

**LAKE COUNTY SCHOOL DISTRICT R-1
LEADVILLE, COLORADO
FINANCIAL STATEMENTS
JUNE 30, 2017**



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LAKE COUNTY SCHOOL DISTRICT R-1

**ROSTER OF SCHOOL OFFICIALS
JUNE 30, 2017**

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Wendy Wyman – Superintendent

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Rena Sanchez – Accounting Manager

Noreen Flores – Human Resources

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LAKE COUNTY SCHOOL DISTRICT R-1

TABLE OF CONTENTS

FINANCIAL SECTION

PAGE

INDEPENDENT AUDITOR'S REPORT	1
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MANAGEMENT'S DISCUSSION AND ANALYSIS	4
--	---

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements:

Statement of Net Position	15
Statement of Activities.....	16

Fund Financial Statements:

Balance Sheet – Governmental Funds	17
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	19
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22

Fiduciary Fund

Statement of Fiduciary Assets and Liabilities	23
---	----

Notes to Financial Statements.....	24
------------------------------------	----

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual

General Fund.....	48
Designated Grants Fund	51

PERA Pension Plan

Schedule of the Proportionate Share of the Net Pension Liability.....	53
Schedule of Employer Contributions	54

Note to Required Supplementary Information	55
--	----

SUPPLEMENTARY INFORMATION

Nonmajor Governmental Funds

Combining Balance Sheet	56
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	57

LAKE COUNTY SCHOOL DISTRICT R-1

TABLE OF CONTENTS

PAGE

Budgetary Comparison Schedules

Food Service Fund.....	58
Center Fund.....	59
Head Start Program Fund	60
Bond Redemption Fund	61
Capital Reserve Fund	62
Pupil Activity Fund	63

Statement of Changes in Assets and Liabilities – Pupil Activity Agency Fund.....	64
--	----

COMPLIANCE SECTION

SINGLE AUDIT

Schedule of Expenditures of Federal Awards	65
Note to Schedule of Expenditures of Federal Awards.....	66
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards	67
Independent Auditor’s Report on Compliance for each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	69
Schedule of Findings and Questioned Costs.....	71
Schedule of Prior Year Findings and Questioned Costs.....	72

STATE COMPLIANCE

Independent Auditor’s Report on Auditor’s Integrity Report	73
Colorado Department of Education Auditor’s Integrity Report	74
Colorado Department of Education Bolded Balance Sheet.....	75

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT



PLUTT HANSON, P.C.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lake County School District R-1 (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 – 14, the budgetary comparison information on pages 48–52, the Schedule of the Proportionate Share of the Net Pension Liability on page 53 and the Schedule of Employer Contributions on page 54 be presented to supplement the basic financial statements be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise District's basic financial statements. The combining and individual fund financial statements and schedules and the Colorado Department of Education Auditor's Integrity Report, as listed in the table of contents, are presented for purposes of legal compliance and additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

Plutt Hanson, P.C.

December 12, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

LAKE COUNTY SCHOOL DISTRICT R-1

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

The discussion and analysis of Lake County School District R-1's (the "District") financial performance provides an overall review of the district's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the basic financial statements, notes to the financial statements, budgetary comparison schedules and additional supplementary information to broaden their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

The District's budget continues to remain fairly constant. Any increases in revenue are used to offset the additional cost of salary and benefits for staff. The District continues to maintain a healthy fund balance in the General Fund. The District budgets sufficient contingencies to cover any unanticipated operational needs.

For the year ended June 30, 2017 the District's total net position decreased by \$22,129,695 to \$(11,723,700). As a result of recording the increase in pension liabilities.

Of the governmental activities net asset total of \$(11,723,700), \$(39,160,382) is unrestricted.

The total cost of the District's programs increased \$18,431,875, or 108.19%, compared to 2016.

Total revenues decreased \$2,144,903 or 13.9%, compared to 2016.

The General Fund reported a fund balance of \$2,943,255 as of June 30, 2017, an increase of \$26,033. Of this amount, \$2,472,417, or 84.0% is unassigned.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

LAKE COUNTY SCHOOL DISTRICT R-1

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

The *statement of activities* presents information reporting how the District's net position changed during fiscal year 2017. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows for future fiscal periods. Earned but unused vacation leave and uncollected taxes are examples of these types of items.

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

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

Fund Financial Statements

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

Governmental Funds

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

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

LAKE COUNTY SCHOOL DISTRICT R-1

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

The District uses seven Governmental Funds. The General Fund is the largest Governmental Fund and encompasses most of the District's revenues and expenditures. The other funds consist of the Designated Grants Fund, the Food Service Fund, the Center Fund, the Head Start Program Fund, the Bond Redemption Fund, the Capital Reserve Fund. An annual appropriated budget for the District is adopted for each fund. A budgetary comparison statement has been provided for each fund to demonstrate compliance with the budget. The governmental fund financial statements can be found on pages 17 through 22 of this report.

Fiduciary Fund

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

Notes to the Financial Statements

The notes to the financial statements provide additional information that is useful to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-47 of this report.

Required Supplementary Information

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

Supplementary Information

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

LAKE COUNTY SCHOOL DISTRICT R-1
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$(11,777,761) at June 30, 2017.

By far the largest portion of the District's net assets reflects its \$25,729,473 investment in capital assets net of accumulated depreciation and related debt. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net position represents resources that are subject to external restriction on how they may be used. At June 30, 2017, net position totaling \$1,707,209 were restricted, with \$1,236,371 restricted for debt service, \$114,838 restricted for pre-school and \$356,000 for TABOR emergencies.

For fiscal year 2017, the District's net position decreased by \$11,129,695 resulting from excess expenses over revenues. The decrease is mainly the result of increases in pension costs and the depreciation expense on the capital assets.

LAKE COUNTY SCHOOL DISTRICT R-1

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

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

	Governmental Activities		
	2017	2016	Change
Current Assets	\$ 4,523,458	\$ 4,934,257	\$ (410,799)
Restricted Assets	1,162,826	1,131,022	31,804
Capital Assets - Net	35,348,988	36,234,080	(885,092)
Total Assets	41,035,272	42,299,359	(1,264,087)
Deferred Outflows of Resources	2,087,811	2,552,231	(464,420)
Current Liabilities	1,103,599	1,354,961	(251,362)
Long-term Liabilities	9,695,202	10,225,066	(529,864)
Net Pension Liability	43,717,274	22,337,081	21,380,193
Total Liabilities	54,516,075	33,917,108	20,598,967
Deferred Inflows of Resources	330,708	528,487	(197,779)
Net Position:			
Net Investment in			
Capital Assets	25,729,473	26,151,475	(422,002)
Restricted	1,707,209	1,749,525	(42,316)
Unrestricted	(39,160,382)	(17,495,005)	(21,665,377)
Total Net Position	\$ (11,723,700)	\$ 10,405,995	\$ (22,129,695)

Governmental Activities. For fiscal year 2017, governmental activities decreased the District's net position by \$20,576,778 from \$10,405,995 to \$911,777,761).

- The cost of all governmental activities for the current fiscal year was \$35,467,703.
- Users of some of the District's governmental programs paid \$228,744 for services.
- The federal and state governments subsidized certain programs with capital/operating grants and contributions totaling \$3,665,642.
- Most District governmental activities were funded by district and state taxpayers. For fiscal year 2017 this portion of governmental activities was funded with \$5,682,807 in property tax, \$340,492 in specific ownership taxes, \$18,624 of payment in lieu of taxes, \$2,527,840 of

LAKE COUNTY SCHOOL DISTRICT R-1

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

unrestricted state equalization based on the statewide education aid formula and investment earnings of \$17,607.

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

	Governmental Activities		
	2017	2016	Change
Program Revenues:			
Charges for Services	\$ 228,744	\$ 236,232	\$ (7,488)
Operating Grants	3,570,138	4,147,284	(577,146)
Capital Grants	95,504	452,390	(356,886)
Total Program Revenues	3,894,386	4,835,906	(941,520)
General Revenues:			
Taxes	6,818,231	8,254,310	(1,436,079)
State Equalization	2,527,840	2,153,656	374,184
Investment Income	24,866	8,112	16,754
Other	18,624	176,866	(158,242)
Total General Revenues	9,389,561	10,592,944	(1,203,383)
Total Revenues	13,283,947	15,428,850	(2,144,903)
Expenses			
Instruction	17,486,150	8,269,431	9,216,719
Supporting Services	13,470,372	5,504,129	7,966,243
Community Services	2,717,504	1,769,602	947,902
Debt Service Interest	296,113	309,830	(13,717)
Unallocated Depreciation	1,204,037	1,182,836	21,201
Total Expenses	35,467,703	17,035,828	18,431,875
Change in Net Position	(22,183,756)	(1,606,978)	(20,576,778)
Net Position - Beginning	10,405,995	12,012,973	(1,606,978)
Net Position - Ending	<u>\$ (11,777,761)</u>	<u>\$ 10,405,995</u>	<u>\$ (22,183,756)</u>

LAKE COUNTY SCHOOL DISTRICT R-1
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

Governmental Funds

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

General Fund

The General Fund is the major operating fund of the District, providing the majority of the resources for the educational and support programs. Revenues for the General Fund totaled \$9,718,382 in fiscal year 2017 compared to \$10,915,327 in fiscal year 2016, a decrease of \$1,196,945 or 11.0%. Expenditures totaled \$9,639,643 compared to \$9,858,539, a decrease of \$218,896 or 2.2%.

Revenues

Property Taxes. General Fund property tax revenues decreased \$1,337,000 to \$5,682,807 or 19.0% due to collection of delinquent taxes. Property taxes accounted for 58.5% of the District's General Fund revenue.

Specific Ownership Taxes. Specific ownership tax is applied to the fair value of vehicles registered in Colorado. Specific ownership tax increased \$10,342, or 3.1% to \$340,492.

