Lamar School District RE-2, Prowers County

Auditor's Report and Financial Statements

June 30, 2018

Lamar School District RE-2, Prowers County
Table of Contents
June 30, 2018

Report of Independent Certified Public Accountant	1
Management's Discussion and Analysis	iii
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	3
Statement of Activities	4
Governmental Fund Financial Statements:	
Balance Sheet	5
Reconciliation of Total Governmental Fund Balances to the Statement of Net Position	6
Statement of Revenues, Expenditures, and Changes in Fund Balances	7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
Notes to the Financial Statements	9
Required Supplementary Information:	
Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget & Actual	
Major Funds:	
General Fund	43
Title Programs	43
Capital Projects	45
Schedule of the District's Proportionate Share of the Net Pension Liability	46
Schedule of Contributions and Related Ratios	47
Supplementary Information:	
Balance Sheet- Other Governmental Funds	48
Statement of Revenues, Expenditures, and Changes in Fund Balances- Other Governmental Funds	49
Schedules of Revenues, Expenditures and Changes in Fund Balance- Budget & Actual	
Other Governmental Funds:	
Food Service	50
Interscholastic Athletics	51
Middle School Activity	52
High School Activity	53
Public School	54

Lamar School District RE-2, Prowers County
Table of Contents
June 30, 2018

(CONTINUED)

Auditor's Integrity Report	55
Schedule of Expenditures of Federal Awards	56
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*	57
Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance	59
Schedule of Findings and Questioned Costs	61

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, 2018, 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.

p o box 1173 203 east oak st. lamar, colorado 81052 (719) 336-7428 (719) 336-2982

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 25, 2018 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 25, 2018

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, 2018.

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, 2018 Statement of Net Assets, total net assets decreased from $(12,554,924) in 2017 to $(23,582,579) in 2018, 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 $11,027,654. Restricted assets, which are now composed of fund balances in the capital projects and required TABOR reserve, decreased from $1,912,020 in 2017 to $1,528,407 in 2018. GASB 68 requires all school districts to report pension liabilities, and RE-2's share is $49,427,924, which has a negative impact on the District's financial statements. One of which is the unrestricted, or undesignated, fund balance decreasing from $2,088,403 in 2014 to $(36,592,509) in 2018. This reporting requirement has also caused total liabilities to increase from $1,368,570 in 2014 to $50,870,418 in 2018.

In the revenue realm, total revenues for the District from state and local sources increased from $10,764,217 in 2017 to $11,794,373 in 2018. Total expenditures were $20,311,610 in 2017 and $26,046,677 in 2018. 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 $584,284 in charges for services and $2,640,366 in Operating Grants and Contributions. The net result is a decrease in net assets of $11,027,654, which as stated earlier is due to GASB 68 reporting requirements.

Comparing 16-17 fiscal year and 17-18 fiscal year, by function, the total Lamar RE-2 School District expenditures were as follows:

	2017	**2018**
Instructional Services	$ 6,784,216	$ 7,772,080
Centralized Services	$ 3,424,784	$ 3,870,656
Operations & Maintenance	$ 1,064,627	$ 1,216,084
Pupil Transportation	$ 328,590	$ 345,279
District Wide Costs	$ 8,321,310	$ 12,375,403
Interest on Long-term Debt	$ 0	$ 0
Athletic & Activity Programs	$ 388,083	$ 467,165
Total for Lamar RE-2 School District	$20,311,610	$26,046,677

The current financial report (2018) reflects moderate changes as the revenues exceeded expenditures by $518,985. The ending fund balance in Total Governmental Funds increased from $5,088,738 in 2017 to $5,607,722 in 2018. Further detail is given in the following tables with respect to revenues, expenditures and fund balances in the governmental funds.

Fund	2017 Revenues	2018 Revenues	2017 Expenditures	2018 Expenditures
General	$12,437,992	$13,324,851	$ 10,673,677	$ 12,178,014
Title (Federal)	$ 631,248	$ 591,072	$ 631,248	$ 591,072
Debt Service	$ 0	$ 0	$ 0	$ 0
Capital Projects	$ 2,247	$ 758,824	$ 494,812	$ 572,861
Other Government	$ 1,046,152	$ 1,146,277	$ 1,089,244	$ 1,158,092
Totals	$14,117,639	$15,821,024	$ 12,888,981	$ 14,500,039

Fund balances in the governmental funds were as follows:

Fund	2017 Ending Fund Balance	2018 Ending Fund Balance	Net Change
General	$ 3,749,080	$ 4,093,916	$ 344,836
Title (Federal)	$ -	$ -	$ -
Debt Service	$ -	$ -	$ -
Capital Projects	$ 1, 073,254	$ 1,259,216	$ 185,962
Other Governmental	$ 266,404	$ 254,590	$ (11,814)
Totals	$ 5,088,738	$ 5,607,722	$ 518,984

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 $27.5 million at the end of 2017, to approximately 27.9 million at the end of 2018.

Analysis of Fund Balances and Transactions of Individual Funds

The General Operating Fund of the District showed an increase in the fund balance from $3,749,080 in 2017 to $4,093,916 in 2018. Of that amount, $67,563 is reserved for the pre-school fund, leaving $4,026,353 (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 2017-2018 fiscal year, RE-2 had approximately 29.7% 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 2017-2018 audit, revenue and expenditure estimates changed from the original budget in June 2017 to the final budget in December 2017. Actual revenue was $106,141 more than what was estimated in the December 2017 final budget, primarily due to an increase in state share revenue. Actual expenditures (contingency reserves omitted) were $580,946 less than anticipated in the December 2017 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. 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, which leads to reduction in 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, 2018

	Governmental Activities	Total	Alta Vista Charter School
ASSETS			
Cash and Equivalents	$ 7,020,546	$ 7,020,546	$ 575,656
Receivables	22,578	22,578	-
Inventories	7,043	7,043	-
Capital Assets:			
Buildings	24,069,938	24,069,938	6,563,560
Equipment and Furniture	3,835,371	3,835,371	100,000
Less: Accumulated Depreciation	(16,423,786)	(16,423,786)	(897,481)
Total Capital Assets	11,481,523	11,481,523	5,766,079
DEFERRED OUTFLOWS OF RESOURCES			
Pension Plan	13,227,510	13,227,510	995,619
Total Assets	31,759,200	31,759,200	7,337,354
LIABILITIES			
Accounts payable and accrued expenses	1,322,775	1,322,775	115,570
Unearned Revenues	119,669	119,669	-
Long-term liabilities			
Due in more than one year			
Net Pension Liability	49,427,974	49,427,974	3,637,324
Total liabilities	50,870,418	50,870,418	3,752,894
DEFERRED INFLOWS OF RESOURCES			
Pension differences	4,471,361	4,471,361	148,735
NET POSITION			
Net investment in capital assets	11,481,523	11,481,523	5,766,079
Restricted:			
BEST Capital Renewal Reserve	-	-	63,600
Capital projects	1,073,253	1,073,253	-
TABOR and Colorado Pre-School	455,154	455,154	28,230
Unrestricted	(36,592,509)	(36,592,509)	(2,422,184)
Total net position	$ (23,582,579)	$ (23,582,579)	$ 3,435,725

