

Lamar School District RE-2, Prowers County

Auditor's Report and Financial Statements

June 30, 2020

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

Board of Education
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, 2020, 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

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages iii through v, the budgetary information on pages 42 and 43, Schedule of District's Proportionate Share of the Net Pension Liability on page 44, Schedule of District's Proportionate Share of the Other Post-Employment Benefits on page 45, and Schedule of Contributions and Related Ratios on pages 46 and 47 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 accompanying supplementary information, such as the combining and individual nonmajor fund financial statements, including budget and actual statements, and the 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 accompanying 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 accompanying 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 November 6, 2020, 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

November 6, 2020

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, 2020.

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 Position-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, 2020 Statement of Net Position, total net position increased from \$(12,425,522) in 2019 to \$(4,592,501) in 2020, which continues to be a function of the GASB 68 reporting requirements. The District financial statements now reflect a net increase in the governmental activity funds in the amount of \$7,833,021. Restricted assets, which are now composed of fund balances in the capital projects and required TABOR reserve, increased from \$1,714,371 in 2019 to \$6,002,102 in 2020. GASB 68 requires all school districts to report pension liabilities, and RE-2's share is \$18,219,624, which has a negative impact on the District's financial statements. One of which is the unrestricted, or undesignated, net position decreasing from \$2,088,403 in 2014 to \$(24,364,835) in 2020. This reporting requirement, as well as bonds payable, have also caused total liabilities to increase from \$1,368,570 in 2014 to \$24,482,270 in 2020.

In the revenue realm, total revenues for the District from state and local sources decreased from \$22,726,364 in 2019 to \$17,542,049 in 2020. Total expenditures were \$15,459,167 in 2019 and \$16,502,335 in 2020. Additional revenues are \$519,114 in charges for services and \$2,620,467 in Operating Grants and Contributions. The net result is an increase in net assets of \$7,833,021, which as stated earlier is due to the reduction of PERA debt. This is a continuation of the GASB 68 reporting requirements.

Comparing 18-19 fiscal year and 19-20 fiscal year, by function, the total Lamar RE-2 School District expenditures were as follows:

	2019	2020
Instructional Services	\$ 7,894,458	\$ 8,162,168
Centralized Services	\$ 4,044,023	\$ 4,721,396
Operations & Maintenance	\$ 1,139,500	\$ 1,109,532
Pupil Transportation	\$ 319,221	\$ 337,247
District Wide Costs	\$ 1,653,346	\$ 1,654,270
Interest on Long-term Debt	\$ 28,435	\$ 141,088
Athletic & Activity Programs	<u>\$ 380,184</u>	<u>\$ 376,634</u>
Total for Lamar RE-2 School District	\$15,459,167	\$16,502,335

The current financial report (2020) reflects significant changes as the expenditures exceeded revenues by \$1,651,630. This change is mainly due to the receiving all of the bond funds in the prior year and expending those funds in this fiscal year for the BEST Grant. The ending fund balance in Total Governmental Funds decreased from \$10,417,945 in 2019 to \$8,766,316 in 2020. Further details are given in the following tables with respect to revenues, expenditures and fund balances in the governmental funds.

	2019	2020	2019	2020
<u>Fund</u>	<u>Revenues</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Expenditures</u>
General	\$14,433,845	\$15,856,414	\$ 12,635,086	\$ 13,632,899
Title (Federal)	\$ 623,098	\$ 633,119	\$ 623,098	\$ 633,119
Debt Service	\$ 3,950,000	\$ 337,248	\$ 28,435	\$ 310,216
Capital Projects	\$ 1,651,261	\$ 4,683,723	\$ 1,855,455	\$ 7,583,695
Other Government	\$ 1,088,739	\$ 1,116,847	\$ 1,069,654	\$ 1,037,294
Totals	\$21,746,943	\$22,627,351	\$ 16,211,728	\$ 23,197,223

Fund balances in the governmental funds were as follows:

<u>Fund</u>	2019 Ending <u>Fund Balance</u>	2020 Ending <u>Fund Balance</u>	<u>Net Change</u>
General	\$ 4,832,925	\$ 5,974,681	\$ 1,268,186
Title (Federal)	\$ -	\$ -	\$ -
Debt Service	\$ -	\$ 333,355	\$ 27,032
Capital Projects	\$ 5,005,023	\$ 2,105,051	\$ (2,899,972)
Other Governmental	\$ 273,674	\$ 353,229	\$ 79,553
Totals	\$10,111,622	\$ 8,766,316	\$ (1,525,201)

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 is the capital assets, at approximately \$28.2 million at the end of 2019, to approximately 28.4 million at the end of 2020.

Analysis of Fund Balances and Transactions of Individual Funds

The General Operating Fund of the District showed an increase in the fund balance from \$4,832,925 in 2019 to \$5,974,681 in 2020. Of that amount, \$18,081 is reserved for the pre-school fund, leaving \$5,956,600 (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 2019-2020 fiscal year, RE-2 had approximately 35.8% in reserve, including the TABOR reserve. The greatest area of concern in regard to the stability of the general fund continues to be 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, decline in student numbers offers a financial challenge.

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

According to the 2019-2020 audit, revenue and expenditure estimates changed from the original budget in June 2019 to the final budget in December 2019. Actual revenue was \$479,025 more than what was estimated in the December 2019 final budget, primarily due to an increase in state share revenue. Actual expenditures (contingency reserves omitted) were \$1,030,267 less than anticipated in the December 2019 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 many financial challenges, 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, 2020