State Equalization. State equalization revenue increased \$374,184 or 17.4% to \$2,527,840 in fiscal year 2017 and accounted for 26.0% of the District's General Fund revenue.

State and Federal Grants. State and federal grants revenue decreased \$255,423 or 21.4% to \$935,794 from \$1,191,217 in fiscal year 2017 and accounted for 9.7% of the District's General Fund revenue.

Miscellaneous Income. Miscellaneous and other income remained consistent with the prior year.

LAKE COUNTY SCHOOL DISTRICT R-1

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

Revenues	2017	2016	Amount of Change	Percentage Change
Property Taxes	\$ 5,682,807	\$ 7,019,807	\$ (1,337,000)	-19.0%
Specific Ownership Tax	340,492	330,150	10,342	3.1%
State Equalization	2,527,840	2,153,656	374,184	17.4%
State Grants	624,347	936,789	(312,442)	-33.4%
Federal	311,447	254,428	57,019	22.4%
Investment Income	17,607	5,783	11,824	204.5%
Miscellaneous	213,842	214,714	(872)	-0.4%
Total	<u>\$ 9,718,382</u>	<u>\$ 10,915,327</u>	<u>\$ (1,196,945)</u>	<u>-11.0%</u>

Expenditures

Overall expenditures for the General Fund decreased just 2.2% from the previous year.

Expenditures	2017	2016	Amount of Change	Percentage Change
Instruction	\$ 5,535,265	\$ 5,850,436	\$ (315,171)	-5.4%
Students	411,784	363,172	48,612	13.4%
Instructional Staff	605,479	464,025	141,454	30.5%
General Administration	349,213	463,639	(114,426)	-24.7%
School Administration	752,312	698,158	54,154	7.8%
Business	167,449	160,775	6,674	4.2%
Operations and Maintenance	1,278,538	1,278,950	(412)	0.0%
Student Transportation	326,162	359,284	(33,122)	-9.2%
Risk Management	213,441	220,100	(6,659)	-3.0%
	<u>\$ 9,639,643</u>	<u>\$ 9,858,539</u>	<u>\$ (218,896)</u>	<u>-2.2%</u>

Other Major Funds

The Designated Grants Fund is used to maintain separate accounting for federal, state and local grant funded programs, which normally have a different fiscal period than that of the District. Total revenues for the Designated Grants fund were \$1,235,635, which equaled expenditures.

The Bond Redemption Debt Service Fund is used to account for the requirements of the series 2012 general obligation bonds. The primary revenue source for the Bond Redemption Debt Service Fund is a voter approved floating mill levy of 3.369 mills which generated \$794,932. The Bond Redemption Debt Service Fund expenditures primarily reflect principal and interest costs of \$759,203 on the District's general obligation debt.

The Capital Reserve Fund is used to acquire land and improvements, new facilities, additions, repairs and renovations to existing facilities, equipment and safety upgrades. Total revenues for the Capital Reserve Fund were \$114,128, while expenditures totaled \$327,597. The most

LAKE COUNTY SCHOOL DISTRICT R-1
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

significant revenue source was provided grants of \$95,504 and by payment in lieu of taxes of \$18,624. The revenues were used to fund renovations to schools of \$225,556, upgrades to equipment of \$78,734 and a vehicle for \$23,307.

GENERAL FUND BUDGETARY HIGHLIGHTS

Total budgeted appropriations for the General Fund adopted by the Board of Education for fiscal year 2017 were \$9,647,910.

In fiscal year 2017, property tax revenues received in the General Fund was \$5,682,807 compared to last year's amount of \$7,019,807.

State Equalization funds amounted to \$2,527,840 compared to last year's amount of \$2,153,656. This was \$1,467 less than the budget of \$2,529,307.

In fiscal year 2017, final budgeted expenditures for the General Fund totaled \$12,495,132 while actual expenditures totaled \$9,639,643.

LAKE COUNTY SCHOOL DISTRICT R-1

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - As of June 30, 2017 total capital asset was \$35,348,988. This is a net decrease of \$885,092 from June 30, 2016. The District's primary expenditures were from improvements to Schools. The following is a summary of the of the District's capital asset balances.

	Balance 6/30/2016	Additions	Dispositions	Balance 6/30/2017
Governmental activities				
Capital assets not being depreciated				
Land and sites	\$ 186,526	\$ -	\$ -	\$ 186,526
Total Capital assets not being depreciated	186,526	-	-	186,526
Capital assets being depreciated				
Buildings	45,725,643	264,049	-	45,989,692
Transportation equipment	1,701,899	23,307	-	1,725,206
Other equipment	475,647	31,589	-	507,236
Total capital assets being depreciated	47,903,189	318,945	-	48,222,134
Less accumulated depreciation				
Buildings	10,497,609	1,036,380	-	11,533,989
Transportation equipment	1,172,157	131,466	-	1,303,623
Other equipment	185,869	36,191	-	222,060
Total accumulated depreciation	11,855,635	1,204,037	-	13,059,672
Governmental activities capital assets, net	\$ 36,234,080	\$ (885,092)	\$ -	\$ 35,348,988

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

LAKE COUNTY SCHOOL DISTRICT R-1

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

Long-term Debt - The long-term debt as of June 30, 2017 is \$9,761,976. The following is a summary of the District's long-term debt balances.

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
General Obligation Bonds, Series 2012	\$ 10,082,605	\$ -	\$ 463,090	\$ 9,619,515
Early Retirement Obligations	215,129	-	72,668	142,461
Total Long -Term Obligations	<u>\$ 10,297,734</u>	<u>\$ -</u>	<u>\$ 535,758</u>	<u>\$ 9,761,976</u>

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

FACTORS BEARING ON DISTRICT'S FUTURE

Over the past few years, the District was able to continue to maintain our fund balance. The District enrollment for 2018 decreased 18.4 FTE and will have a significant impact on our fund balance in the future. The state averaging will continue to have an impact on future years if the declining enrollment trend continues. The District will have continued financial challenges with the maintenance of effort in staffing and operational costs if the decline continues.

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

Requests for Information

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

Chief Financial Officer
107 Spruce Street
Leadville, Colorado 80461

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BASIC FINANCIAL STATEMENTS

LAKE COUNTY SCHOOL DISTRICT R-1

STATEMENT OF NET POSITION

JUNE 30, 2017

	Governmental Activities
ASSETS	
Cash and Investments	\$ 3,962,270
Restricted Cash and Investments	1,162,826
Cash with County Treasurer	101,069
Property Taxes	158,661
Grants Receivable	299,988
Inventory	1,470
Capital Assets Not Being Depreciated	186,526
Capital Assets, Net of Accumulated Depreciation	35,162,462
TOTAL ASSETS	41,035,272
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows of Resources Related to Pensions	2,087,811
LIABILITIES	
Accounts Payable	72,853
Accrued Salaries and Benefits	964,388
Unearned Revenue	66,358
Noncurrent Liabilities:	
Due Within One Year	477,010
Due in More Than One Year	9,218,192
Net Pension Liability	43,717,274
TOTAL LIABILITIES	54,516,075
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of Resources Related to Pensions	330,708
NET POSITION	
Net Investment in Capital Assets	25,729,473
Restricted for:	
Tabor Emergency	356,000
Debt Service	1,236,371
Colorado Preschool Program	114,838
Unrestricted	(39,160,382)
TOTAL NET POSITION	\$ (11,723,700)

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

LAKE COUNTY SCHOOL DISTRICT R-1

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

					NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
		PROGRAM REVENUES			
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS	GOVERNMENTAL ACTIVITIES
FUNCTIONS/PROGRAMS	EXPENSES				
GOVERNMENTAL ACTIVITIES:					
Current:					
Instruction	\$ 17,486,150	\$ -	\$ 1,481,772	\$ -	\$ (16,004,378)
Supporting Services	13,470,372	-	886,091	-	(12,584,281)
Community Services	2,717,504	228,744	1,202,275	-	(1,286,485)
Property	293,527	-	-	95,504	(198,023)
Interest on Long-Term Debt	296,113	-	-	-	(296,113)
Unallocated Depreciation	1,204,037	-	-	-	(1,204,037)
TOTAL GOVERNMENT ACTIVITIES	35,467,703	228,744	3,570,138	95,504	(31,573,317)
GENERAL REVENUES:					
Taxes:					
Property Taxes, General					5,682,807
Property Taxes, Debt Service					794,932
Specific Ownership Taxes					340,492
Payment in Lieu of Taxes					18,624
State Equalization (Unrestricted)					2,527,840
Insurance Proceeds					54,061
Investment Earnings					24,866
TOTAL GENERAL REVENUES					9,443,622
CHANGE IN NET POSITION					(22,129,695)
NET POSITION - Beginning					10,405,995
NET POSITION - Ending					\$ (11,723,700)

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

LAKE COUNTY SCHOOL DISTRICT R-1

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2017

(With Comparative Totals for June 30, 2016)

	GENERAL	DESIGNATED GRANTS	BOND REDEMPTION
ASSETS			
Cash and Investments	\$ 3,431,021	\$ 160,811	\$ -
Restricted Cash and Investments	-	-	1,162,826
Cash with County Treasurer	47,051	-	54,018
Property Taxes	139,134	-	19,527
Accounts Receivable	-	-	-
Grants Receivable	53,556	154,929	-
Due from Other Funds	150,423	-	-
Inventory	-	-	-
TOTAL ASSETS	\$ 3,821,185	\$ 315,740	\$ 1,236,371
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 68,936	\$ 432	\$ -
Accrued Salaries and Benefits	774,178	57,526	-
Unearned Revenue	34,816	24,059	-
Due to Other Funds	-	233,723	-
TOTAL LIABILITIES	877,930	315,740	-
FUND BALANCES			
Restricted For:			
Tabor Emergency	356,000	-	-
Debt Service	-	-	1,236,371
Colorado Preschool Program	114,838	-	-
Capital Projects	-	-	-
Assigned:			
Other Purposes	-	-	-
Unassigned	2,472,417	-	-
TOTAL FUND BALANCES	2,943,255	-	1,236,371
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,821,185	\$ 315,740	\$ 1,236,371