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, 2018

		Program Revenue		Net (Expense) Revenue and Changes in Net Assets - Primary Government		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Governmental Activities**	**Total**	**Alta Vista Charter School**
Primary government						
Governmental Activities						
Instructional:						
High School	$ 2,057,558	$ -	$ 59,117	$ (1,998,441)	$ (1,998,441)	$ -
Middle School	1,558,335	-	11,660	(1,546,675)	(1,546,675)	-
Parkview	1,337,054	-	-	(1,337,054)	(1,337,054)	-
Washington	1,327,058	-	-	(1,327,058)	(1,327,058)	-
MHDC & CPP	468,163	-	-	(468,163)	(468,163)	-
Charter School	991,604	112,268	1,400	(877,936)	(877,936)	(1,769,731)
Vocational	32,308	-	-	(32,308)	(32,308)	-
Total Instructional	7,772,080	112,268	72,177	(7,587,635)	(7,587,635)	(1,769,731)
Support Services:						
Centralized Services	3,870,656	73,606	2,529,041	(1,268,009)	(1,268,009)	-
Operations & Maintenance	1,216,084	-	-	(1,216,084)	(1,216,084)	-
Pupil Transportation	345,279	-	-	(345,279)	(345,279)	-
Districtwide Costs	12,375,403	-	39,148	(12,336,255)	(12,336,255)	-
Total Support Services	17,807,422	73,606	2,568,189	(15,165,627)	(15,165,627)	-
Operation of Noninstructional Services:						
Athletic & Activity Programs	467,175	398,410	-	(68,765)	(68,765)	-
Total Noninstructional Services	467,175	398,410	-	(68,765)	(68,765)	-
Total governmental activities	26,046,677	584,284	2,640,366	(22,822,027)	(22,822,027)	(1,769,731)
Total primary government	26,046,677	584,284	2,640,366	(22,822,027)	(22,822,027)	(1,769,731)
General revenues:						
Taxes:						
Property taxes, levied for general purposes				$ 1,611,890	$ 1,611,890	$ -
Specific ownership, general				263,514	263,514	-
State & federal aid not restricted to specific functions:						
State equalization/Per pupil revenue				9,550,262	9,550,262	989,250
Unrestricted investment earnings				63,149	63,149	2,280
Miscellaneous				305,558	305,558	4,958
Total general revenues, special items, and transfers				11,794,373	11,794,373	996,488
Change in net assets				(11,027,654)	(11,027,654)	(773,243)
Net position - beginning				(12,554,925)	(12,554,925)	4,208,968
Net position - ending				$ (23,582,579)	$ (23,582,579)	$ 3,435,725

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

Lamar School District RE-2
Balance Sheet
Governmental Funds
June 30, 2018

	General	Title Programs	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 5,561,643	$ (55,325)	$ 1,259,216	$ 255,011	$ 7,020,545
Taxes receivable, net	125,022	-	-	-	125,022
Other receivables	21,873	142,998	-	3,719	168,590
Inventories	-	-	-	7,043	7,043
Total assets	5,708,538	87,673	1,259,216	265,773	7,321,200
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	63,413	1,931	-	11,183	76,527
Unearned revenue	390,704	-	-	-	390,704
Other accrued expenses	1,160,737	85,742	-	-	1,246,479
Other payables	(232)	-	-	-	(232)
Total liabilities	1,614,622	87,673	-	11,183	1,713,478
Fund balances:					
Non-spendable inventory	-	-	-	7,043	7,043
Restricted preschool fund	67,563	-	-	-	67,563
Committed capital projects funds	-	-	1,259,216	-	1,259,216
Restricted-TABOR	387,591	-	-	-	387,591
Unassigned	3,638,762	-	-	-	3,638,762
Committed, reported in non-major:					
Special revenue funds	-	-	-	247,547	247,547
Total fund balances	4,093,916	-	1,259,216	254,590	5,607,722
Total liabilities and fund balances	$ 5,708,538	$ 87,673	$ 1,259,216	$ 265,773	$ 7,321,200

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, 2018

Total fund balance, governmental funds	$	5,607,722
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.		11,481,523
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		13,227,510
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.		(53,899,335)
Rounding		1
Net Position of Governmental Activities in the Statement of Net Position	$	(23,582,579)

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, 2018

	General	Title Programs	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property Taxes	$ 1,611,890	$ -	$ -	$ -	$ 1,611,890
SO Tax	263,514	-	-	-	263,514
Student Activities	-	-	-	398,410	398,410
Intergovernmental	10,718,346	591,072	-	579,586	11,889,004
Charges for services	-	-	-	73,606	73,606
Investment earnings	59,123	-	3,824	202	63,149
Miscellaneous	671,978	-	5,000	42,473	719,451
Total revenues	13,324,851	591,072	8,824	1,094,277	15,019,024
EXPENDITURES					
Instructional:					
High School	2,024,414	13,265	-	-	2,037,679
Middle School	1,486,770	62,823	-	-	1,549,593
Parkview	1,169,453	166,879	-	-	1,336,332
Washington	1,075,029	236,975	-	-	1,312,004
MHDC	466,463	-	-	-	466,463
Charter School	990,650	24,249	-	-	1,014,899
Vocational	32,308	-	-	-	32,308
Total Instructional	7,245,087	504,191	-	-	7,749,278
Support Services:					
Centralized Services	3,050,836	77,018	-	690,917	3,818,771
Operations & Maintenance	1,216,084	-	-	-	1,216,084
Pupil Transportation	347,699	2,863	-	-	350,562
District wide Costs	307,108	-	62,242	-	369,350
Minor Equipment and Repairs	-	-	150,976	-	150,976
Noninstructional Services:					
Athletic & Activity Programs	-	-	-	467,175	467,175
Capital Outlay	11,200	7,000	359,643	-	377,843
Total Expenditures	12,178,014	591,072	572,861	1,158,092	14,500,039
Excess (deficiency) of revenues over expenditures	1,146,837	-	(564,037)	(63,815)	518,985
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	750,000	52,000	802,000
Transfers out	(802,000)	-	-	-	(802,000)
Total other financing sources and uses	(802,000)	-	750,000	52,000	-
Net change in fund balances	344,837	-	185,963	(11,815)	518,985
Fund balances - beginning	3,749,079	-	1,073,253	266,405	5,088,737
Fund balances - ending	$ 4,093,916	$ -	$ 1,259,216	$ 254,590	$ 5,607,722

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, 2018

Net change in fund balances - total governmental funds:	$	518,985
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 $377,843 is less than depreciation of $680,789 in the current period.		(302,946)
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		(11,243,693)
Rounding		-
Change in net position of governmental activities	$	(11,027,654)

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

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

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

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

Fund Financial Statements

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

Interfund Receivables and Payables

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

Budgets

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

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

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

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

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

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

Allowance for Uncollectible Accounts

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

Claims and Judgments

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

Interfund Transactions

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

Equity Classifications

District-Wide Statements

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

a) Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, 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, 2018, the District's cash deposits were:

Insured Deposits (FDIC)	$ 268,018
Deposits Collateralized under PDPA	2,122,775
ColoTrust Investment	4,594,414
Total Cash	$ 6,985,207

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:

