Lake County School District R-1
Leadville, Colorado

FINANCIAL STATEMENTS AND REPORTS OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

June 30, 2019

C O N T E N T S

INDEPENDENT AUDITOR'S REPORT

January 20, 2020

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lake County School District R-1 (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

2499 Hwy. 6&50 **www.csdcpa.com** **970-245-3000**
Grand Junction, CO 81505 **e-mail info @ csdcpa.com** **FAX 970-242-4716**
TOLL FREE 877-245-8080

Board of Education
Lake County School District R-1

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lake County School District R-1, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof 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 and budgetary comparison information, pension and other postemployment benefit information as listed in the table of contents 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 combining and individual nonmajor fund financial statements and budget schedules, and the bond, health, and capital reserve budgetary schedules, and the Colorado Department of Education Auditor's Integrity Report are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Board of Education
Lake County School District R-1

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 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 solely 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 the effectiveness of the District's 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.

Chadwick, Steinkirchner, Davis & Co., P.C.

The discussion and analysis of Lake County School District R-I's (the "District") financial performance provides an overall review of the district's financial activities for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the basic financial statements, notes to the financial statements, budgetary comparison schedules and additional supplementary information to broaden their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

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

- For the year ended June 30, 2019 the District's total net position increased by $2,206,711 to ($3,784,578). The increase in fund balance was due primarily to an adjustment of pension expense from a state contribution to PERA. This is discussed in Footnote G to the financial statements.
- The General Fund reported a fund balance of $3,295,904 as of June 30, 2019, an increase of $212,847. Of this amount, $2,707,171 or 82.1% is unassigned.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

The *statement of activities* presents information reporting how the District's net position changed during fiscal year 2019. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows for future fiscal periods. Earned but unused vacation leave and uncollected taxes are examples of these types of items.

Both government-wide financial statements distinguish functions of the District that are principally

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

The Government-wide financial statements can be found on pages 12-13 of this report.

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

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

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

The District uses seven Governmental Funds. The General Fund is the largest Governmental Fund and encompasses most of the District's revenues and expenditures. The other funds consist of the Designated Grants Fund, the Food Service Fund, the Center Fund, the Head Start Program Fund, the Bond Redemption Fund, and the Capital Reserve Fund. An annual appropriated budget for the District is adopted for each fund. A budgetary comparison statement has been provided for each fund to demonstrate compliance with the budget. The governmental fund financial statements can be found on pages 14 through 17 of this report.

Fiduciary Fund
The District acts as the agent for assets that belong to others, such as memorials, scholarships and student activity funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purpose. These activities are not included in the district-wide financial statements because it cannot use these assets to finance its operations. The basic fiduciary fund financial statements can be found on page 21 of this report.

In 2019, the District created Fund 64 which is an internal service health fund to track revenue against all expenses for medical, dental, vision, and life insurance. Total revenue for Fund 64 was $1,826,489, while expenses were $1,774,172 leaving $52,317 balance at the end of the year.

Notes to the Financial Statements
The notes to the financial statements provide additional information that is useful to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-57 of this report.

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

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

Government-wide Financial Analysis
As noted earlier, net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows exceeded assets and deferred outflows by $2,206,711 at June 30, 2019.

The District's net position includes its $24,667,187 investment in capital assets net of accumulated depreciation and related debt. The District uses these capital assets to provide educational services; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net position represents resources that are subject to external restriction on how they may be used. At June 30, 2019, net position totaling $1,702,246 was restricted, with $1,312,917 restricted for debt service, $5,280 restricted for pre-school, $358,453 for TABOR emergencies, and $225,000 restricted for insurance reserve.

For fiscal year 2019, the District's net position increased by $2,206,711 resulting from a state contribution that reduced the Net Pension Liability. The excess of expense over revenues is primarily the result of increases in pension costs and depreciation expense on the capital assets.

	Governmental Activities		
	2019	2018	Change
Current Assets	$ 6,020,110	$ 5,048,363	$ 971,747
Restricted Assets	1,297,239	1,191,898	105,341
Capital Assets, Net	33,318,343	34,420,010	(1,101,667)
Total Assets	40,635,692	40,660,271	(24,579)
Deferred Outflows of Resources	6,850,216	13,099,744	(6,249,528)
Current Liabilities	2,313,866	1,431,607	882,259
Long-term Liabilities	8,712,547	9,218,192	(505,645)
Net Pension Liability	22,198,704	45,171,539	(22,972,835)
Net OPEB Liability	1,107,707	1,031,526	76,181
Total Liabilities	34,332,824	56,852,864	(22,520,040)
Deferred Inflows of Resources	16,937,662	2,898,445	14,039,217
Net Position			
Net Investment in Capital Assets	24,667,187	25,277,505	(610,318)
Restricted	1,901,650	1,681,726	245,520
Unrestricted	(30,353,415)	(32,950,523)	(2,597,108)
Total Net Position	$ (3,784,578)	$ (5,991,292)	$ (2,206,714)

	Governmental Activities		
	2019	2018	Change
Program Revenues			
Charges for services	$ 2,150,204	$ 341,873	$ 1,808,331
Operating grants	4,743,204	4,264,919	478,285
Capital grants	-	-	-
Total Program Revenues	6,893,408	4,606,792	2,286,616
General Revenues			
Taxes	6,441,671	6,428,000	13,671
Payment in lieu of taxes	154,965	154,691	274
State equalization	3,414,544	2,916,414	498,130
Insurance proceeds	13,609	23,621	(10,012)
Investment income	70,160	38,463	31,697
Total General Revenues	10,094,949	9,561,189	533,760
Total Revenues	15,067,356	14,167,981	899,375
Expenses			
Instructional	5,432,238	10,344,330	(4,912,092)
Supporting services	6,796,242	8,200,370	(1,404,128)
Food service	573,086	927,795	(354,709)
Community services	525,295	1,236,919	(711,624)
Property	-	-	-
Debt service interest	289,100	281,984	7,116
Unallocated depreciation	1,165,685	1,172,674	(6,989)
Total Expense	14,781,646	22,164,072	(7,382,426)
Change in net position	2,206,711	(7,996,366)	10,535,226
Net position, beginning	(5,991,289)	3,054,668	(9,045,957)
Change in accounting principal	-	(1,049,594)	-
Net position, beginning, restated	-	2,005,074	-
Net position, ending	$ (3,784,578)	$ (5,991,292)	$ 2,206,714

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

Governmental Funds

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

General Fund

The General Fund is the major operating fund of the District, providing the majority of the resources for the educational and support programs. Revenues for the General Fund totaled $10,702,426 in fiscal year 2019 compared to $10,089,679 in fiscal year 2018, an increase of $612,744 or 6.1%. Expenditures totaled $10,367,160 compared to $9,707,891 , an increase of $659,269 or 6.8%.

Revenues

Property Taxes. General Fund property tax revenues decreased $21,190 to $5,254,347 or .4% due to a minor decrease in assessed valuation. Property taxes accounted for 49.1% of the District's General Fund revenue.

Specific Ownership Taxes. Specific ownership tax is applied to the fair value of vehicles registered in Colorado. Specific ownership tax increased $28,969, or 7.7% to $403,433.

State Equalization. State equalization revenue increased $498,130 or 17% to $3,405,928 in fiscal year 2019 and accounted for 31.9% of the District's General Fund revenue.

State and Federal Grants. State and federal grants revenue increased $16,559 or 2.4% to $698,401 from $681,842 in fiscal year 2019 and accounted for 6.5% of the District's General Fund revenue.

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

Other Major Funds.

The Designated Grants Fund is used to maintain separate accounting for federal, state and local grant funded programs, which normally have a different fiscal period than that of the District. Total revenues for the Designated Grants fund were $1,956,684, which equaled expenditures.

The Bond Redemption Debt Service Fund is used to account for the requirements of the series 2012 general obligation bonds. The primary revenue source for the Bond Redemption Debt Service Fund is a voter approved floating mill levy of 3.398 mills which generated $805,498. The Bond Redemption Debt Service Fund expenditures primarily reflect principal and interest costs of

$758,779 on the District's general obligation debt.

The Capital Reserve Fund is used to acquire land and improvements, new facilities, additions, repairs and renovations to existing facilities, equipment and safety upgrades. Total revenues for the Capital Reserve Fund were $154,965, while expenditures totaled $363,933. The revenue sources were payment in lieu of taxes of $149,610 and $5,355 from a Homeland Security Grant. The revenues were used to fund $125,000 in upgrades to technology (Ipads for West Park, Chromebooks for LCIS and LCHS) and the $211,000 district building including the Master Plan of $70,000

GENERAL FUND BUDGETARY HIGHLIGHTS

Total budgeted appropriations for the General Fund adopted by the Board of Education for fiscal year 2019 were $13,611,926 which includes $319,104 for the preschool fund.