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

CAPITAL RESERVE	TOTAL NONMAJOR FUNDS	TOTAL	
		2017	2016
\$ 346,961	\$ 23,477	\$ 3,962,270	\$ 4,238,504
-	-	1,162,826	1,131,022
-	-	101,069	99,623
-	-	158,661	122,847
-	-	-	1,258
-	91,503	299,988	472,025
107,110	24,971	282,504	126,138
-	1,470	1,470	-
<u>\$ 454,071</u>	<u>\$ 141,421</u>	<u>\$ 5,968,788</u>	<u>\$ 6,191,417</u>
\$ -	\$ 3,485	\$ 72,853	\$ 92,489
-	65,910	897,614	993,615
-	7,483	66,358	196,189
-	48,781	282,504	126,138
<u>-</u>	<u>125,659</u>	<u>1,319,329</u>	<u>1,408,431</u>
-	-	356,000	356,000
-	-	1,236,371	1,193,383
-	-	114,838	116,142
-	-	-	84,000
454,071	15,762	469,833	588,381
-	-	2,472,417	2,445,080
<u>454,071</u>	<u>15,762</u>	<u>4,649,459</u>	<u>4,782,986</u>
<u>\$ 454,071</u>	<u>\$ 141,421</u>	<u>\$ 5,968,788</u>	<u>\$ 6,191,417</u>

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LAKE COUNTY SCHOOL DISTRICT R-1

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION June 30, 2017

Total Fund Balance - Governmental Funds \$ 4,649,459

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

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

Capital Assets Cost	\$ 48,408,660	
Accumulated Depreciation	(13,059,672)	35,348,988

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

Balances at year end are:

Bonds Payable	(9,619,515)	
Net Pension Liability	(43,717,274)	
Early Retirement Liability	(142,461)	(53,479,250)

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

Pension contributions from the measurement date to June 30, 2017	625,997	
Deferred outflows of resources related to pensions	1,461,814	
Deferred inflows of resources related to pensions	(330,708)	1,757,103

Net Position - Governmental Activities \$ (11,723,700)

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

LAKE COUNTY SCHOOL DISTRICT R-1

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

YEAR ENDED JUNE 30, 2017

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

	<u>GENERAL</u>	<u>DESIGNATED GRANTS</u>	<u>BOND REDEMPTION</u>
REVENUES			
Local Sources	\$ 6,254,748	\$ 278,316	\$ 802,191
State Sources	3,152,187	173,466	-
Federal Sources	311,447	781,147	-
TOTAL REVENUES	<u>9,718,382</u>	<u>1,232,929</u>	<u>802,191</u>
EXPENDITURES			
Current:			
Instruction	5,535,265	410,911	-
Supporting Services	4,104,378	578,573	-
Community Support	-	-	-
Capital Outlay	-	246,151	-
Debt Service	-	-	759,203
TOTAL EXPENDITURES	<u>9,639,643</u>	<u>1,235,635</u>	<u>759,203</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>78,739</u>	<u>(2,706)</u>	<u>42,988</u>
OTHER FINANCING SOURCES			
Transfers In (Out)	(52,706)	2,706	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(52,706)</u>	<u>2,706</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>26,033</u>	<u>-</u>	<u>42,988</u>
FUND BALANCES, Beginning	<u>2,917,222</u>	<u>-</u>	<u>1,193,383</u>
FUND BALANCES, Ending	<u><u>\$ 2,943,255</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,236,371</u></u>

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

CAPITAL RESERVE	TOTAL NONMAJOR FUNDS	TOTAL	
		2017	2016
\$ 18,624	\$ 414,213	\$ 7,768,092	\$ 9,151,990
95,504	13,922	3,435,079	3,929,574
-	1,042,243	2,134,837	2,347,286
114,128	1,470,378	13,338,008	15,428,850
-	-	5,946,176	6,296,164
-	69,217	4,752,168	5,041,177
-	1,440,240	1,440,240	1,542,670
327,597	-	573,748	795,064
-	-	759,203	759,407
327,597	1,509,457	13,471,535	14,434,482
(213,469)	(39,079)	(133,527)	994,368
-	50,000	-	-
-	50,000	-	-
(213,469)	10,921	(133,527)	994,368
667,540	4,841	4,782,986	3,788,618
\$ 454,071	\$ 15,762	\$ 4,649,459	\$ 4,782,986

LAKE COUNTY SCHOOL DISTRICT R-1

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2017

Net change in fund balances - governmental funds \$ (133,527)

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

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

Capitalized Expenses	318,945	
Depreciation Expense	<u>(1,204,037)</u>	(885,092)

Governmental funds report District pension contributions as expenditures.

However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

This is the amount by which costs of benefits earned net of employee contributions exceeded pension contributions from the measurement date (12/31/16) to June 30, 2017.

(21,646,834)

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

Repayments of principal:

General Obligation Refunding Bonds	463,090
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Accrued compensated absences are recorded on the cash basis in the funds:

Accrued Compensated Absences Paid (Accrued) - net	<u>72,668</u>
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Change in net position of governmental activities \$ (22,129,695)

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

LAKE COUNTY SCHOOL DISTRICT R-1
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2017
(With Comparative Totals for June 30, 2016)

	PUPIL ACTIVITY AGENCY FUND	
	2017	2016
ASSETS		
Cash	\$ 228,099	\$ 233,871
LIABILITIES		
Accounts Payable	\$ 228,099	\$ 233,871

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

LAKE COUNTY SCHOOL DISTRICT R-1

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The financial reporting entity consists of the District and organizations for which the District is financially accountable. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the District. In addition, any legally separate organizations for which the District is financially accountable are considered part of the reporting entity. Financial accountability exists if the District appoints a voting majority of the organization's governing board and is able to impose its will on the organization, or if the organization provides benefits to, or imposes financial burdens on, the District.

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

Government-wide and Fund Financial Statements

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

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

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

LAKE COUNTY SCHOOL DISTRICT R-1

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2017

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

LAKE COUNTY SCHOOL DISTRICT R-1

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

The District reports the following major funds:

Major Governmental Funds

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

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

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

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

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

Additionally, the District reports the following fund types:

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

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

Assets, Liabilities and Fund Balance/Net Position

1. Deposits and Investments

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

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

2. Restricted Cash and Investments

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

LAKE COUNTY SCHOOL DISTRICT R-1

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

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

3. Accounts Receivable

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

4. Interfund Receivables/Payables

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

5. Property Taxes

Property taxes are recognized as revenue in the year in which they are intended to finance operating expenses, pursuant to the Colorado school district funding formula. As 2016 property taxes were both measurable and available at June 30, 2017, the District has recognized a receivable (net of uncollectible portion) for property taxes levied January 1, 2017 but not collected by June 30, 2017.

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

6. Capital Assets

Capital assets, which include buildings, site improvements, vehicles and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary fund in the fund financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

LAKE COUNTY SCHOOL DISTRICT R-1

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

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

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

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

8. Accrued Salaries and Benefits

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

LAKE COUNTY SCHOOL DISTRICT R-1

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

9. Unearned Revenues

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

10. Compensated Absences

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

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

11. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. In the fund, financial statements, governmental fund types the face amount of debt issued is reported as other financing sources. Issuance costs, even if withheld from the actual new proceeds received, are reported as debt service expenditures in both the government-wide and fund financial statements.

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

12. Pensions

The District participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of

LAKE COUNTY SCHOOL DISTRICT R-1

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

13. Estimates

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

14. Fund Equity

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

Net Position

Net position represents the difference between the assets and liabilities in the proprietary and District-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The District reports the following restricted net positions:

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

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

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

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

LAKE COUNTY SCHOOL DISTRICT R-1

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2017

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

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

Fund Balance

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

Fund balances are classified as follows:

- *Nonspendable* - Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.
- *Restricted* - Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- *Committed* - Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Education through the adoption of a resolution. The Board of Education also may modify or rescind the commitment.
- *Assigned* - Fund balances are reported as assigned when the Board of Education intends to use resources for a specific action but without a formal action.
- *Unassigned* - Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The District reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds.

Flow Assumptions

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

LAKE COUNTY SCHOOL DISTRICT R-1

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

use fund balance in the following order:

- Committed
- Assigned
- Unassigned

15. Revenues and Expenditures/Expenses

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

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

NOTE 2: CASH AND INVESTMENTS

The District holds the following cash and investments as of June 30, 2017:

Deposits	\$ 2,187,163
Investments	<u>3,166,032</u>
Total Cash and Investments	<u><u>\$ 5,353,195</u></u>

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

Governmental Activities - Unrestricted	\$ 3,962,270
Governmental Activities - Restricted for Debt Service	1,162,826
Fiduciary Activities	<u>228,099</u>
Total Cash and Investments	<u><u>\$ 5,353,195</u></u>

Deposits

Custodial Credit Risk

In the case of deposits, this is the risk that in the event of bank failure, the government's deposits may not be returned to it. The District's deposit policy is in accordance with CRS 11-10.5-101, The Colorado Public Deposit Protection Act (PDPA), which governs the investment of public funds.

LAKE COUNTY SCHOOL DISTRICT R-1

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

PDPA requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amount on deposit in excess of federal insurance levels (\$250,000) must be collateralized by eligible collateral as determined by the PDPA. The financial institution is allowed to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The institution's internal records identify collateral by depositor and as such, these deposits are considered uninsured but collateralized. The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At June 30, 2017, all the District's deposits as shown below were either insured by federal depository insurance or collateralized under PDPA and are therefore not deemed to be exposed to custodial credit risk.

