

Lamar School District RE-2, Prowers County

Auditor's Report and Financial Statements

June 30, 2017



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

Board of Directors
Lamar School District RE-2

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Lamar School District RE-2 (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. The financial statements of the component unit were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, 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, budgetary comparison information, Schedule of District's Proportionate Share of Net Pension Liability, and the Schedule of Contributions and Related Ratios on pages iii-v, 34-36, and 37-38 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 the District's basic financial statements. The supplementary information as identified in the Table of Contents *and* schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 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 the District's internal control over financial reporting and compliance.

rfarmer, llc

October 27, 2017

MANAGEMENT'S DISCUSSION & ANALYSIS

This section of Lamar School District Re-2's annual financial report presents management's discussion and analysis of the District's financial performance during the fiscal year ended on June 30, 2017.

Fund Financial Statements

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

As reflected in the June 30, 2017 Statement of Net Assets, total net assets decreased from \$(5,411,904) in 2016 to \$(12,554,924) in 2017, which continues to be a function of the GASB 68 reporting requirements. The District financial statements now reflect a net decrease in the governmental activity funds in the amount of \$7,143,025. Restricted assets, which are now composed of fund balances in the capital projects and required TABOR reserve, decreased from \$1,970,784 in 2016 to \$1,912,020 in 2017. GASB 68 requires school districts to report pension liabilities in the amount of \$44,040,749 and this has a negative impact on the District's financial statements. One of which is the unrestricted, or undesignated, fund balance decreased from \$2,088,403 in 2014 to \$(26,251,414) in 2017. Another is total liabilities increased from \$1,368,570 in 2014 to \$45,442,049 in 2017.

In the revenue realm, total revenues for the District from state and local sources decreased from \$10,855,717 in 2016 to \$10,764,217 in 2017. Total expenditures were \$13,321,491 in 2016 and \$20,311,610 in 2017. The increase in expenditures was due to the GASB 68 requirement to report unfunded PERA debt. The gap between revenues and expenses was filled with \$474,396 in charges for services and \$1,929,972 in Operating Grants and Contributions. The net result is a decrease in net assets of \$7,143,025, which as stated earlier is due to GASB 68 reporting requirements. Comparing 15-16 fiscal year and 16-17 fiscal year, by function, the total Lamar RE-2 School District expenditures were as follows:

	2016	2017
Instructional Services	\$ 6,543,699	\$ 6,784,216
Centralized Services	\$ 2,939,446	\$ 3,424,784
Operations & Maintenance	\$ 988,633	\$ 1,064,627
Pupil Transportation	\$ 283,571	\$ 328,590
District Wide Costs	\$ 2,232,065	\$ 8,321,310
Interest on Long-term Debt	\$ 0	\$ 0
Athletic & Activity Programs	\$ 329,077	\$ 388,083
Food Service	<u>\$ 613,170</u>	<u>\$ 701,160</u>
Total for Lamar RE-2 School District	\$13,934,661	\$21,012,770

The current financial report (2017) reflects moderate changes as the revenues exceeded expenditures by \$279,606. The ending fund balance in Total Governmental Funds increased from \$4,809,133 in 2016 to \$5,088,738 at the end of 2017. Further detail is given in the following tables with respect to revenues, expenditures and fund balances in the governmental funds.

<u>Fund</u>	2016 <u>Revenues</u>	2017 <u>Revenues</u>	2016 <u>Expenditures</u>	2017 <u>Expenditures</u>
General	\$12,461,776	\$12,437,992	\$ 10,235,506	\$ 10,673,677
Title (Federal)	\$ 629,999	\$ 631,248	\$ 628,999	\$ 631,248
Debt Service	\$ 0	\$ 0	\$ 0	\$ 0
Capital Projects	\$ 828,653	\$ 2,247	\$ 896,338	\$ 494,812
Other Government	\$ 988,413	\$ 1,046,152	\$ 942,247	\$ 1,089,244
Totals	\$14,907,841	\$14,117,639	\$ 12,703,090	\$ 12,888,981

Fund balances in the governmental funds were as follows:

<u>Fund</u>	2016 Ending <u>Fund Balance</u>	2017 Ending <u>Fund Balance</u>	<u>Net Change</u>
General	\$ 2,933,817	\$ 3,749,080	\$ 815,263
Title (Federal)	\$ -	\$ -	\$ -
Debt Service	\$ -	\$ -	\$ -
Capital Projects	\$ 1,565,818	\$ 1,073,254	\$ (492,565)
Other Governmental	\$ 309,498	\$ 266,404	\$ (43,092)
Totals	\$ 4,809,133	\$ 5,088,738	\$ 279,605

Analysis of Overall Financial Position

While considerable time was taken in previous paragraphs to compare and contrast current and prior year financial information, it would now be appropriate to assess whether the financial position in governmental activities has improved or deteriorated. In the combined governmental activities one indicator that the financial position has improved are the capital assets, at approximately \$27.2 million at the end of 2016, to approximately 27.5 million at the end of 2017.

Analysis of Fund Balances and Transactions of Individual Funds

The General Operating Fund of the District showed an increase in the fund balance from \$2,933,817 in 2016 to \$3,749,080 in 2017. Of that amount, \$75,807 is reserved for the pre-school fund, leaving \$3,673,273 (including the TABOR reserve) in the general fund itself. To ensure that there is sufficient money in reserves to meet cash flow requirements of the District until tax revenues begin to flow in the February-March time frame, the board enacted a policy requiring that we retain at least 7% of anticipated expenditures in reserve in addition to the required 3% TABOR reserve. At the end of 2016-2017 fiscal year, we had approximately 31.8% in reserve, including the TABOR reserve. The greatest area of concern in regard to the stability of the general fund continues to be declining enrollment and the stability of per pupil funding (PPF) from the state. While the statutory ability to average five years of enrollment helps cushion the fall, continued decline in student numbers offers a financial challenge. The economic downturn, causing families to leave Lamar, seems to drive the significant portion of the decline in enrollment.