In fiscal year 2019, property tax revenues received in the General Fund was $5,254,347 compared to the budgeted amount of $5,279,684 which is less than a 1% difference.

State Equalization funds amounted to $3,405,928 compared to the budgeted amount of $3,414,466. This is a decrease over budgeted expectations of $8,538.

In fiscal year 2019, final budgeted expenditures for the General Fund totaled $13,611,926 while actual expenditures totaled $10,367,160. $3,244,766 of the budgeted expenditures are for operating reserves and TABOR restricted balances.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - As of June 30, 2019 total capital asset was $33,318,343. This is a net decrease of $1,101,667 from June 30, 2018. The District's primary expenditures were from additions to transportation equipment.

Additional information on the District's capital assets may be found in Note D to the financial statements.

Long-term debt as of June 30, 2019 is $8,712,547. Additional information on the District's long-term debt may be found in Note F to the financial statements.

FACTORS BEARING ON DISTRICT'S FUTURE

Over the past few years, the District was able to continue to maintain our fund balance. The District enrollment for 2019 stabilized. The District will have continued financial challenges with the maintenance of effort in staffing and operational costs if a decline in enrollment were to return.

Increasing cost of living in Leadville is a significant concern for our employees and for the District. Increased salaries will need to be maintained for retention purposes, but any decreases in enrollment will affect our staffing. Our District continues to rely on grant dollars for many programs. The acquisition of grants will need to continue in order to maintain the current programs for our students. Our capital project needs exceed the amount we are able to set aside for capital projects. The District received a B.E.S.T. grant for $20.8 million with the successful passing of a $13.9 million bond measure in November 2019 for the construction of a PreK – 2nd grade elementary school at the West Park site. This 20 year bond allows the District to collect up to $1,115,000 in property tax revenue annually.

Requests for Information

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

Chief Financial
Officer
328 West 5th Street
Leadville, Colorado 80461

Lake County School District R-1

STATEMENT OF NET POSITION

June 30, 2019

		Governmental Activities
ASSETS		
Cash and investments		$ 5,045,839
Restricted cash and investments		1,297,239
Cash with county treasurer		47,367
Property taxes		152,656
Accounts receivable		72,881
Grants recievable		698,401
Inventory		2,966
Capital assets, not being depreciated		186,526
Capital assets, net of depreciation		33,131,817
	Total assets	40,635,692
DEFERRED OUTFLOWS		
Deferred outflows of resources related to other post employment benefits		54,112
Deferred outlfows of resources related to pensions		6,796,104
	Total deferred outflows	6,850,216
LIABILITIES		
Accounts payable		204,875
Accrued salaries and benefits		1,016,292
Accrued interest on long-term debt		21,670
Unearned Revenue		1,071,022
Due within one year		528,798
Due in more than one year		8,183,756
Net OPEB liability		1,107,707
Net pension liability		22,198,704
	Total liabilities	34,332,824
DEFERRED INFLOWS		
Deferred inflows of resources related to other post employment benefits		14,636
Deferred inflows of resources related to pensions		16,923,026
	Total deferred inflows	16,937,662
NET POSITION		
Net investment in capital assets		24,667,187
Restricted		
Tabor		358,453
Debt service		1,312,917
Insurance reserve		225,000
Colorado Preschool Program		5,280
Unrestricted		(30,353,415)
	Total net position	$ (3,784,578)

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

Lake County School District R-1

STATEMENT OF ACTIVITIES

Year ended June 30, 2019

Functions/Programs	Expenses	Program revenue: Charges for Services and Sales	Program revenue: Operating Grants and Contributions	Program revenue: Capital Grants and Contributions	Net expenses (revenues) and changes in net position: Governmental Activities
Governmental activities					
Instruction	$ 5,432,240	$ -	$ 3,012,273	$ -	$ (2,419,967)
Supporting services	6,796,242	1,910,160	1,254,045	-	(3,632,037)
Food services	573,084	152,203	476,886	-	56,005
Community services	525,295	87,841	-	-	(437,454)
Interest on long-term debt	289,100	-	-	-	(289,100)
Unallocated depreciation	1,165,685	-	-	-	(1,165,685)
Total governmental activities	$ 14,781,646	$ 2,150,204	$ 4,743,204	$ -	$ (7,888,238)

General Revenue	
Property taxes, general	5,254,347
Property taxes, debt service	783,891
Specific ownership taxes	403,433
Payment in lieu of taxes	154,965
State Equalization unrestricted)	3,414,544
Insurance proceeds	13,609
Investment earnings	70,160
Total general revenues and allocations	10,094,949
Change in net position	2,206,711
Net position, beginning of year	(5,991,289)
Net position, end of year	$ (3,784,578)

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

Lake County School District R-1

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2019

	General Fund	Designated Purpose Grants Fund	Bond Redemption	Capital Reserve	Total NonMajor Funds	Total
Assets						
Cash and Investments	$ 4,209,112	$ 160,813	$ -	$ 652,437	$ 23,477	$ 5,045,839
Restricted Cash and Investments	-	-	1,297,239	-	-	1,297,239
Cash with County Treasurer	44,502		2,865	-	-	47,367
Property Taxes	139,844	-	12,812	-	-	152,656
Accounts Receivable	-	-		-	20,564	20,564
Grants Receivable	211,149	424,667	-	-	62,585	698,401
Due from other funds	-	190,105	-	164,645	34,708	389,458
Inventories	-	-	-	-	2,966	2,966
Total assets	$ 4,604,607	$ 775,585	$ 1,312,917	$ 817,082	$ 144,300	$ 7,654,491
Liabilities and fund balances						
Liabilities						
Accounts payable	$ 67,703	$ 12,257	$ -	$ 965	$ 4,179	$ 85,104
Accrued salaries and benefits	806,520	135,635	-	-	74,137	1,016,292
Unearned revenue	13,023	393,970	-	492,251	10,915	910,159
Due to Other Funds	421,457	233,723	-	-	14,918	670,098
Total liabilities	1,308,703	775,585	-	493,216	104,149	2,681,653
Fund balances						
Nonspendable	-	-	-	-	2,966	2,966
Restricted						
Emergency reserve - TABOR	358,453	-	-	-	-	358,453
Debt service	-	-	1,312,917	-	-	1,312,917
Insurance reserve	225,000	-	-	-	-	225,000
Colorado Preschool Program	5,280	-	-	-	-	5,280
Committed						
Food service	-	-	-	-	8,978	8,978
Early Childhood Education	-	-	-	-	28,207	28,207
Assigned						
Capital Projects	-	-	-	323,866	-	323,866
Other purpose	-	-	-	-	-	-
Unassigned	2,707,171	-	-	-	-	2,707,171
Total fund balances	3,295,904	-	1,312,917	323,866	40,151	4,972,838
Total liabilities and fund balances	$ 4,604,607	$ 775,585	$ 1,312,917	$ 817,082	$ 144,300	$ 7,654,491

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

Lake County School District R-1

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

June 30, 2019

Total governmental funds balance		$ 4,972,838
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		
Cost of capital assets	$ 48,700,515	
Less accumulated depreciation	(15,382,172)	33,318,343
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the fund. Long-term liabilities at year-end consist of:		
Bonds payable	(8,651,151)	
Early retirement liability	(61,396)	(8,712,547)
Items related to pensions are considered to be long-term items and are therefore not reported in the funds		
Net pension liability	(22,198,706)	
Net OPEB liability	(1,107,707)	
Deferred outflows related to pensions	6,796,104	
Deferred outflows related to OPEB	54,112	
Deferred inflows related to pensions	(16,923,026)	
Deferred inflows related to OPEB	(14,636)	(33,393,859)
Accrued interest is not included in the funds but is recognized in the statement of net position.		(21,670)
Internal service funds are used by the District to account for the costs of employee health benefits activities. The assets and liabilities of the internal service funds are included in the govermental activities in the statement of net position		52,317
Net position of governmental activities		$ (3,784,578)