	<u>Governmental Activities</u>	<u>Total</u>	<u>Alta Vista Charter School</u>
ASSETS			
Cash and Equivalents	\$ 10,728,520	\$ 10,728,520	\$ 948,848
Receivables	506,112	506,112	-
Inventories	13,455	13,455	-
Buildings	23,238,634	23,238,634	6,573,910
Equipment and Furniture	5,161,419	5,161,419	100,000
Construction in progress	6,916,904	6,916,904	10,984
Less: Accumulated Depreciation	<u>(17,765,853)</u>	<u>(17,765,853)</u>	<u>(1,169,077)</u>
Total Capital Assets	<u>17,551,104</u>	<u>17,551,104</u>	<u>5,515,817</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension Plan	<u>3,456,810</u>	<u>3,456,810</u>	<u>230,875</u>
Total Assets	<u>32,256,001</u>	<u>32,256,001</u>	<u>6,695,540</u>
LIABILITIES			
Accounts payable and accrued expenses	1,691,999	1,691,999	123,923
Unearned Revenues	789,775	789,775	114,540
Long-term liabilities			
Due within one year			
Bonds payable	136,453	136,453	-
Due in more than one year			
Bonds payable	3,644,419	3,644,419	-
Net Pension Liability	<u>18,219,624</u>	<u>18,219,624</u>	<u>1,368,485</u>
Total liabilities	<u>24,482,270</u>	<u>24,482,270</u>	<u>1,606,948</u>
DEFERRED INFLOWS OF RESOURCES			
Pension differences	<u>12,366,232</u>	<u>12,366,232</u>	<u>832,130</u>
NET POSITION			
Net investment in capital assets	13,770,232	13,770,232	5,515,817
Restricted:			
BEST Capital Renewal Reserve	-	-	89,300
Debt Service	306,323	306,323	-
Capital projects	5,005,023	5,005,023	-
TABOR and Colorado Pre-School	690,756	690,756	33,105
Unrestricted	<u>(24,364,835)</u>	<u>(24,364,835)</u>	<u>(1,381,760)</u>
Total net position	<u>\$ (4,592,501)</u>	<u>\$ (4,592,501)</u>	<u>\$ 4,256,462</u>

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

Lamar School District RE-2
Statement of Activities
For the Year Ended June 30, 2020

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Position Primary Government		Alta Vista Charter School
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Total	
Primary government						
Governmental Activities						
Instructional:						
High School	\$ 2,107,817	\$ -	\$ 48,447	\$ (2,059,370)	\$ (2,059,370)	\$ -
Middle School	1,476,147	-	32,999	(1,443,148)	(1,443,148)	-
Parkview	1,269,969	-	-	(1,269,969)	(1,269,969)	-
Washington	1,431,353	-	-	(1,431,353)	(1,431,353)	-
Lincoln	2,954	-	-	(2,954)	(2,954)	-
MHDC & CPP	569,749	-	36,790	(532,959)	(532,959)	-
Charter School	1,173,590	143,728	-	(1,029,862)	(1,029,862)	(1,202,631)
Vocational	130,589	-	-	(130,589)	(130,589)	-
Total Instructional	8,162,168	143,728	118,236	(7,900,204)	(7,900,204)	(1,202,631)
Support Services:						
Centralized Services	4,721,396	50,163	2,372,457	(2,298,776)	(2,298,776)	-
Operations & Maintenance	1,109,532	-	-	(1,109,532)	(1,109,532)	-
Pupil Transportation	337,247	-	-	(337,247)	(337,247)	-
Districtwide Costs	1,654,270	-	129,774	2,129,230	2,129,230	-
Interest on Long-term debt	141,088	-	-	(141,088)	(141,088)	-
Total Support Services	7,963,533	50,163	2,502,231	(1,757,413)	(1,757,413)	-
Operation of Noninstructional Services:						
Athletic & Activity Programs	376,634	325,223	-	(51,411)	(51,411)	-
Total Noninstructional Services	376,634	325,223	-	(51,411)	(51,411)	-
Total governmental activities	16,502,335	519,114	2,620,467	(9,709,028)	(9,709,028)	(1,202,631)
Total primary government	16,502,335	519,114	2,620,467	(9,709,028)	(9,709,028)	(1,202,631)
General revenues:						
Taxes:						
Property taxes, levied for general purposes				\$ 1,723,821	\$ 1,723,821	\$ -
Property taxes, levied for debt service				335,751	335,751	-
Specific ownership, general				332,434	332,434	-
State & federal aid not restricted to specific functions:						
State equalization/Per pupil revenue				11,247,159	11,247,159	1,186,025
Unrestricted investment earnings				130,331	130,331	2,197
Miscellaneous				996,545	996,545	(867,723)
Changes in PERA pension assumptions				4,086,476	4,086,476	889,540
Special item - gain (loss) on adjustment of asset				(1,296,710)	(1,296,710)	-
Total general revenues, special items, and transfers				17,542,049	17,542,049	1,210,039
Change in net position				7,833,021	7,833,021	7,408
Net position - beginning				(12,425,522)	(12,425,522)	4,249,054
Net position - ending				\$ (4,592,501)	\$ (4,592,501)	\$ 4,256,462

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

Lamar School District RE-2
Balance Sheet
Governmental Funds
June 30, 2020

	<u>General</u>	<u>Title Programs</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ 7,915,102	\$ (66,781)	\$ 308,334	\$ 2,248,237	\$ 323,630	\$ 10,728,522
Taxes receivable, net	125,387	-	-	-	-	125,387
Other receivables	-	157,933	25,021	161,464	36,308	380,726
Inventories	-	-	-	-	13,455	13,455
Total assets	<u>8,040,489</u>	<u>91,152</u>	<u>333,355</u>	<u>2,409,701</u>	<u>373,393</u>	<u>11,248,090</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	62,037	-	-	304,650	20,164	386,851
Unearned revenue	789,775	-	-	-	-	789,775
Other accrued expenses	1,214,605	91,152	-	-	-	1,305,757
Other payables	(609)	-	-	-	-	(609)
Total liabilities	<u>2,065,808</u>	<u>91,152</u>	<u>-</u>	<u>304,650</u>	<u>20,164</u>	<u>2,481,774</u>
Fund balances:						
Non-spendable inventory	-	-	-	-	13,455	13,455
Restricted preschool fund	18,081	-	-	-	-	18,081
Debt service	-	-	333,355	-	-	333,355
Committed capital projects funds	-	-	-	2,105,051	-	2,105,051
Restricted-TABOR	672,675	-	-	-	-	672,675
Unassigned	5,283,925	-	-	-	-	5,283,925
Committed, reported in non-major:						
Special revenue funds	-	-	-	-	339,774	339,774
Total fund balances	<u>5,974,681</u>	<u>-</u>	<u>333,355</u>	<u>2,105,051</u>	<u>353,229</u>	<u>8,766,316</u>
Total liabilities and fund balances	<u>\$ 8,040,489</u>	<u>\$ 91,152</u>	<u>\$ 333,355</u>	<u>\$ 2,409,701</u>	<u>\$ 373,393</u>	<u>\$ 11,248,090</u>