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

According to the 2016-2017 audit, revenue and expenditure estimates changed from the original budget in June 2016 to the final budget in December 2016. Actual revenue was \$51,899 more than what was estimated in the December 2016 final budget, primarily due to a increase in state share revenue. Actual expenditures (contingency reserves omitted) were \$682,196 less than anticipated in the December 2016 final budget, primarily due to across the board spending restraint.

Summary Comments

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

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

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

Lamar School District RE-2
Statement of Net Position
June 30, 2017

	<u>Governmental Activities</u>	<u>Total</u>	<u>Alta Vista Charter School</u>
ASSETS			
Cash and Equivalents	\$ 6,169,721	\$ 6,169,721	\$ 513,737
Receivables	306,007	306,007	-
Inventories	14,310	14,310	-
Capital Assets:			
Buildings	24,069,938	24,069,938	6,563,560
Equipment and Furniture	3,457,529	3,457,529	100,000
Less: Accumulated Depreciation	<u>(15,742,997)</u>	<u>(15,742,997)</u>	<u>(762,899)</u>
Total Capital Assets	<u>11,784,470</u>	<u>11,784,470</u>	<u>5,900,661</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension Plan	<u>16,313,512</u>	<u>16,313,512</u>	<u>1,227,899</u>
Total Assets	<u>34,588,020</u>	<u>34,588,020</u>	<u>7,642,297</u>
LIABILITIES			
Accounts payable and accrued expenses	1,299,210	1,299,210	110,546
Unearned Revenues	102,090	102,090	-
Long-term liabilities			
Due in more than one year			
Net Pension Liability	<u>44,040,749</u>	<u>44,040,749</u>	<u>3,314,895</u>
Total liabilities	<u>45,442,049</u>	<u>45,442,049</u>	<u>3,425,441</u>
DEFERRED INFLOWS OF RESOURCES			
Pension differences	<u>1,700,895</u>	<u>1,700,895</u>	<u>7,888</u>
NET POSITION			
Net investment in capital assets	11,784,470	11,784,470	5,900,661
Restricted:			
BEST Capital Renewal Reserve	-	-	51,300
Capital projects	1,498,134	1,498,134	-
TABOR and Colorado Pre-School	413,886	413,886	28,040
Unrestricted	<u>(26,251,414)</u>	<u>(26,251,414)</u>	<u>(1,771,033)</u>
Total net position	<u>\$ (12,554,924)</u>	<u>\$ (12,554,924)</u>	<u>\$ 4,208,968</u>

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

Lamar School District RE-2
Statement of Activities
For the Year Ended June 30, 2017

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		Alta Vista Charter School
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Total	
Primary government						
Governmental Activities						
Instructional:						
High School	\$ 2,041,068	\$ -	\$ 50,993	\$ (1,990,075)	\$ (1,990,075)	\$ -
Middle School	1,575,767	-	-	(1,575,767)	(1,575,767)	-
Parkview	1,321,460	-	-	(1,321,460)	(1,321,460)	-
Washington	1,297,528	-	-	(1,297,528)	(1,297,528)	-
Lincoln	(76)	-	-	76	76	-
MHDC & CPP	485,027	-	-	(485,027)	(485,027)	-
Charter School	(954)	98,643	-	99,597	99,597	(1,601,146)
Vocational	64,396	-	-	(64,396)	(64,396)	-
Total Instructional	6,784,216	98,643	50,993	(6,634,580)	(6,634,580)	(1,601,146)
Support Services:						
Centralized Services	3,424,784	65,930	1,832,646	(1,526,208)	(1,526,208)	-
Operations & Maintenance	1,064,627	-	-	(1,064,627)	(1,064,627)	-
Pupil Transportation	328,590	-	-	(328,590)	(328,590)	-
Districtwide Costs	8,321,310	-	46,333	(8,274,977)	(8,274,977)	-
Total Support Services	13,139,311	65,930	1,878,979	(11,194,402)	(11,194,402)	-
Operation of Noninstructional Services:						
Athletic & Activity Programs	388,083	309,823	-	(78,260)	(78,260)	-
Total Noninstructional Services	388,083	309,823	-	(78,260)	(78,260)	-
Total governmental activities	20,311,610	474,396	1,929,972	(17,907,242)	(17,907,242)	(1,601,146)
Total primary government	20,311,610	474,396	1,929,972	(17,907,242)	(17,907,242)	(1,601,146)
General revenues:						
Taxes:						
Property taxes, levied for general purposes				\$ 1,630,286	\$ 1,630,286	\$ -
Specific ownership, general				228,844	228,844	-
State & federal aid not restricted to specific functions:						
State equalization				9,416,160	9,416,160	-
Unrestricted investment earnings				29,284	29,284	526
Miscellaneous				364,695	364,695	43,727
Transfers				(905,052)	(905,052)	905,052
Total general revenues, special items, and transfers				10,764,217	10,764,217	949,305
Change in net assets				(7,143,025)	(7,143,025)	(651,841)
Net position - beginning				(5,411,899)	(5,411,899)	4,860,809
Net position - ending				\$ (12,554,924)	\$ (12,554,924)	\$ 4,208,968