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

Note 4 Capital Assets

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

Capital asset activity for the year ended June 30, 2018, was as follows:

Governmental Activities:	Balance 7/1/17	Additions	Deletions and Reclassifications	Balance 6/30/18
Capital assets being depreciated				
Buildings	$ 22,376,324	$ -	$ -	$ 22,376,324
Equipment	2,176,164	292,698	-	2,468,892
Construction in Progress	2,974,979	85,143	-	3,060,122
Total Capital Assets Being Depreciated	27,527,467	377,841	-	27,905,308
Less Accum Depreciation	(15,742,997)	(680,789)	-	(16,423,786)
Net Capital Assets	$ 11,784,470	$ (302,948)	$ -	$ 11,481,522

Depreciation expense was charged to functions as follows:

Instruction:	
High School	$ 19,880
Middle School	7,836
Parkview	722
Washington	15,054
Lincoln	-
MHDC	964
Charter	954
Support Services	
Outbuildings, Central Service, Transportation	187,198
Buildings	448,181
	$ 680,789

Note 5 Pension Plan

Summary of Significant Accounting Policies:

Pensions. The District participated in the State Division Trust Fund (SDTF), 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 SDTF 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.

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through Senate Bill (SB)18-200: *Concerning Modifications to the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a high Probability the Unfunded Liability of the Plan Within the Next Thirty Years.* Governmental accounting standards require the net pension liability and related amounts of the SDTF for financial reporting purposes be measured using the plan provisions in effect as of the SDTF's measurement date of December 31, 2017. As such, the following disclosures do not include the changes to plan provisions required by SB 18-200 with the exception of the section titled *Changes between the measurement date of the net pension liability and December 31, 2017.*

General Information About the Pension Plan:

Plan Description. Eligible employees of the District are provided with pensions through the SDTF. 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 provision of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided as of December 31, 2017. 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, and1714.

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 credit
- 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.

As of December 31, 2017, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, 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 (AIR) for the SDTF.

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. State Troopers whose disability is caused by an on-the-job injury are immediately eligible to apply for disability benefits and do not have to meet the five years of service credit requirement. 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 provisions as of December 31, 2017. Eligible employees and the District are required to contribute to the SDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, et seq. Eligible employees who are State Troopers are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements for all employees except State Troopers are summarized in the table below:

	December 31 2018
Employer contribution rate[1]	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)%
Amount apportioned to the SDTF[1]	9.13%
Amortization equalization disbursement (AED) as specified in C.R.S. § 24-51-411[1]	4.50%
Supplemental amortization equalization disbursement (SAED) as specified in C.R.S. § 24-51-411[1]	5.00%
Total Employer contribution rate to the SDTF[1]	18.63%

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

Employer contributions are recognized by the SDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SDTF. Employer contributions recognized by the SDTF from the district were $1,284,280 for the year ended December 31, 2018.

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

At December 31, 2017, the District reported a liability of $48,324,448 for its proportionate share of the net pension liability. The net pension liability for the SDTF was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total pension liability to December 31, 2017. The District's proportion of the net pension liability was based on the District's contributions to the SDTF for the calendar year 2017 relative to the total contributions of participating employers to the SDTF.

At December 31, 2017, the District's proportion was 0.14944266806%, which was an increase of 0.0015252050% from its proportion measured as of December 31, 2016.

For the year ended December 31, 2017, the District recognized pension expense of $10,140,637. At December 31, 2017 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 888,483	$ -
Changes of assumptions or other inputs	12,339,027	78,300
Total deferred outflows-inflows of resources excluding employer specific amounts	12,339,027	1,976,048
Net difference between projected and actual earnings on pension plan investments	-	1,897,747

Net pension liability at 4.78%is $48,324,448.

Actuarial Assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

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

A discount rate of 4.7 percent was used in the roll-forward calculation of the total pension liability to the measurement date of December 31, 2017.

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

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

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

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

The actuarial assumptions used in the December 31, 2016, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 29, 2016, Board meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

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

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

Asset Class	Target Allocation	10 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42%	4.80%
Non U.S. Equity - Developed	18.55%	5.20%
Non U.S. Equity – Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income - Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	100.00%	

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

Discount Rate. The discount rate used to measure the total pension liability was 4.72 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

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

position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the projection test indicates the SDTF's fiduciary net position was projected to be depleted in 2038 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25 percent on pension plan investments was applied to periods through 2038 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Bond Buyer, was applied to periods on and after 2038 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.43 percent, resulting in a discount rate of 4.72 percent.

As of the prior measurement date, the long-term expected rate of return on plan investments of 7.25 percent and the municipal bond index rate of 3.86 percent were used in the discount rate determination resulting in a discount rate of 5.26 percent, 0.54 percent higher compared to the current measurement date.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 4.72 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.72 percent) or 1-percentage-point higher (5.72 percent) than the current rate:

	1% Decrease (3.78%)	Current Discount Rate (4.78%)	1% increase (5.78%)
Proportionate share of the net pension liability	$61,041,997	$48,324,448	$37,961,098

Pension Plan Fiduciary Net Position. Detailed information about the SDTF'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.

Changes Between the Measurement Date of the Net Pension Liability and December 31, 2017:

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through SB 18-200: *Concerning Modifications to the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years.* The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to the plans administered by PERA with the goal of eliminating the unfunded actuarial accrued liability of the Division Trust Funds and thereby reach a 100 percent funded ratio for each division within the next 30 years.

A brief description of some of the major changes to plan provisions required by SB 18-200 are listed below. A full copy of the bill can be found online at www.leg.colorado.gov.

- Increases employer contribution rates by 0.25 percent on July 1, 2019.
- Increases employee contribution rates by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).
- Directs the state to allocate $225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution will be allocated to the SDTF based on the

proportionate amount of annual payroll of the SDTF to the other divisions eligible for the direct distribution.

- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, modifying the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.
- Member contributions, employer contributions, the direct distribution from the state, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.
- Expands eligibility to participate in the PERA DC Plan to new members hired on or after January 1, 2019, who are classified college and university employees in the State Division. Beginning January 1, 2021, and every year thereafter, employer contribution rates for the SDTF will be adjusted to include a defined contribution supplement based on the employer contribution amount paid to defined contribution plan participant accounts that would have otherwise gone to the defined benefit trusts to pay down the unfunded liability plus any defined benefit investment earnings thereon.

At December 31, 2018, the District reported a liability of $48,324,448 for its proportionate share of the net pension liability which was measured using the plan provisions in effect as of the pension plan's year-end based on a discount rate of 4.78%. For comparative purposes, the following schedule presents an estimate of what the District's proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the SDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the SDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factor.

Estimated Discount Rate Calculated Using Plan Provisions Required by SB 18-200 (pro forma)	Proportionate Share of the Estimated Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 (pro forma)
7.25%	$21,832,567

Recognizing that the changes in contribution and benefit provisions also affect the determination of the discount rate used to calculate proportionate share of the net pension liability, approximately $466,354 of the estimated reduction is attributable to the use of a 7.25 percent discount rate.

