

Lamar School District RE-2, Prowers County

Auditor's Report and Financial Statements

June 30, 2016



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Lamar School District RE-2, Prowers County
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Independent Auditor's Report

Board of Directors
Lamar School District RE-2

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Lamar School District RE-2, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Lamar School District RE-2'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. The financial statements of the component unit were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lamar School District RE-2, 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, budgetary comparison information, Schedule of District's Proportionate Share of the Net Pension Liability, and the Schedule of Contributions and Related Rations on pages iii-v, 30-32, and 33-34 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 Lamar School District RE-2's basic financial statements. The accompanying supplementary information as listed in the Table of Contents for the combining and individual nonmajor fund financial statements, the Auditor's Integrity Report, and the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information as listed in the Table of Contents for the combining and individual nonmajor fund financial statements, the Auditor's Integrity Report, and the Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated [need date] on our consideration of Lamar School District RE-2'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 Lamar School District RE-2's internal control over financial reporting and compliance.

rfarmer, llc

October 14, 2016

MANAGEMENT'S DISCUSSION & ANALYSIS

This section of Lamar School District Re-2's annual financial report presents management's discussion and analysis of the District's financial performance during the fiscal year ended on June 30, 2016.

Fund Financial Statements

The District financial statements are now solely governmental activities. These activities are financed through taxes, intergovernmental revenues, and other non-trade revenues. Each fund is accounted for in the financial statements with a separate set of self-balancing accounts which reflect assets, liabilities, fund equity, revenues, and expenditures. GASB Statement #34 requires two district-wide financial statements (Statement of Net Assets-page 3, and Statement of Activities-page 4) combining a broad range of district activities into single financial statements. While these give a look at the big picture of the district financial status, they are difficult to digest for operational details of the District.

As reflected in the June 30, 2016 Statement of Net Assets, total net assets decreased from \$(5,395,624) in 2015 to \$(5,411,904) in 2016, which continues to be a function of the GASB 68 reporting requirements. The District financial statements now reflect a net decrease in the governmental activity funds in the amount of \$16,278. Restricted assets, which are now composed of fund balances in the capital projects and required TABOR reserve, decreased from \$2,011,465 in 2015 to \$1,970,784 in 2016. GASB 68 requires school districts to report pension liabilities in the amount of \$22,580,134 and this has a negative impact on the District's financial statements. One of which is the unrestricted, or undesignated, fund balance decreased from \$2,088,403 in 2014 to \$(18,182,631) in 2016. Another is total liabilities increased from \$1,368,570 in 2014 to \$23,845,427 in 2015.

In the revenue realm, total revenues for the District from state and local sources increased from \$10,548,243 in 2015 to \$10,855,717 in 2016. The bulk of this increase was in the state equalization and at risk funding. Total expenditures were \$12,582,581 in 2015 and \$13,321,491 in 2016. The increase in expenditures was due in part to the GASB 68 requirement to report unfunded PERA debt as well as increased spending in capital projects. The gap between revenues and expenses was filled with \$472,214 in charges for services and \$1,977,282 in Operating Grants and Contributions. The net result is a decrease in net assets of \$16,278. By function total Lamar RE-2 School District expenditures in 2015 and 2016 were as follows:

	2015	2016
Instructional Services	\$ 6,592,169	\$ 6,543,699
Centralized Services	\$ 2,996,632	\$ 2,939,446
Operations & Maintenance	\$ 1,019,282	\$ 988,633
Pupil Transportation	\$ 283,033	\$ 288,571
District Wide Costs	\$ 1,351,101	\$ 2,232,065
Interest on Long-term Debt	\$ 0	\$ 0
Athletic & Activity Programs	\$ 340,364	\$ 329,077
Food Service	<u>\$ 574,205</u>	<u>\$ 613,170</u>
Total for Lamar RE-2 School District	\$13,156,786	\$13,934,661

The current financial report (2016) reflects moderate changes as the revenues exceeded expenditures by \$602,126. The ending fund balance in Total Governmental Funds increased from \$4,207,006 in 2015 to \$4,809,133 at the end of 2016. Further detail is given in the following tables with respect to revenues, expenditures and fund balances in the governmental funds.

<u>Fund</u>	2015 <u>Revenues</u>	2016 <u>Revenues</u>	2015 <u>Expenditures</u>	2016 <u>Expenditures</u>
General	\$12,048,985	\$12,461,776	\$ 10,375,075	\$ 10,235,506
Title (Federal)	\$ 637,251	\$ 628,999	\$ 637,251	\$ 628,999
Debt Service	\$ 0	\$ 0	\$ 0	\$ 0
Capital Projects	\$ 749,857	\$ 828,653	\$ 670,807	\$ 896,338
Other Government	\$ 998,557	\$ 988,413	\$ 914,570	\$ 942,247
Totals	\$14,434,650	\$14,907,841	\$ 12,597,703	\$ 12,703,090

Fund balances in the governmental funds were as follows:

<u>Fund</u>	2015 Ending <u>Fund Balance</u>	2016 Ending <u>Fund Balance</u>	<u>Net Change</u>
General	\$ 2,310,172	\$ 2,933,817	\$ 623,645
Title (Federal)	\$ -	\$ -	\$ -
Debt Service	\$ -	\$ -	\$ -
Capital Projects	\$ 1,633,503	\$ 1,565,818	\$ (67,685)
Other Governmental	\$ 263,332	\$ 309,498	\$ 46,166
Totals	\$ 4,207,007	\$ 4,809,133	\$ 602,126

Analysis of Overall Financial Position

While considerable time was taken in previous paragraphs to compare and contrast current and prior year financial information, it would now be appropriate to assess whether the financial position in governmental activities has improved or deteriorated. In the combined governmental activities one indicator that the financial position has improved are the capital assets, at approximately \$26.6 million at the end of 2015, to approximately 27.2 million at the end of 2016.

Analysis of Fund Balances and Transactions of Individual Funds

The General Operating Fund of the District showed an increase in the fund balance from \$2,310,172 in 2015 to \$2,933,817 in 2016. Of that amount, \$46,154 is reserved for the pre-school fund, leaving \$2,887,663 (including the TABOR reserve) in the general fund itself. To ensure that there is sufficient money in reserves to meet cash flow requirements of the District until tax revenues begin to flow in the February-March time frame, the board enacted a policy requiring that we retain at least 7% of anticipated expenditures in reserve in addition to the required 3% TABOR reserve. At the end of 2015-2016 fiscal year, we had approximately 24% in reserve, including the TABOR reserve. The greatest area of concern in regard to the stability of the general fund continues to be declining enrollment and the stability of per pupil funding (PPF) from the state. While the statutory ability to average five years of enrollment helps cushion the fall, continued decline in student numbers offers a financial challenge. The economic downturn, causing families to leave Lamar, seems to drive the significant portion of the decline in enrollment.