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

Lake County School District R-1

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

Year ended June 30, 2019

	General Fund	Designated Purpose Grants Fund	Bond Redemption	Capital Reserve	Total NonMajor Funds	Total
Revenues						
Local sources	$ 5,871,436	$ 683,091	$ 805,498	$ 149,610	$ 303,567	$ 7,813,202
State sources	4,537,139	373,001	-	5,355	16,043	4,931,538
Federal sources	293,851	900,592	-	-	1,128,171	2,322,614
Total revenues	10,702,426	1,956,684	805,498	154,965	1,447,781	15,067,354
Expenditures						
Current:						
Instructional	6,251,974	746,264	-	-	-	6,998,238
Supporting services	4,115,186	1,210,420	-	-	50,751	5,376,357
Food services	-	-	-	-	712,383	712,383
Community services	-	-	-	-	759,955	759,955
Capital outlay	-	-	-	363,933	-	363,933
Debt service	-	-	758,779	-	-	758,779
Total expenditures	10,367,160	1,956,684	758,779	363,933	1,523,089	14,969,645
Excess (deficiency) of revenues over (under) expenditures	335,266	-	46,719	(208,968)	(75,308)	97,709
Other financing sources (uses)						
Transfers In (Out)	(122,419)	-	-	100,000	88,894	66,475
Total other financing sources (uses)	(122,419)	-	-	100,000	88,894	66,475
Change in fund balance	212,847	-	46,719	(108,968)	13,586	164,184
Fund balance, beginning of year	3,083,057	-	1,266,198	432,834	26,565	4,808,654
Fund balance, end of year	$ 3,295,904	$ -	$ 1,312,917	$ 323,866	$ 40,151	$ 4,972,838

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

Lake County School District R-1

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES

Year ended June 30, 2019

Net change in fund balances- governmental funds		$ 164,184
Amounts reported for governmental activities in the statement of activities are different because:		
The change in net position of the internal service fund is reported with governmental activities in the statement of activities.		52,317
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period:		
Capital outlay	$ 64,018	
Depreciation expense	(1,165,685)	(1,101,667)
Some receivables will not be collected for several months after the District's fiscal year ends and are therefore not considered available revenues and are shown as unearned in the governmental funds. This is the amount by which the related deferred inflows decreased.		
Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore are not reported as expenditures in the governmental funds:		
Pension expense	2,593,793	
OPEB expense	(14,426)	
Decrease in retirement benefits payable	14,291	2,593,658
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		491,349
PERA on-behalf contribution on the accrual basis.		28,540
Change in accrued interest on long-term debt.		(21,670)
Change in net position		$ 2,206,711

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

Lake County School District R-1

STATEMENT OF NET POSITION - PROPRIETARY FUND
HEALTH FUND

June 30, 2019

	Governmental Activities Internal Service Fund
Assets	
Accounts receivable	$ 52,317
Due from other funds	280,641
Total assets	332,958
Liabilities and fund balances	
Liabilities	
Claims payable	119,778
Unearned revenue	160,863
Total liabilities	280,641
Net position	
Unrestricted	52,317
Total net position	$ 52,317

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

Lake County School District R-1

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - PROPRIETARY FUND
HEALTH FUND

Year ended June 30, 2019

		Governmental Activities Internal Service Fund
Revenues		
Premiums		$ 1,633,789
Other insurance revenue		259,175
	Total revenue	1,892,964
Expenditures		
Insurance premiums		1,774,172
	Total expense	1,774,172
	Total operating income	118,792
Non-operating expense		
Transfers out		(66,475)
	Total non-operating expense	(66,475)
Net change in net position		52,317
Net position, beginning		-
Net position, ending		$ 52,317

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

Lake County School District RE-1

STATEMENT OF CASH FLOWS - PROPRIETARY FUND
HEALTH FUND

Year ended June 30, 2019

		Governmental Activities - Internal Service Fund
Cash flows from operating activities		
Cash received from insurance premiums	$	2,001,511
Cash paid for insurance claims		(1,654,394)
Net cash provided by (used in) operating activities		347,117
Cash flows used in financing activities		
Transfers to other funds		(347,117)
Net increase (decrease) in cash and cash equivalents		-
Cash and cash equivalents, beginning of year		-
Cash and cash equivalents, end of year	$	-
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$	118,792
Adjustment to reconcile net operating income (loss) to net cash provided (used) by operating activites		
Changes in assets and liabilities:		
(Increase) decrease in stop loss receivable		(52,316)
Increase(decrease) in claims payable		119,778
Increase(decrease) in unearned revenue		160,863
Total adjustments		347,117
Net cash used by operating activities	$	347,117

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

Lake County School District R-1

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
PUPIL ACTIVITY AGENCY FUND

June 30, 2019

Assets		
Cash	$	263,570
Liabilities		
Accounts payable	$	263,570

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Reporting Entity

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

2. Government-Wide and Fund Financial Statements

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

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the District's government-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major funds.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2. Government-Wide and Fund Financial Statements - continued

The District reports the following major governmental funds:

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

- The *Designated Purpose Grants Fund* accounts for revenues and expenditures of local, state and federal grants.

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

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

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

Internal service funds account for operations undertaken by the District Staff that primarily support the District and/or its employees. The District's only internal service fund is the Health Fund which services the District's self-funded medical insurance program.

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of others. Trust funds accounted for assets held by the District under the terms of a formal trust agreement. The District reports the following fiduciary fund:

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

3. Measurement Focus, Basis of Accounting, and Basis of Presentation

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3. Measurement Focus, Basis of Accounting, and Basis of Presentation - Continued

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

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

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

4. Assets, Liabilities, Deferred Outflows, Deferred Inflows, and Equity

Deposits and Investments

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

4. Assets, Liabilities, Deferred Outflows, Deferred Inflows, and Equity - Continued

Receivables

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

Inventories

Inventories are considered expenditures when used and are stated at cost, on a first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets

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

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

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

4. Assets, Liabilities, Deferred Outflows, Deferred Inflows, and Equity - Continued

Unearned revenue

Unearned revenue in the government-wide and the fund financial statements consists primarily of grant revenue that has been received but not yet earned by the District.

Deferred outflows/inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government only has one item that qualifies for reporting in this category. It is shown as pension and OPEB related amounts and includes items related to the District's portion of the Colorado Public Employees' Retirement Association (PERA) benefit plan and the associated Health Care Trust Fund administered by PERA.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has deferred inflows related to pension and OPEB liabilities reported on the government-wide statement of net position. These deferred inflows result from a number of changes in the net pension and OPEB liabilities.

Compensated Absences

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

4. Assets, Liabilities, Deferred Outflows, Deferred Inflows, and Equity - Continued

Accrued Salaries

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

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using a method which approximates the effective interest method. Bond issuance costs are expensed in the year they are incurred.

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

Fund Balance/Net Position

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

The District reports the following restricted net positions:

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

4. Assets, Liabilities, Deferred Outflows, Deferred Inflows, and Equity - Continued

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

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

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

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

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

Under GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* in the fund financial statements, governmental funds report the following classifications of fund balance:

Non-spendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the Board of Education, the District's highest level of decision-making authority. Commitments may be modified or rescinded only through resolutions approved by the Board of Education.

Assigned – includes amounts the District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the District's adopted policy, amounts may be assigned by the Superintendent or designee.

Unassigned – includes amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the General Fund.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

4. Assets, Liabilities, Deferred Outflows, Deferred Inflows, and Equity - Continued

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition or construction of improvements on those assets, excluding unspent bond proceeds. Net position are reported as restricted when there are limitations imposed on their use, either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

5. State Equalization Aid

State equalization aid is revenue received from the State of Colorado computed in accordance with a funding formula as defined by State statute. The funding formula considers such factors as pupil enrollment and other revenue sources.

6. Pensions

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 for the SCHDTF are listed below. A full copy of the bill can be found online at www.leg.colorado.gov.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

- Increases employer contribution rates for the SCHDTF by 0.25 percent on July 1, 2019.

- Increases employee contribution rates for the SCHDTF by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).

- As specified in C.R.S. § 24-51-413, the State is required to contribute $225 million each year to 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 Division Trust Fund, and Denver Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SCHDTF is considered a nonemployer contribution for financial reporting purposes.

- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, increases the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.

7. Estimates

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

8. Property Taxes

Property taxes are recognized as revenue in the year in which they are intended to finance operating expenses, pursuant to the Colorado school district funding formula. As 2018 property taxes were both measurable and available at June 30, 2019, the District has recognized a receivable (net of uncollectible portion) for property taxes levied January 1, 2019 but not collected by June 30, 2019.

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

County Treasurer on the post mark day following these dates. The tax sale date is the first Thursday of November.

9. Fund Equity

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

10. Other Post Employment Benefit

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 form the fiduciary net position for 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.

NOTE B – TAX, SPENDING AND DEBT LIMITATIONS

In November 1992, Colorado voters passed an amendment to Article X, Section 20 (TABOR), of the State Constitution, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments, including an emergency reserve to be maintained at 3% of fiscal year spending (excluding bonded debt service). On November 5, 1996, the District electors approved the retention and spending of the District's non-tax revenues for the year ended June 30, 1996, and subsequent years, without regard to the limitations imposed by the Amendment.

The Tabor Amendment requires the District to establish a reserve for emergencies. At June 30, 2019, the District reserved $358,453 in the General Fund for that purpose.