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

Lamar School District RE-2
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2020

Total fund balance, governmental funds	\$ 8,766,316
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	17,551,104
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Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position: Pension Plan Deferred Outflow	3,456,810
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Some liabilities, (such as Notes Payable, Long-term Compensated Absences, Net Pension Liability, Pension Differences-Deferred Outflow and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.	(34,366,728)
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Rounding	(3)
Net Position of Governmental Activities in the Statement of Net Position	<u>\$ (4,592,501)</u>

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

Lamar School District RE-2
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2020

	General	Title Programs	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property Taxes	\$ 1,723,821	\$ -	\$ 335,751	\$ -	\$ -	\$ 2,059,572
SO Tax	332,434	-	-	-	-	332,434
Student Activities	-	-	-	-	325,224	325,224
Intergovernmental	12,199,932	633,119	-	3,653,726	623,842	17,110,619
Charges for services	-	-	-	-	50,163	50,163
Investment earnings	98,788	-	1,497	29,997	50	130,332
Miscellaneous	1,501,439	-	-	-	49,568	1,551,007
Total revenues	<u>15,856,414</u>	<u>633,119</u>	<u>337,248</u>	<u>3,683,723</u>	<u>1,048,847</u>	<u>21,559,351</u>
EXPENDITURES						
Instructional:						
High School	2,067,136	20,206	-	-	-	2,087,342
Middle School	1,464,706	-	-	-	-	1,464,706
Parkview	1,067,525	214,271	-	-	-	1,281,796
Washington	1,098,460	317,245	-	-	-	1,415,705
MHDC	532,945	-	-	-	-	532,945
Charter School	1,172,267	-	-	-	-	1,172,267
Vocational	130,589	-	-	-	-	130,589
Total Instructional	<u>7,533,628</u>	<u>551,722</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,085,350</u>
Support Services:						
Centralized Services	4,071,096	78,560	-	-	660,660	4,810,316
Operations & Maintenance	1,112,623	-	-	-	-	1,112,623
Pupil Transportation	338,263	2,837	-	-	-	341,100
District wide Costs	538,419	-	-	62,029	-	600,448
Minor Equipment and Repairs	-	-	-	358,113	-	358,113
Noninstructional Services:						
Athletic & Activity Programs	-	-	-	-	376,634	376,634
Debt Service:						
Principal	-	-	169,128	-	-	169,128
Interest Expense	-	-	141,088	-	-	141,088
Capital Outlay	38,870	-	-	7,163,553	-	7,202,423
Total Expenditures	<u>13,632,899</u>	<u>633,119</u>	<u>310,216</u>	<u>7,583,695</u>	<u>1,037,294</u>	<u>23,197,223</u>
Excess (deficiency) of revenues over expenditures	<u>2,223,515</u>	<u>-</u>	<u>27,032</u>	<u>(3,899,972)</u>	<u>11,553</u>	<u>(1,637,872)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	1,000,000	68,000	1,068,000
Transfers out	(1,081,758)	-	-	-	-	(1,081,758)
Total other financing sources and uses	<u>(1,081,758)</u>	<u>-</u>	<u>-</u>	<u>1,000,000</u>	<u>68,000</u>	<u>(13,758)</u>
Net change in fund balances	1,141,757	-	27,032	(2,899,972)	79,553	(1,651,630)
Fund balances - beginning	4,832,924	-	306,323	5,005,023	273,676	10,417,946
Fund balances - ending	<u>\$ 5,974,681</u>	<u>\$ -</u>	<u>\$ 333,355</u>	<u>\$ 2,105,051</u>	<u>\$ 353,229</u>	<u>\$ 8,766,316</u>

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

Lamar School District RE-2
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2020

Net change in fund balances - total governmental funds: \$ (1,651,630)

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 \$7,202,423 is more than depreciation of \$676,663 in the current period. 6,525,760

Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of the assets. Thus, the change in Net Position differs from the change in fund balance by the cost of the asset sold. (1,296,710)

Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure, In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which repayments exceeded proceeds. 169,128

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 OPEB actual expense contributions 4,086,476

Rounding (3)
Change in net position of governmental activities \$ 7,833,021

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

Lamar School District RE-2, Prowers County
Notes to Financial Statements
June 30, 2020

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, 2020, the District’s cash deposits were:

Insured Deposits (FDIC)	\$ 268,018
Deposits Collateralized under PDPA	1,383,128
ColoTrust Investment	9,033,949
Total Cash	<u>\$ 10,685,095</u>

The District also has cash with the County Treasurer totaling \$43,427.

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, 2020, was as follows:

	Balance 7/1/2019	Additions	Deletions and Reclassifications	Balance 6/30/2020
Governmental Activities:				
Capital assets being depreciated				
Buildings	\$ 24,069,938	\$ -	\$ (831,304)	\$ 23,238,634
Equipment	4,177,061	984,358	-	5,161,419
Total Capital Assets	28,246,999	984,358	(831,304)	28,400,053
Less Accum Depreciation	(17,089,190)	(676,663)	-	(17,765,853)
Net Capital Assets	<u>\$ 11,157,809</u>	<u>\$ 307,695</u>	<u>\$ (831,304)</u>	<u>\$ 10,634,200</u>
Construction in Progress	<u>\$ 1,164,245</u>	<u>\$ 6,916,904</u>	<u>\$ (1,164,245)</u>	<u>\$ 3,123,756</u>

Depreciation expense was charged to functions as follows:

Instruction:	
High School	\$ 20,475
Middle School	11,441
Parkview	955
Washington	15,648
Lincoln	593
MHDC	-
Charter	1,323
Support Services	
Outbuildings, Central Service, Transportation	204,916
Buildings	421,312
	<u>\$ 676,663</u>

Note 5

Pension Plan

Summary of Significant Accounting Policies:

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

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*. The bill was signed into law by Governor Hickenlooper on June, 4, 2018. A brief description of some of the major changes to plan provisions required by SB 18-200 makes changes to certain benefit provisions. Some, but not all, of these changes were in effect as of June 30, 2020.