Reconciliation of Collective Deferred Outflows of Resources

The following presents the SDTF'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	Deferred Outflows of Resources: Differences 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, 2016	$ 556,254	$ 1,443,764	$ 1,487,815
Deferral amounts added as of measurement date, December 31, 2017	843,088	1,301,171	-
Total of amortization amounts recognized in pension expense during measurement period, 2017[1] (negative amounts increase the collective pension)	(510,859)	(7,399,799)	(529,807)
Outstanding deferral amounts as of measurement date, December 31, 2017	$ 888,483	$ (654,864)	$ 958,008

[1] Negative amounts increase the collective pension expense.

Amortization of Collective Deferred Outflows of Resources

The following presents the SDTF's collective deferral amortization showing the deferrals added each plan year, the amortization period and the amount of the amortization for each plan year:

Deferred Outflows of Resources

Difference Between Expected and Actual Experience

For the Plan Year	Deferral Amounts Added	Amortization Period
2014	$ -	-
2015	387,014	3.64 years
2016	481,791	3.47 years
2017	784,072	3.41 years

For the Plan Year	Amortization of the 2014 Deferral[1]	Amortization of the 2015 Deferral[1]	Amortization of the 2016 Deferral[1]	Amortization of the 2017 Deferral[1]	Total Amortization for the Plan Year
2014	$ -	$ -	$ -	$ -	$ -
2015	-	114,325	-	-	114,325
2016	-	114,325	149,295	-	263,620
2017	-	114,325	149,295	247,239	510,859
2018	-	73,169	149,295	247,239	469,703
2019	-	-	70,171	247,239	317,410
2020	-	-	-	101,370	101,370
Total	$ -	$ 416,144	$ 518,055	$ 843,088	$ 1,777,287

[1] Positive amounts increase the collective pension expense.

Deferred Outflows of Resources

Changes in Assumptions or Other Inputs

For the Plan Year	Deferral Amounts Added	Amortization Period
2014	$ -	-
2015	-	-
2016	20,282,858	3.47 years
2017	5,301,171	3.41 years

For the Plan Year	Amortization of the 2014 Deferral[1]	Amortization of the 2015 Deferral[1]	Amortization of the 2016 Deferral[1]	Amortization of the 2017 Deferral[1]	Total Amortization for the Plan Year
2014	$ -	$ -	$ -	$ -	$ -
2015	-	-	-	-	-
2016	-	-	5,845,203	-	5,845,203
2017	-	-	5,845,203	1,554,995	7,399,799
2018	-	-	5,845,203	1,554,995	7,399,799
2019	-	-	2,747,248	1,554,995	4,301,843
2020	-	-	-	637,385	637,385
Total	$ -	$ 10,505	$ 20,282,858	$ 5,301,171	$ 25,584,029

[1] Positive amounts increase the collective pension expense.

Deferred Outflows of Resources

Net Difference Between Projected and Actual Investment Earnings

For the Plan Year	Deferral Amounts Added	Amortization Period
2014	$ 582,235	5.00 years
2015	1,992,597	5.00 years
2016	74,204	5.00 years
2017	-	-

For the Plan Year	Amortization of the 2014 Deferral[1]	Amortization of the 2015 Deferral[1]	Amortization of the 2016 Deferral[1]	Amortization of the 2017 Deferral[1]	Total Amortization for the Plan Year
2014	$ 116,447	$ -	$ -	$ -	$ 116,447
2015	116,447	389,519	-	-	514,966
2016	116,447	389,519	14,840	-	529,806
2017	116,447	389,519	14,841	-	529,807
2018	116,447	389,519	14,841	-	529,806
2019	-	389,522	14,841	-	413,363
2020	-	-	14,841	-	14,841
Total	$ 582,235	$ 1,992,597	$ 74,204	$ -	$ 2,649,036

[1] Positive amounts increase the collective pension expense.

Reconciliation of Collective Deferred Inflows of Resources

The following presents the SDTF'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	Deferred Inflows of Resources: Differences Between Expected and Actual Experience	Changes of Assumptions or Other Inputs	Differences Between Projected and Actual Investment Earnings
Beginning deferral amounts as of prior measurement date, December 31, 2016	$ 392	$ 200,649	$ -
Deferral amounts added as of measurement date, December 31, 2017	-	-	3,569,694
Total of amortization amounts recognized in pension expense during measurement period, 2017[1] (negative amounts decrease the collective pension expense)	(392)	(122,349)	(713,938)
Outstanding deferral amounts as of measurement date, December 31, 2017	$ -	$ 78,300	$ 2,855,755

[1] Negative amounts decrease the collective pension expense.

Amortization Schedules of Collective Deferred Inflows of Resources

The following presents the SDTF's collective deferral amortization showing the deferrals added each plan year, the amortization period and the amount of the amortization for each plan year.

Deferred Inflows of Resources

Difference Between Expected and Actual Experience

For the Plan Year	Deferral Amounts Added	Amortization Period
2014	$ 2,073	3.70 years
2015	-	-
2016	-	-
2017	-	-

For the Plan Year	Amortization of the 2014 Deferral[1]	Amortization of the 2015 Deferral[1]	Amortization of the 2016 Deferral[1]	Amortization of the 2017 Deferral[1]	Total Amortization for the Plan Year
2014	$ 560	$ -	$ -	$ -	$ 560
2015	560	-	-	-	560
2016	560	-	-	-	560
2017	392	-	-	-	392
Total	$ 2,073	$ -	$ -	$ -	$ 2,073

[1] Positive amounts decrease the collective pension expense.

Deferred Inflows of Resources

Changes in Assumptions or Other Inputs

For the Plan Year	Deferral Amounts Added	Amortization Period
2014	$ -	-
2015	445,347	3.64 years
2016	-	-
2017	-	-

For the Plan Year	Amortization of the 2014 Deferral[1]	Amortization of the 2015 Deferral[1]	Amortization of the 2016 Deferral[1]	Amortization of the 2017 Deferral[1]	Total Amortization for the Plan Year
2014	$ -	$ -	$ -	$ -	$ -
2015	-	122,349	-	-	122,349
2016	-	122,349	-	-	122,349
2017	-	122,349	-	-	122,349
2018	-	78,300	-	-	78,300
Total	$ -	$ 445,347	$ -	$ -	$ 445,347

[1] Positive amounts decrease the collective pension expense.

Deferred Inflows of Resources

Net Difference Between Projected and Actual Investment Earnings

For the Plan Year	Deferral Amounts Added	Amortization Period
2014	$ -	-
2015	-	-
2016	-	-
2017	3,569,694	5.00 years

For the Plan Year	Amortization of the 2014 Deferral[1]	Amortization of the 2015 Deferral[1]	Amortization of the 2016 Deferral[1]	Amortization of the 2017 Deferral[1]	Total Amortization for the Plan Year
2014	$ -	$ -	$ -	$ -	$ -
2015	-	-	-	-	-
2016	-	-	-	-	-
2017	-	-	-	713,938	713,938
2018	-	-	-	713,938	713,938
2019	-	-	-	713,938	713,938
2020	-	-	-	713,938	713,938
2021	-	-	-	713,940	713,940
Total	$ -	$ -	$ -	$ 3,569,694	$ 3,569,694

[1] Positive amounts increase the collective pension expense.