	<u>BANK BALANCE</u>	<u>CARRYING BALANCE</u>
FDIC Insurance	\$ 500,000	\$ 500,000
PDPA Collateralized	1,244,938	1,687,163
Total Deposits	<u>\$ 1,744,938</u>	<u>\$ 2,187,163</u>

Investments

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

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

LAKE COUNTY SCHOOL DISTRICT R-1

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

As of June 30, 2017, the District's investments consisted of the following:

	<u>Fair Value</u>	<u>Weighted Maturity in Days</u>
Colotrust	\$ 3,166,032	1
Total Investments	<u>\$ 3,166,032</u>	

As of June 30, 2017, the District has invested \$3,166,032 in the Colorado Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local government entities in Colorado pursuant to Part 7 of Article 75 of Title 24 of the Colorado Revised Statutes, to pool surplus funds for investment purposes. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. The fair value of the position in the pool is the same as the value of the pool shares. The designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned by the pool are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the pool. Investments of the pool consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury Notes. COLOTRUST is rated AAAm by Standard and Poor's.

Interest Rate Risk

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

NOTE 3: INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2017, is as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 150,423	\$ -
Designated Grants Fund	-	233,723
Capital Reserve Fund	107,110	-
Nonmajor Governmental Funds	<u>24,971</u>	<u>48,781</u>
	<u>\$ 282,504</u>	<u>\$ 282,504</u>

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

LAKE COUNTY SCHOOL DISTRICT R-1

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

operations or debt service.

During the year ended June 30, 2017 transfers were as follows.

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 52,706
Designated Grants Fund	2,706	-
Nonmajor Governmental Funds	50,000	-
	<u>\$ 52,706</u>	<u>\$ 52,706</u>

NOTE 4: CAPITAL ASSETS

Capital Asset Activity for the year ended June 30, 2017 was as follows:

	<u>Balance 6/30/2016</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance 6/30/2017</u>
Governmental activities				
Capital assets not being depreciated				
Land and sites	\$ 186,526	\$ -	\$ -	\$ 186,526
Total Capital assets not being depreciated	<u>186,526</u>	<u>-</u>	<u>-</u>	<u>186,526</u>
Capital assets being depreciated				
Buildings	45,725,643	264,049	-	45,989,692
Transportation equipment	1,701,899	23,307	-	1,725,206
Other equipment	475,647	31,589	-	507,236
Total capital assets being depreciated	<u>47,903,189</u>	<u>318,945</u>	<u>-</u>	<u>48,222,134</u>
Less accumulated depreciation				
Buildings	10,497,609	1,036,380	-	11,533,989
Transportation equipment	1,172,157	131,466	-	1,303,623
Other equipment	185,869	36,191	-	222,060
Total accumulated depreciation	<u>11,855,635</u>	<u>1,204,037</u>	<u>-</u>	<u>13,059,672</u>
Governmental activities capital assets, net	<u>\$ 36,234,080</u>	<u>\$ (885,092)</u>	<u>\$ -</u>	<u>\$ 35,348,988</u>

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

LAKE COUNTY SCHOOL DISTRICT R-1

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5: LONG-TERM DEBT

The following is an analysis of changes in long-term debt for the year ended June 30, 2017:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Current Portion
General Obligation Bonds, Series 2012	\$ 10,082,605	\$ -	\$ 463,090	\$ 9,619,515	\$ 477,010
Early Retirement Obligations	215,129	-	72,668	142,461	66,774
Total Long -Term Obligations	<u>\$ 10,297,734</u>	<u>\$ -</u>	<u>\$ 535,758</u>	<u>\$ 9,761,976</u>	<u>\$ 543,784</u>

General Obligation Bonds, Series 2012

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

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

Year	Principal	Interest	Total
2018	\$ 477,010	\$ 281,984	\$ 758,994
2019	491,349	267,430	758,779
2020	506,118	252,438	758,556
2021	521,332	236,996	758,328
2022	537,002	221,090	758,092
2023-2027	2,937,063	849,610	3,786,673
2028-2032	3,405,836	373,791	3,779,627
2033	743,805	11,179	754,984
Total	<u>\$ 9,619,515</u>	<u>\$ 2,494,518</u>	<u>\$ 12,114,033</u>

Early Retirement Obligations

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

LAKE COUNTY SCHOOL DISTRICT R-1

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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

Fiscal Year	Early Retirement Obligations
2018	\$ 66,774
2019	65,233
2020	10,454
Total	\$ 142,461

NOTE 6: EMPLOYEE PENSION PLAN

Defined Benefit Pension Plan

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

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

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

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

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

LAKE COUNTY SCHOOL DISTRICT R-1

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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

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

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

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

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

	For the Year Ended December 31, 2016	For the Year Ended December 31, 2017
Employer Contribution Rate ¹	10.15%	10.15%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 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	4.50%	4.50%
Supplemental Amortization Equalization	4.50%	5.00%

LAKE COUNTY SCHOOL DISTRICT R-1

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹		
Total Employer Contribution Rate to the SCHDTF ¹	18.13%	18.63%

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District were \$1,235,169 for the year ended June 30, 2017.

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

At June 30, 2017, the District reported a liability of \$43,717,274 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016. The District's proportion of the net pension liability was based on the District's contributions to the SCHDTF for the calendar year 2016 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2016, the District's proportion was 0.1468310249%, which was an increase of 0.0007825615% from its proportion measured as of December 31, 2015 of 0.1460484634%.

For the year ended June 30, 2017, the District recognized pension expense of \$1,235,169. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 197,528
Net difference between projected and actual earnings on pension plan investments	1,461,814	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	133,180
Contributions subsequent to the measurement date	625,997	N/A
Total	<u>\$ 2,087,811</u>	<u>\$ 330,708</u>

LAKE COUNTY SCHOOL DISTRICT R-1

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2017

\$2,087,811 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,

2018	\$ 251,937
2019	251,937
2020	345,927
2021	429,278
2022	-

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

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

Mortality rates used in the December 31, 2015 valuation were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years. Active member mortality was based upon the same mortality rates but adjusted to 55 percent of the base rate for males and 40 percent of the base rate for females. For disabled retirees, the RP-2000 Disabled Mortality Table (set back 2 years for males and set back 2 years for females) was assumed.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

LAKE COUNTY SCHOOL DISTRICT R-1

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2017

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

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

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

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

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

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

- Investment rate of return assumption decreased from 7.50 percent per year, compounded annually, net of investment expenses to 7.25 percent per year, compounded annually, net of investment expenses.
- Price inflation assumption decreased from 2.80 percent per year to 2.40 percent per year.

LAKE COUNTY SCHOOL DISTRICT R-1

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

- Real rate of investment return assumption increased from 4.70 percent per year, net of investment expenses, to 4.85 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.90 percent per year to 3.50 percent per year.

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

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

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42%	4.80%
Non U.S. Equity – Developed	18.55%	5.20%
Non U.S. Equity – Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income – Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	100.00%	

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

Discount rate. The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

LAKE COUNTY SCHOOL DISTRICT R-1

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2017

- Updated economic and demographic actuarial assumptions adopted by PERA's Board on November 18, 2016.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the projection test indicates the SCHDTF's fiduciary

LAKE COUNTY SCHOOL DISTRICT R-1

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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

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

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 5.26%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.26%) or 1-percentage-point higher (6.26%) than the current rate:

	1% Decrease (4.26%)	Current Discount Rate (5.26%)	1% Increase (6.26%)
Proportionate share of the net pension liability	\$54,973,067	\$43,717,274	\$34,549,838

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

NOTE 7: POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description.

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

LAKE COUNTY SCHOOL DISTRICT R-1

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2017

may be obtained as described previously.

Funding Policy.

The District was required to contribute at the rate of 1.02% of covered salaries for all PERA members as set by statute. No member contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contributions of the HCTF is established under Title 24, Article 51, Section 208 of the CRS, as amended. The District's apportionment to the HCTF for the years ended June 30, 2017, 2016 and 2015 were \$64,929, \$66,969 and \$63,718, respectively, equal to their required contribution for each year.

NOTE 8: JOINTLY GOVERNED ORGANIZATION

The District is a participant among nine other districts and the Colorado Mountain College in a jointly governed organization to operate the Mountain Board of Cooperative Educational Services (BOCES). The BOCES was formed for the purpose of administrative functions among member districts for special education and federal grants. The BOCES is governed by a board of directors consisting of a member of the board of education and the superintendent from each of the participating members. The District does not have an ongoing financial interest in or ongoing financial responsibility for the BOCES. For the year ended June 30, 2017 the District paid assessments totaling \$98,953 to the BOCES. Financial statements for the BOCES can be obtained from the BOCES administrative offices at: 1713 Mount Lincoln Drive West, Leadville, CO 80461.

NOTE 9: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The District accounts for its risk activities in the General Fund.

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

The CSDSIP is sponsored by the Colorado Association of School Boards, and operates as a self-insurance pool comprised of various school districts and other related public educational entities within the State of Colorado. The CSDSIP is administered by a board which is comprised of eight members. The eight members include the president, vice president and executive director of the Colorado Association of School Boards (CASB), with the remaining five members being appointed

LAKE COUNTY SCHOOL DISTRICT R-1

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2017

by the Board of Directors of CASB. The District pays an annual premium to the CSDSIP for various types of property and liability insurance coverage. The pool agreement provides that the CSDSIP will be self-sustaining through member premiums and will reinsure through a duly authorized insurer. The reinsurance covers claims against the CSDSIP in excess of specific claim amounts and in the aggregate in an amount and at limits determined by the CSDSIP to be adequate to protect the solvency of the CSDSIP. Settled claims have not exceeded this coverage in any of the past three years.