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

Lamar School District RE-2
Balance Sheet
Governmental Funds
June 30, 2017

	<u>General</u>	<u>Title Programs</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 4,901,941	\$ (71,895)	\$ 1,073,254	\$ 266,421	\$ 6,169,721
Taxes receivable, net	133,874	-	-	-	133,874
Other receivables	6,184	163,827	-	2,122	172,133
Inventories	-	-	-	14,310	14,310
Total assets	<u>5,041,999</u>	<u>91,932</u>	<u>1,073,254</u>	<u>282,853</u>	<u>6,490,038</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	49,045	-	-	16,449	65,494
Unearned revenue	102,090	-	-	-	102,090
Other accrued expenses	1,142,532	91,932	-	-	1,234,464
Other payables	(748)	-	-	-	(748)
Total liabilities	<u>1,292,919</u>	<u>91,932</u>	<u>-</u>	<u>16,449</u>	<u>1,401,300</u>
Fund balances:					
Restricted for:					
Inventory	-	-	-	14,310	14,310
Preschool Fund	75,807	-	-	-	75,807
Capital projects funds	-	-	1,073,254	-	1,073,254
TABOR	367,732	-	-	-	367,732
Unassigned	3,305,541	-	-	-	3,305,541
Assigned, reported in non-major:					
Special revenue funds	-	-	-	252,094	252,094
Total fund balances	<u>3,749,080</u>	<u>-</u>	<u>1,073,254</u>	<u>266,404</u>	<u>5,088,738</u>
Total liabilities and fund balances	<u>\$ 5,041,999</u>	<u>\$ 91,932</u>	<u>\$ 1,073,254</u>	<u>\$ 282,853</u>	<u>\$ 6,490,038</u>

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

Lamar School District RE-2
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2017

Total fund balance, governmental funds	\$ 5,088,738
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	11,784,470
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Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets: Pension Plan Deferred Outflow	16,313,512
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Some liabilities, (such as Notes Payable, Long-term Compensated Absences, Net Pension Liability, Pension Differences-Deferred Outflow and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.	(45,741,644)
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Net Position of Governmental Activities in the Statement of Net Position	<u>\$ (12,554,924)</u>
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The accompanying notes to financial statements
are an integral part of these statements.

Lamar School District RE-2
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

	General	Title Programs	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property Taxes	\$ 1,630,286	\$ -	\$ -	\$ -	\$ 1,630,286
SO Tax	228,844	-	-	-	228,844
Student Activities	-	-	-	309,823	309,823
Intergovernmental	9,982,296	631,248	-	570,552	11,184,096
Charges for services	-	-	-	65,930	65,930
Investment earnings	26,891	-	2,247	146	29,284
Miscellaneous	569,675	-	-	55,701	625,376
Total revenues	<u>12,437,992</u>	<u>631,248</u>	<u>2,247</u>	<u>1,002,152</u>	<u>14,073,639</u>
EXPENDITURES					
Instructional:					
High School	2,034,272	20,728	-	-	2,055,000
Middle School	1,480,474	96,445	-	-	1,576,919
Parkview	1,158,248	163,934	-	-	1,322,182
Washington	1,063,438	244,365	-	-	1,307,803
MHDC	485,928	-	-	-	485,928
Charter School	-	23,743	-	-	23,743
Vocational	64,396	-	-	-	64,396
Total Instructional	<u>6,286,756</u>	<u>549,215</u>	<u>-</u>	<u>-</u>	<u>6,835,971</u>
Support Services:					
Centralized Services	2,662,727	79,398	-	701,160	3,443,285
Operations & Maintenance	1,064,627	-	-	-	1,064,627
Pupil Transportation	331,307	2,635	-	-	333,942
District wide Costs	307,144	-	61,255	-	368,399
Minor Equipment and Repairs	-	-	136,152	-	136,152
Noninstructional Services:					
Athletic & Activity Programs	-	-	-	388,084	388,084
Capital Outlay	21,116	-	297,405	-	318,521
Total Expenditures	<u>10,673,677</u>	<u>631,248</u>	<u>494,812</u>	<u>1,089,244</u>	<u>12,888,981</u>
Excess (deficiency) of revenues over expenditures	<u>1,764,315</u>	<u>-</u>	<u>(492,565)</u>	<u>(87,092)</u>	<u>1,184,658</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	44,000	44,000
Transfers out	(949,052)	-	-	-	(949,052)
Total other financing sources and uses	<u>(949,052)</u>	<u>-</u>	<u>-</u>	<u>44,000</u>	<u>(905,052)</u>
Net change in fund balances	815,263	-	(492,565)	(43,092)	279,606
Fund balances - beginning	2,933,817	-	1,565,819	309,496	4,809,132
Fund balances - ending	<u>\$ 3,749,080</u>	<u>\$ -</u>	<u>\$ 1,073,254</u>	<u>\$ 266,404</u>	<u>\$ 5,088,738</u>

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

Lamar School District RE-2
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2017

Net change in fund balances - total governmental funds:	\$	279,606
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Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlay of \$318,521 is less than depreciation of - \$666,006 in the current period.

984,527

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

Net difference between PERA pension and actual expense contributions		(8,407,157)
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Rounding

Change in net position of governmental activities

		(1)
	\$	<u>(7,143,025)</u>

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

Lamar School District RE-2, Prowers County
Notes to Financial Statements
June 30, 2017

Note 1 Reporting Entity

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

Note 2 Summary of Significant Accounting Policies

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

Financial Statement Presentation

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

District-Wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

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

Governmental Activities

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

General Fund

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

Title Programs Fund

The Title Programs Fund is used to account for the proceeds of specific revenue sources (other than major capital project or expendable trust) that are legally restricted to expenditures for specified purposes. The revenues include federal funds received for specific programs and non-federal funds limited to specific expenditures based on the funding source.