GASB Statement No. 68, paragraph 71b states collective deferred outflows of resources and deferred inflows of resources arising from differences between projected and actual pension plan investment earnings in different measurement periods should be aggregated and included as a net collective deferred outflow of resources related to pensions or a net collective deferred inflow of resources related to pensions.

Difference Between Projected and Actual Investment Earnings

Outstanding Deferred Outflows of Resources As of measurement date, December 31, 2017	$ 958,008
Outstanding Deferred Inflows of Resources As of measurement date, December 31, 2017	2,855,755
Outstanding Net Deferred Inflows of Resources As of measurement date, December 31, 2017	$ 3,813,763

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 SDTF'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:
2018	$ 7,607,068
2019	4,318,678
2020	39,656
2021	(713,940)
2022	-
Thereafter	-

Average Expected Remaining Service Life

The following presents the SDTF'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
2017	3.41

Collective Pension Expense

Collective pension expense for the year ended December 31, 2017 is as follows:

Service cost at end of year	$ 1,426,223
Interest on the total pension liability	4,026,655
Current-period benefit changes	-
Expensed portion of current-period differences between expected and actual experience in the total pension liability	247,239
Expensed portion of current-period changes of assumptions or other inputs	1,554,595
Active member contributions	(596,355)
Projected earnings on plan investments	(2,381,524)
Expensed portion of current-period differences between projected and actual earnings on plan investments	(713,938)
Administrative expense	34,400
Other	33,442
Recognition of beginning collective deferred outflows of resources as pension expense	6,638,630
Recognition of beginning collective deferred inflows of resources as pension expense	(122,740)
Collective pension expense	$ 10,140,637

Components of Schedule of Collective Pension Amounts

Net Pension Liability. The collective net pension liability is the total pension liability less the fiduciary net position for the SDTF.

Difference between Expected and Actual Experience. The difference between expected and actual experience with regard to economic and demographic factors is amortized over a closed period equal to the average of the expected remaining service life of active and inactive members. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or deferred inflow of resources.

Changes of Assumptions or Other Inputs. The change in assumptions about future economic or demographic factors or other inputs is amortized over a closed period equal to the average of the expected remaining service life of active and inactive members. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or deferred inflow of resources.

Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments. The difference between the actual earnings on plan investments compared to the SDTF's expected rate of return in effect during 2017 of 7.25 percent is amortized over a closed period of 5 years. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or deferred inflow of resources.

Total Deferred Outflows of Resources Excluding Employer Specific Amounts. The total deferred outflows of resources resulting from the difference between expected and actual experience, the changes of assumptions of other inputs, and the net difference between projected and actual investment earnings on pension plan investments.

Total Deferred Inflows of Resources Excluding Employer Specific Amounts. The total deferred inflows of resources resulting from the difference between expected and actual experience, the changes of assumptions of other inputs, and the net difference between projected and actual investment earnings on pension plan investments.

Collective Pension Expense. Collective pension expense includes changes in the collective net pension liability, projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the current period.

<u>Subsequent Events:</u>

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through SB 18-200: *Concerning Modifications to the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to the plans administered by PERA with the goal of eliminating the unfunded actuarial accrued liability the Division Trust Funds and thereby reach a 100 percent funded ratio for each division within the next 30 years.

A summary of the bill's main provisions is as follows:

Benefit Changes

- Increase the number of years used in the HAS calculation from three to five years for members, except judges, who do not have five years of service credit on December 31, 2019, and for new members hired on or after January 1, 2020.
- Increase the number of years used in the HAS calculation for the Judicial Division from one to three years for members who do not have five years of service credit on December 31, 2019.
- Redefine PERA-includable salary for all members to include payouts of unused sick leave.
- Redefine OERA-includable salary for members hired on or after July 1, 2019, to include contributions to IRC Section 125 and 132 plans.
- Apply the State Trooper contribution rate, retirement age, and benefits to other safety officers, including sheriff deputies and corrections officers hired on or after January 1, 2020.
- For members, other than State Troopers, hired on or after January 1, 2020, age and service for full service retirement is met at:
  - Any age with 35 years.
  - Age 64 with 30 years.
  - Age 65 with 5 years.
- For members, other than State Troopers, hired on or after January 1, 2020, age and service for reduced service retirement is met at:
  - Age 55 with 25 years.
  - Age 60 with 5 years.
- For State Troopers hired on or after January 1, 2020, age and service for full service retirement is met at:
  - Any age with 35 years.
  - Age 55 with 25 years.
  - Age 65 with 5 years.
- For State Troopers hired on or after January 1, 2020, age and service for reduced service retirement is met at:
  - Age 55 with 20 years.
- Temporary suspension of AI for years 2018 and 2019.
- Sets the AI cap at 1.5 percent and extends the AI waiting period from one to three years.

Contribution Changes

- Incrementally increases the member contribution percentage a total of 2.00 percent as follows:
  - 0.75 percent on July 1, 2019.
  - 0.75 percent on July 1, 2020.
  - 0.50 percent on July 1, 2021.
- Increase employer contributions 0.25 percent on July 1, 2019, for all divisions except for the Local Government Division.
- PERA will receive an annual direct distribution from the State in the amount of $225 million (in actual dollars). The distribution will occur on July 1 2018 and on July 1 each year thereafter until there are no unfunded actuarial accrued liabilities in the trust fund of any division that receives such distribution. PERA shall allocate the distribution to the trust funds as it would an employer contribution in a manner that is proportionate to the annual payroll of each division except there shall be no allocation to the Local Government Division.
- Beginning January 1, 2021, and every year thereafter, employer contribution rates for the Local Government and State Divisions will be adjusted to include a defined contribution supplement. The defined contribution supplement for these two divisions will be the employer contribution amount paid to defined contribution plan participant accounts that would have otherwise gone to the defined benefit trusts to pay down the unfunded liability plus any defined benefit investment earnings thereon, expressed as a percentage of salary on which employer contributions have been made.

Other Provisions

- Beginning July 1, 2020, and then each year thereafter, member contributions, employer contributions, the direct distribution from the State, and the AI will be adjusted based on certain statutory parameters to keep PERA on path to full funding in 30 years.
- Expands PERAChoice for new members hired on or after January 1, 2019, in the Local Government Division and to new members hired on or after January 1, 2019, who are classified college and university employees in the State Division.
- Increases the cost to disaffiliate for Local Government Division employers.
- Expands the existing Fire and Police Pension Reform Commission to include oversight of PERA and creates a new Subcommittee exclusively focused on PERA.

- PERA may share private equity and real estate investment information in an executive session of the legislative members of the Pension Review Commission unless confidentiality provisions of contracts prohibit such disclosure.

Governmental accounting standards require the net pension liability for financial reporting purposes be measured using the plan provisions in effect as of the pension plan's year-end. The collective net pension liability calculated using the plan provisions in effect at December 31, 2017 for the SDTF can be found in the notes above. For comparative purposes, the following schedule presents the collective net pension liability and associated discount rate disclosed in the notes above, as well as an estimate of what the collective net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the SDTF, become law on December 31, 2017. This pro forma information was prepared using the FNP of the SDTF as of December 31, 2017. Future collective net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

Discount Rate	Net Pension Liability	Estimated Discount Rate Calculated Using Plan Provisions Required by SB 18-200 (pro forma)	Estimated Collective Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 (pro forma)
4.78%	$48,329,448	7.25%	$21,832,567

Recognizing that the changes in contribution and benefit provisions also affect the determination of the discount rate used to calculate the collective net pension liability, approximately $22,558,199 of the estimated reduction is attributable to the use of a 7.25 percent discount rate.