General Information About the Pension Plan:

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

Benefits provided as of December 31, 2019. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

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

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service 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.

The lifetime retirement benefit for all eligible retiring employees under the Denver Public Schools (DPS) benefit structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit.
- \$15 times the first 10 years of service credit plus \$20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance base 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, 2019, 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., once certain criteria are met. Pursuant to SB 18-200, the annual increase for 2019 is 0.00 percent for all benefit recipients. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007, and all benefit recipients of the DPS benefit structure will receive an annual increase of 1.25 percent unless adjusted by the automatic adjustment provision (AAP) pursuant to C.R.S. § 24-51-413. Benefit recipients under the PERA benefit structure who began eligible employment on or after January 1, 2007, will receive the lessor of an annual increase of 1.25 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SCHDTF. The AAP may raise or lower the aforementioned annual increase by up to 0.25 percent based on the parameters specified in C.R.S. § 24-51-413.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the lifetime retirement benefit formula(s) 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 June 30, 2020: Eligible employees of, the District and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, et seq. and § 24-51-413. Eligible employees are required to contribute 8.75 percent of their PERA-includable salary during the period of July 1, 2019 through June 30, 2020. Employer contribution requirements are summarized in the table below:

	July 1, 2019 through June 30, 2020
Employer contribution rate	10.40%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02)%
Amount apportioned to the SCHDTF	9.38%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.50%
Total Employer contribution rate to the SCHDTF	19.38%
<i>Contribution rates for the SCHDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42)</i>	

As specified in C.R.S. § 24-52-413, the State is required to contribute \$225 million each year to the PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Trust Fund, and Denver Public Schools Trust Fund. A portion of the direct distribution allocated to the SCHDTF is considered a nonemployer contribution for financial reporting purposes.

Subsequent to the SCHDTF's December 31, 2019, measurement date, HB 20-1279 *Suspend Direct Distribution to PERA Public Employees Retirement Association for 2020-21 Fiscal Year*, was passed into law during the 2020 legislative session and signed by Governor Polis on June 29, 2020. This bill suspends the July 1, 2020, \$225 million direct distribution allocated to the State, School, Judicial, and DPS Divisions, as required under Senate Bill 18-200.

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District were \$1,420,594 for the year ended June 30, 2020.

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

The net pension liability for the SCHDTF was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll-forward the total pension liability to December 31, 2019. The District's proportion of the net pension liability was based on the District's contributions to the SCHDTF for the calendar year 2019 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

At June 30, 2020, the District reported a liability of \$18,219,624 for its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity. The amount recognized by the District as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total proportion of the net pension liability that was associated with the District were as follows:

The District's proportionate share of the net pension liability	\$	16,168,816
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the District		2,050,808
Total	\$	<u>18,219,624</u>

At December 31, 2019, the District's proportion was 0.13003%, which was a decrease of 0.00049% from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$576,312 and revenue of \$155,329 for support from the State as a nonemployer contributing entity. At June 30, 2020, 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	\$ 992,981	\$ -
Changes of assumptions or other inputs	520,142	8,264,249
Net difference between projected and actual earnings on pension plan investments	1,943,687	4,101,983
Changes in proportion and difference between contributions recognized and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	N/A
Total	\$ 3,456,810	\$ 12,366,232

The following presents the Trust Fund'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:
2020	(4,802,753)
2021	(3,411,785)
2022	39,306
2023	(734,188)
2024	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2018 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	7.25%
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic) ¹	1.25% compounded annually
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve (AIR)

¹ For 2019, the annual increase was 0.00 percent.

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

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

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

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

The actuarial assumptions used in the December 31, 2018, 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 SCHDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed 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 percent.

Discount Rate. The discount rate used to measure the total pension 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:

- 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 percent.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200 and the additional 0.05 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. 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 for each year, including the scheduled increase in SB 18-200 and the additional 0.50 percent, resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. Employer contributions also include the current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions reflect 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.
- As specified in law, the State provides an annual direct distribution of \$225 million, which commenced July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- Employer contributions and the amount of total service costs for future plan members were based upon a process 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. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- The projected benefit payments reflect the lowered annual increase cap, from 1.50 percent to 1.25 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the projection test indicates the SCHDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal bond rate, and therefore, the discount rate is 7.25 percent. There was no change in the discount rate from the prior measurement date.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 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 pension liability	\$24,163,122	\$18,219,624	\$13,229,539

Pension Plan Fiduciary Net Position. Detailed information about the SCHDTF's fiduciary net position is available in PERA's CAFR which can be obtained at www.copera.org/investments/pera-financial-reports.

This pro forma information was prepared using the FNP of the SCHDTF as of December 31, 2019. Future collective net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

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 HCTF 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.

For retirees who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare 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 \$72,480 for the year ended December 31, 2019.

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

At December 31, 2019, the District reported a liability of \$1,071,797 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2019. The District proportion of the net OPEB liability was based on the District's contributions to the HCTF for the calendar year 2019 relative to the total contributions of participating employers to the HCTF.

Actuarial Assumptions. The total OPEB liability in the December 31, 2018 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	5.60% in 2019, gradually decreasing to 4.50% in 2029
Medicare Part A premiums	3.50% for 2019, gradually increasing to 4.50% in 2029
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.

The actuarial assumptions used in the December 31, 2018, valuation 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 disclosed below.

In determining the additional liability for PERACare enrollees who are age sixty-five or older and who are not eligible for premium-free Medicare Part A, the following monthly costs/premiums are assumed for 2019 for the PERA Benefit Structure:

Medicare Plan	Cost for Members Without Medicare Part A	Premiums for Members Without Medicare Part A
Medicare Advantage/Self-Insured Prescription	\$ 601	\$ 240
Kaiser Permanente Medicare Advantage HMO	605	237

The 2019 Medicare Part A premium is \$437 per month.