NOTE C – DEPOSITS AND INVESTMENTS

The District holds the following cash and investments as of June 30, 2019:

Deposits	$ 3,649,653
Investments	2,956,995
Total cash and investments	$ 6,606,648

NOTE C – DEPOSITS AND INVESTMENTS - CONTINUED

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

Governmental Activities – Unrestricted	$	5,045,839
Governmental Activities – Restricted		1,297,239
Fiduciary Activities		263,570
Total cash and investments	$	6,606,648

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

The State Regulatory Commissions for banks and savings and loan associations are required by statute to monitor the naming of eligible depositories and the reporting of uninsured deposits and assets maintained in the collateral pools. The District does not have a formal deposit policy.

At June 30, 2019, the carrying amount of the District's deposits was $2,564,132 and the bank balance was $2,768,824. Of that balance, $250,000 was covered by FDIC insurance and $2,518,824 was collateralized.

Investments

Colorado statutes define eligible investments for local governments. These include bonds and other interest-bearing obligations of the State of Colorado or any of its political subdivisions, repurchase agreements, commercial paper, guaranteed investment contracts and local government investment pools.

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

Credit Risk. The District's investment policy is to apply the "prudent investor" rule, which states "investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculations, but for investment, considering the probable safety of their capital as well as the probable income to be derived."

NOTE C – DEPOSITS AND INVESTMENTS – CONTINUED

Concentration of Credit Risk: The District places no limit on the amount the District may invest in any one issuer. More than five percent of the District's investments are in investments guaranteed by the United States government.

At June 30, 2018, the District had invested $2,956,995 in Colorado Government Liquid Asset Trust (COLOTRUST). Investments consist of U.S. Treasury and U.S. Agency securities and repurchase agreements collateralized by U.S.Treasury and U.S. Agency securities. A designated custodian bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the entities. Colotrust is rated AAAm by Standard and Poor's. The District's investment in Colotrust as of June 30, 2019 is measured using net asset value and is therefore not categorized in a level.

NOTE D – INTERFUND BALANCES AND TRANSFERS

Interfund balances are created when there is a liability of one fund due to another fund. Interfund balances for the year ended June 30, 2019, were composed of the following:

Fund	Due From	Due To
General Fund	$ –	$ 421,457
Designated Grants Fund	190,105	233,723
Capital Reserve Fund	164,645	–
Health Fund	280,640	–
Nonmajor Governmental Funds	34,708	14,918
Total	$ 670,098	$ 670,098

Interfund balances result from the time lag between when expenditures occur in a fund and the time it takes to reimburse the fund that paid the expenditure in the pooled cash allocation. The interfund receivables and payables are expected to be collected and paid in the subsequent year.

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

NOTE D – INTERFUND BALANCES AND TRANSFERS - CONTINUED

During the year ended June 30, 2019 transfers were as follows:

Fund	Transfers In	Transfers Out
General Fund	$ –	$ 122,419
Capital Reserve	100,000	–
Health Fund	–	66,475
Nonmajor Governmental Funds	88,894	–
Total	$ 188,894	$ 188,894

NOTE E – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 was as follows:

	Balance June 30, 2018	Additions	Disposals	Balance June 30, 2019
Governmental activities:				
Capital assets not being depreciated				
Land	$ 186,526	$ –	$ –	$ 186,526
Total non-depreciable capital assets	186,526	–	–	186,526
Capital assets being depreciated				
Buildings	46,016,793	27,101	–	46,043,894
Transportation equipment	1,871,254	23,811	–	1,895,065
Other equipment	561,924	13,106	–	575,030
Total depreciable capital assets	48,449,971	64,018	–	48,513,989
Less accumulated depreciation				
Buildings	(12,570,369)	(1,044,940)	–	(13,615,309)
Transportation equipment	(1,398,753)	(92,819)	–	(1,491,572)
Other equipment	(247,365)	(27,926)	–	(275,291)
Total accumulated depreciation	(14,216,487)	(1,165,685)	–	(15,382,172)
Net capital assets	$ 34,420,010	$ (1,101,667)	$ –	$ 33,318,343

The District does not allocate its depreciation expense across its functions.

NOTE F – LONG-TERM OBLIGATIONS

General Obligation Bonds

The following is an analysis of changes in long-term debt for the year ended June 30, 2019:

	Balance June 30, 2018	Additions	Payments	Balance June 30, 2019	Current Portion
General Obligation Bonds, series 2012	$ 9,142,505	$ –	$ 491,349	$ 8,651,156	$ 506,118
Early retirement obligations	75,687	50,942	65,233	61,396	22,680
Net pension liability	45,171,539	–	22,972,833	22,198,706	–
Net OPEB liability	1,031,527	76,180	–	1,107,707	–
Total	$ 55,421,258	$ 127,122	$ 23,529,415	$ 32,018,965	$ 528,798

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

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

Year	Principal	Interest	Total
2020	$ 506,118	$ 252,438	$ 758,556
2021	521,332	236,996	758,328
2022	537,002	221,090	758,092
2023	553,144	204,706	757,850
2024	569,771	187,829	757,600
2025-2029	3,116,287	667,692	3,783,979
2030-2033	2,847,502	174,354	3,021,856
Total	$ 8,651,156	$ 1,945,105	$ 10,596,261

NOTE F – LONG-TERM OBLIGATIONS – CONTINUED

Early Retirement Obligation

The District has offered early retirement incentives to staff that are payable over a five year period subsequent to retirement in the form of a monthly benefit. The current portion of the early retirement incentive has been included in the District's accrued salaries and benefits in the general fund. Required payments related to the early retirement obligation are as follows:

Fiscal Year	Early Retirement Obligations
2020	$ 22,680
2021	12,226
2022	12,226
2023	12,226
2024	2,038
Total	$ 61,396

NOTE G – DEFINED BENEFIT PENSION PLAN

1. 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 that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided as of December 31, 2018. 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

NOTE G – DEFINED BENEFIT PENSION PLAN - CONTINUED

- 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 based on life expectancy and other actuarial factors.

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

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

As of December 31, 2018, 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. Pursuant to SB 18-200, there are no annual increases (AI) for 2018 and 2019 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, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 1.5 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 will receive the lessor of an annual increase of 1.5 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SCHDTF. The automatic adjustment provision may raise or lower the aforementioned AI for a given year by up to one-quarter of 1 percent based on the parameters specified C.R.S. § 24-51-413n

NOTE G – DEFINED BENEFIT PENSION PLAN - CONTINUED

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

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

Contributions provisions as of June 30, 2019. Eligible employees, the District, and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401 et seq. and §24-51-413. Eligible employees are required to contribute 8 percent of their PERA-includable salary during the period of July 1, 2018 through June 30, 2019. The employer contribution requirements are summarized in the table below:

	Year Ended December 31, 2018	Year Ended December 31, 2019
Employer Contribution Rate[1]	10.15%	10.15%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) [1]	(1.02)%	(1.02)%
Amount Apportioned to the SCHDTF[1]	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 [1]	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 [1]	5.50%	5.50%
Total Employer Contribution Rate to the SCHDTF[1]	19.13%	19.13%

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

NOTE G – DEFINED BENEFIT PENSION PLAN - CONTINUED

As specified in C.R.S. § 24-51-413, the State is required to contribute $225 million each year to 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 Division Trust Fund, and Denver Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SCHDTF is considered a nonemployer contribution for financial reporting purposes.

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 $1,426,654 for the year ended June 30, 2019.

3. 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, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll-forward the total pension liability to December 31, 2018. The District's proportion of the net pension liability was based on the District's contributions to the SCHDTF for the calendar year 2017 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

At June 30, 2019, the District reported a liability of $22,198,706 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 portion of the net pension liability that was associated with the District were as follows:

The District's proportionate share of the net pension liability	$22,198,702
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the District	$3,035,364
Total	$25,234,066

At December 31, 2018, the District's proportion was 0.1253664323%, which was a decrease

NOTE G – DEFINED BENEFIT PENSION PLAN - CONTINUED

of 0.0143258967% from its proportion measured as of December 31, 2017 of 0.1396923291%.

For the year ended June 30, 2019, the District recognized pension expense of $4,665,934 and revenue of $208,820 for support from the State as a nonemployer contributing entity. At June 30, 2019, 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	$ 753,005	$ –
Changes of assumptions or other inputs	4,143,485	–
Net difference between projected and actual earnings on pension plan investments	1,209,968	13,805,205
Changes in proportion and differences between contributions recognized and proportionate share of contributions	–	3,117,821
Contributions subsequent to the measurement date	689,646	–
Total	$ 6,796,104	$ 16,923,026

$689,646 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2020	$ (2,236,629)
2021	(5,609,291)
2022	(3,622,478)
2023	651,830
2024	–
Thereafter	–

Actuarial assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent

NOTE G – DEFINED BENEFIT PENSION PLAN - CONTINUED

Salary increases, including wage inflation	3.50 - 9.70 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	4.78 percent
Post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00 percent
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

The revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2017 to December 31, 2018:

Discount rate	7.25 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic)	0% through 2019 and 1.5% compounded annually, thereafter
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

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.