Defined Benefit Other Post Employment Benefit (OPEB) Plan:

Summary of Significant Accounting Policies:

OPEB. The District participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado (PERA). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

General Information About the OPEB Plan:

Plan Description. Eligible employees of the District are provided with OPEB through the HCTF – a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, 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 the premium subsidies. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided. The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. For members who retire having service credit with employers in the Denver Public Schools (DPS) Division and one or more of the other four Divisions (State, School, Local Government and Judicial), the premium subsidy is allocated between the HCT and the Denver Public Schools Health Care Trust Fund (DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it related to the total member contribution account balance from which the retirement benefit is paid.

C.R.S.§ 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure and all retirees under the DPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. Upon the death of a DPS benefit structure retiree, no further subsidy is paid.

Enrollment in the PERACare is voluntary and is available to benefit recipients and their eligible dependents, certain surviving spouses, and divorced spouses and guardians, among others. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

PERA Benefit Structure. The maximum service-based premium subsidy is $230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is $115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF or the DPS HCTF on behalf of benefit recipients not covered by Medicare Part A.

The maximum service-based premium subsidy is $230 per month for retirees who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is $115 per month for retirees who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum subsidy, in each case, is for retirees with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The retiree pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For retirees who have not participated in Social Security and who are not otherwise eligible for premium-free Medicate Part A for hospital-related services, the HCTF or the DPS HCTF pays an alternate service-based premium subsidy. Each individual retiree meeting these conditions receives the maximum $230 per month subsidy reduced appropriately for service less than 20 years, as described above. Retirees who do not have Medicare Part A pay the difference between the total premium and the monthly subsidy.

Contributions. Pursuant to Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02 percent of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the District were $70,315 for the year ended December 31, 2017.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:

At December 31, 2017, the District reported a liability of $1,103,8526 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2017. The District proportion of the net OPEB liability was based on the District's contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF.

At December 31, 2017, the District's proportion was 0.08491273683%.

For the year ended December 31, 2017, the District recognized OPEB expense of $70,315.

Actuarial Assumptions. The total OPEB liability in the December 31, 2016 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates:	
PERA benefit structure:	
Service-based premium subsidy	0.00%
PERACare Medicare plans	5.00%
Medicare Part A premiums	3.00% for 2017, gradually rising to 4.25% in 2023
DPS benefit structure:	
Service-based premium subsidy	0.00%
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each actuarial valuation and on the pattern of sharing of costs between employers of each fund to that point.

Health care cost trend rates reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design, and technology improvements. For the PERA benefit structure, health care cost trend rates are needed to project the future costs associated with providing benefits to those PERACare enrollees not eligible for premium-free Medicare Part A.

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2016, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The PERA benefit structure health care cost trend rates that were used to measure the total OPEB liability are summarized in the table below:

Year	PERACare Medicare Plans	Medicare Part A Premiums
2017	5.00%	3.00%
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.00%
2023	5.00%	4.25%
2024+	5.00%	4.25%

Mortality assumptions for the determination of the total pension liability for each of the Division Trust Funds as shown below are applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

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

Healthy, post-retirement mortality assumptions for the State and Local Government Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

Healthy, post-retirement mortality assumptions for the School and Judicial Divisions were based on the RP-2014 White Collar healthy Annuitant Mortality Table, adjusted as follows:

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

For disabled retirees, the mortality assumption was based on 90 percent of the RE-2014 Disabled Retiree Mortality Table.

The following economic and demographic assumptions were specifically developed for, and used in, the measurement of the obligations for the HCTF:

- The assumed rates of PERACare participation were revised to reflect more closely actual experience.
- The initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2017 plan year.
- The percentages of PERACare enrollees who will attain age 65 and older ages and are assumed to not qualify for premium-free Medicare Part A coverage were revised to more closely reflect actual experience.
- The percentage of disabled PERACare enrollees who are assumed to not qualify for premium-free Medicare Part A coverage were revised to reflect more closely actual experience.
- Assumed election rates for the PERACare coverage options that would be available to future PERACare enrollees who will qualify for the "No Part A Subsidy" when they retire were revised to more closely reflect actual experience.
- Assumed election rates for the PERACare coverage options that will be available to those current PERACare enrollees, who qualify for the "No Part A Subsidy" but have not reached age 65, were revised to more closely reflect actual experience.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.
- The rates of PERACare coverage election for spouses of eligible inactive members and future retirees were revised to more closely reflect actual experience.
- The assumed age differences between future retirees and their participating spouses were revised to reflect more closely actual experience.

The actuarial assumptions used in the December 31, 2016, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012 through December 31, 2015, as well as the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA's actuary, as needed.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

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

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

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

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

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates. The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher that the current rates.

	1% Decrease In Trend Rates	Current Trend Rates	1% Increase In Trend Rates
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A trend rate	3.25%	4.25%	5.25%
Net OPEB liability	$1,073,164	$1,103,526	$1,140,095

Discount Rate. The discount rate used to measure the total OPEB liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2017, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.5%.
- 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. For future plan members, employer contributions were reduced by the estimated amount of total service costs for future plan members.
- 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.
- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.

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

Based on the above assumptions and methods, the projection test indicates the HCTF's fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate. The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lover (6.25 percent) of 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	$1,240,710	$1,103,526	$986,436

OPEB Plan Fiduciary Net Position. Detailed information about the HCTF'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.

Collective OPEB Expense

Collective OPEB expense for the year ended December 31, 2017 is as follows:

Service cost at end of year	$	17,013
Interest on the total OPEB liability		92,236
Current-period benefit changes		4
Expensed portion of current-period differences between expected and actual experience in the total pension liability		1,026
Expensed portion of current-period changes of assumptions or other inputs		-
Active member contributions		(6,165)
Projected earnings on plan investments		(15,125)
Expensed portion of current-period differences between projected and actual earnings on plan investments		(4,626)
Administrative expense		2,096
Other		-
Recognition of beginning collective deferred outflows of resources as pension expense		-
Recognition of beginning collective deferred inflows of resources as pension expense		-
Collective OPEB expense	$	86,471

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 $1,160,737 for the General Fund and $85,742 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 $989,249 to Alta Vista Charter School during the school year. The District provides accounting and other services to the Charter School and was paid $112,268 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, 2018