Capital Projects Fund

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

Major Funds

The District reports the following major governmental funds:

- General Fund
- Grant- Title Programs Fund
- Capital Projects Fund

Non-Major Funds

The District reports the following non-major funds:

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

Basis of Accounting

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

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

judgments, compensated absences and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

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

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

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

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

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

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Measurement Focus

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

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

District-Wide Statements

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

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

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

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

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

Fund Financial Statements

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

Interfund Receivables and Payables

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

Budgets

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

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

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

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

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

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

Allowance for Uncollectible Accounts

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

Claims and Judgments

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

Interfund Transactions

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

Equity Classifications

District-Wide Statements

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

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

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

Fund Statements

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

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

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

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

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

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

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

Note 3

Cash and Investments

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

At June 30, 2017, the District's cash deposits were:

Insured Deposits (FDIC)	\$ 985
Deposits Collateralized under PDPA	1,735,613
ColoTrust Investment	<u>4,125,583</u>
Total Cash	<u>\$ 6,129,181</u>

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

Repurchase agreements,

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

Obligations of the State of Colorado and most general obligations of units of local governments,
Federally insured mortgages and student loans,

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

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

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

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

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

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

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

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

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

Note 4 Capital Assets

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

Capital asset activity for the year ended June 30, 2017, was as follows:

	Balance 7/1/16	Additions	Deletions and Reclassifications	Balance 6/30/17
Governmental Activities:				
Capital assets being depreciated				
Buildings	\$ 22,376,324	\$ -	\$ -	\$ 22,376,324
Equipment	2,034,664	141,701	(201)	2,176,164
Construction in Progress	2,797,959	177,020	-	2,974,979
Total Capital Assets				
Being Depreciated	27,208,947	318,721	(201)	27,527,467
Less Accum Depreciation	(16,409,003)	(666,006)	1,332,012	(15,742,997)
Net Capital Assets	<u>\$ 10,799,944</u>	<u>\$ (347,285)</u>	<u>\$ 1,332,012</u>	<u>\$ 11,784,470</u>

Depreciation expense was charged to functions as follows:

Instruction:	
High School	\$ 13,932
Middle School	1,152
Parkview	722
Washington	10,275
Lincoln	76
MHDC	968
Charter	954
Support Services	
Outbuildings, Central Service, Transportation	132,804
Buildings	505,123
	<u>\$ 666,006</u>

Note 5**Pension Plan****Defined Benefit Pension Plan*****Summary of Significant Accounting Policies:******Pensions***

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

General Information about the Pension Plan:***Plan description***

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

Benefits provided

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

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

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

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

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

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

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

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

Contributions

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

January 1 through December 31	2016	2015
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%	4.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	4.50%	4.00%
Total Employer Contribution Rate to the SCHDTF ¹	18.13%	17.33%

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 \$1,203,614 for the year ended December 31, 2013.

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 \$44,040,079 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 .1479174636 percent, which was an increase of .000300881 from its proportion measured as of December 31, 2015.

Deferred Outflow of Resources:

Reconciliation of Deferrals	Difference Between Expected and Actual Experience	Changes of Assumptions or Other Inputs	Net Difference Between Projected and Actual Investment Earnings
Beginning deferral amounts as of prior measurement date, December 31, 2015	\$ 298,739	\$ -	\$ 1,923,584
Deferral amounts added as of measurement date, December 31, 2016	512,768	20,075,852 ¹	77,447
Total of amortization amounts recognized in pension expense during measurement period, 2016 (negative amounts increase the collective pension expense)	(260,929)	(5,785,548)	(524,400)
Outstanding deferral amounts as of measurement date, December 31, 2016	\$ 550,577	\$ 14,290,305	\$ 1,472,631

¹Approximately \$2,111,677 is attributable to changes in demographics, such as the application of updated active member, post-retirement, and disability retirement mortality and the recalibration of other decremental assumptions and \$1,225,678 is attributable to the change in the assumed long-term rate of investment return from 7.50% to 7.25%, as adopted by the Board on November 18, 2016, including the changes in assumed rates of price and wage inflation. Recognizing that the changes in the demographic and economic assumptions also affected the determination of the discount rate, approximately \$16,738,407 is attributable to the use of the resulting 5.26% blended discount rate, determined in accordance with GASB 67.

Difference between expected and actual experience:

For the Plan Year	Deferred Amounts Added	Amortization Period	Total Amortization for the Plan Year	
2014	\$ -	N/A	\$ -	\$ -
2015	\$ 411,118	3.64 Years	\$ -	\$ 113,158
2016	\$ 512,768	3.47 Years	\$ -	\$ 260,929
For the Plan Year	Amortization of the 2014 Deferral	Amortization of the 2015 Deferral	Amortization of the 2016 Deferral	Total Amortization for the Plan Year
2014	\$ -	\$ -	\$ -	\$ -
2015	-	113,158	-	113,158
2016	-	113,158	147,771	260,929
2017	-	113,158	147,771	260,929
2018	-	72,422	147,771	220,193
2019	-	-	69,455	69,455
Total	\$ -	\$ 411,896	\$ 512,768	\$ 924,664

Positive amounts increase the collective pension expense.

Changes in Assumptions or Other Inputs:

For the Plan Year	Deferred Amounts Added	Amortization Period
2014	\$ -	-
2015	\$ -	-
2016	\$ 20,075,852	3.47 Years

For the Plan Year	Amortization of the 2014 Deferral	Amortization of the 2015 Deferral	Amortization of the 2016 Deferral	Total Amortization for the Plan Year
2014	\$ -	\$ -	\$ -	\$ -
2015	-	-	-	-
2016	-	-	5,785,548	5,785,548
2017	-	-	5,785,548	5,785,548
2018	-	-	5,785,548	5,785,548
2019	-	-	2,719,210	2,719,210
Total	\$ -	\$ -	\$20,075,853	\$20,075,853

Positive amounts increase the collective pension expense.

Difference between projected and actual investment earnings:

For the Plan Year	Deferred Amounts Added	Amortization Period
2014	\$ 576,292	5 Years
2015	\$ 1,972,260	5 Years
2016	\$ 73,447	5 Years

For the Plan Year	Amortization of the 2014 Deferral	Amortization of the 2015 Deferral	Amortization of the 2016 Deferral	Total Amortization for the Plan Year
2014	\$ 115,259	\$ -	\$ -	\$ 115,259
2015	115,259	394,451	-	509,710
2016	115,259	394,451	14,690	524,400
2017	115,259	394,451	14,690	524,400
2018	115,259	394,451	14,690	524,400
2019	-	394,451	14,690	409,141
2020	-	-	14,690	14,690
Total	\$ 576,295	\$ 1,972,255	\$ 73,450	\$ 2,622,000

Positive amounts increase the collective pension expense.