NOTE G – DEFINED BENEFIT PENSION PLAN - CONTINUED

The actuarial assumptions used in the December 31, 2106, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting.

The long-term expected rate of return on pension 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 by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the most 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	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.

NOTE G – DEFINED BENEFIT PENSION PLAN - CONTINUED

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 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 3.5 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. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For 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 will provide an annual direct distribution of $225 million (actual dollars), commencing 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 used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.

NOTE G – DEFINED BENEFIT PENSION PLAN - CONTINUED

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

Based on the above assumptions and methods, the projection test indicates the SCHDTF's fiduciary 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 determination does not use the municipal bond rate, and therefore, the discount rate is 7.25 percent.

As of the prior measurement date, the long-term expected rate of return on plan investments of 7.25 percent and the municipal bond index rate of 3.43 percent were used in the discount rate determination resulting in a discount rate of 4.78 percent, 2.47 percent lower compared to the current measurement date

Sensitivity of the District 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:

	Sensitivity of the NPL		
Discount rate:	6.25%	7.25%	8.25%
Proportionate share of the net pension liability	$ 28,221,852	$ 22,198,702	$ 17,144,263

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

NOTE H – DEFINED CONTRIBUTON PENSION PLAN

Voluntary Investment Program

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

NOTE I – POST EMPLOYMENT HEALTH CARE BENEFITS

General Information about the OPEB Plan

Plan description. Eligible employees of the school 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 relates 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.

NOTE I – POST EMPLOYMENT HEALTH CARE BENEFITS

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.

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

For retirees who have not participated in Social Security and who are not otherwise eligible for premium-free 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.

NOTE I – POST EMPLOYMENT HEALTH CARE BENEFITS – CONTINUED

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 school were $72,218 for the year ended June 30, 2019.

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

At June 30, 2019, the school reported a liability of $1,107,707 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2017. The District's proportion of the net OPEB liability was based on District contributions to the HCTF for the calendar year 2018 relative to the total contributions of participating employers to the HCTF.

At December 31, 2018, the District proportion was .081416 percent, which was an increase of .002043 from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the District recognized OPEB expense of $86,641. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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NOTE I – POST EMPLOYMENT HEALTH CARE BENEFITS – CONTINUED

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 4,020	$ –
Changes of assumptions or other inputs	7,770	–
Net difference between projected and actual earnings on OPEB plan investments	6,370	1,686
Changes in proportion and differences between contributions recognized and proportionate share of contributions	–	12,950
Contributions subsequent to the measurement date	35,952	N/A
Total	$ 54,112	$ 14,636

$35,952 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other 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 June 30, 2018:	
2020	$(1,533)
2021	(1,533)
2022	(1,531)
2023	2,891
2024	5,003
Thereafter	227

NOTE I – POST EMPLOYMENT HEALTH CARE BENEFITS – CONTINUED

Actuarial assumptions. The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 percent in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	5.00 percent
Medicare Part A premiums	3.25 percent for 2018, gradually rising to 5.00 percent in 2025

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, 2017, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA's actuary, as discussed 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 2018 for the PERA Benefit Structure:

NOTE I – POST EMPLOYMENT HEALTH CARE BENEFITS – CONTINUED

Medicare Plan	Cost for Members Without Medicare Part A	Premiums for Members Without Medicare Part A
Self-Funded Medicare Supplement Plans	$736	$367
Kaiser Permanente Medicare Advantage HMO	602	236
Rocky Mountain Health Plans Medicare HMO	611	251
UnitedHealthcare Medicare HMO	686	213

The 2018 Medicare Part A premium is $422 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
Self-Funded Medicare Supplement Plans	$289
Kaiser Permanente Medicare Advantage HMO	300
Rocky Mountain Health Plans Medicare HMO	270
UnitedHealthcare Medicare HMO	400

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 heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2017, the health care cost trend rates

NOTE I – POST EMPLOYMENT HEALTH CARE BENEFITS – CONTINUED

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
2018	5.00%	3.00%
2019	5.00%	3.25%
2020	5.00%	3.50%
2021	5.00%	3.75%
2022	5.00%	4.00%
2023	5.00%	4.00%
2024	5.00%	4.25%
2025+	5.00%	4.25%

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

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

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

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

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

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

NOTE I – POST EMPLOYMENT HEALTH CARE BENEFITS – CONTINUED

- **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 2018 plan year.

- 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:

NOTE I – POST EMPLOYMENT HEALTH CARE BENEFITS – CONTINUED

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 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
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.25%	3.25%	4.25%
Ultimate Medicare Part A trend rate	4.00%	5.00%	6.00%
Net OPEB Liability	$1,077,119	$1,107,707	$1,142,889

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

NOTE I – POST EMPLOYMENT HEALTH CARE BENEFITS – CONTINUED

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2018, 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 by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.

- Benefit payments and contributions were assumed to be made at the 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 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:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	$1,239,428	$1,107,707	$995,098

NOTE I – POST EMPLOYMENT HEALTH CARE BENEFITS – CONTINUED

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

NOTE J – RISK MANAGEMENT

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

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

The CSDSIP is sponsored by the Colorado Association of School Boards, and operates as a self-insurance pool comprised of various school districts and other related public educational entities within the State of Colorado. The CSDSIP is administered by a board which is comprised of eight members. The eight members include the president, vice president and executive director of the Colorado Association of School Boards (CASB), with the remaining five members being appointed by the Board of directors of CASB. The District pays an annual premium to the VSDSIP for various types of property and liability insurance coverage. The pool agreement provides that the CSDSIP for various types of property and liability insurance coverage. The pool agreement provides that the CSDSIP will be self-sustaining through member premiums and will reinsure through a duly authorized insurer. The reinsurance covers claims against the CSDSIP in excess of specific claim amounts and in the aggregate in an amount and at limits determined by the CSDSIP to be adequate to protect the solvency of CSDSIP. Settled claims have not exceeded this coverage on any of the past three years.

NOTE K – COMMITMENTS AND CONTINGENCIES

Claims and judgments

The District participates in a number of federal, state, and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2019, significant amount of grant expenditures have not been audited but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

NOTE K – COMMITMENTS AND CONTINGENCIES

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

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

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

Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded unless the District's electorate votes to retain the revenue. The Tabor Amendment is subject to many interpretations, but the District believes it is in substantial compliance with the Amendment.

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

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

The Tabor Amendment requires the District to establish a reserve for emergencies. At June 30, 2019, the District reserved $358,453 in the General Fund for that purpose.

NOTE L – JOINTLY GOVERNED ORGANIZATION

The District is a participant among nine other districts and the Colorado Mountain College in a jointly governed organization to operate the Mountain Board of Cooperative Educational Services (BOCES). The BOCES was formed for the purpose of administrative functions among member districts for special education and federal grants. The BOCES is governed by a board of directors consisting of a member of the board of education and the superintendent from each of the

NOTE L – JOINTLY GOVERNED ORGANIZATION - CONTINUED

participating members. The District does not have an ongoing financial interest in or ongoing financial responsibility for the BOCES. For the year ended June 30, 2019 the District paid assessments totaling $154,224 to the BOCES. Financial statements for the BOCES can be obtained from the BOCES administrative offices at: 1713 Mount Lincoln Drive West, Leadville, CO 80461.

NOTE M – SUBSEQUENT EVENTS

In November 2019, the voters of Lake County, Colorado approved the issuance of $13.9 million in bonds to finance a new elementary school in the District. In addition to the bonds proceeds, the school will be financed with a BEST grant from the Colorado Department of Education.

