Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by OMB Circular A-133**

Report on Compliance for Each Major Federal Program

We have audited Lake County School District R-1' (the District) 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 the District's major federal programs for the year ended June 30, 2016. The District'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 the District'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 the District'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 the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District 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 the District 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 the District'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 the District'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

November 1, 2016

LAKE COUNTY SCHOOL DISTRICT R-1

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

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 ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None Reported
- Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ 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 ☒ No

Identification of major programs:

10.553	School Breakfast Program
10.555	National Food Service Lunch Program
10.558	Child and Adult Care Food Program
10.559	Summer Food Service Program for Children
10.582	Fresh Fruit and Vegetable Program
84.048	Career and Technical Education

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

- Auditee qualified as low-risk auditee? ☒ 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*.

LAKE COUNTY SCHOOL DISTRICT R-1

**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

Findings 2015:

There were no prior audit findings and questioned costs.

STATE COMPLIANCE

Board of Education
Lake County School District R-1
Leadville, Colorado

INDEPENDENT AUDITORS' REPORT ON AUDITOR'S INTEGRITY REPORT

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lake County School District R-1 as of and for the year ended June 30, 2016, which collectively comprise the basic financial statements of the Lake County School District R-1, and have issued our report thereon dated November 1, 2016. These financial statements are the responsibility of the Lake County School District R-1's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lake County School District R-1's basic financial statements. The accompanying auditor's integrity report is presented for purposes of additional analysis as required by State of Colorado statutes and is not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plutt Rogers & Company PC

November 1, 2016



Colorado Department of Education
Auditors Integrity Report
District: 1510 - LAKE COUNTY R-1
Fiscal Year 2015-16
Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	+	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	=	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental						
10 General Fund	1,899,651		10,455,756	9,554,327		2,801,080
18 Risk Mgmt Sub-Fund of General Fund	0		0	0		0
19 Colorado Preschool Program Fund	129,052		291,302	304,212		116,142
Sub- Total	2,028,703		10,747,058	9,858,539		2,917,222
11 Charter School Fund	0		0	0		0
20.26-29 Special Revenue Fund	35,379		841,825	872,362		4,842
21 Food Service Spec Revenue Fund	0		746,924	746,924		0
22 Govt Designated-Purpose Grants Fund	0		1,473,105	1,473,105		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	1,046,108		906,682	759,407		1,193,383
39 Certificate of Participation (COP) Debt Service Fund	0		0	0		0
41 Building Fund	0		0	0		0
42 Special Building Fund	0		0	0		0
43 Capital Reserve Capital Projects Fund	678,428		713,256	724,144		667,540
Totals	3,788,618		15,428,850	14,434,481		4,782,988
Proprietary						
50 Other Enterprise Funds	0		0	0		0
64 (63) Risk-Related Activity Fund	0		0	0		0
60.65-69 Other Internal Service Funds	0		0	0		0
Totals	0		0	0		0
Fiduciary						
70 Other Trust and Agency Funds	0		0	0		0
72 Private Purpose Trust Fund	0		0	0		0
73 Agency Fund	0		0	0		0
74 Pupil Activity Agency Fund	212,539		253,822	232,490		233,872
79 GASB 34/Permanent Fund	0		0	0		0
85 Foundations	0		0	0		0
Totals	212,539		253,822	232,490		233,872
FINAL						

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