NOTE 10: COMMITMENTS AND CONTINGENCIES

Claims and Judgments

The District participates in a number of federal, state, and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2017, significant amounts of grant expenditures have not been audited but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

Litigation

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

Significant Taxpayer

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

Tabor Amendment

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

Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable

LAKE COUNTY SCHOOL DISTRICT R-1

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded unless the District's electorate votes to retain the revenue. The Tabor Amendment is subject to many interpretations, but the District believes it is in substantial compliance with the Amendment.

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

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

The Tabor Amendment requires the District to establish a reserve for emergencies. At June 30, 2017, the District reserved \$356,000 in the General Fund for that purpose.

REQUIRED SUPPLEMENTARY INFORMATION

LAKE COUNTY SCHOOL DISTRICT R-1

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

GENERAL FUND

YEAR ENDED JUNE 30, 2017

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

	2017				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POS (NEG)	2016 ACTUAL
REVENUES					
Local Sources					
Property Taxes	\$ 6,077,917	\$ 5,618,795	\$ 5,609,516	\$ (9,279)	\$ 6,753,501
Specific Ownership Taxes	262,688	260,984	340,492	79,508	330,150
Delinquent Taxes	26,000	26,000	73,291	47,291	266,306
Interest	2,500	2,500	17,607	15,107	5,783
Pupil Activity Revenue	20,000	20,000	17,368	(2,632)	15,782
Rent Revenue	5,415	5,415	4,640	(775)	6,915
Donations	156,138	134,259	57,018	(77,241)	167,778
Insurance Proceeds	-	-	54,061	54,061	-
Other Local	30,000	170,000	80,755	(89,245)	24,239
Total Local Sources	6,580,658	6,237,953	6,254,748	16,795	7,570,454
Intermediate Sources					
Forest Service	15,000	15,000	-	(15,000)	-
State Sources					
State Equalization	2,181,037	2,529,307	2,527,840	(1,467)	2,153,656
Vocational Education	12,251	12,251	18,845	6,594	14,327
ELPA	54,659	54,659	54,659	-	56,515
Transportation	76,560	82,716	83,486	770	89,299
BOCES Passthrough	215,517	207,180	208,998	1,818	217,088
Other State	278,600	250,758	258,359	7,601	559,560
Total State Sources	2,818,624	3,136,871	3,152,187	15,316	3,090,445
Federal Sources					
Other	101,789	105,926	159,287	53,361	101,511
Federal BOCES Passthrough	145,282	152,160	152,160	-	152,917
Total Federal Sources	247,071	258,086	311,447	53,361	254,428
TOTAL REVENUES	9,661,353	9,647,910	9,718,382	70,472	10,915,327
EXPENDITURES					
Instruction					
Salaries	3,424,986	3,423,877	3,439,608	(15,731)	3,728,334
Benefits	1,300,658	1,303,568	1,235,407	68,161	1,353,889
Purchased Services - Professional	321,389	376,089	349,520	26,569	323,379
Purchased Services - Property	1,000	100	81	19	100
Purchased Services - Other	298,685	291,100	313,203	(22,103)	244,577
Supplies	185,766	192,931	187,400	5,531	189,310
Property	1,000	1,000	500	500	2,877
Other	13,400	13,400	9,546	3,854	7,970
Total Instruction	5,546,884	5,602,065	5,535,265	66,800	5,850,436

(Continued)

LAKE COUNTY SCHOOL DISTRICT R-1

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

GENERAL FUND

YEAR ENDED JUNE 30, 2017

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

(Continued)

	2017			VARIANCE WITH	
	ORIGINAL	FINAL		FINAL BUDGET	2016
	BUDGET	BUDGET	ACTUAL	POS (NEG)	ACTUAL
EXPENDITURES (Continued)					
Students					
Salaries	\$ 293,293	\$ 277,503	\$ 286,016	\$ (8,513)	\$ 249,239
Benefits	129,723	123,842	117,297	6,545	107,274
Purchased Services - Professional	3,000	3,000	2,490	510	4,842
Purchased Services - Other	11,143	13,143	4,617	8,526	439
Supplies	3,300	3,444	1,364	2,080	1,378
Total Student Support	440,459	420,932	411,784	9,148	363,172
Instructional Staff					
Salaries	139,622	161,762	161,449	313	151,442
Benefits	46,963	57,887	54,410	3,477	50,528
Purchased Services - Professional	223,000	223,000	282,760	(59,760)	188,848
Purchased Services - Property	700	700	-	700	-
Purchased Services - Other	1,650	1,650	905	745	714
Supplies	98,500	98,500	91,314	7,186	51,264
Property	26,200	26,200	14,641	11,559	21,229
Total Instructional Staff	536,635	569,699	605,479	(35,780)	464,025
General Administration					
Salaries	242,871	226,942	232,374	(5,432)	298,938
Benefits	90,227	81,126	75,852	5,274	102,201
Purchased Services - Professional	9,000	9,000	3,050	5,950	24,226
Purchased Services - Other	20,257	17,500	17,821	(321)	17,056
Supplies	5,500	5,500	3,856	1,644	6,310
Property	500	500	-	500	-
Other	12,200	12,200	16,260	(4,060)	14,908
Total General Administration	380,555	352,768	349,213	3,555	463,639
School Administration					
Salaries	519,088	522,788	546,027	(23,239)	502,182
Benefits	198,730	199,456	195,823	3,633	191,200
Purchased Services - Other	650	650	59	591	424
Supplies	10,260	12,250	10,275	1,975	4,072
Property	200	200	128	72	280
Total School Administration	728,928	735,344	752,312	(16,968)	698,158
Business					
Salaries	115,535	115,535	114,048	1,487	96,137
Benefits	35,214	35,214	32,238	2,976	42,475
Purchased Services - Professional	5,000	5,000	13,881	(8,881)	15,755
Purchased Services - Other	3,500	3,500	6,331	(2,831)	5,876
Supplies	1,000	1,000	477	523	307
Property	400	400	-	400	-
Other	50	50	474	(424)	225
Total Business	160,699	160,699	167,449	(6,750)	160,775

(Continued)

LAKE COUNTY SCHOOL DISTRICT R-1
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

(Continued)

	2017			VARIANCE WITH	2016
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL BUDGET POS (NEG)	ACTUAL
EXPENDITURES (Continued)					
Supporting Services (Continued)					
Operations and Maintenance					
Salaries	\$ 515,288	\$ 517,288	\$ 520,445	\$ (3,157)	\$ 529,368
Benefits	213,074	216,174	192,409	23,765	223,513
Purchased Services - Professional	60,000	60,000	75,623	(15,623)	52,892
Purchased Services - Property	119,500	118,000	129,372	(11,372)	125,538
Purchased Services - Other	1,500	1,500	57	1,443	2,393
Supplies	324,000	324,000	344,348	(20,348)	328,788
Property	15,000	15,000	8,587	6,413	9,570
Other	6,500	6,500	7,697	(1,197)	6,888
Total Operations and Maintenance	<u>1,254,862</u>	<u>1,258,462</u>	<u>1,278,538</u>	<u>(20,076)</u>	<u>1,278,950</u>
Student Transportation					
Salaries	207,121	190,021	177,125	12,896	192,078
Benefits	108,905	103,905	113,981	(10,076)	122,106
Purchased Services - Professional	5,000	5,000	1,250	3,750	4,665
Purchased Services - Property	20,000	20,000	19,683	317	25,334
Purchased Services - Other	5,500	5,500	287	5,213	1,718
Supplies	19,700	19,700	13,836	5,864	13,383
Property	2,984	2,984	-	2,984	-
Total Student Transportation	<u>369,210</u>	<u>347,110</u>	<u>326,162</u>	<u>20,948</u>	<u>359,284</u>
Risk Management					
Purchased Services - Other	240,000	240,000	213,441	26,559	220,100
Total Supporting Services	<u>4,111,348</u>	<u>4,085,014</u>	<u>4,104,378</u>	<u>(19,364)</u>	<u>4,008,103</u>
Reserves					
Reserves for Contingencies	1,936,004	2,808,053	-	2,808,053	-
TOTAL EXPENDITURES	<u>11,594,236</u>	<u>12,495,132</u>	<u>9,639,643</u>	<u>2,855,489</u>	<u>9,858,539</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,932,883)	(2,847,222)	78,739	2,925,961	1,056,788
OTHER FINANCING USES					
Transfers In (Out)	(70,000)	(70,000)	(52,706)	(17,294)	(168,269)
NET CHANGE IN FUND BALANCE	<u>(2,002,883)</u>	<u>(2,917,222)</u>	<u>26,033</u>	<u>2,908,667</u>	<u>888,519</u>
FUND BALANCE, Beginning	<u>2,002,883</u>	<u>2,917,222</u>	<u>2,917,222</u>	<u>-</u>	<u>2,028,703</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,943,255</u>	<u>\$ 2,908,667</u>	<u>\$ 2,917,222</u>

See the Accompanying Independent Auditor's Report.