REQUIRED SUPPLEMENTARY INFORMATION

Lake County School District R-1

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

Year ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Local				
Property taxes	$ 5,279,684	$ 5,279,684	$ 5,242,032	$ (37,652)
Specific ownership taxes	284,475	284,475	403,433	118,958
Delinquent taxes	33,000	33,000	12,314	(20,686)
Interest	2,500	2,500	48,555	46,055
Pupil activity revenue	20,000	20,000	17,196	(2,804)
Rent revenue	5,415	5,415	4,977	(438)
Donations	176,836	169,459	84,783	(84,676)
Insurance proceeds	-	-	13,609	13,609
Other local	175,000	175,000	44,537	(130,463)
Total Local	5,976,910	5,969,533	5,871,436	(98,097)
Intermediate Sources				
Forest reserve	15,000	15,000	-	(15,000)
State				
State Equalization	3,414,466	3,414,466	3,405,928	(8,538)
Vocational Education	40,764	54,430	40,744	(13,686)
ELPA	52,795	52,795	52,795	-
Transportation	82,716	82,716	72,448	(10,268)
BOCES Passthrough	202,066	202,066	204,021	1,955
Other State	3,568,406	4,028,036	761,203	(3,266,833)
Total State	7,361,213	7,834,509	4,537,139	(3,297,370)
Federal				
Other	100,000	100,000	129,690	29,690
Federal BOCES Passthrough	132,105	131,044	164,161	33,117
Total Federal	232,105	231,044	293,851	62,807
Total revenues	13,585,228	14,050,086	10,702,426	(3,347,660)
Expenditures				
Instruction				
Salaries	3,607,442	3,607,442	3,766,191	(158,749)
Benefits	1,424,549	1,424,549	1,324,010	100,539
Purchased services - professional	428,082	428,082	386,191	41,891
Purchased services - property	100	100	159	
Purchased services - other	387,456	387,456	408,129	(20,673)
Supplies	329,439	329,439	360,623	(31,184)
Property	1,000	1,000	372	628
Other	(96,748)	27,252	6,299	20,953
Total Instruction	6,081,320	6,205,320	6,251,974	(46,595)
Student Support				
Salaries	307,315	307,315	288,186	19,129
Benefits	138,429	138,429	129,968	8,461
Purchased services - professional	4,500	4,500	30,760	(26,260)
Purchased services - other	9,975	9,975	2,376	7,599
Supplies	10,694	10,694	1,638	9,056
Total Student Support	470,913	470,913	452,928	17,985

(Continued)

Lake County School District R-1

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

Year ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Instructional Staff				
Salaries	116,846	116,846	125,132	(8,286)
Benefits	49,412	49,412	40,345	9,067
Purchased services - professional	216,348	215,648	184,669	30,979
Purchased services - other	1,650	1,650	600	1,050
Supplies	73,500	73,500	75,705	(2,205)
Property	9,000	9,000	7,554	1,446
Total Staff Support	466,756	466,056	434,005	32,051
General Administration				
Salaries	167,902	167,902	159,957	7,945
Benefits	60,198	60,198	49,567	10,631
Purchased services - professional	9,000	9,000	2,410	6,590
Purchased services - other	20,000	20,000	21,998	(1,998)
Supplies	5,800	5,800	8,454	(2,654)
Other	15,200	14,700	13,287	1,413
Total General Administration	278,100	277,600	255,673	21,927
School Administration				
Salaries	501,506	501,506	504,272	(2,766)
Benefits	198,090	198,090	188,307	9,783
Purchased services - other	650	650	67	583
Supplies	11,000	11,000	41,711	(30,711)
Property	200	200	-	200
Total School Administration	711,446	711,446	734,357	(22,911)
Business				
Salaries	122,984	122,984	109,829	13,155
Benefits	38,866	38,866	39,116	(250)
Purchased services - professional	5,000	5,000	11,510	(6,510)
Purchased services - other	3,500	3,500	11,157	(7,657)
Supplies	1,000	1,000	191	809
Other	450	450	260	190
Total Business	171,800	171,800	172,063	(263)
Operations and Maintenance				
Salaries	550,942	550,942	593,266	(42,324)
Benefits	235,290	235,290	233,420	1,870
Purchased services - professional	60,000	60,000	56,436	3,564
Purchased services - property	124,000	124,000	111,298	12,702
Purchased services - other	1,500	1,500	-	1,500
Supplies	287,000	287,000	327,493	(40,493)
Property	15,000	15,000	7,287	7,713
Total Operations and Maintenance	1,273,732	1,273,732	1,329,200	(55,468)

(Continued)

Lake County School District R-1

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

Year ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Student Transportation				
Salaries	224,985	224,985	227,451	(2,466)
Benefits	113,716	113,716	129,700	(15,984)
Purchased services - professional	5,000	5,000	1,629	3,371
Purchased services - property	20,529	20,529	32,984	(12,455)
Purchased services - other	5,500	5,500	1,331	4,169
Property	3,000	3,000	-	3,000
Supplies	19,694	19,694	19,672	22
Total Student Transportation	392,424	392,424	412,767	(20,343)
Central Services				
Salaries	65,446	65,446	67,071	(1,625)
Benefits	22,635	21,108	22,589	(1,481)
Purchased services	210,000	210,000	234,533	(24,533)
	298,081	296,554	324,193	(27,639)
Total Suporting Services	4,063,252	4,060,525	4,115,186	(54,661)
Reserves for contingencies				
Reserves for contingencies	2,627,448	2,971,033	-	2,971,033
Total expenditures	12,772,020	13,236,878	10,367,160	2,869,777
Excess of revenues over (under) expenditures	813,208	813,208	335,266	(477,942)
Other financing sources				
Transfers (out)	(813,208)	(813,208)	(122,419)	690,789
Total other financing sources	(813,208)	(813,208)	(122,419)	690,789
Net change in fund balance	-	-	212,847	212,847
Fund balance, beginning	3,083,057	3,083,057	3,083,057	-
Fund balance, ending	$ 3,083,057	$ 3,083,057	$ 3,295,904	$ 212,847

Lake County School District R-1

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

Year ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Local				
Donations	$ 282,302	$ 1,073,211	$ 567,582	$ (505,629)
Grants	365,759	365,759	115,509	(250,250)
Total Local	648,061	1,438,970	683,091	(755,879)
State				
Health Care Professional grant	177,576	177,576	177,576	-
Expelled At-Risk grant	154,625	154,625	154,625	-
Student wellness	36,800	36,800	36,800	-
Other State	4,000	4,000	4,000	-
Total State	373,001	373,001	373,001	-
Federal				
Title I-A - Improving Basic Programs	294,623	294,623	280,498	(14,125)
NCLB Title I Part A	-	-	-	-
21st Century Community Learning Centers	261,526	230,453	246,426	15,973
Title VI - Rural and Low Income Schools	-	-	-	-
Title III Set Aside Immigrant NCLB ELA	1,532	1,532	1,532	-
Title III, Part A	25,206	25,206	25,206	-
Title II, Part A - Teacher Quality	40,415	40,415	40,415	-
Carl Perkins Vocational Education	24,973	24,973	25,763	790
Race to the Top	5,764	5,764	5,764	-
Tiered Intervention Grant	204,316	235,389	204,316	(31,073)
Other	130,531	130,531	70,672	(59,859)
Total Federal	988,886	988,886	900,592	(88,294)
Total Revenues	2,009,948	2,800,857	1,956,684	(844,173)
Expenditures				
Instruction				
Salaries	314,946	435,734	385,802	49,932
Benefits	125,041	125,041	116,568	8,473
Purchased services - professional	121,687	221,687	117,234	104,453
Purchased services - other	60,540	60,540	31,956	28,584
Supplies	57,641	157,641	88,940	68,701
Property	5,764	5,764	5,764	-
Total Instruction	685,619	1,006,407	746,264	260,143
Student Support				
Salaries	550,723	750,365	519,457	230,908
Benefits	183,168	283,168	165,143	118,025
Purchased services - professional	265,825	265,825	241,294	24,531
Purchased services - other	39,239	139,239	49,598	89,641
Supplies	25,474	25,474	34,884	(9,410)
Equipment	-	7,694	7,674	20
Other	4,283	4,283	-	4,283
Total Student Support	1,068,712	1,476,048	1,018,050	457,998

(Continued)

Lake County School District R-1

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

Year ended June 30, 2019

		Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Staff support					
Salaries		166,766	227,111	141,396	85,715
Benefits		88,851	88,851	48,634	40,217
	Total Staff Support	255,617	315,962	190,030	125,932
School Business					
Salaries		2,000	2,000	2,000	-
Benefits		440	440	340	100
			2,440	2,340	100
	Total expenditures	2,009,948	2,800,857	1,956,684	844,173
Net change in fund balance		-	-	-	-
Fund balance, beginning		-	-	-	-
Fund balance, ending		$ -	$ -	$ -	$ -

Lake County School District R-1

SCHEDULE OF ACTIVITY - NET PENSION LIABILITY

Year ended June 30, 2019

	Employer proportion of NPL	Employer proportionate share of NPL	State's proportionate share of the net pension liability	Employer covered payroll	Employer proportionate share of NPL as a percentage of covered payroll	Pension plan's fiduciary net position as a percentage of total pension liability
Measurement date:						
December 31, 2013	0.14683102%	$ 18,308,363	$ -	$ 5,786,362	316.41%	64.10%
December 31, 2014	0.14438743%	19,569,347	-	6,049,167	323.51%	62.80%
December 31, 2015	0.14604846%	22,387,081	-	6,363,878	351.78%	59.16%
December 31, 2016	0.14683102%	43,717,274	-	6,590,004	663.39%	43.13%
December 31, 2017	0.13969233%	45,171,535	-	6,679,965	676.22%	43.96%
December 31, 2018	0.12536643%	22,198,702	3,035,364	6,911,090	321.20%	57.01%