Analysis of Original, Final, and Actual Budget Results for the General Fund

According to the 2015-2016 audit, revenue and expenditure estimates changed from the original budget in June 2015 to the final budget in December 2015. Actual revenue was \$80,822 less than what was estimated in the December 2015 final budget, primarily due to a decrease in property tax revenue. Actual expenditures (contingency reserves omitted) were \$1,740,565 less than anticipated in the December 2015 final budget, primarily due to across the board spending restraint.

Summary Comments

As reviewed earlier, the financial standing of the District appears sound. Through adjustments to staffing and overall expenditures, the District has managed to stay ahead of the decline in revenues caused by the long term erosion in enrollment and declining state revenue. Despite the economic downturn and declining enrollment, the District has managed to keep staff salaries and benefits at least regionally competitive, plan capital projects that maintain the District facilities, keep equipment in good shape overall, and meet the educational needs of students.

However, continued difficulties with the state and national economy, declining enrollment, and reduction in state funding could dramatically affect the financial situation in this District. Therefore, fiscal prudence is advised in planning for future budgets.

If additional information is required please contact the District at 719-336-3251 or by mail at 210 W. Pearl, Lamar, Colorado.

Lamar School District RE-2
Statement of Net Position
June 30, 2016

	<u>Governmental Activities</u>	<u>Total</u>	<u>Alta Vista Charter School</u>
ASSETS			
Cash and Equivalents	\$ 5,740,426	\$ 5,740,426	\$ 545,077
Receivables	348,271	348,271	-
Inventories	15,724	15,724	-
Capital Assets:			
Buildings	24,069,938	24,069,938	6,563,560
Equipment and Furniture	3,139,008	3,139,008	100,000
Less: Accumulated Depreciation	<u>(16,409,003)</u>	<u>(16,409,003)</u>	<u>(628,317)</u>
Total Capital Assets	<u>10,799,943</u>	<u>10,799,943</u>	<u>6,035,243</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension Plan	<u>2,425,040</u>	<u>2,425,040</u>	<u>191,416</u>
Total Assets	<u>19,329,404</u>	<u>19,329,404</u>	<u>6,771,736</u>
LIABILITIES			
Accounts payable and accrued expenses	1,239,443	1,239,443	125,747
Unearned Revenues	55,850	55,850	17,642
Long-term liabilities			
Due in more than one year			
Net Pension Liability	<u>22,580,134</u>	<u>22,580,134</u>	<u>1,699,581</u>
Total liabilities	<u>23,875,427</u>	<u>23,875,427</u>	<u>1,842,970</u>
DEFERRED INFLOWS OF RESOURCES			
Pension differences	<u>865,881</u>	<u>865,881</u>	<u>67,956</u>
NET POSITION			
Net investment in capital assets	10,799,943	10,799,943	6,035,243
Restricted:			
BEST Capital Renewal Reserve	-	-	39,800
Capital projects	1,565,818	1,565,818	-
TABOR and Colorado Pre-School	404,966	404,966	27,394
Unrestricted	<u>(18,182,631)</u>	<u>(18,182,631)</u>	<u>(1,241,627)</u>
Total net position	<u>\$ (5,411,904)</u>	<u>\$ (5,411,904)</u>	<u>\$ 4,860,810</u>

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

Lamar School District RE-2
Statement of Activities
For the Year Ended June 30, 2016

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government	Total	Alta Vista Charter School
Primary government						
Governmental Activities						
Instructional:						
High School	\$ 2,000,220	\$ -	\$ 35,770	\$ (1,964,450)	\$ (1,964,450)	\$ -
Middle School	1,492,296	-	-	(1,492,296)	(1,492,296)	-
Parkview	1,268,376	-	-	(1,268,376)	(1,268,376)	-
Washington	1,323,204	-	-	(1,323,204)	(1,323,204)	-
Lincoln	645	-	-	(645)	(645)	-
MHDC & CPP	457,526	-	-	(457,526)	(457,526)	-
Charter School	954	99,607	-	98,653	98,653	(1,051,137)
Vocational	478	-	-	(478)	(478)	-
Total Instructional	6,543,699	99,607	35,770	(6,408,322)	(6,408,322)	(1,051,137)
Support Services:						
Centralized Services	2,939,446	66,356	1,878,495	(994,595)	(994,595)	-
Operations & Maintenance	988,633	-	-	(988,633)	(988,633)	-
Pupil Transportation	288,571	-	-	(288,571)	(288,571)	-
Districtwide Costs	2,232,065	-	63,017	(2,169,048)	(2,169,048)	-
Interest on Long-term debt	-	-	-	-	-	-
Total Support Services	6,448,715	66,356	1,941,512	(4,440,847)	(4,440,847)	-
Operation of Noninstructional Services:						
Athletic & Activity Programs	329,077	306,251	-	(22,826)	(22,826)	-
Total Noninstructional Services	329,077	306,251	-	(22,826)	(22,826)	-
Total governmental activities	13,321,491	472,214	1,977,282	(10,871,995)	(10,871,995)	(1,051,137)
Total primary government	13,321,491	472,214	1,977,282	(10,871,995)	(10,871,995)	(1,051,137)
General revenues:						
Taxes:						
Property taxes, levied for general purposes				\$ 1,586,828	\$ 1,586,828	\$ -
Specific ownership, general				257,085	257,085	-
State & federal aid not restricted to specific functions:						
State equalization				9,335,889	9,335,889	-
Unrestricted investment earnings				10,487	10,487	1,139
Miscellaneous				544,553	544,553	19,268
Transfers				(879,125)	(879,125)	879,125
Total general revenues, special items, and transfers				10,855,717	10,855,717	899,532
Change in net assets				(16,278)	(16,278)	(151,605)
Net position - beginning				(5,395,626)	(5,395,626)	5,012,415
Net position - ending				\$ (5,411,904)	\$ (5,411,904)	\$ 4,860,810

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

**Lamar School District RE-2
Balance Sheet
Governmental Funds
June 30, 2016**

	<u>General</u>	<u>Title Programs</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 3,977,715	\$ (98,989)	\$ 1,565,818	\$ 295,886	\$ 5,740,430
Taxes receivable, net	152,846	-	-	-	152,846
Other receivables	-	195,425	-	-	195,425
Inventories	-	-	-	15,724	15,724
Total assets	<u>4,130,561</u>	<u>96,436</u>	<u>1,565,818</u>	<u>311,610</u>	<u>6,104,425</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	38,079	420	-	2,112	40,611
Unearned revenue	53,360	2,489	-	-	55,849
Other accrued expenses	1,106,197	93,527	-	-	1,199,724
Other payables	(892)	-	-	-	(892)
Total liabilities	<u>1,196,744</u>	<u>96,436</u>	<u>-</u>	<u>2,112</u>	<u>1,295,292</u>
Fund balances:					
Restricted for:					
Inventory	-	-	-	15,724	15,724
Preschool Fund	46,154	-	-	-	46,154
Capital projects funds	-	-	1,565,818	-	1,565,818
TABOR	358,814	-	-	-	358,814
Unassigned	2,528,849	-	-	-	2,528,849
Assigned, reported in non-major:					
Special revenue funds	-	-	-	293,774	293,774
Total fund balances	<u>2,933,817</u>	<u>-</u>	<u>1,565,818</u>	<u>309,498</u>	<u>4,809,133</u>
Total liabilities and fund balances	<u>\$ 4,130,561</u>	<u>\$ 96,436</u>	<u>\$ 1,565,818</u>	<u>\$ 311,610</u>	<u>\$ 6,104,425</u>