Deferred Inflow of Resources:

The following presents the SCHDTF's collective deferral reconciliation showing the beginning deferrals, adding the current year collective deferrals and adjusting for the current year amortization of deferrals to arrive at the ending collective deferral amounts.

Reconciliation of Deferrals	Difference Between Expected And Actual Experience	Changes of Assumptions or Other Inputs
Beginning deferral amounts as of prior measurement date, December 31, 2015	\$ 942	\$ 319,701
Deferral amounts added as of measurement date, December 31, 2016	-	-
Total of amortization amounts recognized in pension expense during measurement period, 2015 (negative amounts decrease the collective pension expense)	(555)	(121)
Outstanding deferral amounts as of measurement date, December 31, 2016	\$ 388	\$ 319,580

Difference between expected and actual experience:

For the Plan Year	Deferred Amounts Added	Amortization Period
2014	\$ 2,052	3.7 Years
2015	\$ -	-
2016	\$ -	-

For the Plan Year	Amortization of the 2014 Deferral	Amortization of the 2015 Deferral	Amortization of the 2016 Deferral	Total Amortization Deferral
2014	\$ 555	\$ -	\$ -	\$ 555
2015	555	-	-	555
2016	555	-	-	555
2017	388	-	-	388
Total	\$ 2,052	\$ -	\$ -	\$ 2,052

Positive amounts decrease the collective pension expense

Changes in assumptions or other inputs:

For the Plan Year	Deferred Amounts Added	Amortization Period
2014	\$ -	-
2015	\$ 440,801	3.64 Years
2016	\$ -	-

For the Plan Year	Amortization of the 2014 Deferral	Amortization of the 2015 Deferral	Amortization of the 2016 Deferral	Total Amortization Deferral
2014	\$ -	\$ -	\$ -	\$ -
2015	-	121,000	-	121,000
2017	-	121,000	-	121,000
2017	-	121,000	-	121,000
2018	-	77,501	-	77,501
Total	\$ -	\$ 440,801	\$ -	\$ 440,801

Positive amounts decrease the collective pension expense

Actuarial assumptions

Based on the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic assumptions were adopted by PERA's Board on November 18, 2016 and were effective as of December 31, 2016. These revised assumptions shown below were reflected in the roll-forward calculations of the total pension liability from December 31, 2015 to December 31, 2016:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 9.70 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	5.26 percent
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve (AIR)

Mortality rates 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% of the base

rate for males and 40% 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.

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 28, 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% factor applied to male rates and a 55% 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% factor applied to rates for ages less than 80, a 113% 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% factor applied to rates for ages less than 80, a 106% 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% 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 29, 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% per year, compounded annually, net of investment expenses to 7.25% per year, compounded annually, net of investment expenses.
- Price inflation assumption decreased from 2.80% per year to 2.40% per year.
- Real rate of investment return assumption increased from 4.70% per year, net of investment expenses, to 4.85% per year, net of investment expenses.
- Wage inflation assumption decreased from 3.90% per year to 3.50% per year.

Several factors were considered in evaluating the long-term rate of return assumption for the SCHDTF, including long-term historical data, estimated 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 most 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%	1.20%
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 5.26%. The projection of cash flows used to determine the discount rate applied the actuarial method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- 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 the 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 GASB Statement No. 67 projection test indicated the SCHDTF's fiduciary 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% 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 of 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%, resulting in a discount rate of 5.26%.

As of the prior measurement date, the GASB Statement No. 67 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% 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 7.5%.

Sensitivity of the AVCS proportionate share of the net pension liability to changes in the discount rate

The following presents the SCHDTF's collective net pension liability calculated using the discount rate of 5.26% as of the measurement date, as well as if it were calculated using a discount rate that is 1-percentage-point lower (4.26%) or 1-percentage-point higher (6.26%):

Discount rate	(4.26%)	(5.26%)	(6.26%)
Proportionate share of the net pension liability	\$59,548,200	\$47,355,643	\$37,425,247

Net amount of collective deferred inflows of resources and collective deferred outflows of resources recognized in the collective net pension expense in subsequent years

The following presents the SCHDTF's net amount of the collective deferred outflows of resources and collective deferred inflows of resources that will be recognized in the collective pension expense for each of the subsequent five years and in the aggregate thereafter:

For the Plan Year Ended December 31,	Amounts Reported as Collective Deferred Outflows and Collective Deferred Inflows of Resources Recognized in Collective Pension Expense as Follows:
2017	\$ 6,449,389
2018	6,452,638
2019	3,438,504
2020	14,688
2021	-
Thereafter	-

Average expected remaining service life

The following presents the SCHDTF's average of the expected remaining service lives of all members that are provided with pensions through the pension plan (active and inactive members) determined as of the beginning of the measurement period:

Determined at Beginning of Measurement Period	Average Expected Remaining Service Life
2016	3.47

Collective pension expense

Collective Pension Expense for the Year Ended December 31, 2016

Service cost at end of year	\$ 839,057
Interest on total pension liability	4,026,692
Current-period benefit changes	-
Expensed portion of current-period differences between expected and actual experience in the total pension liability	147,771
Expensed portion of current-period changes of assumptions or other inputs	5,785,548
Active member contributions	(571,673)
Projected earnings on plan investments	(2,394,310)
Expensed portion of the Current-period differences differences between projected and actual earnings on plan investments	14,690
Administrative expense	32,529
Other	25,640
Recognition of beginning collective deferred outflows of resources as pension expense	622,869
Recognition of beginning collective deferred inflows of resources as pension expense	(121,655)
Collective pension expense	<u>\$ 8,407,157</u>

Pension plan fiduciary net position

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

Payables to the pension plan

Defined Contribution Pension Plan

Voluntary Investment Program:

Plan Description

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

Funding Policy

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

Other Post-Employment Benefits

Plan Description

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

Funding Policy

The District is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the AVCS are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section

208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2017, June 30, 2016, and June 30, 2015 the District contributions to the HCTF were \$67,715, \$63,585 and \$62,851, respectively, equal to their required contributions for each year.