In determining the additional liability for PERACare enrollees in the PERA Benefit Structure who are age sixty-five or older and who are not eligible for premium-free Medicare Part A, the following chart details the initial expected value of Medicare Part A benefits, age adjusted to age 65 for the year following the valuation date:

Medicare Plan	Cost for Members Without Medicare Part A
Medicare Advantage/Self-Insured Prescription	\$ 562
Kaiser Permanente Medicare Advantage HMO	571

All costs are subject to the health care cost trend rates, as discussed below.

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 industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2018, 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
2019	5.60%	3.50%
2020	8.60%	3.50%
2021	7.30%	3.50%
2022	6.00%	3.75%
2023	5.70%	3.75%
2024	5.50%	3.75%
2025	5.30%	4.00%
2026	5.10%	4.00%
2027	4.90%	4.25%
2028	4.70%	4.25%
2029	4.50%	4.50%

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 male rates and a 55 percent factor applied to female rates.

Post-retirement non-disabled 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.

Post-retirement non-disabled 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.

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

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

The following health care costs assumptions were updated and used in the measurement of the obligations for the HCTF:

- 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 2019 plan year.
- The morbidity assumptions were updated to reflect the assumed standard aging factors.
- 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 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 than the current rates:

	1% Decrease In Trend Rates	Current Trend Rates	1% Increase In Trend Rates
Initial PERACare Medicare trend rate	4.60%	5.60%	6.60%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.50%	3.50%	4.50%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB liability	\$867,173	\$888,279	\$912,663

The discount rate used to measure the total OPEB liability was 7.25%. The projection of cash flows to determine the discount rate applied the actuarial cost method and assumption 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, 2019 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 3.50%.
- 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.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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 lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

Discount Rate	Sensitivity of the Net OPEB Liability		
	6.25%	7.25%	8.25%
Net OPEB liability	\$1,004,379	\$888,279	\$788,991

At December 31, 2019, the District's proportion was .079028 percent, which was a decrease of .005 from its proportion measured as of December 31, 2018.

For the year ended December 31, 2019, the District recognized OPEB expense of \$72,480. At December 31, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 2,947	\$ 149,264
Changes of assumptions or other inputs	7,569	7,569
Net difference between projected and actual earnings on OPEB plan investments	14,301	14,301
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	-
Contributions subsequent to the measurement date.	-	N/A
Total	<u>\$ 24,617</u>	<u>\$ 24,617</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31,	
2020	\$ (31,514)
2021	(31,512)
2022	(27,219)
2023	(32,856)
2024	(28,932)
Thereafter	\$ (1,757)

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

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 \$1,214,605 for the General Fund and \$91,152 for the Title Programs.

Note 10 Long-Term Debt

During November 2018, the voters of the Lamar School District RE-2 voted to issue general obligation bonds in an amount not to exceed \$3,950,000. The bonds were issued March 20, 2019. The bonds are not rated and are not secured by a financial guaranty insurance policy. The bonds bear interest payable semi-annually on June 1 and December 1 of each year commencing June 1, 2019, with an interest rate of 3.650%. The final maturity of the bonds is December 1, 2039. The bonds are subject to redemption prior to maturity at the option of the District, in reverse order, in whole or in part, at par plus accrued interest to the redemption date, on any date on or after December 1, 2027.

The repayments are as follows:

	Interest	Principle	Total
2021	\$ 133,196	\$ 136,453	\$ 269,649
2022	128,216	141,435	269,651
2023	123,052	146,596	269,648
2024	117,702	151,946	269,648
2025	112,156	157,492	269,648
2026-2030	470,242	877,998	1,348,240
2031-2035	297,872	1,050,368	1,348,240
2036-2039	91,667	986,937	1,078,604
Total	<u>\$ 1,474,103</u>	<u>\$ 3,649,225</u>	<u>\$ 5,123,328</u>

In addition to the bonds, the District received a Building Excellent Schools Today (BEST) grant in the amount of \$4,429,262. The BEST grant requires a local match of approximately 47% which will be met with the bond proceeds. None of the BEST grant proceeds are required to be repaid by the District.

Note 11 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 12 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 13 Component Unit

The District transferred \$1,172,267 to Alta Vista Charter School during the school year. The District provides accounting and other services to the Charter School and was paid \$143,728 for those services.

Note 14 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, 2020

	Budgeted Amounts		Actual
	Original	Final	
REVENUES			
Property Taxes	\$ 1,536,209	\$ 1,536,209	\$ 1,723,821
SO Taxes	271,419	271,419	332,434
Intergovernmental	12,755,019	12,755,066	12,199,932
Investment earnings	100,000	100,000	98,788
Miscellaneous	763,628	714,695	1,501,439
Total revenues	<u>15,426,275</u>	<u>15,377,389</u>	<u>15,856,414</u>
EXPENDITURES			
Instructional:			
High School	2,147,940	2,147,940	2,067,136
Middle School	1,532,883	1,532,883	1,464,706
Parkview	1,145,087	1,145,087	1,067,525
Washington	1,190,145	1,190,145	1,098,460
MHDC	575,108	575,108	532,945
Charter School	36,651	36,651	1,172,267
Lincoln	136,626	136,626	130,589
Total Instructional	<u>6,764,440</u>	<u>6,764,440</u>	<u>7,533,628</u>
Support Services:			
Centralized Services	4,983,423	5,573,243	4,071,096
Operations & Maintenance	1,259,870	1,259,870	1,112,623
Pupil Transportation	410,256	410,256	338,263
District wide Costs	580,357	580,357	538,419
Contingency	2,041,304	2,041,304	-
Debt Service:			
Capital Outlay	75,000	75,000	38,870
Total Expenditures	<u>16,114,650</u>	<u>16,704,470</u>	<u>13,632,899</u>
Excess (deficiency) of revenues over expenditures	<u>(688,375)</u>	<u>(1,327,081)</u>	<u>2,223,515</u>
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	<u>(1,056,000)</u>	<u>(1,068,000)</u>	<u>(1,081,758)</u>
Total other financing sources and uses	<u>(1,056,000)</u>	<u>(1,068,000)</u>	<u>(1,081,758)</u>
Net change in fund balances	(1,744,375)	(2,395,081)	1,141,757
Fund balances - beginning	4,093,916	4,832,925	4,832,925
Fund balances - ending	<u>\$ 2,349,541</u>	<u>\$ 2,437,844</u>	<u>\$ 5,974,682</u>