LAKE COUNTY SCHOOL DISTRICT R-1

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

SPECIAL REVENUE FUND - DESIGNATED GRANTS FUND

YEAR ENDED JUNE 30, 2017

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

	2017			VARIANCE WITH	
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL BUDGET POS (NEG)	2016 ACTUAL
REVENUES					
Local					
Donations	\$ 445,559	\$ 336,687	\$ 278,316	\$ (58,371)	\$ 118,229
State					
School Counselor Grant	-	-	-	-	119,113
Student Wellness	50,000	50,000	50,000	-	50,000
Other State	218,830	123,466	123,466	-	201,719
Total State	268,830	173,466	173,466	-	370,832
Federal					
Title I, A - Improving Basic Programs	94,735	303,030	263,570	(39,460)	262,831
NCLB Title I Part A	164,171	164,171	164,171	-	181,192
21st Century Community Learning Centers	258,501	241,707	226,350	(15,357)	245,180
Title VI - Rural and Low Income Schools	23,877	21,110	14,958	(6,152)	23,735
Title III Set Aside Immigrant NCLB ELA	930	1,663	1,663	-	-
Title III, Part A	28,407	23,971	23,971	-	31,019
Title II , Part A - Teacher Quality	42,546	42,370	42,370	-	86,878
Carl Perkins Vocational Education	30,587	25,000	26,539	1,539	34,196
Race to the Top	2,556	2,556	2,555	(1)	-
Other	-	15,000	15,000	-	99,014
Total Federal	646,310	840,578	781,147	(59,431)	964,045
TOTAL REVENUES	1,360,699	1,350,731	1,232,929	(117,802)	1,453,106
EXPENDITURES					
Instruction					
Salaries	187,135	187,135	174,864	12,271	139,849
Benefits	56,834	56,834	51,156	5,678	38,286
Purchased Services - Professional	125,255	125,255	127,718	(2,463)	164,989
Purchased Services - Other	26,324	26,324	16,178	10,146	31,116
Supplies	52,662	52,662	26,127	26,535	43,748
Property	13,131	13,131	14,868	(1,737)	27,740
Total Instruction	461,341	461,341	410,911	50,430	445,728
Pupil Support					
Salaries	\$ 284,156	\$ 284,156	\$ 228,463	\$ 55,693	\$ 345,408
Benefits	98,180	98,180	74,602	23,578	105,181
Purchased Services - Professional	54,395	54,395	39,132	15,263	89,799
Purchased Services - Other	31,368	31,368	16,497	14,871	103,410
Supplies	18,456	18,456	11,399	7,057	10,796
Other	2,936	2,936	2,936	-	-
Total Pupil Support	489,491	489,491	373,029	116,462	654,594

(Continued)

LAKE COUNTY SCHOOL DISTRICT R-1

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUND - DESIGNATED GRANTS FUND
YEAR ENDED JUNE 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

(Continued)

	2017			VARIANCE WITH	
	ORIGINAL	FINAL		FINAL BUDGET	2016
	BUDGET	BUDGET	ACTUAL	POS (NEG)	ACTUAL
EXPENDITURES (Continued)					
Staff Support					
Salaries	125,988	125,988	157,926	(31,938)	215,646
Benefits	46,328	46,328	46,195	133	67,581
Total Staff Support	172,316	172,316	204,121	(31,805)	283,227
School Administration					
Salaries	1,192	1,192	-	1,192	18,637
Benefits	238	238	-	238	-
Total School Administration	1,430	1,430	-	1,430	18,637
Business Services					
Salaries	-	-	1,192	(1,192)	-
Benefits	-	-	231	(231)	-
Total Business Services	-	-	1,423	(1,423)	-
Site Improvement Services					
Purchased Services - Professional	209,207	199,239	200,420	(1,181)	67,815
Property	46,914	46,914	45,731	1,183	3,105
Total Site Improvement Services	256,121	246,153	246,151	2	70,920
TOTAL EXPENDITURES	1,380,699	1,370,731	1,235,635	135,096	1,473,106
EXCESS OF REVENUES OVER					
EXPENDITURES	(20,000)	(20,000)	(2,706)	17,294	(20,000)
OTHER FINANCING USES					
Transfers In (Out)	20,000	20,000	2,706	(17,294)	20,000
TOTAL OTHER FINANCING USES	20,000	20,000	2,706	(17,294)	20,000
NET CHANGE IN FUND BALANCE	-	-	-	-	-
FUND BALANCE, Beginning	-	-	-	-	-
FUND BALANCE, Ending	\$ -	\$ -	\$ -	\$ -	\$ -

See the Accompanying Independent Auditor's Report.

LAKE COUNTY SCHOOL DISTRICT R-1

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

PERA PENSION PLAN - SCHOOL DIVISION TRUST FUND

LAST TEN YEARS *

	2016	2015	2014	2013
District Proportion of the Net Pension Liability (Asset)	0.1468310249%	0.1460484634%	0.1443874344%	0.1435390193%
District Proportionate Share of the Net Pension Liability (Asset)	\$ 43,717,274	\$ 22,387,081	\$ 19,569,347	\$ 18,308,363
District Covered Employee Payroll	\$ 6,590,004	\$ 6,363,878	\$ 6,049,167	\$ 5,786,362
Proportionate Share of Net Pension Liability as a Percentage of its Covered Employee Payroll	663.388%	351.784%	323.505%	316.405%
Total Pension Liability	\$ 52,354,913,000	\$ 37,447,062,000	\$ 36,473,966,000	\$ 35,494,976,000
Plan Fiduciary Net Position	22,581,046,000	22,152,768,000	22,920,607,000	22,740,003,000
Net Pension Liability	<u>\$ 29,773,867,000</u>	<u>\$ 15,294,294,000</u>	<u>\$ 13,553,359,000</u>	<u>\$ 12,754,973,000</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	43.1%	59.2%	62.8%	64.1%

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

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

See the Accompanying Independent Auditor's Report.

LAKE COUNTY SCHOOL DISTRICT R-1

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
PERA PENSION PLAN - SCHOOL DIVISION TRUST FUND
LAST TEN FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ 1,235,169	\$ 1,233,696	\$ 1,120,600	\$ 990,535	\$ 926,219
Contributions in Relation to the Contractually Required Contribution	<u>(1,235,169)</u>	<u>(1,233,696)</u>	<u>(1,120,600)</u>	<u>(990,535)</u>	<u>(926,219)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 6,366,791	\$ 6,571,617	\$ 6,256,642	\$ 5,822,274	\$ 5,748,203
Contributions as a Percentage of Covered Employee Payroll	19.41%	18.78%	17.92%	17.00%	16.11%

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

LAKE COUNTY SCHOOL DISTRICT R-1

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2017

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles, except for the enterprise fund which budgets on a non-GAAP basis. Annual appropriated budgets are adopted for all funds. All annual appropriations lapse at fiscal year-end. The District adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- Budgets are required by state law for all funds. By May 31, the Superintendent of Schools submits to the Board of Education a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. All appropriations lapse at year end.
- Public hearings are conducted by the Board of Education to obtain taxpayer comments.
- Prior to June 30, the budget is adopted by formal resolution.
- Expenditures may not legally exceed appropriations at the fund level.
- Revisions that alter the total expenditures of any fund must be approved by the Board of Education.
- Budgeted amounts reported in the accompanying financial statements are as originally adopted or as revised by the Board of Education.
- Budget amendments increasing total fund appropriations must be approved by the Board of Education. During the year, supplemental appropriation resolutions were approved by the Board of Education.
- During the year ended June 30, 2017, supplementary appropriations approved by the District as follows:

	Original Appropriation	Modified Appropriation
General Fund	\$ 11,664,236	\$ 12,565,132
Designated Grants Fund	1,380,699	1,370,731
Food Service Fund	655,717	899,500
Center Fund	150,515	150,515
Head Start Fund	694,299	694,299
Bond Redemption Fund	1,982,612	1,982,612
Capital Reserve Fund	1,070,330	1,070,330
Pupil Activity	275,000	275,000
	<u>\$ 17,873,408</u>	<u>\$ 19,008,119</u>

SUPPLEMENTARY INFORMATION

LAKE COUNTY SCHOOL DISTRICT R-1
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017
(With Comparative Totals for June 30, 2016)

	SPECIAL REVENUE FUNDS				
	FOOD SERVICE FUND	CENTER FUND	HEAD START FUND	TOTAL 2017	TOTAL 2016
ASSETS					
Cash and Investments	\$ 5,669	\$ 17,808	\$ -	\$ 23,477	\$ 19,897
Grants Receivable	10,752	1,270	79,481	91,503	58,867
Due from Other Funds	13,426	11,545	-	24,971	-
Inventory	1,470	-	-	1,470	-
TOTAL ASSETS	\$ 31,317	\$ 30,623	\$ 79,481	\$ 141,421	\$ 78,764
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 3,477	\$ 8	\$ -	\$ 3,485	\$ 860
Accrued Salaries and Benefits	27,840	7,370	30,700	65,910	56,209
Deferred Revenue	-	7,483	-	7,483	7,483
Due to Other Funds	-	-	48,781	48,781	9,371
TOTAL LIABILITIES	31,317	14,861	79,481	125,659	73,923
FUND BALANCES					
Assigned	-	15,762	-	15,762	4,841
TOTAL FUND BALANCES	-	15,762	-	15,762	4,841
TOTAL LIABILITIES AND FUND BALANCES	\$ 31,317	\$ 30,623	\$ 79,481	\$ 141,421	\$ 78,764

See the accompanying Independent Auditors' Report.

LAKE COUNTY SCHOOL DISTRICT R-1

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NON-MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2017

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

	SPECIAL REVENUE FUNDS				
	FOOD SERVICE FUND	CENTER FUND	HEAD START FUND	TOTAL 2017	TOTAL 2016
REVENUES					
Local Sources	\$ 118,505	\$ 153,231	\$ 142,477	\$ 414,213	\$ 379,759
State Sources	13,922	-	-	13,922	15,907
Federal Sources	498,060	3,174	541,009	1,042,243	1,128,813
TOTAL REVENUES	630,487	156,405	683,486	1,470,378	1,524,479
EXPENDITURES					
Supporting Services	-	7,850	61,367	69,217	76,616
Community Support	680,487	137,634	622,119	1,440,240	1,542,670
TOTAL EXPENDITURES	680,487	145,484	683,486	1,509,457	1,619,286
EXCESS REVENUES OVER (UNDER)					
EXPENDITURES	(50,000)	10,921	-	(39,079)	(94,807)
OTHER FINANCING SOURCES (USES)					
Transfers In (Out)	50,000	-	-	50,000	64,269
TOTAL OTHER FINANCING SOURCES	50,000	-	-	50,000	64,269
NET CHANGE IN FUND BALANCE	-	10,921	-	10,921	(30,538)
FUND BALANCES, Beginning	-	4,841	-	4,841	35,379
FUND BALANCES, Ending	\$ -	\$ 15,762	\$ -	\$ 15,762	\$ 4,841

See the accompanying Independent Auditors' Report.