	Budgeted Amounts		Actual
	Original	Final	
REVENUES			
Property Taxes	$ 1,607,123	$ 1,574,761	$ 1,611,890
SO Taxes	264,798	264,798	263,514
Intergovernmental	9,690,292	10,431,091	10,718,346
Investment earnings	27,000	27,000	59,123
Miscellaneous	736,935	921,060	671,978
Total revenues	12,326,148	13,218,710	13,324,851
EXPENDITURES			
Instructional:			
High School	2,178,564	2,131,023	2,024,414
Middle School	1,520,894	1,544,607	1,486,770
Parkview	1,165,695	1,200,971	1,169,453
Washington	1,105,756	1,144,686	1,075,029
MHDC	623,266	546,047	466,463
Charter School	963,528	986,756	990,650
Lincoln	36,720	36,720	32,308
Total Instructional	7,594,423	7,590,810	7,245,087
Support Services:			
Centralized Services	2,357,509	3,175,488	3,050,836
Operations & Maintenance	1,212,971	1,260,573	1,216,084
Pupil Transportation	385,247	385,247	347,699
District wide Costs	335,642	335,642	307,108
Contingency	538,848	1,014,929	-
Capital Outlay	11,200	11,200	11,200
Total Expenditures	12,435,840	13,773,889	12,178,014
Excess (deficiency) of revenues over expenditures	(109,692)	(555,179)	1,146,837
OTHER FINANCING SOURCES (USES)			
Transfers out	(1,052,000)	(1,052,000)	(802,000)
Total other financing sources and uses	(1,052,000)	(1,052,000)	(802,000)
Net change in fund balances	(1,161,692)	(1,607,179)	344,837
Fund balances - beginning	2,887,661	3,673,272	3,749,079
Fund balances - ending	$ 1,725,969	$ 2,066,093	$ 4,093,916

Lamar School District RE-2
Budget and Actual
Title Programs
For the year ended June 30, 2018

	Budgeted Amounts		Actual
	Original	Final	
REVENUES			
Intergovernmental	$ 620,218	$ 620,877	$ 591,072
Total revenues	620,218	620,877	591,072
EXPENDITURES			
Instructional:			
High School	24,692	24,692	13,265
Middle School	62,592	62,592	62,823
Parkview	171,237	171,237	166,879
Washington	237,443	237,443	236,975
Charter School	24,272	24,272	24,249
Support Services:			
Centralized Services	96,584	97,243	77,018
Pupil Transportation	3,398	3,398	2,863
Total Expenditures	620,218	620,877	591,072
Excess (deficiency) of revenues over expenditures	-	-	-
Net change in fund balances	-	-	-
Fund balances - beginning	-	-	-
Fund balances - ending	$ -	$ -	$ -

Lamar School District RE-2
Budget and Actual
Capital Projects
For the year ended June 30, 2018

	Budgeted Amounts		Actual
	Original	Final	
REVENUES			
Investment earnings	$ 1,900	$ 1,900	$ 3,824
Miscellaneous	10,000	10,000	5,000
Total revenues	11,900	11,900	8,824
EXPENDITURES			
District wide Costs	63,000	63,000	62,242
Minor Equipment and repairs	656,500	656,500	150,976
Capital Outlay	600,000	600,000	359,643
Total Expenditures	1,319,500	1,319,500	572,861
Excess (deficiency) of revenues over expenditures	(1,307,600)	(1,307,600)	(564,037)
OTHER FINANCING SOURCES (USES)			
Transfers in	1,000,000	1,000,000	750,000
Total other financing sources and uses	1,000,000	1,000,000	750,000
Net change in fund balances	(307,600)	(307,600)	185,963
Fund balances - beginning	1,775,000	1,073,253	1,073,253
Fund balances - ending	$ 1,467,400	$ 765,653	$ 1,259,216

Lamar School District RE-2
Schedule of the District's Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2018

	for the years ended December 31,				
	2017	**2016**	**2015**	**2014**	**2013**
District's proportion (percentage) of the collective net pension liability	0.14944266860	0.1479174636	0.1476376442	0.1628174839	0.1673647136
District's proportionate share of the collective pension liability	$ 48,324,448	$ 44,040,749	$ 22,580,134	$20,536,906	$19,866,540
Covered employee payroll	$ 6,638,799	$ 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	728%	627%	337%	321%	315%

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, 2018

	for the years ended December 31,				
	2017	**2016**	**2015**	**2014**	**2013**
Statutory required contributions	$ 1,284,280	$ 1,203,614	$ 1,208,402	$ 1,143,729	$ 1,072,694
Contributions in relation to the statutorily required contribution	1,284,280	$ 1,203,614	$ 1,208,402	$ 1,143,729	$ 1,072,694
Contribution deficiency (excess)	$ (0)	$ -	$ -	$ -	$ -
Covered employee payroll	$ 6,638,799	$ 7,029,134	$ 6,703,048	$ 6,389,839	$ 6,310,389
Contribution as a percentage of covered employee payroll	19.35%	17.12%	18.03%	17.90%	17.00%

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, 2018

	Food Service	Interscholastic Athletics	Middle School Activity	High School Activity	Public School	Total Governmental Funds
ASSETS						
Cash and cash equivalents	$ 86,464	$ 40,713	$ 38,090	$ 60,681	$ 29,063	$ 255,011
Other receivables	3,719	-	-	-	-	3,719
Inventories	7,043	-	-	-	-	7,043
Total assets	97,226	40,713	38,090	60,681	29,063	265,773
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	11,183	-	-	-	-	11,183
Total liabilities	11,183	-	-	-	-	11,183
Fund balances:						
Non-spendable-inventories	7,043	-	-	-	-	7,043
Committed	79,000	40,713	38,090	60,681	29,063	247,547
Total fund balances	86,043	40,713	38,090	60,681	29,063	254,590
Total liabilities and fund balances	$ 97,226	$ 40,713	$ 38,090	$ 60,681	$ 29,063	$ 265,773

Lamar School District RE-2

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

For the Year Ended June 30, 2018

	Food Service	Interscholastic Athletics	Middle School Activity	High School Activity	Public School	Total-Other Governmental Funds
REVENUES						
Student Activities	$ -	$ 75,827	$ 28,183	$ 222,139	$ 72,261	$ 398,410
Intergovernmental	579,586	-	-	-	-	579,586
Charges for services	73,606	-	-	-	-	73,606
Investment earnings	202	-	-	-	-	202
Miscellaneous	42,473	-	-	-	-	42,473
Total revenues	695,867	75,827	28,183	222,139	72,261	1,094,277
EXPENDITURES						
Support Services:						
Food Services	690,917	-	-	-	-	690,917
Noninstructional Services:						
Athletic & Activity Programs	-	119,291	37,652	233,673	76,559	467,175
Total Expenditures	690,917	119,291	37,652	233,673	76,559	1,158,092
Excess (deficiency) of revenues over expenditures	4,950	(43,464)	(9,469)	(11,534)	(4,298)	(63,815)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	46,000	6,000	-	-	52,000
Total other financing sources and uses	-	46,000	6,000	-	-	52,000
Net change in fund balances	4,950	2,536	(3,469)	(11,534)	(4,298)	(11,815)
Fund balances - beginning	81,093	38,177	41,559	72,215	33,361	266,405
Fund balances - ending	$ 86,043	$ 40,713	$ 38,090	$ 60,681	$ 29,063	$ 254,590

Lamar School District RE-2
Budget and Actual
Food Service
For the year ended June 30, 2018