Lamar School District RE-2
Budget and Actual
Title Programs
For the year ended June 30, 2020

	Budgeted Amounts		Actual
	Original	Final	
REVENUES			
Intergovernmental	\$ 682,054	\$ 687,165	\$ 633,119
Total revenues	<u>682,054</u>	<u>687,165</u>	<u>633,119</u>
EXPENDITURES			
Instructional:			
High School	20,194	20,194	20,206
Parkview	240,140	240,140	214,271
Washington	322,699	322,699	317,245
Support Services:			
Centralized Services	95,609	100,720	78,560
Pupil Transportation	3,412	3,412	2,837
Total Expenditures	<u>682,054</u>	<u>687,165</u>	<u>633,119</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	-
Fund balances - beginning	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Lamar School District RE-2
Schedule of the District's Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2020

	for the years ended December 31,						
	2019	2018	2017	2016	2015	2014	2013
District's proportion (percentage) of the collective net pension liability	0.130033	0.130519	0.149442	0.147917	0.147638	0.162817	0.167365
District's proportionate share of the collective pension liability	\$ 16,168,816	\$ 23,111,198	\$ 48,324,448	\$ 44,040,749	\$ 22,580,134	\$20,536,906	\$19,866,540
Payroll	\$ 7,105,920	\$ 6,662,724	\$ 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 payroll	228%	347%	728%	627%	337%	321%	315%
Plan fiduciary net pension as a percentage of the total pension liability	60.00639%	62.23122%	62.23122%	62.87290%	55.01653%	58.40000%	59.58000%

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 the District's Proportionate Share of the Net OPEB Liability
For the Year Ended June 30, 2020

	for the year ended December 31,		
	2019	2018	2017
District's proportion (percentage) of the collective net pension liability	0.079028	0.130520	0.087480
District's proportionate share of the collective OPEB liability	826,094	\$ 1,071,797	\$ 1,103,852
Payroll	\$ 7,105,920	\$ 6,662,724	\$ 6,893,612
District's proportionate share of the net pension liability as a percentage of its payroll	12%	16%	16%
Plan fiduciary net pension as a percentage of the total pension liability	24.48420%	0.00000%	14.94400%

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, 2020

	for the years ended December 31,							
	2019	2018	2017	2016	2015	2014	2013	
Statutory required contributions	\$ 1,368,385	\$ 1,276,563	\$ 1,284,280	\$ 1,203,614	\$ 1,208,402	\$ 1,143,729	\$ 1,072,694	
Contributions in relation to the statutorily required contribution	1,368,385	1,276,563	1,284,280	1,203,614	1,208,402	1,143,729	1,072,694	
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Payroll	\$ 7,105,920	\$ 6,662,724	\$ 6,638,799	\$ 7,029,134	\$ 6,703,048	\$ 6,389,839	\$ 6,310,389	
Contribution as a percentage of payroll	19.26%	19.16%	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
Schedule of Contributions and Related Ratios OPEB
Year Ended June 30, 2020

	for the years ended December 31,		
	2019	2018	2017
Statutory required contributions	\$ 72,480	\$ 67,960	\$ 67,716
Contributions in relation to the statutorily required contribution	72480	67,960	67,716
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Payroll	\$ 7,105,920	\$ 6,662,724	\$ 6,638,799
Contribution as a percentage of payroll	1.02%	1.02%	1.02%

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, 2020**

	Food Service	Interscholastic Athletics	Middle School Activity	High School Activity	Public School	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 102,743	\$ 77,203	\$ 33,674	\$ 80,878	\$ 29,132	\$ 323,630
Other receivables	36,308	-	-	-	-	36,308
Inventories	13,455	-	-	-	-	13,455
Total assets	<u>152,506</u>	<u>77,203</u>	<u>33,674</u>	<u>80,878</u>	<u>29,132</u>	<u>373,393</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	20,164	-	-	-	-	20,164
Total liabilities	<u>20,164</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,164</u>
Fund balances:						
Non-spendable-inventories	13,455	-	-	-	-	13,455
Committed	118,887	77,203	33,674	80,878	29,132	339,774
Total fund balances	<u>132,342</u>	<u>77,203</u>	<u>33,674</u>	<u>80,878</u>	<u>29,132</u>	<u>353,229</u>
Total liabilities and fund balances	<u>\$ 152,506</u>	<u>\$ 77,203</u>	<u>\$ 33,674</u>	<u>\$ 80,878</u>	<u>\$ 29,132</u>	<u>\$ 373,393</u>

Lamar School District RE-2
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2020

	Food Service	Interscholastic Athletics	Middle School Activity	High School Activity	Public School	Total-Other Governmental Funds
REVENUES						
Student Activities	\$ -	\$ 86,288	\$ 27,555	\$ 136,840	\$ 74,541	\$ 325,224
Intergovernmental	623,842	-	-	-	-	623,842
Charges for services	50,163	-	-	-	-	50,163
Investment earnings	50	-	-	-	-	50
Miscellaneous	49,568	-	-	-	-	49,568
Total revenues	<u>723,623</u>	<u>86,288</u>	<u>27,555</u>	<u>136,840</u>	<u>74,541</u>	<u>1,048,847</u>
EXPENDITURES						
Support Services:						
Food Services	660,660	-	-	-	-	660,660
Noninstructional Services:						
Athletic & Activity Programs	-	122,846	45,033	136,031	72,724	376,634
Total Expenditures	<u>660,660</u>	<u>122,846</u>	<u>45,033</u>	<u>136,031</u>	<u>72,724</u>	<u>1,037,294</u>
Excess (deficiency) of revenues over expenditures	<u>62,963</u>	<u>(36,558)</u>	<u>(17,478)</u>	<u>809</u>	<u>1,817</u>	<u>11,553</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	50,000	12,000	6,000	-	68,000
Total other financing sources and uses	<u>-</u>	<u>50,000</u>	<u>12,000</u>	<u>6,000</u>	<u>-</u>	<u>68,000</u>
Net change in fund balances	62,963	13,442	(5,478)	6,809	1,817	79,553
Fund balances - beginning	69,379	63,761	39,152	74,069	27,315	273,676
Fund balances - ending	<u>\$ 132,342</u>	<u>\$ 77,203</u>	<u>\$ 33,674</u>	<u>\$ 80,878</u>	<u>\$ 29,132</u>	<u>\$ 353,229</u>