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

Lamar School District RE-2
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2016

Total fund balance, governmental funds	\$	4,809,133
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.</p>		10,799,943
<p>Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets: Pension Plan Deferred Outflow</p>		2,425,040
<p>Some liabilities, (such as Notes Payable, Long-term Compensated Absences, Net Pension Liability, Pension Differences-Deferred Outflow and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.</p>		(23,446,015)
Rounding		(5)
Net Assets of Governmental Activities in the Statement of Net Position	<u>\$</u>	<u>(5,411,904)</u>

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

Lamar School District RE-2
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

	<u>General</u>	<u>Title Programs</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Property Taxes	\$ 1,586,828	\$ -	\$ -	\$ -	\$ 1,586,828
SO Tax	257,085	-	-	-	257,085
Student Activities	-	-	-	306,251	306,251
Intergovernmental	9,968,646	628,999	-	531,473	11,129,118
Charges for services	-	-	-	66,356	66,356
Investment earnings	9,327	-	1,110	50	10,487
Miscellaneous	639,890	-	152,543	35,783	828,216
Total revenues	<u>12,461,776</u>	<u>628,999</u>	<u>153,653</u>	<u>939,913</u>	<u>14,184,341</u>
EXPENDITURES					
Instructional:					
High School	1,943,030	39,600	-	-	1,982,630
Middle School	1,393,977	93,179	-	-	1,487,156
Parkview	1,112,459	155,196	-	-	1,267,655
Washington	1,082,302	235,643	-	-	1,317,945
MHDC	456,549	-	-	-	456,549
Charter School	-	23,334	-	-	23,334
Vocational	478	-	-	-	478
Total Instructional	<u>5,988,795</u>	<u>546,952</u>	<u>-</u>	<u>-</u>	<u>6,535,747</u>
Support Services:					
Centralized Services	2,678,676	79,077	-	613,170	3,370,923
Operations & Maintenance	988,633	-	-	-	988,633
Pupil Transportation	290,683	2,970	-	-	293,653
District wide Costs	282,260	-	64,104	-	346,364
Minor Equipment and Repairs	-	-	304,355	-	304,355
Noninstructional Services:					
Athletic & Activity Programs	-	-	-	329,077	329,077
Debt Service:					
Capital Outlay	6,459	-	527,879	-	534,338
Total Expenditures	<u>10,235,506</u>	<u>628,999</u>	<u>896,338</u>	<u>942,247</u>	<u>12,703,090</u>
Excess (deficiency) of revenues over expenditures	<u>2,226,270</u>	<u>-</u>	<u>(742,685)</u>	<u>(2,334)</u>	<u>1,481,251</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	675,000	48,500	723,500
Transfers out	<u>(1,602,625)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,602,625)</u>
Total other financing sources and uses	<u>(1,602,625)</u>	<u>-</u>	<u>675,000</u>	<u>48,500</u>	<u>(879,125)</u>
Net change in fund balances	623,645	-	(67,685)	46,166	602,126
Fund balances - beginning	2,310,172	-	1,633,503	263,332	4,207,007
Fund balances - ending	<u>\$ 2,933,817</u>	<u>\$ -</u>	<u>\$ 1,565,818</u>	<u>\$ 309,498</u>	<u>\$ 4,809,133</u>

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

Lamar School District RE-2
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2016

Net change in fund balances - total governmental funds: \$ 602,126

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlay of \$534,338 is less than depreciation of \$581,752 in the current period. (47,414)

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Net difference between PERA pension and actual expense contributions (570,987)

Rounding (3)
Change in net assets of governmental activities \$ (16,278)

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

Lamar School District RE-2, Prowers County
Notes to Financial Statements
June 30, 2016

Note 1 Reporting Entity

The Lamar School District RE-2 (the District) is organized as a common school district. The District, governed by a seven member elected school board, operates grades K through 12. This report includes all of the funds of the Lamar School District RE-2. The reporting entity for the District consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature of significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. Alta Vista Charter School is reported as a component unit. Financial statements for Alta Vista Charter School can be obtained from Lamar School District RE-2 administration.

Note 2 Summary of Significant Accounting Policies

The accounting policies of the Lamar School District RE-2, Prowers County conform to generally accepted accounting principles as applicable to governmental units.

Financial Statement Presentation

The financial statements are presented in conformity with standards as prescribed by the Governmental Accounting Standards Board.

District-Wide Financial Statements

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The District does not allocate indirect expenses to functions in the Statement of

Activities. Program revenues included (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

As a general rule, the effect of material inter-fund activity has been eliminated from the district-wide financial statements.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds each of which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund equity, revenues and expenditures.

Funds are organized as major funds or non-major funds within the governmental statements. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a) Total assets, liabilities, revenues or expenditures of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b) Total assets, liabilities, revenues or expenditures of the individual governmental fund are at least 5 percent of the corresponding total for all governmental funds combined.
- c) In addition, any other governmental fund that the District believes is particularly important to financial statement users may be reported as a major fund.

Governmental Activities

Governmental funds are identified as general, special revenue, debt service or capital projects funds based up on the following guidelines.

General Fund

The General Fund is the general operating fund of the District and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital project or expendable trust) that are legally restricted to expenditures for specified purposes.

Capital Projects Funds

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

Major Funds

The District reports the following major governmental funds:

- General Fund
- Governmental Designated Special Purpose Grant- Title Programs
- Capital Projects Fund

Non-Major Funds

The District reports the following non-major funds:

- Special Revenue Funds-
 - Food Service
 - Interscholastic Athletics
 - Middle School Activity
 - High School Activity
 - Public School

Basis of Accounting

The district-wide Statement of Net Position and Statement of Activities are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences and pension expenditures, which are recorded

as a fund liability when expected to be paid with expendable available financial resources.

Property tax revenues are recognized as revenue in the fiscal year levied as the District considers the property taxes as due prior to June 30. The District considers the taxes as due on January 1. Full receipt of the entire levy is assured within sixty days of the school's fiscal year end. Receipt of the balance of taxes levied within sixty days meets the requirements for availability in accordance with generally accepted accounting principles applicable to governmental entities.