LAKE COUNTY SCHOOL DISTRICT R-1
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND - FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	2017			VARIANCE WITH	
	ORIGINAL	FINAL		FINAL BUDGET	2016
	BUDGET	BUDGET	ACTUAL	POS (NEG)	ACTUAL
REVENUES					
Lunch Sales	\$ 80,000	\$ 80,000	\$ 78,040	\$ (1,960)	\$ 73,724
Ala Carte Sales	15,000	30,000	25,425	(4,575)	18,207
Special Function Sales	15,000	18,000	15,040	(2,960)	27,104
Donations	14,000	14,000	-	(14,000)	-
SMCN	6,000	6,000	4,275	(1,725)	4,485
Start Smart	3,000	3,000	5,466	2,466	6,294
Other State	3,500	3,500	4,181	681	5,128
Commodity Distribution	40,000	40,000	37,933	(2,067)	31,958
National School Lunch Program	300,000	350,000	225,139	(124,861)	266,474
National School Breakfast Program	110,217	250,000	146,548	(103,452)	176,565
Summer Food Program	-	-	8,279	8,279	4,855
CACFP Snack Grant	10,000	35,000	55,421	20,421	39,836
Other Federal	9,000	20,000	24,740	4,740	28,024
TOTAL REVENUES	605,717	849,500	630,487	(219,013)	682,654
EXPENDITURES					
Salaries	229,619	319,231	253,688	65,543	275,056
Benefits	108,800	137,100	111,765	25,335	134,713
Purchased Services - Other	1,600	2,500	343	2,157	1,368
Supplies	4,000	12,000	951	11,049	1,299
Food	201,698	303,669	215,773	87,896	236,088
Milk	70,000	85,000	59,948	25,052	66,441
Commodities	40,000	40,000	38,019	1,981	31,958
TOTAL EXPENDITURES	655,717	899,500	680,487	219,013	746,923
REVENUES OVER (UNDER)					
EXPENDITURES	(50,000)	(50,000)	(50,000)	-	(64,269)
OTHER FINANCING USES					
Transfers In	50,000	50,000	50,000	-	64,269
TOTAL OTHER FINANCING USES	50,000	50,000	50,000	-	64,269
NET CHANGE IN FUND BALANCE	-	-	-	-	-
FUND BALANCE, Beginning	-	-	-	-	-
FUND BALANCE, Ending	\$ -	\$ -	\$ -	\$ -	\$ -

See the Accompanying Independent Auditor's Report.

LAKE COUNTY SCHOOL DISTRICT R-1
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND - CENTER FUND
YEAR ENDED JUNE 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	2017			
	ORIGINAL & FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POS (NEG)	2016 ACTUAL
REVENUES				
Tuition	\$ 75,000	\$ 88,231	\$ 13,231	\$ 94,500
Donations	67,500	65,000	(2,500)	30,000
IDEA Preschool	3,174	3,174	-	3,675
TOTAL REVENUES	145,674	156,405	10,731	128,175
EXPENDITURES				
Operations and Maintenance				
Salaries	8,000	5,631	2,369	7,532
Benefits	4,150	2,219	1,931	3,396
Total Operations and Maintenance	12,150	7,850	4,300	10,928
Community Support			-	
Salaries	81,174	81,782	(608)	87,750
Benefits	30,775	33,063	(2,288)	36,855
Purchased Services - Professional	4,000	440	3,560	2,166
Supplies	15,575	20,445	(4,870)	19,094
Other	2,000	1,904	96	1,920
Contingency	4,841	-	4,841	-
Total Community Support	138,365	137,634	731	147,785
TOTAL EXPENDITURES	150,515	145,484	5,031	158,713
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(4,841)	10,921	15,762	(30,538)
FUND BALANCE, Beginning	4,841	4,841	-	35,379
FUND BALANCE, Ending	\$ -	\$ 15,762	\$ 15,762	\$ 4,841

See the Accompanying Independent Auditor's Report.

LAKE COUNTY SCHOOL DISTRICT R-1
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND - HEAD START PROGRAM FUND
YEAR ENDED JUNE 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	2017				
	ORIGINAL BUDGET	ORIGINAL & FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POS (NEG)	2016 ACTUAL
REVENUES					
In-kind Donations	\$ 142,477	\$ 142,477	\$ 142,477	\$ -	\$ 136,224
Head Start Grant	551,822	551,822	541,009	(10,813)	577,426
TOTAL REVENUES	<u>694,299</u>	<u>694,299</u>	<u>683,486</u>	<u>(10,813)</u>	<u>713,650</u>
EXPENDITURES					
Operations and Maintenance					
Salaries	20,912	20,912	24,500	(3,588)	25,237
Benefits	9,448	9,448	9,809	(361)	11,362
Total Operations and Maintenance	<u>30,360</u>	<u>30,360</u>	<u>34,309</u>	<u>(3,949)</u>	<u>36,599</u>
Transportation					
Salaries	18,000	18,000	18,857	(857)	20,327
Benefits	8,119	8,119	8,201	(82)	8,762
Total Transportation	<u>26,119</u>	<u>26,119</u>	<u>27,058</u>	<u>(939)</u>	<u>29,089</u>
Community Support					
Salaries	310,978	310,978	319,277	(8,299)	307,448
Benefits	146,377	146,377	122,027	24,350	137,945
Purchased Services - Professional	15,831	15,831	19,606	(3,775)	18,946
Purchased Services - Other	5,745	5,745	3,385	2,360	4,087
Supplies	15,912	15,912	13,788	2,124	43,267
Other	142,977	142,977	144,036	(1,059)	136,269
Total Community Support	<u>637,820</u>	<u>637,820</u>	<u>622,119</u>	<u>15,701</u>	<u>647,962</u>
TOTAL EXPENDITURES	<u>694,299</u>	<u>694,299</u>	<u>683,486</u>	<u>10,813</u>	<u>713,650</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	-	-	-	-	-
FUND BALANCE, Beginning	-	-	-	-	-
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See the Accompanying Independent Auditor's Report.

LAKE COUNTY SCHOOL DISTRICT R-1
BUDGETARY COMPARISON SCHEDULE
BOND REDEMPTION FUND
YEAR ENDED JUNE 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	2017			
	ORIGINAL & FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POS (NEG)	2016 ACTUAL
REVENUES				
Property Taxes	\$ 789,229	\$ 794,932	\$ 5,703	\$ 904,353
Interest Income	-	7,259	7,259	2,329
TOTAL REVENUES	789,229	802,191	12,962	906,682
EXPENDITURES				
Debt Service				
Principal	463,090	463,090	-	449,577
Interest	296,113	296,113	-	309,830
Other	1,223,409	-	1,223,409	-
TOTAL EXPENDITURES	1,982,612	759,203	1,223,409	759,407
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(1,193,383)	42,988	1,236,371	147,275
FUND BALANCE, Beginning	1,193,383	1,193,383	-	1,046,108
FUND BALANCE, Ending	\$ -	\$ 1,236,371	\$ 1,236,371	\$ 1,193,383

See the Accompanying Independent Auditor's Report.

LAKE COUNTY SCHOOL DISTRICT R-1

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

CAPITAL PROJECTS CAPITAL RESERVE FUND

YEAR ENDED JUNE 30, 2017

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

	2017			2016 ACTUAL
	ORIGINAL & FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POS (NEG)	
REVENUES				
Payment In Lieu of Taxes	\$ 145,000	\$ 18,624	\$ (126,376)	\$ 176,866
Capital Construction Grants	257,790	95,504	(162,286)	452,390
TOTAL REVENUES	<u>402,790</u>	<u>114,128</u>	<u>(288,662)</u>	<u>629,256</u>
EXPENDITURES				
Facilities/Property				
Buildings	770,900	225,556	545,344	355,855
Equipment	227,430	78,734	148,696	352,751
Vehicles	72,000	23,307	48,693	15,538
TOTAL EXPENDITURES	<u>1,070,330</u>	<u>327,597</u>	<u>742,733</u>	<u>724,144</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(667,540)	(213,469)	454,071	(94,888)
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	-	-	-	84,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>84,000</u>
NET CHANGE IN FUND BALANCE	(667,540)	(213,469)	454,071	(10,888)
FUND BALANCE, Beginning	<u>667,540</u>	<u>667,540</u>	<u>-</u>	<u>678,428</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ 454,071</u>	<u>\$ 454,071</u>	<u>\$ 667,540</u>

See the Accompanying Independent Auditor's Report.

LAKE COUNTY SCHOOL DISTRICT R-1
BUDGETARY COMPARISON SCHEDULE
PUPIL ACTIVITY FUND
YEAR ENDED JUNE 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	2017		VARIANCE WITH FINAL BUDGET POS (NEG)	2016 ACTUAL
	ORIGINAL & FINAL BUDGET	ACTUAL		
Receipts	\$ 275,000	\$ 214,909	\$ (60,091)	\$ 253,822
Disbursements	275,000	220,681	54,319	232,490
Net Receipts (Disbursements)	<u>\$ -</u>	<u>(5,772)</u>	<u>\$ (5,772)</u>	21,332
CASH IN BANK, Beginning		233,871		212,539
CASH IN BANK, Ending		<u>\$ 228,099</u>		<u>\$ 233,871</u>

See the Accompanying Independent Auditor's Report.

LAKE COUNTY SCHOOL DISTRICT R-1
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
PUPIL ACTIVITY AGENCY FUND
YEAR ENDED JUNE 30, 2017

	<u>BALANCE</u> <u>June 30, 2016</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>June 30, 2017</u>
ASSETS				
Cash	\$ 233,871	\$ 214,909	\$ 220,681	\$ 228,099
LIABILITIES				
Accounts Payable	\$ 233,871	\$ 214,909	\$ 220,681	\$ 228,099

See the Accompanying Independent Auditor's Report.