Note 6 Excess of Actual Expenditures over Budget in Individual Funds

No funds overspent their respective budgets.

Note 7 Risk Management

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

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

Note 8 Commitments and Contingencies

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

Note 9 Accrued Salaries

The District is recognizing the liability for all employees' salaries at year-end, which are due to nine or ten months services rendered, paid over twelve months. In effect, the entire wage has been earned, but only a portion was paid. Total accrued salaries were \$1,142,532 for the General Fund and \$91,931 for the Title Programs.

Note 10 Tax, Spending and Debt Limitation

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations including revenue raising, spending abilities, and other specific requirements of state and local governments. The amendment is complex and subject to judicial interpretation. The entity believes it is in compliance with the requirements of the amendment. However, the entity has made certain interpretations of the amendment's language in order to determine its compliance. In 1997 the taxpayers of the School District voted to

retain revenues and not be subject to the fiscal year spending limitation of Article X Section 20 of the Colorado State Constitution provided that no local tax rate or mill levy shall be increased without further voter approval.

Note 11 Joint Venture

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

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

Note 12 Component Unit

The District transferred \$905,052 to Alta Vista Charter School during the school year. The District provides accounting and other services to the Charter School and was paid \$98,643 for those services.

Note 13 Lease and Sublease – Component Unit

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

Lamar School District RE-2
Budget and Actual
General
For the year ended June 30, 2017

	Budgeted Amounts		Actual
	Original	Final	
REVENUES			
Property Taxes	\$ 1,619,462	\$ 1,619,462	\$ 1,630,286
SO Taxes	256,124	256,124	228,844
Intergovernmental	9,932,871	9,932,871	9,982,296
Investment earnings	7,500	7,500	26,891
Miscellaneous	520,970	570,136	569,675
Total revenues	<u>12,336,927</u>	<u>12,386,093</u>	<u>12,437,992</u>
EXPENDITURES			
Instructional:			
High School	2,168,099	2,168,099	2,034,272
Middle School	1,526,410	1,526,410	1,480,474
Parkview	1,185,577	1,185,577	1,158,248
Washington	1,121,051	1,121,051	1,063,438
MHDC	542,428	542,428	485,928
Colorado Preschool	16,185	17,238	-
Lincoln	68,400	68,400	64,396
Total Instructional	<u>6,628,150</u>	<u>6,629,203</u>	<u>6,286,756</u>
Support Services:			
Centralized Services	2,279,001	2,442,351	2,662,727
Operations & Maintenance	1,198,400	1,198,400	1,064,627
Pupil Transportation	346,276	346,276	331,307
District wide Costs	336,264	336,264	307,144
Contingency	337,520	337,520	-
Capital Outlay	22,246	22,246	21,116
Total Expenditures	<u>11,147,857</u>	<u>11,312,260</u>	<u>10,673,677</u>
Excess (deficiency) of revenues over expenditures	<u>1,189,070</u>	<u>1,073,833</u>	<u>1,764,315</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(1,969,645)</u>	<u>(2,284,551)</u>	<u>(949,052)</u>
Total other financing sources and uses	<u>(1,969,645)</u>	<u>(2,284,551)</u>	<u>(949,052)</u>
Net change in fund balances	(780,575)	(1,210,718)	815,263
Fund balances - beginning	2,466,904	2,933,814	2,933,817
Fund balances - ending	<u>\$ 1,686,329</u>	<u>\$ 1,723,096</u>	<u>\$ 3,749,080</u>

Lamar School District RE-2
Budget and Actual
Title Programs
For the year ended June 30, 2017

	Budgeted Amounts		Actual
	Original	Final	
REVENUES			
Intergovernmental	\$ 669,540	\$ 659,515	\$ 631,248
Total revenues	<u>669,540</u>	<u>659,515</u>	<u>631,248</u>
EXPENDITURES			
Instructional:			
High School	47,237	47,237	20,728
Middle School	96,498	96,498	96,445
Parkview	168,210	168,210	163,934
Washington	232,443	222,418	244,365
Charter School	23,813	23,813	23,743
Support Services:			
Centralized Services	97,955	97,955	79,398
Pupil Transportation	3,384	3,384	2,635
Total Expenditures	<u>669,540</u>	<u>659,515</u>	<u>631,248</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	-
Fund balances - beginning	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Lamar School District RE-2
Budget and Actual
Capital Projects
For the year ended June 30, 2017

	Budgeted Amounts		Actual
	Original	Final	
REVENUES			
Investment earnings	\$ 800	\$ 1,500	\$ 2,247
Miscellaneous	10,000	10,000	-
Total revenues	10,800	11,500	2,247
EXPENDITURES			
District wide Costs	63,000	63,000	61,255
Minor Equipment and repairs	656,500	656,500	136,152
Capital Outlay	600,000	600,000	297,405
Total Expenditures	1,319,500	1,319,500	494,812
Excess (deficiency) of revenues over expenditures	(1,308,700)	(1,308,000)	(492,565)
OTHER FINANCING SOURCES (USES)			
Transfers in	675,000	1,000,000	-
Total other financing sources and uses	675,000	1,000,000	-
Net change in fund balances	(633,700)	(308,000)	(492,565)
Fund balances - beginning	1,563,608	1,565,818	1,565,819
Fund balances - ending	\$ 929,908	\$ 1,257,818	\$ 1,073,254

Lamar School District RE-2
Schedule of the District's Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2017

	for the years ended December 31,			
	2016	2015	2014	2013
District's proportion (percentage) of the collective net pension liability	0.1590510361	0.1587501551	0.1628174839	0.1673647136
District's proportionate share of the collective pension liability	\$ 44,040,749	\$ 22,580,134	\$20,536,906	\$19,866,540
Covered employee payroll	\$ 7,029,134	\$ 6,703,048	\$6,389,839	\$6,310,389
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	627%	337%	321%	315%
Plan fiduciary net pension as a percentage of the total pension liability	55.02%	55.02%	58.40%	59.58%

The amounts reported are measured as of December 31.