Property taxes are collected by the County Treasurer. Annual property taxes are levied and assessed on January 1 and are certified by the Counties by November 1 of the current year. On January 1 of the following year, the County Treasurer bills the property owners, thus establishing an enforceable lien on the property. One-half of the property taxes are due by February 28 and the other half is due by June 15 or all may be paid by April 30 to avoid penalties and interest. The County Treasurer also collects the property taxes and remits the collections on a monthly basis to the District. District property tax revenues are recognized as they become current receivables from the County Treasurer. The amount of property taxes to be collected for the School District is shown as a receivable.

State general and categorical aids and other entitlements are recognized as revenue in the period the District is entitled to the resources and the amounts are available. Expenditure-driven programs currently reimbursable are recognized as revenue when the qualifying expenditures have been incurred and the amounts are available. Amounts owed to the District which are not available are recorded as receivables and deferred revenue. Amounts received prior to the entitlement period are also recorded as deferred revenue.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, expenditure-driven grant programs and investment income.

For governmental fund financial statements, unearned revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received before the District has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized.

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 and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Measurement Focus

On the district-wide Statement of Net Position and Statement of Activities governmental activities are presented using the economic resources measurement focus. Under this concept, revenues and expenses are matched using the accrual basis of accounting.

The measurement focus of all governmental funds is the flow of current financial resources concept. Under this concept, sources and uses of financial resources, including capital outlays, debt proceeds and debt retirements, are reflected in operations. Resources are not available to finance expenditures and commitments of the current period are recognized as deferred revenue or a reservation of fund equity. Liabilities for claims, judgments, compensated absences and pension contributions which will not be currently liquidated using expendable available financial resources are included as liabilities in the district-wide financial statements but are excluded from the governmental fund financial statements. The related expenditures are recognized in the governmental fund financial statements when the liabilities are liquidated.

District-Wide Statements

In the district-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

Prior to July 2002, governmental funds' capital assets were accounted for in the general fixed asset account group and were not recorded directly as a part of any individual fund's financial statements. Upon implementing GASB 34 governmental units are required to account for all fixed assets including infrastructure in the district-wide statements. The District does not have any infrastructure assets.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the State of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation for all fixed assets that cost \$5,000 or more. The range of estimated useful lives by type of asset is as follows:

Site Improvements	10-20 years
Buildings	50 years
Building Improvements	20 years
Furniture and equipment	5-15 years
Computer and related technology	5 years
Library books	7 years

Interest incurred or earned during the construction of capital assets is capitalized. There was not any capitalized interest during the year.

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in the fund financial statements.

Interfund Receivables and Payables

During the course of operations transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as “due to and due from other funds.” Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

Budgets

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in the basis of accounting.

Annual budgets are adopted as required by Colorado Revised Statutes. Formal budgetary integration is employed as a management control device during the year.

Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgetary comparisons in this report are presented on the GAAP basis.

The Board of Education shall each year cause to be prepared a proposed budget for the ensuing fiscal year. A statement shall be submitted with the proposed budget describing the major objectives of the educational program to be undertaken by the school district during the ensuing fiscal year and the manner in which the budget proposes to fulfill such objectives. The proposed budget shall be submitted to the Board by May 31. The final adoption of the School District budget and appropriation resolution must be made by June 30. Any changes to the budget and appropriation resolution must be made within the appropriate deadline.

Appropriations are adopted by resolution for each fund in total. Over expenditures are not deemed to exist unless the fund as a total has expenditures in excess of appropriations.

Colorado law requires that all funds have legally adopted budgets and total expenditures for each fund cannot exceed the amount appropriated. All appropriations lapse at the end of each fiscal year. Appropriations for a fund may be increased provided unanticipated resources offset them. Supplemental appropriations were adopted for the current school year.

Allowance for Uncollectible Accounts

No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. If they are not to be liquidated with expendable available financial resources, no liability is recognized in the governmental fund statements. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the district-wide financial statements as expense when the related liabilities are incurred. There were no significant claims or judgments at year-end.

Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transaction that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Equity Classifications

District-Wide Statements

Equity is classified as net assets and displayed in three components:

- a) Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt.
- b) Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments or, (2) law through constitutional provisions or enabling legislation.

- c) Unrestricted net assets - All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is classified as non-spendable, restricted, committed, assigned and unassigned.

Non-Spendable – These are amounts that cannot be spent because they either are not spendable in form (i.e. inventories, prepaids, long-term receivables) or they are legally or contractually required to be maintained intact (i.e. principal of an endowment fund).

Restricted – These are amounts that can be spent only for purposes stipulated by the constitution or externally imposed by creditors (i.e. debt covenants), grantors or enabling legislation (i.e. TABOR).

Committed – These are amounts that can be used only for purposes determined by a formal action (i.e. resolution or ordinance) of the government’s highest level of decision making authority. Committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action. The formal action of the government’s highest level of authority that commits the amounts to a specific purpose should occur prior to the end of the reporting period, but the dollar amount committed may be determined in the subsequent period. It is important to note that if the appropriate action was not taken prior to the end of the reporting year the amounts cannot be reported as committed.

Assigned – These amounts are set aside for planned or intended purposes but are neither restricted nor committed. The intended use may be expressed by the government’s highest level of authority to assign funds to be used for a specific purpose. Assigned fund balances in special revenue funds will also include any remaining fund balance that is not restricted or committed. This classification is necessary to indicate that those funds are, at a minimum, intended to be used for the purpose of that particular fund.

Unassigned – This represents the residual classification. Unassigned amounts will be reported only in the general fund, unless it is another governmental fund type that has a deficit fund balance.

When both restricted and unrestricted fund balances are available for use, it is the District’s policy to use restricted amounts first. Unrestricted fund balance will be used in the following order: committed, assigned, and unassigned.

Note 3

Cash and Investments

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool 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.

At June 30, 2016, the District’s cash deposits were:

Insured Deposits (FDIC)	\$ 267,950
Deposits Collateralized under PDPA	2,314,348
ColoTrust Investment	<u>3,158,130</u>
Total Cash	<u>\$ 5,740,428</u>

Colorado statutes specify in which instruments the units of local government may invest which include:

Repurchase agreements,

Obligations of the United States or obligations unconditionally guaranteed by the United States,

Obligations of the State of Colorado and most general obligations of units of local governments,

Federally insured mortgages and student loans,

Participation with other local governments in pooled investment funds (trusts). These trusts are supervised by participating governments and must comply with the same restrictions on cash deposits and investments. (One such trust formed under the statute is “ColoTrust”).

GASB Statement No. 40, Deposit and Investment Risk Disclosure, requires disclosure of credit risk, concentration of credit risk, interest rate risk and foreign currency risk for all public entity investments.