SINGLE AUDIT

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

LAKE COUNTY SCHOOL DISTRICT R-1

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2017

Federal Grantor/ Pass-Through Grantor/ Program Title	District's Program Number	Federal CFDA Number	Beginning Balance Accrued (Deferred)	Total Receipts	Total Expenditures	Ending Balance Accrued (Deferred)
<u>U.S. Department of Agriculture</u>						
Passed Through State Department of Human Services						
Food Distribution	4555	10.555	\$ -	37,933	\$ 37,933	\$ -
Passed Through State Department of Education						
School Breakfast Program	4553	10.553	-	145,928	146,548	620
National School Lunch Program	4555	10.555	-	224,138	225,139	1,001
Summer Food Service Program	4559	10.559	-	5,412	8,279	2,867
CDE Fresh Fruit & Vegetable	4582	10.582	3,248	21,742	24,740	6,246
Child Nutrition Discretionary Grants	5579	10.579	18,275	20,830	2,555	-
Passed Through State Department of Public Health and Environment:						
Child & Adult Care Food Program	4558	10.558	-	55,421	55,421	-
Total U.S. Department of Agriculture			<u>21,523</u>	<u>511,404</u>	<u>500,615</u>	<u>10,734</u>
<u>U.S. Department of Education</u>						
Passed Through State Department of Education						
Adult Education & Family Literacy Act	5002	84.002	5,958	32,397	34,671	8,232
Title I	4010	84.010	55,244	236,855	262,052	80,441
Title I	5010	84.010	26,623	176,000	164,171	14,794
21st Century Learning Centers	5287	84.287	72,776	266,455	226,350	32,671
Title VI Part B Rural and Low Income Schools	7358	84.358	9,579	24,537	14,958	-
Title III Part A English Language Acquisition	4365	84.365	13,042	37,013	23,971	-
Title III Part A English Language Acquisition	5365	84.365	22,073	37,073	15,000	-
Title III Part A English Language Acquisition	7365	84.365	-	1,663	1,663	-
Title II Part A Improving Teacher Quality	4367	84.367	4,799	47,169	42,370	-
Title II Part A Improving Teacher Quality	5367	84.367	8,310	8,310	-	-
Passed Through Mountain BOCES:						
Title VI-B IDEA Special Education	4027	84.027	107,342	259,502	152,160	-
Title VI-B IDEA Preschool	4173	84.173	2,710	4,614	3,174	1,270
Passed Through Colorado Mountain College						
Carl Perkins Vocational & Applied Training	4048	84.048	21,986	43,376	26,539	5,149
Total U.S. Department of Education			<u>350,442</u>	<u>1,174,964</u>	<u>967,079</u>	<u>142,557</u>
<u>U.S. Department of Health and Human Services</u>						
Direct Program:						
Head Start	8600	93.600	45,220	506,748	541,009	79,481
Total Federal Assistance			<u>\$ 417,185</u>	<u>\$ 2,193,116</u>	<u>\$ 2,008,703</u>	<u>\$ 232,772</u>

See the Accompanying Independent Auditor's Report.

LAKE COUNTY SCHOOL DISTRICT R-1

**NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2017**

NOTE 1: BASIS OF PRESENTATION

In the accompanying schedule of expenditures of federal awards is presented in accordance with the requirements of Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in the financial statements.



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

**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities each major fund and the aggregate remaining fund information of Lake County School District R-1 (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 12, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Plutt Hanson, P.C.

December 12, 2017



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

**Independent Auditor's Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by the Uniform Guidance**

Report on Compliance for Each Major Federal Program

We have audited Lake County School District R-1' (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations 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 the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 the District's internal control over compliance.

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

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

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

Plutt Hanson, P.C.

December 12, 2017

LAKE COUNTY SCHOOL DISTRICT R-1

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

I. Summary of the Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None Reported

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

- Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)? ☐ Yes ☒ No

Identification of major programs:

84.010

Title I Grants to Local Education Agencies

Dollar threshold used to distinguish between type A and type B programs: \$750,000

- Auditee qualified as low-risk auditee? ☒ Yes ☐ No

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

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

III. Findings and questioned costs for federal awards

There were no findings or questioned costs to be reported in accordance with 2 CFR 200.516(a).

LAKE COUNTY SCHOOL DISTRICT R-1

**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

Findings 2016:

There were no prior audit findings and questioned costs.

STATE COMPLIANCE



PLUTT HANSON, P.C.
Certified Public Accountants

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

INDEPENDENT AUDITORS' REPORT ON AUDITOR'S INTEGRITY REPORT

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lake County School District R-1 as of and for the year ended June 30, 2017, which collectively comprise the basic financial statements of the Lake County School District R-1, and have issued our report thereon dated November 1, 2016. These financial statements are the responsibility of the Lake County School District R-1's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

Plutt Hanson, P.C.

December 12, 2017



Colorado Department of Education

Auditors Integrity Report

District: 1510 - LAKE COUNTY R-1

Fiscal Year 2016-17

Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number		Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental		+		-	=
10	General Fund	2,801,080	9,372,499	9,345,162	2,828,417
18	Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19	Colorado Preschool Program Fund	116,142	293,177	294,481	114,838
Sub- Total		2,917,222	9,665,676	9,639,643	2,943,255
11	Charter School Fund	0	0	0	0
20,26-29	Special Revenue Fund	4,842	839,892	828,970	15,764
06	Supplemental Cap Const, Tech, Main. Fund	0	0	0	0
21	Food Service Spec Revenue Fund	0	680,487	680,487	0
22	Govt Designated-Purpose Grants Fund	0	1,235,634	1,235,634	0
23	Pupil Activity Special Revenue Fund	0	0	0	0
24	Full Day Kindergarten Mill Levy Override	0	0	0	0
25	Transportation Fund	0	0	0	0
31	Bond Redemption Fund	1,193,383	802,191	759,203	1,236,371
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	667,540	114,128	327,598	454,071
46	Supplemental Cap Const, Tech, Main Fund	0	0	0	0
Totals		4,782,988	13,338,008	13,471,535	4,649,461
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	233,872	214,908	220,681	228,099
79	GASB 34:Permanent Fund	0	0	0	0
85	Foundations	0	0	0	0
Totals		233,872	214,908	220,681	228,099

FINAL



Colorado Department of Education
Bolded Balance Sheet Report
District: 1510 - LAKE COUNTY R-1
Fiscal Year 2016-17
Colorado School District/BOCES

Governmental										Proprietary					Fiduciary		
ASSETS	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45,47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals		
Cash and Investments (8100-8104,8111)	3,291,194	0	139,827	178,619	0	5,669	1,162,826	346,961	0	0	0	0	228,099	0	5,353,194		
Cash with Fiscal Agent (8105)	47,051	0	0	0	0	0	54,018	0	0	0	0	0	0	0	101,069		
Taxes Receivable (8121,8122)	139,134	0	0	0	0	0	19,527	0	0	0	0	0	0	0	158,662		
Interfund Loans Receivable (8131,8132)	160,163	0	-9,740	11,545	0	13,426	0	107,110	0	0	0	0	0	0	282,504		
Grants Accounts Receivable (8142)	53,306	0	250	235,680	0	10,752	0	0	0	0	0	0	0	0	299,989		
Other Receivables (8151-8154,8161)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Inventories (8171,8172,8173)	0	0	0	0	0	1,470	0	0	0	0	0	0	0	0	1,470		
Machinery and Equipment (8241,8242,8251)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Total Assets	3,690,849	0	130,336	425,845	0	31,316	1,236,371	454,071	0	0	0	0	228,099	0	6,196,887		

<u>LIABILITIES & FUND EQUITY</u>															
LIABILITIES	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
Interfund Payables (7401,7402)	0	0	0	282,504	0	0	0	0	0	0	0	0	0	0	282,504
Other Payables (7421-7423)	68,129	0	807	440	0	3,476	0	0	0	0	0	0	0	0	72,852
Accrued Expenses (7461)	759,486	0	14,692	95,596	0	27,840	0	0	0	0	0	0	0	0	897,614
Unearned Revenue (7481)	0	0	0	7,483	0	0	0	0	0	0	0	0	0	0	7,483
Grants Deferred Revenue (7482)	34,816	0	0	24,058	0	0	0	0	0	0	0	0	0	0	58,875
Total Liabilities	862,432	0	15,499	410,081	0	31,316	0	0	0	0	0	0	0	0	1,319,327

FUND EQUITY	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
Non-spendable Fund Balance 6710	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Restricted Fund Balance 6720	0	0	0	0	0	0	1,236,371	0	0	0	0	0	0	0	1,236,371
TABOR 3% Emergency Reserve 6721	356,000	0	0	0	0	0	0	0	0	0	0	0	0	0	356,000
TABOR Multi-Year 6722	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
District Emergency Reserve (letter of credit or real estate) 6723	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Colorado Preschool Program (CPP) Reserve 6724	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Full-Day Kindergarten Reserve 6725	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Risk-Related / Restricted Capital Reserve 6726	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
BEST Capital Reserve 6727	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Committed Fund Balance 6750	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Assigned Fund Balance 6760	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Unassigned Fund Balance 6770	2,472,417	0	114,838	15,764	0	0	0	454,071	0	0	0	0	228,099	0	3,285,188
Invested in Capital Assets, Net of Related Debt 6790	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Restricted Net Assets 6791	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Unrestricted Net Assets 6792	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Prior Period Adjustment 6880	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Fund Equity	2,828,417	0	114,838	15,764	0	0	1,236,371	454,071	0	0	0	0	228,099	0	4,877,560

	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
Total Liabilities & Fund Equity	3,690,849	0	130,336	425,845	0	31,316	1,236,371	454,071	0	0	0	0	228,099	0	6,196,887

	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk related activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85
For Each Fund Type: Do Assets=Liability+Fund Equity	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

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