Lamar School District RE-2
Budget and Actual
Capital Projects
For the year ended June 30, 2020

	Budgeted Amounts		Actual
	Original	Final	
REVENUES			
Intergovernmental	\$ 4,429,265	\$ 4,429,265	\$ 3,653,726
Proceeds from bond issue	3,950,000	3,950,000	3,950,000
Investment earnings	1,900	25,000	29,997
Miscellaneous	10,000	10,000	-
Total revenues	<u>8,391,165</u>	<u>8,414,265</u>	<u>7,633,723</u>
EXPENDITURES			
District wide Costs	63,000	63,000	62,029
Minor Equipment and repairs	687,500	687,500	358,113
Capital Outlay	<u>8,957,100</u>	<u>8,957,100</u>	<u>7,163,553</u>
Total Expenditures	<u>9,707,600</u>	<u>9,707,600</u>	<u>7,583,695</u>
Excess (deficiency) of revenues over expenditures	<u>(1,316,435)</u>	<u>(1,293,335)</u>	<u>50,028</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Total other financing sources and uses	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Net change in fund balances	(316,435)	(293,335)	1,050,028
Fund balances - beginning	1,259,217	5,005,024	5,005,023
Fund balances - ending	<u>\$ 942,782</u>	<u>\$ 4,711,689</u>	<u>\$ 6,055,051</u>

Lamar School District RE-2
Budget and Actual
Food Service
For the year ended June 30, 2020

	Budgeted Amounts		Actual
	Original	Final	
REVENUES			
Intergovernmental	\$ 652,740	\$ 653,140	\$ 623,842
Charges for services	72,500	72,500	50,163
Investment earnings	150	150	50
Miscellaneous	40,500	40,500	49,568
Total revenues	<u>765,890</u>	<u>766,290</u>	<u>723,623</u>
EXPENDITURES			
Support Services:			
Centralized Services	<u>773,295</u>	<u>773,295</u>	<u>660,660</u>
Total Expenditures	<u>773,295</u>	<u>773,295</u>	<u>660,660</u>
Excess (deficiency) of revenues over expenditures	<u>(7,405)</u>	<u>(7,005)</u>	<u>62,963</u>
Net change in fund balances	(7,405)	(7,005)	62,963
Fund balances - beginning	86,043	69,379	69,379
Fund balances - ending	<u>\$ 78,638</u>	<u>\$ 62,374</u>	<u>\$ 132,342</u>

Lamar School District RE-2
Budget and Actual
Interscholastic Athletics
For the year ended June 30, 2020

	Budgeted Amounts		Actual
	Original	Final	
REVENUES			
Student activities	\$ 72,500	\$ 74,300	\$ 86,288
Total revenues	72,500	74,300	86,288
EXPENDITURES			
Noninstructional Services:			
Athletic & Activity Programs	176,230	188,061	122,846
Total Expenditures	176,230	188,061	122,846
Excess (deficiency) of revenues over expenditures	(103,730)	(113,761)	(36,558)
OTHER FINANCING SOURCES (USES)			
Transfers in	50,000	50,000	50,000
Total other financing sources and uses	50,000	50,000	50,000
Net change in fund balances	(53,730)	(63,761)	13,442
Fund balances - beginning	53,730	63,761	63,761
Fund balances - ending	\$ -	\$ -	\$ 77,203

**Lamar School District RE-2
Budget and Actual
Middle School Activity
For the year ended June 30, 2020**

	Budgeted Amounts		Actual
	Original	Final	
REVENUES			
Student activities	\$ 32,600	\$ 38,625	\$ 27,555
Total revenues	32,600	38,625	27,555
EXPENDITURES			
Noninstructional Services:			
Athletic & Activity Programs	85,068	89,777	45,033
Total Expenditures	85,068	89,777	45,033
Excess (deficiency) of revenues over expenditures	(52,468)	(51,152)	(17,478)
OTHER FINANCING SOURCES (USES)			
Transfers in	12,000	12,000	12,000
Total other financing sources and uses	12,000	12,000	12,000
Net change in fund balances	(40,468)	(39,152)	(5,478)
Fund balances - beginning	40,469	39,152	39,152
Fund balances - ending	\$ 1	\$ -	\$ 33,674

Lamar School District RE-2
Budget and Actual
High School Activity
For the year ended June 30, 2020

	Budgeted Amounts		Actual
	Original	Final	
REVENUES			
Student activities	\$ 235,170	\$ 254,370	\$ 136,840
Total revenues	235,170	254,370	136,840
EXPENDITURES			
Noninstructional Services:			
Athletic & Activity Programs	304,846	334,444	136,031
Total Expenditures	304,846	334,444	136,031
Excess (deficiency) of revenues over expenditures	(69,676)	(80,074)	809
OTHER FINANCING SOURCES (USES)			
Transfers in	6,000	6,000	6,000
Total other financing sources and uses	6,000	6,000	6,000
Net change in fund balances	(63,676)	(74,074)	6,809
Fund balances - beginning	63,676	74,074	74,069
Fund balances - ending	\$ -	\$ -	\$ 80,878

Lamar School District RE-2
Budget and Actual
Public School
For the year ended June 30, 2020