COLOTRUST PRIME and PLUS+ pools are a 2a7-like investment pool.

The following facts are relevant for 2a7-like investment pools:

- Credit risk: ColoTrust is a 2a7-like investment. ColoTrust prime is rated AAAM by Standard and Poor’s and ColoTrust Plus+ is rated AAA by Moody’s and AAA/VI+ by Fitch.
- Custodial credit risk: COLOTRUST PRIME and PLUS+ participants’ investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity’s investment is with the pool, not

the securities that make up the pool; therefore, no disclosure is required.

- Concentration of credit risk: Pooled investments are excluded from the 5 percent disclosure requirement.
- Interest rate risk: 2a7-like investment pools are excluded from this disclosure requirement, per paragraph 15 of the GASB 40 statement.
- Foreign currency risk: Not applicable to 2a7-like pools.

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are:

- a) Uncollateralized
- b) Collateralized with securities held by the pledging financial institution, or
- c) Collateralized with securities held by the financial institution's trust department or agent but not in the depositor-government's name.

Note 4 Capital Assets

Assets that cost more than \$5,000 are capitalized.

Capital asset activity for the year ended June 30, 2016 was as follows:

Governmental Activities:	Balance 7/1/15	Additions	Deletions and Reclassifications	Balance 6/30/16
Capital assets being depreciated				
Buildings	\$ 22,376,324	\$ -	\$ -	\$ 22,376,324
Equipment	1,693,614	341,050	-	2,034,664
Construction in Progress	2,604,671	193,288	-	2,797,959
Total Capital Assets Being Depreciated	26,674,609	534,338	-	27,208,947
Less Accum Depreciation	(15,827,251)	(581,752)	-	(16,409,003)
Net Capital Assets	<u>\$ 10,847,358</u>	<u>\$ (47,414)</u>	<u>\$ -</u>	<u>\$ 10,799,944</u>

Depreciation expense was charged to functions as follows:

Instruction:	
High School	\$ 17,590
Middle School	4,236
Parkview	722
Washington	5,259
Lincoln	645
MHDC	968
Charter	954
Support Services	
Outbuildings, Central Service, Transportation	158,101
Buildings	393,277
	<u>\$ 581,752</u>

Note 5

Pension Plan

Defined Benefit Pension Plan

Summary of Significant Accounting Policies:

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

General Information about the Pension Plan:

Plan description. Eligible employees of the District are provided with pensions through the School Division Trust Fund (SCHDTF)—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly.

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

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

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

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

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

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

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

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

Contributions. Eligible employees and 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 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

January 1 through December 31	2015	2014
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%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹	4.20%	4.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	4.00%	4.00%
Total Employer Contribution Rate to the SCHDTF ¹	17.33%	18.35%

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 AVCS were \$1,208,402 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 \$22,580,135 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 AVCS 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 .1587501551 percent, which was a decrease of .0041813808 from its proportion measured as of December 31, 2014.

Deferred Outflow of Resources:

Reconciliation of Deferrals	Experience	Changes of Assumptions or Other Inputs	Net Difference Between Projected and Actual Investment Earnings
Beginning deferral amounts as of prior measurement date, December 31, 2014	\$ -	\$ -	\$ 671,901
Deferral amounts added as of measurement date, December 31, 2015	411,118	-	1,968,529
Total of amortization amounts recognized in pension expense during measurement period, 2015 (negative amounts increase the collective pension expense)	(114,731)	-	(511,777)
Outstanding deferral amounts as of measurement date, December 31, 2015	\$ 296,387	\$ -	\$ 2,128,653

Difference between expected and actual experience:

For the Plan Year	Deferred Amounts Added	Amortization Period
2014	\$ -	N/A
2015	\$ 411,118	3.64 Years

For the Plan Year	Amortization of the 2014 Deferral	Amortization of the 2015 Deferral	Total Amortization for the Plan Year
2014	\$ -	\$ -	\$ -
2015	-	114,731	114,731
2016	-	114,731	114,731
2017	-	114,731	114,731
2018	-	66,925	66,925
Total	\$ -	411,118	411,118

Positive amounts increase the collective pension expense.

Difference between projected and actual investment earnings:

For the Plan Year	Deferred Amounts Added	Amortization Period
2014	\$ 590,353	5 Years
2015	\$ 1,968,529	5 Years

For the Plan Year	Amortization of the 2014 Deferral	Amortization of the 2015 Deferral	Total Amortization for the Plan Year
2014	\$ 118,071	\$ -	\$ -
2015	118,071	393,706	511,777
2016	118,071	393,706	511,777
2017	118,071	393,706	511,777
2018	118,069	393,706	511,775
2019	-	393,705	393,705
Total	\$ 590,353	\$ 1,968,529	\$ 2,440,811

Positive amounts increase the collective pension expense.

Deferred Inflow of Resources:

Reconciliation of Deferrals	Difference Between Expected And Actual Experience	Changes of Assumptions or Other Inputs
Beginning deferral amounts as of prior measurement date, December 31, 2014	\$ 585,631	\$ -
Deferral amounts added as of measurement date, December 31, 2015	-	439,968
Total of amortization amounts recognized in pension expense during measurement period, 2015 (negative amounts decrease the collective pension expense)	(159,718)	(122,782)
Outstanding deferral amounts as of measurement date, December 31, 2015	\$ 425,913	\$ 317,186

Difference between expected and actual investment earnings:

For the Plan Year	Deferred Amounts Added	Amortization Period	Total Amortization for the Plan Year
2014	\$ 44,082	3.7 Years	\$ 159,718
2015	\$ -	-	159,718
			159,718
			106,477
Total	\$ 585,631	\$ -	\$ 585,631

Positive amounts decrease the collective pension expense

Changes in assumptions or other inputs:

	For the Plan Year	Deferred Amounts Added	Amortization Period
	2014	\$ -	-
	2015	\$ 439,968	3.64 Years

	For the Plan Year	Amortization of the 2014 Deferral	Amortization of the 2015 Deferral	Total Amortization for the Plan Year
	2014	\$ -	\$ -	\$ -
	2015	-	122,782	122,782
	2016	-	122,782	122,782
	2017	-	122,782	122,782
	2018	-	71,622	71,622
	Total	\$ -	\$ 439,968	\$ 439,968

Positive amounts decrease the collective pension expense

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

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

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

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

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

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

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	<u>100.00%</u>	

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

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 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 the 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 the future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

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

Based on the above assumptions and methods, 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 AVCS proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability (dollars in thousands)	\$19,825,875	\$15,294,294	\$11,524,864

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

Payables to the pension plan

Defined Contribution Pension Plan

Voluntary Investment Program:

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

Funding Policy – The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions, employer contributions and investment earnings.