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

Lamar School District RE-2
Schedule of Contributions and Related Ratios
Year Ended June 30, 2017

	for the years ended December 31,			
	2016	2015	2014	2013
Statutory required contributions	\$ 1,203,614	\$ 1,208,402	\$ 1,143,729	\$ 1,072,694
Contributions in relation to the				
statutorily required contribution	\$ 1,203,614	\$ 1,208,402	\$ 1,143,729	\$ 1,072,694
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 7,029,134	\$ 6,703,048	\$ 6,389,839	\$ 6,310,389
Contribution as a percentage of				
covered employee payroll	17.12%	18.03%	17.90%	17.00%

The amounts reported are measured as of December 31.

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

**Lamar School District RE-2
Balance Sheet
Other Governmental Funds
June 30, 2017**

	Food Service	Interscholastic Athletics	Middle School Activity	High School Activity	Public School	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 81,111	\$ 38,177	\$ 41,558	\$ 72,214	\$ 33,361	\$ 266,421
Other receivables	2,122	-	-	-	-	2,122
Inventories	14,310	-	-	-	-	14,310
Total assets	<u>97,543</u>	<u>38,177</u>	<u>41,558</u>	<u>72,214</u>	<u>33,361</u>	<u>282,853</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	16,449	-	-	-	-	16,449
Total liabilities	<u>16,449</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,449</u>
Fund balances:						
Reserved for:						
Inventories	14,310	-	-	-	-	14,310
Assigned	66,784	38,177	41,558	72,214	33,361	252,094
Total fund balances	<u>81,094</u>	<u>38,177</u>	<u>41,558</u>	<u>72,214</u>	<u>33,361</u>	<u>266,404</u>
Total liabilities and fund balances	<u>\$ 97,543</u>	<u>\$ 38,177</u>	<u>\$ 41,558</u>	<u>\$ 72,214</u>	<u>\$ 33,361</u>	<u>\$ 282,853</u>

Lamar School District RE-2
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

	<u>Food Service</u>	<u>Interscholastic Athletics</u>	<u>Middle School Activity</u>	<u>High School Activity</u>	<u>Public School</u>	<u>Total-Other Governmental Funds</u>
REVENUES						
Student Activities	\$ -	\$ 57,862	\$ 31,034	\$ 153,900	\$ 67,027	\$ 309,823
Intergovernmental	570,552	-	-	-	-	570,552
Charges for services	65,930	-	-	-	-	65,930
Investment earnings	146	-	-	-	-	146
Miscellaneous	55,701	-	-	-	-	55,701
Total revenues	<u>692,329</u>	<u>57,862</u>	<u>31,034</u>	<u>153,900</u>	<u>67,027</u>	<u>1,002,152</u>
EXPENDITURES						
Support Services:						
Food Services	701,160	-	-	-	-	701,160
Noninstructional Services:						
Athletic & Activity Programs	-	120,933	40,324	145,036	81,791	388,084
Total Expenditures	<u>701,160</u>	<u>120,933</u>	<u>40,324</u>	<u>145,036</u>	<u>81,791</u>	<u>1,089,244</u>
Excess (deficiency) of revenues over expenditures	<u>(8,831)</u>	<u>(63,071)</u>	<u>(9,290)</u>	<u>8,864</u>	<u>(14,764)</u>	<u>(87,092)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	38,000	6,000	-	-	44,000
Total other financing sources and uses	<u>-</u>	<u>38,000</u>	<u>6,000</u>	<u>-</u>	<u>-</u>	<u>44,000</u>
Net change in fund balances	(8,831)	(25,071)	(3,290)	8,864	(14,764)	(43,092)
Fund balances - beginning	89,925	63,248	44,848	63,350	48,125	309,496
Fund balances - ending	<u>\$ 81,094</u>	<u>\$ 38,177</u>	<u>\$ 41,558</u>	<u>\$ 72,214</u>	<u>\$ 33,361</u>	<u>\$ 266,404</u>

Lamar School District RE-2
Budget and Actual
Food Service
For the year ended June 30, 2017

	Budgeted Amounts		Actual
	Original	Final	
REVENUES			
Intergovernmental	\$ 574,869	\$ 574,869	\$ 570,552
Charges for services	71,008	71,008	65,930
Investment earnings	60	60	146
Miscellaneous	22,930	41,556	55,701
Total revenues	<u>668,867</u>	<u>687,493</u>	<u>692,329</u>
EXPENDITURES			
Support Services:			
Centralized Services	<u>643,550</u>	<u>688,280</u>	<u>701,160</u>
Total Expenditures	<u>643,550</u>	<u>688,280</u>	<u>701,160</u>
Excess (deficiency) of revenues over expenditures	<u>25,317</u>	<u>(787)</u>	<u>(8,831)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	25,317	(787)	(8,831)
Fund balances - beginning	82,628	89,925	89,925
Fund balances - ending	<u>\$ 107,945</u>	<u>\$ 89,138</u>	<u>\$ 81,094</u>

Lamar School District RE-2
Budget and Actual
Interscholastic Athletics
For the year ended June 30, 2017

	Budgeted Amounts		Actual
	Original	Final	
REVENUES			
Student activities	\$ 73,450	\$ 76,770	\$ 57,862
Total revenues	73,450	76,770	57,862
EXPENDITURES			
Noninstructional Services:			
Athletic & Activity Programs	129,950	141,816	120,933
Total Expenditures	129,950	141,816	120,933
Excess (deficiency) of revenues over expenditures	(56,500)	(65,046)	(63,071)
OTHER FINANCING SOURCES (USES)			
Transfers in	38,000	38,000	38,000
Total other financing sources and uses	38,000	38,000	38,000
Net change in fund balances	(18,500)	(27,046)	(25,071)
Fund balances - beginning	18,500	27,046	27,046
Fund balances - ending	\$ -	\$ -	\$ 1,975