	Budgeted Amounts		Actual
	Original	Final	
REVENUES			
Student activities	\$ 75,625	\$ 88,125	\$ 74,541
Total revenues	<u>75,625</u>	<u>88,125</u>	<u>74,541</u>
EXPENDITURES			
Noninstructional Services:			
Athletics & Activity Programs	104,688	115,439	72,724
Total Expenditures	<u>104,688</u>	<u>115,439</u>	<u>72,724</u>
Excess (deficiency) of revenues over expenditures	<u>(29,063)</u>	<u>(27,314)</u>	<u>1,817</u>
Net change in fund balances	(29,063)	(27,314)	1,817
Fund balances - beginning	29,063	27,315	27,315
Fund balances - ending	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 29,132</u>

Lamar School District RE-2
Budget and Actual
Debt Service
For the year ended June 30, 2020

	Budgeted Amounts		Actual
	Original	Final	
REVENUES			
Property Taxes	\$ 350,000	\$ 351,800	\$ 335,751
Investment earnings	-	1,700	1,497
Total revenues	<u>350,000</u>	<u>353,500</u>	<u>337,248</u>
EXPENDITURES			
Debt Service:			
Principal	169,130	169,130	169,128
Interest and other charges	<u>141,100</u>	<u>141,100</u>	<u>141,088</u>
Total Expenditures	<u>310,230</u>	<u>310,230</u>	<u>310,216</u>
Excess (deficiency) of revenues over expenditures	<u>39,770</u>	<u>43,270</u>	<u>27,032</u>
Net change in fund balances	39,770	43,270	27,032
Fund balances - beginning	<u>145,000</u>	<u>306,323</u>	<u>306,323</u>
Fund balances - ending	<u>\$ 184,770</u>	<u>\$ 349,593</u>	<u>\$ 333,355</u>



Colorado Department of Education

Auditors Integrity Report

District: 2660 - Lamar Re-2

Fiscal Year 2019-20

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	4,816,874	13,168,823	12,029,099	5,956,598
18	Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19	Colorado Preschool Program Fund	16,051	470,372	468,342	18,081
Sub- Total		4,832,924	13,639,196	12,497,441	5,974,679
11	Charter School Fund	583,566	1,241,819	1,114,999	710,385
20,26-29	Special Revenue Fund	0	0	0	0
06	Supplemental Cap Const, Tech, Main, Fund	0	0	0	0
07	Total Program Reserve Fund	0	0	0	0
21	Food Service Spec Revenue Fund	69,379	723,623	660,660	132,343
22	Govt Designated-Purpose Grants Fund	0	633,119	633,119	0
23	Pupil Activity Special Revenue Fund	204,296	393,223	376,634	220,885
24	Full Day Kindergarten Mill Levy Override	0	0	0	0
25	Transportation Fund	0	0	0	0
31	Bond Redemption Fund	306,323	337,248	310,216	333,354
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	5,005,023	4,683,723	7,583,695	2,105,051
46	Supplemental Cap Const, Tech, Main Fund	0	0	0	0
Totals		11,001,511	21,651,951	23,176,764	9,476,698
Proprietary					
50	Other Enterprise Funds	0	0	0	0
64 (63)	Risk-Related Activity Fund	0	0	0	0
60,65-69	Other Internal Service Funds	0	0	0	0
Totals		0	0	0	0
Fiduciary					
70	Other Trust and Agency Funds	0	0	0	0
72	Private Purpose Trust Fund	0	0	0	0
73	Agency Fund	0	0	0	0
74	Pupil Activity Agency Fund	0	0	0	0
79	GASB 34 Permanent Fund	0	0	0	0
85	Foundations	0	0	0	0
Totals		0	0	0	0

FINAL

Lamar School District RE-2
Schedule of Expenditure of Federal Awards
For the Year Ended June 30, 2020

GRANT TITLE	GRANT CODE	FEDERAL CFDA NUMBER	AMOUNT OF AWARD EXPENDED	
DEPARTMENT OF AGRICULTURE:				
National School Lunch Program Cluster				
Summer Food Service Program	4559	10.559	5,448	
School Breakfast Program	4553	10.553	115,849	
National School Lunch Program	4556	10.556	213,763	
National School Lunch Program	4555	10.555	197,863	
Child and Adult Care Food Program	4558	10.558	29,993	
Commodities Received	4555	10.555	<u>33,177</u>	
Total				596,093
State Reimbursement-FFVP	4852	10.582	18,874	18,874
DEPARTMENT OF EDUCATION/ COLORADO DEPARTMENT OF EDUCATION:				
Title II Part A	4367	84.367	61,656	
Title I	4010	84.010	<u>443,565</u>	505,221
DEPARTMENT OF TREASURY/ COLORADO DEPARTMENT OF EDUCATION:				
Corona Virus Relief Funding	4012	21.019	<u>446,974</u> *	446,974
STATE COMMUNITY COLLEGES AND OCCUPATIONAL EDUCATION SYSTEM				
Carl Perkins Grant	4048	84.048	<u>20,206</u>	
Total				<u>20,206</u>
TOTAL FEDERAL FINANCIAL AWARDS				<u><u>\$ 1,587,368</u></u>

*Major Program

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 and is presented on the modified accrual basis of accounting.

Lamar School District RE-2 also received non-cash commodities of \$33,177, 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 2019-20.

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

Independent Auditor's Report

Board of 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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Lamar School District RE-2 as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 6, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

rfarmer, llc

November 6, 2020

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

Independent Auditor's Report

Board of 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, 2020. 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, 2020.

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 have not been identified.

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

rfarmer, llc

November 6, 2020

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I: Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:		
• Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
• Significant deficiency(ies) identified?	<u> </u> Yes	<u> X </u> None Reported
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No

Federal Awards

Internal control over major federal programs:		
• Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
• Significant deficiency(ies) identified?	<u> </u> Yes	<u> X </u> 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)?	<u> </u> Yes	<u> X </u> No
Identification of major federal programs:		
CFDA Number(s)	21.019	Name of Federal Program or Cluster
		Department of Treasury/Colorado Department of Education
Dollar threshold used to distinguish between type A and type B programs:	\$ <u>750,000</u>	
Auditee qualified as a low-risk auditee?	<u> X </u> Yes	<u> </u> No

Section II: Financial Statement Findings

There are not any findings that are required to be reported.

Section III: Federal Awards Findings

There are not any findings that are required to be reported.