Lake County School District R-1

SCHEDULE OF ACTIVITY - EMPLOYER PENSION CONTRIBUTIONS

Year ended June 30, 2019

	Required employer contribution	Employer contributions recognized by the plan	Difference	Employer covered payroll	Contributions as a percentage of employer covered payroll
Measurement date:					
June 30, 2013	$ 926,219	$ 926,219	$ -	$ 5,748,203	16.11%
June 30, 2014	990,535	990,535	-	5,822,274	17.01%
June 30, 2015	1,120,600	1,120,600	-	6,256,642	17.91%
June 30, 2016	1,233,696	1,233,696	-	6,571,617	18.77%
June 30, 2017	1,235,169	1,235,169	-	6,366,791	19.40%
June 30, 2018	1,329,727	1,329,727	-	6,679,965	19.91%
June 30, 2019	1,354,436	1,354,436	-	7,080,166	19.13%

Lake County School District R-1

SCHEDULE OF ACTIVITY - NET OPEB LIABILITY

Year ended June 30, 2019

	Employer proportion of NPL	Employer proportionate share of NPL	Employer covered payroll	Employer proportionate share of NPL as a percentage of covered payroll	Pension plan's fiduciary net position as a percentage of total pension liability
Measurement date:					
December 31, 2017	0.07937263%	$ 1,031,527	$ 6,679,965	15.44%	18.00%
December 31, 2018	0.08141661%	1,107,707	6,911,090	16.03%	17.03%

Lake County School District R-1

SCHEDULE OF ACTIVITY - EMPLOYER CONTRIBUTIONS TO OPEB

Year ended June 30, 2019

	Required employer contribution	Employer contributions recognized by the plan	Difference	Employer covered payroll	Contributions as a percentage of employer covered payroll
Measurement date:					
June 30, 2018	$ 68,135	$ 68,135	$ -	$ 6,679,965	1.02%
June 30, 2019	72,218	72,218	-	7,080,166	1.02%

NOTE A – BUDGETS AND BUDGETARY ACCOUNTING

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

- Budgets are required by state law for all funds. By May 31, the Superintendent of Schools submits to the Board of Education a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. All appropriations lapse at year end.
- Public hearings are conducted by the Board of Education to obtain taxpayer comments.
- Prior to June 30, the budget is adopted by formal resolution.
- Expenditures may not legally exceed appropriations at the fund level.
- Revisions that alter the total expenditures of any fund must be approved by the Board of Education.
- Budgeted amounts reported in the accompanying financial statements are as originally adopted or as revised by the Board of Education.
- Budget amendments increasing total fund appropriations must be approved by the Board of Education. During the year, supplemental appropriation resolutions were approved by the Board of Education.
- During the year ended June 30, 2019, supplementary appropriations approved by the District as follows:

	Original Budget	Final Budget
General Fund	$ 13,585,228	$ 14,050,086
Designated Grants Fund	2,009,948	2,800,857
Food Service Fund	773,500	737,345
Center Fund	151,301	166,681
Head Start Fund	551,822	621,028
Bond Redemption Fund	1,995,365	2,024,977
Capital Reserve Fund	758,690	1,200,441
Health Fund	-	2,096,757
Pupil Activity	275,000	275,000
Total	$ 20,100,854	$ 23,973,172

NOTE A – BUDGETS AND BUDGETARY ACCOUNTING – CONTINUED

The Head Start fund was over budget in the current year by $42,340. This over-expenditure may be a violation of State budget law.

SUPPLEMENTARY INFORMATION

Lake County School District R-1

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2019

	Food Service Fund	Center Fund	Head Start Fund	Total 2019
Assets				
Cash and investments	$ 5,669	$ 17,808	$ -	$ 23,477
Accounts receivable	20,564	-	-	20,564
Grants receivable	1,522	2,543	58,520	62,585
Due from other funds	11,295	23,413	-	34,708
Inventory	2,966	-	-	2,966
Total Assets	$ 42,016	$ 43,764	$ 58,520	$ 144,300
Liabilities and Fund Balance				
Liabilities				
Accounts payable	$ 2,715	$ 119	$ 1,345	$ 4,179
Accrued salaries and benefits	23,925	7,955	42,257	74,137
Unearned revenues	3,432	7,483	-	10,915
Due to other funds	-	-	14,918	14,918
Total Liabilities	30,072	15,557	58,520	104,149
Fund Balances				
Nonspendable	2,966	-	-	2,966
Committed	8,978	28,207	-	37,185
Total Fund Balance	11,944	28,207	-	40,151
Total Liabilities and Fund Balance	$ 42,016	$ 43,764	$ 58,520	$ 144,300

Lake County School District R-1

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS

Year ended June 30, 2019

	Food Service Fund	Center Fund	Head Start Fund	Total 2019
Revenues				
Local sources	$ 152,203	$ 151,364	$ -	$ 303,567
State sources	16,043	-	-	16,043
Federal Sources	460,843	3,960	663,368	1,128,171
Total revenues	629,089	155,324	663,368	1,447,781
Expenditures				
Food services	712,383	-	-	712,383
Operations and maintenance	-	4,708	18,084	22,792
Transportation		-	27,959	27,959
Community support	-	142,630	617,325	759,955
Total expenditures	712,383	147,338	663,368	1,523,089
Excess Revenues over (under) expenditures	(83,294)	7,986	-	(75,308)
Other financing sources				
Transfers in (out)	88,894	-	-	88,894
Total other financing sources	88,894	-	-	88,894
Net change in fund balance	5,600	7,986	-	13,586
Fund balance, beginning	6,344	20,221	-	26,565
Fund balance, ending	$ 11,944	$ 28,207	$ -	$ 40,151

Lake County School District R-1

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

Year ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Lunch sales	$ 116,000	$ 116,000	$ 121,480	$ 5,480
Ala Carte sales	21,000	21,000	14,484	(6,516)
Special function sales	18,000	18,000	16,239	(1,761)
SMCN	4,500	4,500	3,866	(634)
Start Smart	5,000	5,000	5,388	388
Other State	5,000	5,000	6,789	1,789
Commodity distribution	33,000	33,000	30,999	(2,001)
National School Lunch Program	282,500	246,345	214,331	(32,014)
National School Breakfast Program	140,000	140,000	126,628	(13,372)
Summer Food Program	8,500	8,500	9,983	1,483
CACFP Snack grant	45,000	45,000	67,626	22,626
Other Federal	20,000	20,000	11,276	(8,724)
Total revenues	698,500	662,345	629,089	(33,256)
Expenditures				
Salaries	327,355	291,200	281,467	9,733
Benefits	114,145	114,145	124,791	(10,646)
Purchased services - other	2,500	2,500	2,053	447
Supplied	3,500	3,500	5,302	(1,802)
Food	235,000	235,000	214,360	20,640
Milk	58,000	58,000	53,411	4,589
Commodities	33,000	33,000	30,999	2,001
Total expenditures	773,500	737,345	712,383	24,962
Revenues over (under) expenditures	(75,000)	(75,000)	(83,294)	(8,294)
Other financing sources				
Transfers in	75,000	75,000	88,894	13,894
Total other financing sources	75,000	75,000	88,894	13,894
Net change in fund balance	-	-	5,600	5,600
Fund balance, beginning	6,344	6,344	6,344	-
Fund balance, ending	$ 6,344	$ 6,344	$ 11,944	$ 5,600

Lake County School District R-1

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

Year ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Tuition	$ 110,000	$ 110,000	$ 120,864	$ 10,864
Donations	33,000	33,000	30,500	(2,500)
IDEA Preschool	3,460	3,460	3,960	500
Total revenues	146,460	146,460	155,324	8,864
Expenditures				
Operations and Maintenance				
Salaries	3,800	3,800	3,402	398
Benefits	2,537	2,537	1,306	1,231
Total operations and maintenance	6,337	6,337	4,708	1,629
Community Support				
Salaries	89,760	89,760	82,415	7,345
Benefits	30,725	30,725	31,684	(959)
Purchased services	-	-	7,763	(7,763)
Supplies	4,500	4,500	2,052	2,448
Other	19,979	35,359	18,716	16,643
Total community support	144,964	160,344	142,630	17,714
Total expenditures	151,301	166,681	147,338	19,343
Net change in fund balance	(4,841)	(20,221)	7,986	28,207
Fund balance, beginning	20,221	20,221	20,221	-
Fund balance, ending	$ 15,380	$ -	$ 28,207	$ 28,207