Other Post-Employment Benefits

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

Funding Policy – The District is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the AVCS are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2016, June 30, 2015, and June 30, 2014 the District contributions to the HCTF

were \$63,585, \$62,851 and \$64,045, respectively, equal to their required contributions for each year.

Note 6 Excess of Actual Expenditures over Budget in Individual Funds

No funds overspent their respective budgets.

Note 7 Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded insurance coverage in any of the last three years. There were no significant reductions in coverage compared to the prior year.

The District, in their opinion, has obtained adequate coverage as required by Colorado Revised Statutes to settle claims in the ordinary course of business. However, due to the unknown nature of potential liability, some claims may arise that fall outside the coverage limits for which the District would be financially responsible.

Note 8 Commitments and Contingencies

The District has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

Note 9 Accrued Salaries

The District is recognizing the liability for all employees' salaries at year-end, which are due to nine or ten months services rendered, paid over twelve months. In effect, the entire wage has been earned, but only a portion was paid. Total accrued salaries were \$1,106,197 for the General Fund and \$93,527 for the Title Programs.

Note 10 Tax, Spending and Debt Limitation

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations including revenue raising, spending abilities, and other specific requirements of state and local governments. The amendment is complex and subject to judicial interpretation. The entity believes it is in compliance with the requirements of the amendment. However, the entity has made certain interpretations of the amendment's language in order to determine its compliance. In 1997 the taxpayers of the School District voted to retain revenues and not be subject to the fiscal year spending limitation of Article

X Section 20 of the Colorado State Constitution provided that no local tax rate or mill levy shall be increased without further voter approval.

Note 11 Joint Venture

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

- financially independent and responsible for its own financial deficits and entitled to its own surpluses,
- has a separate governing board from that of the District, which is comprised of 1 voting and 1 nonvoting member from each participating District,
- has separate management that is responsible for day-to-day operations and is accountable to the separate governing board,
- the governing board and management have the ability to significantly influence operations by approving budgetary requests and adjustments, signing contracts, hiring personnel, exercising control over facilities and determining the outcome or disposition of matters affecting the recipients of services provided, and,
- has absolute authority over all funds and fiscal responsibility including budgetary responsibility and reporting to state agencies and controls fiscal management.

Note 12 Component Unit

The District transferred \$849,192 to Alta Vista Charter School during the school year. The District provides accounting and other services to the Charter School and was paid \$99,607 for those services.

Note 13 Lease and Sublease – Component Unit

During 2010-11 Alta Vista Charter School applied for and received a Building Excellent Schools Today (BEST) grant. The grant was for approximately \$5,515,967. The grant, through a sublease agreement, is administered by the State of Colorado Department of Education. Upon completion of the project, the Colorado Department of Education will release the property from the financing bank and the Colorado Department of Education will sublease the property to the school. The school is not obligated to pay any lease payments. At the end of 20 years, the lease period, the building will revert to Lamar School District, RE-2.

Lamar School District RE-2
Budget and Actual
General
For the year ended June 30, 2016

	Budgeted Amounts		Actual
	Original	Final	
REVENUES			
Property Taxes	\$ 1,679,072	\$ 1,679,072	\$ 1,586,828
SO Taxes	302,371	302,371	257,085
Intergovernmental	9,940,780	9,801,880	9,968,646
Investment earnings	3,400	3,400	9,327
Miscellaneous	727,453	755,875	639,890
Total revenues	<u>12,653,076</u>	<u>12,542,598</u>	<u>12,461,776</u>
EXPENDITURES			
Instructional:			
High School	2,055,736	2,065,467	1,943,030
Middle School	1,409,729	1,442,355	1,393,977
Parkview	1,140,488	1,145,548	1,112,459
Washington	1,158,718	1,179,117	1,082,302
MHDC	488,712	497,199	456,549
Charter School	963,397	963,397	-
Lincoln	-	-	478
Total Instructional	<u>7,216,780</u>	<u>7,293,083</u>	<u>5,988,795</u>
Support Services:			
Centralized Services	2,763,399	2,839,941	2,678,676
Operations & Maintenance	1,064,065	1,116,633	988,633
Pupil Transportation	331,551	342,146	290,683
District wide Costs	338,250	377,809	282,260
Contingency	635,000	235,000	-
Capital Outlay	-	6,459	6,459
Total Expenditures	<u>12,349,045</u>	<u>12,211,071</u>	<u>10,235,506</u>
Excess (deficiency) of revenues over expenditures	<u>304,031</u>	<u>331,527</u>	<u>2,226,270</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	(1,116,280)	(992,729)	(1,602,625)
Total other financing sources and uses	<u>(1,116,280)</u>	<u>(992,729)</u>	<u>(1,602,625)</u>
Net change in fund balances	(812,249)	(661,202)	623,645
Fund balances - beginning	2,475,500	2,310,170	2,310,172
Fund balances - ending	<u>\$ 1,663,251</u>	<u>\$ 1,648,968</u>	<u>\$ 2,933,817</u>

**Lamar School District RE-2
Budget and Actual
Title Programs
For the year ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	
REVENUES			
Intergovernmental	\$ 675,934	\$ 675,934	\$ 628,999
Total revenues	<u>675,934</u>	<u>675,934</u>	<u>628,999</u>
EXPENDITURES			
Instructional:			
High School	51,603	51,603	39,600
Middle School	93,155	93,155	93,179
Parkview	158,877	158,877	155,196
Washington	237,592	237,592	235,643
Charter School	23,332	23,332	23,334
Support Services:			
Centralized Services	108,009	108,009	79,077
Pupil Transportation	3,366	3,366	2,970
Total Expenditures	<u>675,934</u>	<u>675,934</u>	<u>628,999</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	-
Fund balances - beginning	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Lamar School District RE-2
Budget and Actual
Capital Projects
For the year ended June 30, 2016**

	Budgeted Amounts		Actual
	Original	Final	
REVENUES			
Investment earnings	\$ 800	\$ 800	\$ 1,110
Miscellaneous	10,000	10,000	152,543
Total revenues	<u>10,800</u>	<u>10,800</u>	<u>153,653</u>
EXPENDITURES			
District wide Costs	60,000	60,000	64,104
Minor Equipment and repairs	656,500	656,500	304,355
Capital Outlay	600,000	600,000	527,879
Total Expenditures	<u>1,316,500</u>	<u>1,316,500</u>	<u>896,338</u>
Excess (deficiency) of revenues over expenditures	<u>(1,305,700)</u>	<u>(1,305,700)</u>	<u>(742,685)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	675,000	675,000	675,000
Total other financing sources and uses	<u>675,000</u>	<u>675,000</u>	<u>675,000</u>
Net change in fund balances	(630,700)	(630,700)	(67,685)
Fund balances - beginning	1,573,112	1,633,503	1,633,503
Fund balances - ending	<u>\$ 942,412</u>	<u>\$ 1,002,803</u>	<u>\$ 1,565,818</u>

**Lamar School District RE-2
Schedule of the District's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2016**

	2015	2014	2013
District's proportion (percentage) of the collective net pension liability	0.1587501551	0.1628174839	0.1673647136
District's proportionate share of the collective pension liability	\$ 22,580,134	\$20,536,906	\$19,866,540
Covered employee payroll	\$ 6,233,835	\$6,161,883	\$6,278,985
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	362%	333%	316%
Plan fiduciary net pension as a percentage of the total pension liability	55.02%	58.40%	59.58%

The amounts reported are measured as of December 31.

GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

**Lamar School District RE-2
Schedule of Contributions and Related Ratios
Year Ended June 30, 2016**

	2016	2015	2014
Statutory required contributions	\$ 1,208,402	\$ 1,143,729	\$ 1,072,694
Contributions in relation to the			
statutorily required contribution	\$ 1,208,402	\$ 1,143,729	\$ 1,072,694
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 6,233,835	\$ 6,389,839	\$ 6,310,389
Contribution as a percentage of			
covered employee payroll	19.38%	17.90%	17.00%

The amounts reported are measured as of June 30.

GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

**Lamar School District RE-2
Balance Sheet
Other Governmental Funds
June 30, 2016**

	Food Service	Interscholastic Athletics	Middle School Activity	High School Activity	Public School	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 76,314	\$ 63,249	\$ 44,848	\$ 63,350	\$ 48,125	\$ 295,886
Inventories	15,724	-	-	-	-	15,724
Total assets	<u>92,038</u>	<u>63,249</u>	<u>44,848</u>	<u>63,350</u>	<u>48,125</u>	<u>311,610</u>

LIABILITIES AND FUND BALANCES

Liabilities:						
Accounts payable	2,112	-	-	-	-	2,112
Total liabilities	<u>2,112</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,112</u>

Fund balances:

Reserved for:						
Inventories	15,724	-	-	-	-	15,724
Assigned	74,202	63,249	44,848	63,350	48,125	293,774
Total fund balances	<u>89,926</u>	<u>63,249</u>	<u>44,848</u>	<u>63,350</u>	<u>48,125</u>	<u>309,498</u>
Total liabilities and fund balances	<u>\$ 92,038</u>	<u>\$ 63,249</u>	<u>\$ 44,848</u>	<u>\$ 63,350</u>	<u>\$ 48,125</u>	<u>\$ 311,610</u>

Lamar School District RE-2
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

For the Year Ended June 30, 2016

	Food Service	Interscholastic Athletics	Middle School Activity	High School Activity	Public School	Total-Other Governmental Funds
REVENUES						
Student Activities	\$ -	\$ 97,756	\$ 27,732	\$ 150,412	\$ 30,351	\$ 306,251
Intergovernmental	531,473	-	-	-	-	531,473
Charges for services	66,356	-	-	-	-	66,356
Investment earnings	50	-	-	-	-	50
Miscellaneous	35,783	-	-	-	-	35,783
Total revenues	<u>633,662</u>	<u>97,756</u>	<u>27,732</u>	<u>150,412</u>	<u>30,351</u>	<u>939,913</u>
EXPENDITURES						
Support Services:						
Food Services	613,170	-	-	-	-	613,170
Noninstructional Services:						
Athletic & Activity Programs	-	104,053	29,333	159,613	36,078	329,077
Total Expenditures	<u>613,170</u>	<u>104,053</u>	<u>29,333</u>	<u>159,613</u>	<u>36,078</u>	<u>942,247</u>
Excess (deficiency) of revenues over expenditures	<u>20,492</u>	<u>(6,297)</u>	<u>(1,601)</u>	<u>(9,201)</u>	<u>(5,727)</u>	<u>(2,334)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	42,500	6,000	-	-	48,500
Total other financing sources and uses	<u>-</u>	<u>42,500</u>	<u>6,000</u>	<u>-</u>	<u>-</u>	<u>48,500</u>
Net change in fund balances	20,492	36,203	4,399	(9,201)	(5,727)	46,166
Fund balances - beginning	69,434	27,046	40,449	72,551	53,852	263,332
Fund balances - ending	<u>\$ 89,926</u>	<u>\$ 63,249</u>	<u>\$ 44,848</u>	<u>\$ 63,350</u>	<u>\$ 48,125</u>	<u>\$ 309,498</u>

Lamar School District RE-2
Budget and Actual
Food Service
For the year ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	
REVENUES			
Intergovernmental	\$ 514,890	\$ 514,890	\$ 531,473
Charges for services	85,574	85,574	66,356
Investment earnings	35	35	50
Miscellaneous	25,000	24,000	35,783
Total revenues	<u>625,499</u>	<u>624,499</u>	<u>633,662</u>
EXPENDITURES			
Support Services:			
Centralized Services	653,505	653,505	613,170
Total Expenditures	<u>653,505</u>	<u>653,505</u>	<u>613,170</u>
Excess (deficiency) of revenues over expenditures	<u>(28,006)</u>	<u>(29,006)</u>	<u>20,492</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	25,000	25,000	-
Total other financing sources and uses	<u>25,000</u>	<u>25,000</u>	<u>-</u>
Net change in fund balances	(3,006)	(4,006)	20,492
Fund balances - beginning	96,000	69,433	69,434
Fund balances - ending	<u>\$ 92,994</u>	<u>\$ 65,427</u>	<u>\$ 89,926</u>

**Lamar School District RE-2
Budget and Actual
Interscholastic Athletics
For the year ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	
REVENUES			
Student activities	\$ 111,450	\$ 114,770	\$ 97,756
Total revenues	<u>111,450</u>	<u>114,770</u>	<u>97,756</u>
EXPENDITURES			
Noninstructional Services:			
Athletic & Activity Programs	<u>129,950</u>	<u>141,816</u>	<u>104,053</u>
Total Expenditures	<u>129,950</u>	<u>141,816</u>	<u>104,053</u>
Excess (deficiency) of revenues over expenditures	<u>(18,500)</u>	<u>(27,046)</u>	<u>(6,297)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>-</u>	<u>-</u>	<u>42,500</u>
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>42,500</u>
Net change in fund balances	(18,500)	(27,046)	36,203
Fund balances - beginning	<u>18,500</u>	<u>27,046</u>	<u>27,046</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,249</u>

**Lamar School District RE-2
Budget and Actual
Middle School Activity
For the year ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	
REVENUES			
Student activities	\$ 24,150	\$ 25,340	\$ 27,732
Total revenues	<u>24,150</u>	<u>25,340</u>	<u>27,732</u>
EXPENDITURES			
Noninstructional Services:			
Athletic & Activity Programs	<u>75,659</u>	<u>71,787</u>	<u>29,333</u>
Total Expenditures	<u>75,659</u>	<u>71,787</u>	<u>29,333</u>
Excess (deficiency) of revenues over expenditures	<u>(51,509)</u>	<u>(46,447)</u>	<u>(1,601)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>
Total other financing sources and uses	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>
Net change in fund balances	(45,509)	(40,447)	4,399
Fund balances - beginning	45,509	40,447	40,449
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,848</u>