	Budgeted Amounts		Actual
	Original	Final	
REVENUES			
Intergovernmental	$ 551,800	$ 551,366	$ 579,586
Charges for services	72,810	72,810	73,606
Investment earnings	130	130	202
Miscellaneous	40,900	40,900	42,473
Total revenues	665,640	665,206	695,867
EXPENDITURES			
Support Services:			
Centralized Services	701,200	701,200	690,917
Total Expenditures	701,200	701,200	690,917
Excess (deficiency) of revenues over expenditures	(35,560)	(35,994)	4,950
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Total other financing sources and uses	-	-	-
Net change in fund balances	(35,560)	(35,994)	4,950
Fund balances - beginning	89,925	81,093	81,093
Fund balances - ending	$ 54,365	$ 45,099	$ 86,043

Lamar School District RE-2
Budget and Actual
Interscholastic Athletics
For the year ended June 30, 2018

	Budgeted Amounts		Actual
	Original	Final	
REVENUES			
Student activities	$ 114,250	$ 119,785	$ 75,827
Total revenues	114,250	119,785	75,827
EXPENDITURES			
Noninstructional Services:			
Athletic & Activity Programs	154,250	157,962	119,291
Total Expenditures	154,250	157,962	119,291
Excess (deficiency) of revenues over expenditures	(40,000)	(38,177)	(43,464)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	46,000
Total other financing sources and uses	-	-	46,000
Net change in fund balances	(40,000)	(38,177)	2,536
Fund balances - beginning	40,000	38,177	38,177
Fund balances - ending	$ -	$ -	$ 40,713

Lamar School District RE-2
Budget and Actual
Middle School Activity
For the year ended June 30, 2018

	Budgeted Amounts		Actual
	Original	Final	
REVENUES			
Student activities	$ 33,680	$ 31,010	$ 28,183
Total revenues	33,680	31,010	28,183
EXPENDITURES			
Noninstructional Services:			
Athletic & Activity Programs	75,372	72,569	37,652
Total Expenditures	75,372	72,569	37,652
Excess (deficiency) of revenues over expenditures	(41,692)	(41,559)	(9,469)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	6,000
Total other financing sources and uses	-	-	6,000
Net change in fund balances	(41,692)	(41,559)	(3,469)
Fund balances - beginning	41,692	41,559	41,559
Fund balances - ending	$ -	$ -	$ 38,090

Lamar School District RE-2
Budget and Actual
High School Activity
For the year ended June 30, 2018

	Budgeted Amounts		Actual
	Original	Final	
REVENUES			
Student activities	$ 187,830	$ 223,730	$ 222,139
Total revenues	187,830	223,730	222,139
EXPENDITURES			
Noninstructional Services:			
Athletic & Activity Programs	252,897	295,945	233,673
Total Expenditures	252,897	295,945	233,673
Excess (deficiency) of revenues over expenditures	(65,067)	(72,215)	(11,534)
Net change in fund balances	(65,067)	(72,215)	(11,534)
Fund balances - beginning	65,067	72,215	72,215
Fund balances - ending	$ -	$ -	$ 60,681

Lamar School District RE-2
Budget and Actual
Public School
For the year ended June 30, 2018

	Budgeted Amounts		Actual
	Original	Final	
REVENUES			
Student activities	$ 30,125	$ 57,125	$ 72,261
Total revenues	30,125	57,125	72,261
EXPENDITURES			
Noninstructional Services:			
Athletics & Activity Programs	65,052	90,486	76,559
Total Expenditures	65,052	90,486	76,559
Excess (deficiency) of revenues over expenditures	(34,927)	(33,361)	(4,298)
Net change in fund balances	(34,927)	(33,361)	(4,298)
Fund balances - beginning	34,927	33,361	33,361
Fund balances - ending	$ -	$ -	$ 29,063

Colorado Department of Education

Auditors Integrity Report

District: 2660 - LAMAR RE-2

Fiscal Year 2017-18

Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type &Number		Beg Fund Balance & Prior Per Adj (6880*) +	1000 - 5999 Total Revenues & Other Sources -	0001-0999 Total Expenditures & Other Uses =	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental					
10	General Fund	3,673,272	11,155,008	10,801,927	4,026,353
18	Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19	Colorado Preschool Program Fund	75,807	411,458	419,702	67,563
	Sub- Total	**3,749,080**	**11,566,466**	**11,221,629**	**4,093,916**
11	Charter School Fund	403,191	997,889	940,993	460,087
20,26-29	Special Revenue Fund	0	0	0	0
21	Food Service Spec Revenue Fund	81,093	695,866	690,917	86,043
22	Govt Designated-Purpose Grants Fund	0	591,072	591,072	0
23	Pupil Activity Special Revenue Fund	185,312	450,410	467,175	168,547
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	1,073,253	758,824	572,861	1,259,217
46	Supplemental Cap Const, Tech, Main Fund	0	0	0	0
Totals		**5,491,928**	**15,060,526**	**14,484,645**	**6,067,809**
Proprietary					
50	Other Enterprise Funds	0	0	0	0
64 (63)	Risk-Related Activity Fund	0	0	0	0
60,65-69	Other Internal Service Funds	0	0	0	0
Totals		**0**	**0**	**0**	**0**
Fiduciary					
70	Other Trust and Agency Funds	0	0	0	0
72	Private Purpose Trust Fund	0	0	0	0
73	Agency Fund	0	0	0	0
74	Pupil Activity Agency Fund	0	0	0	0
79	GASB 34:Permanent Fund	0	0	0	0
85	Foundations	0	0	0	0
Totals		**0**	**0**	**0**	**0**

FINAL

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

Lamar School District RE-2
Schedule of Expenditure of Federal Awards
For the Year Ended June 30, 2018

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	8,005	*	
School Breakfast Program	4553	10.553	208,490	*	
National School Lunch Program	4555	10.555	289,751	*	
Commodities Received	4555	10.555	37,925	*	
Total					544,171
State Reimbursement-FFVP	4852	10.582	24,318		24,318
DEPARTMENT OF EDUCATION/ COLORADO DEPARTMENT OF EDUCATION:					
Title II Part A	4367	84.367	64,521		
Title I	4010	84.010	472,449		
					536,970
STATE COMMUNITY COLLEGES AND OCCUPATIONAL EDUCATION SYSTEM					
Carl Perkins Grant	4048	84.048	20,264		
Total					20,264
TOTAL FEDERAL FINANCIAL AWARDS					$ 1,125,723

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 $37,925, which is valued at amounts determined by the Colorado Department of Education and USDA.

Lamar School District RE-2 does not use the 10% de minimis cost rate.

Lamar School District RE-2 did not have any sub-recipients for 2017-18.

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*

Board of Education
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, 2018, 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 25, 2018.

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

p o box 1173 203 east oak st. lamar, colorado 81052 (719) 336-7428 (719) 336-2982

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 25, 2018

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

Board of Education
Lamar School District RE-2

Report on Compliance for Each Major Federal Program

We have audited Lamar School District RE-2's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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, 2018.

p o box 1173 203 east oak st. lamar, colorado 81052 (719) 336-7428 (719) 336-2982

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 were not 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 25, 2018

Lamar School District RE-2
Schedule of Findings and Questioned Costs
For the year ended June 30, 2018

Section I: Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: unmodified

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: unmodified		
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	
10.553, 10.555, 10.559	National School Lunch Program	
Dollar threshold used to distinguish between type A and type B programs:	$750,000	
Auditee qualified as a low-risk auditee?	Yes	