Lamar School District RE-2
Budget and Actual
Middle School Activity
For the year ended June 30, 2017

	Budgeted Amounts		Actual
	Original	Final	
REVENUES			
Student activities	\$ 28,180	\$ 29,528	\$ 31,034
Total revenues	28,180	29,528	31,034
EXPENDITURES			
Noninstructional Services:			
Athletic & Activity Programs	75,920	80,376	40,324
Total Expenditures	75,920	80,376	40,324
Excess (deficiency) of revenues over expenditures	(47,740)	(50,848)	(9,290)
OTHER FINANCING SOURCES (USES)			
Transfers in	6,000	6,000	6,000
Total other financing sources and uses	6,000	6,000	6,000
Net change in fund balances	(41,740)	(44,848)	(3,290)
Fund balances - beginning	41,740	44,848	44,848
Fund balances - ending	\$ -	\$ -	\$ 41,558

**Lamar School District RE-2
Budget and Actual
High School Activity
For the year ended June 30, 2017**

	Budgeted Amounts		Actual
	Original	Final	
REVENUES			
Student activities	\$ 152,135	\$ 170,005	\$ 153,900
Total revenues	152,135	170,005	153,900
EXPENDITURES			
Noninstructional Services:			
Athletic & Activity Programs	214,658	233,355	145,036
Total Expenditures	214,658	233,355	145,036
Excess (deficiency) of revenues over expenditures	(62,523)	(63,350)	8,864
Net change in fund balances	(62,523)	(63,350)	8,864
Fund balances - beginning	62,523	63,350	63,350
Fund balances - ending	\$ -	\$ -	\$ 72,214

Lamar School District RE-2
Budget and Actual
Public School
For the year ended June 30, 2017

	Budgeted Amounts		Actual
	Original	Final	
REVENUES			
Student activities	\$ 33,125	\$ 91,125	\$ 67,027
Total revenues	33,125	91,125	67,027
EXPENDITURES			
Noninstructional Services:			
Athletics & Activity Programs	80,764	139,249	81,791
Total Expenditures	80,764	139,249	81,791
Excess (deficiency) of revenues over expenditures	(47,639)	(48,124)	(14,764)
Net change in fund balances	(47,639)	(48,124)	(14,764)
Fund balances - beginning	47,639	48,124	48,125
Fund balances - ending	\$ -	\$ -	\$ 33,361



Colorado Department of Education
Auditors Integrity Report
District: 2660 - LAMAR RE-2
Fiscal Year 2016-17
Colorado School District/BOCES

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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	2,887,663	11,139,895	10,354,286	3,673,272
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	46,154	381,474	351,821	75,807
Sub-Total	2,933,817	11,521,370	10,706,107	3,749,080
11 Charter School Fund	401,687	949,305	947,801	403,191
20,26-29 Special Revenue Fund	0	0	0	0
06 Supplemental Cap Const, Tech, Main, Fund	0	0	0	0
21 Food Service Spec Revenue Fund	89,925	692,328	701,160	81,093
22 Govt Designated-Purpose Grants Fund	0	631,248	631,248	0
23 Pupil Activity Special Revenue Fund	219,572	353,823	388,083	185,312
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	0	0	0	0
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	0	0	0	0
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	1,565,819	2,247	494,812	1,073,253
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
Totals	5,210,819	14,150,321	13,860,212	5,401,528
Proprietary				
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0	0
60.65-69 Other Internal Service Funds	0	0	0	0
Totals	0	0	0	0
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	0	0	0	0
79 GASB 34 Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
Totals	0	0	0	0

FINAL

Lamar School District RE-2
Schedule of Expenditure of Federal Awards
For the Year Ended June 30, 2017

GRANT TITLE	GRANT CODE	FEDERAL CFDA NUMBER	AMOUNT OF AWARD EXPENDED	
DEPARTMENT OF AGRICULTURE:				
National School Lunch Program (including any State matching Funds):				
Summer Food Service Program	4559	10.559	4,672	
School Breakfast Program	4553	10.553	203,669	
National School Lunch Program	4555	10.555	291,754	
State Reimbursement-FFVP	4582	10.582	19,859	
Commodities Received	4555	10.555	<u>40,291</u>	
Total				560,245
DEPARTMENT OF EDUCATION/ COLORADO DEPARTMENT OF EDUCATION:				
CNP School Meals Equipment	5579	10.579	21,116	
Title II Part A	4367	84.367	127,458	
Title I	4010	84.010	<u>461,036</u> *	609,610
STATE COMMUNITY COLLEGES AND OCCUPATIONAL EDUCATION SYSTEM				
Carl Perkins Grant	4048	84.048	<u>20,752</u>	
Total				<u>20,752</u>
TOTAL FEDERAL FINANCIAL AWARDS				<u><u>\$ 1,190,607</u></u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1: BASIS OF PRESENTATION

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

Lamar School District RE-2 also received non-cash commodities of \$40,291.

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

Independent Auditor's Report

Board of Directors
Lamar School District RE-2

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lamar School District RE-2 (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 October 27, 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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.

rfarmer, llc

October 27, 2017

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

Independent Auditor's Report

Board of Directors
Lamar School District RE-2

Report on Compliance for Each Major Federal Program

We have audited Lamar School District's (the District) compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of 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 (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

rfarmer, llc

October 27, 2017

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

Section I: Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	No
Significant deficiencies identified?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major federal programs:

Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Type of auditor's report issued on compliance for major federal programs: Unqualified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major federal programs:	
CFDA Number(s)	Name of federal program or cluster
84.010	Title I
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as a low-risk auditee?	Yes