**Lamar School District RE-2
Budget and Actual
High School Activity
For the year ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	
REVENUES			
Student activities	\$ 147,200	\$ 151,035	\$ 150,412
Total revenues	<u>147,200</u>	<u>151,035</u>	<u>150,412</u>
EXPENDITURES			
Noninstructional Services:			
Athletic & Activity Programs	<u>211,837</u>	<u>223,586</u>	<u>159,613</u>
Total Expenditures	<u>211,837</u>	<u>223,586</u>	<u>159,613</u>
Excess (deficiency) of revenues over expenditures	<u>(64,637)</u>	<u>(72,551)</u>	<u>(9,201)</u>
Net change in fund balances	(64,637)	(72,551)	(9,201)
Fund balances - beginning	<u>64,637</u>	<u>72,551</u>	<u>72,551</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,350</u>

**Lamar School District RE-2
Budget and Actual
Public School
For the year ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	
REVENUES			
Student activities	\$ 42,825	\$ 41,180	\$ 30,351
Total revenues	<u>42,825</u>	<u>41,180</u>	<u>30,351</u>
EXPENDITURES			
Noninstructional Services:			
Athletics & Activity Programs	<u>96,591</u>	<u>95,032</u>	<u>36,078</u>
Total Expenditures	<u>96,591</u>	<u>95,032</u>	<u>36,078</u>
Excess (deficiency) of revenues over expenditures	<u>(53,766)</u>	<u>(53,852)</u>	<u>(5,727)</u>
Net change in fund balances	(53,766)	(53,852)	(5,727)
Fund balances - beginning	<u>53,766</u>	<u>53,852</u>	<u>53,852</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,125</u>

Colorado Department of Education
Auditors Integrity Report
 District: 2660 - LAMAR RE-2
 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	2,291,025		10,514,765		9,918,126		2,887,663
18 Risk Mgmt Sub-Fund of General Fund	0		0		0		0
19 Colorado Preschool Program Fund	19,147		374,320		347,313		46,154
Sub-Total	2,310,172		10,889,084		10,265,439		2,933,817
11 Charter School Fund	383,839		930,978		913,130		407,687
20,26-29 Special Revenue Fund	0		0		0		0
21 Food Service Spec Revenue Fund	69,434		633,662		613,170		89,925
22 Govt Designated-Purpose Grants Fund	-2		628,997		628,998		-3
23 Pupil Activity Special Revenue Fund	193,897		354,751		329,077		219,572
24 Full Day Kindergarten Mill Levy Override	0		0		0		0
25 Transportation Fund	0		0		0		0
31 Bond Redemption Fund	0		0		0		0
39 Certificate of Participation (COP) Debt Service Fund	0		0		0		0
41 Building Fund	0		0		0		0
42 Special Building Fund	0		0		0		0
43 Capital Reserve Capital Projects Fund	1,633,503		828,653		896,337		1,565,819
Totals	4,590,944		14,266,125		13,646,152		5,210,817
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	0		0		0		0
79 GASB 34 Permanent Fund	0		0		0		0
85 Foundations	0		0		0		0
Totals	0		0		0		0
							FINAL

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

**Lamar School District RE-2
Schedule of Expenditure of Federal Awards
For the Year Ended June 30, 2016**

GRANT TITLE	<u>GRANT CODE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>AMOUNT OF AWARD EXPENDED</u>	
DEPARTMENT OF AGRICULTURE:				
National School Lunch Program (including any State matching Funds):				
Summer Food Service Program		10.559	1,060	
School Breakfast Program	4553	10.553	173,295	*
National School Lunch Program	4555	10.555	290,694	*
State Reimbursement-FFVP	4582	10.582	17,924	*
Commodities Received	4555	10.555	<u>38,512</u>	*
Total				521,485
DEPARTMENT OF EDUCATION/ COLORADO DEPARTMENT OF EDUCATION:				
Title II Part A	4367	84.367	125,115	
Title I	4010	84.010	<u>471,847</u>	596,962
STATE COMMUNITY COLLEGES AND OCCUPATIONAL EDUCATION SYSTEM				
Carl Perkins Grant	4048	84.048	<u>7,954</u>	
Total				<u>7,954</u>
TOTAL FEDERAL FINANCIAL AWARDS				<u><u>\$ 1,126,401</u></u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Lamar School District RE-2, Prowers County and is presented on the modified accrual basis of accounting.

Lamar School District RE-2 also received non-cash commodities of \$38,512.

**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***

Independent Auditor's Report

The Governing Body
Lamar School District RE-2

We have audited, 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, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lamar School District RE-2 as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Lamar School District RE-2's basic financial statements, and have issued our report thereon dated October 14, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lamar School District RE-2'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 Lamar School District RE-2's internal control. Accordingly, we do not express an opinion on the effectiveness of Lamar School District RE-2'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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 Lamar School District RE-2'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.

rfarmer, llc

October 14, 2016

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

Independent Auditor's Report

Board of Directors
Lamar School District RE-2

Report on Compliance for Each Major Federal Program

We have audited Lamar School District RE-2's compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of Lamar School District RE-2's major federal programs for the year ended June 30, 2016. Lamar School District RE-2'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 Lamar School District RE-2'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 the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Lamar School District RE-2'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 Lamar School District RE-2's compliance.

Opinion on Each Major Federal Program

In our opinion, Lamar School District RE-2 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 Lamar School District RE-2 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 Lamar School District RE-2's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing 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 the Uniform Guidance, 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 Lamar School District RE-2'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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

rfarmer, llc

October 14, 2016

**Lamar School District RE-2
Schedule of Findings and Questioned Costs
For the year ended June 30, 2016**

Section I: Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Are any material weaknesses identified?	No
Are any significant deficiencies identified not considered to be material weaknesses?	None Reported
Is any noncompliance material to financial statements noted?	No

Federal Awards

Type of auditor's report issued on compliance for major programs: The auditor's report on compliance with requirements applicable to major federal award programs expressed an unqualified opinion.

Internal control over major program compliance:

Are any material weaknesses identified?	No
Are any significant deficiencies identified not considered to be material weaknesses?	None Reported
Are any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major programs:

CFDA Number(s) and Name of Federal Program or Cluster: Child Nutrition Cluster

10.553	School Breakfast Program
10.555	National School Lunch Program and Commodities
10.582	State Reimbursement-FFVP

Enter the dollar threshold used to distinguish between Type A and Type B programs:	\$ 750,000
Is the auditee qualified as a low-risk auditee?	Yes