Lake County School District R-1

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

Year ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Head Start grant	$ 551,822	$ 621,028	$ 663,368	$ 42,340
Total revenues	551,822	621,028	663,368	42,340
Expenditures				
Operations and Maintenance				
Salaries	15,353	15,353	13,079	2,274
Benefits	7,472	7,471	5,005	2,466
Total operations and maintenance	22,825	22,824	18,084	4,740
Transportation				
Salaries	19,102	19,102	17,751	1,351
Benefits	8,622	8,622	10,208	(1,586)
Total transportation	27,724	27,724	27,959	(235)
Community Support				
Salaries	308,016	368,223	395,702	(27,479)
Benefits	133,167	133,167	144,893	(11,726)
Purchased services - professional	18,440	27,440	28,173	(733)
Purchased services - other	5,365	5,365	5,216	149
Supplies	16,285	16,285	23,341	(7,056)
Vehicle	20,000	20,000	20,000	-
Total community support	501,273	570,480	617,325	(46,845)
Total expenditures	551,822	621,028	663,368	(42,340)
Net change in fund balance	-	-	-	-
Fund balance, beginning	-	-	-	-
Fund balance, ending	$ -	$ -	$ -	$ -

Lake County School District R-1

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

Year ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	$ 758,994	$ 758,779	$ 783,893	$ 25,114
Interest income	-	-	21,605	21,605
Total revenues	758,994	758,779	805,498	46,719
Expenditures				
Debt service				
Principal	491,349	491,349	491,349	-
Interest	267,430	267,430	267,430	-
Other	1,236,586	1,266,198	-	1,266,198
Total expenditures	1,995,365	2,024,977	758,779	-
Net change in fund balance	(1,236,371)	(1,266,198)	46,719	46,719
Fund balance, beginning	1,236,371	1,266,198	1,266,198	-
Fund balance, ending	$ -	$ -	$ 1,312,917	$ 46,719

Lake County School District R-1

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

Year ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Payments in Lieu of Taxes	$ 170,000	$ 170,000	$ 149,610	$ (20,390)
State Grant	488,690	930,441	5,355	(925,086)
Total Revenues	658,690	1,100,441	154,965	(945,476)
Expenditures				
Facilities/Property				
Buildings	613,190	1,054,941	173,764	881,177
Equipment	123,500	123,500	163,051	(39,551)
Vehicles	22,000	22,000	27,118	(5,118)
Total Expenditures	758,690	1,200,441	363,933	836,508
Excess Revenues over (under) Expenditures	(100,000)	(100,000)	(208,968)	(108,968)
Other Financing Sources				
Transfers in	100,000	100,000	100,000	-
Total Other Financing Sources	100,000	100,000	100,000	-
Net change in fund balance	-	-	(108,968)	(108,968)
Fund balance, beginning	432,834	432,834	432,834	-
Fund balance, ending	$ 432,834	$ 432,834	$ 323,866	$ (108,968)

Lake County School District R-1

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

Year ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Premiums	$ -	$ 2,096,757	$ 1,633,789	$ (462,968)
Other insurance revenue	-	-	259,175	259,175
Total Revenues	-	2,096,757	1,892,964	(203,793)
Expenditures				
Insurance premiums	-	2,096,757	1,774,172	322,585
Total Expenditures	-	2,096,757	1,774,172	322,585
Excess Revenues over (under) Expenditures	-	-	118,792	118,792
Other Financing Sources				
Transfers out	-	-	(66,475)	(66,475)
Total Other Financing Sources	-	-	(66,475)	(66,475)
Net change in fund balance	-	-	52,317	52,317
Fund balance, beginning	-	-	-	-
Fund balance, ending	$ -	$ -	$ 52,317	$ 52,317

Lake County School District R-1

BUDGETARY COMPARISON SCHEDULE - PUPIL ACTIVITY FUND

Year ended June 30, 2019

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
Receipts	$ 275,000	$ 276,719	$ 1,719
Disbursements	275,000	276,793	(1,793)
Net receipts (disbursements)	$ 550,000	(74)	$ (74)
Cash in bank, beginning		263,644	
Cash in bank, ending		$ 263,570	

Lake County School District R-1

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
PUPIL ACTIVITY AGENCY FUND

Year ended June 30, 2019

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
Assets				
Cash	$ 263,644	$ 276,719	$ 276,793	$ 263,570
Liabilities				
Accounts payable	$ 263,644	$ 276,719	$ 276,793	$ 263,570

Lake County School District R-1

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2019

Federal Grantor/Pass Through Grantor/Program Title	State Pass-through ID	Federal CFDA Number	2019 Amount of Award Expended
U.S. Department of Agriculture			
Passed through Colorado Department of Human Services			
Donated Commodities	4555	10.555	$ 30,999
Passed through Colorado Department of Education			
School Breakfast Program	4553	10.553	126,628
National School Lunch Program	4555	10.555	214,331
Summer Food Service Program for Children	4559	10.559	9,983
Child Nutrition Cluster Sub-Total			381,941
Child Nutrition Discretionary Grants	5579	10.579	5,764
Fresh Fruit & Vegetables Program	4582	10.582	11,276
Passed through Colorado Department of Public Health and Environment			
Child and Adult Care Food Program	4558	10.558	67,626
Total U.S. Department of Agriculture			466,607
U.S. Department of Education			
Passed through Colorado Department of Education			
Title I Part A Improving Basic Program Operated by Schools	4010/5010	84.010	299,922
21st Century Learning Centers	5287	84.287	246,426
ESSA Title V-B Rural and Low Income Schools	6358	84.358	15,721
Title IV-A Student Support	4424	84.424	18,527
Title III Part A English Language Acquisition	4365	84.365	25,206
Title III Part A Set Aside	7365	84.365	1,532
Total Title III Part A			26,738
Title II part A Improving Teacher Quality	4367	84.367	40,415
School Readiness Race to the Top	5412	84.412	-
Tiered Intervention Grant	7377	84.377	204,316
Passed through Colorado Mountain College			
Carl Perkins	4048	84.048	25,763
Total U.S. Department of Education			877,828
U.S. Department of Health and Human Services			
Passed through Colorado Department of Education			
Improving Student Heatlh and Academic Achievement through Nutrition, Physical Activity, and Management of Chronic Conditions	7981	93.981	17,000
Direct Program			
Head Start	8600	93.600	663,368
Total U.S. Department of Health and Human Services			680,368
Total Federal Awards			$ 2,024,803

NOTE A – GENERAL

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of all federal award programs of the Lake County School District R-1 (the District). The District's reporting entity is defined in Note A to the District's basic financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulation (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. The District did not elect to use the 10% de minimis indirect cost rate.

Pass-through entities

The District did not pass-through any federal funds to other entities for the year ended June 30, 2019.

Commodities

Commodities donated to the District by the U.S. Department of Agriculture (USDA) of $30,999 are valued based on the USDA's Donated Commodity Price List. These are shown as part of the National School Lunch program (10.555).

Total expenditures for the National School Lunch Program are as follows:

Commodities	$ 30,999
National School Lunch Program	214,331
Total	$ 245,330

Basis of accounting

The accompanying Schedule is presented using the modified accrual basis of accounting.

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

January 20, 2020

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lake County School District R-1 (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District 's basic financial statements and have issued our report thereon dated January 20, 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 was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. The reference number for this finding is 2019-01.

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.

2499 Hwy. 6&50
Grand Junction, CO 81505
www.csdcpa.com
e-mail info @ csdcpa.com
970-245-3000
FAX 970-242-4716
TOLL FREE 877-245-8080

Board of Education
Lake County School District R-1

Lake County School District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Chadwick, Steinkirchner, Davis & Co., P.C.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

January 20, 2020

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

Report on Compliance for Each Major Federal Program

We have audited Lake County School District R-1'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, 2019. 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* 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, 2019.

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

Board of Education
Lake County School District R-1

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 a 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.

Chadwick, Steinkirchner, Davis & Co., P.C.

Lake County School District R-1

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2019

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified Opinion			
Internal control over financial reporting:				
Material weakness(es) identified?		yes	✓	no
Significant deficiency(ies) identified not considered to be material weaknesses?	✓	yes		none reported
Noncompliance material to financial statements noted?		yes	✓	no

Federal Awards

Internal Control over major programs:				
Material weakness(es) identified?		yes	✓	no
Significant deficiency(ies) identified not considered to be material weaknesses?		yes	✓	none reported
Type of auditor's report issued on compliance for major programs:	Unmodified Opinion			
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516?		yes	✓	no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553/10.555/10.559	Child Nutrition Cluster
93.600	Head Start

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000			
Auditee qualified as low-risk auditee?		yes	✓	no

SECTION II - FINDINGS UNDER GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

Significant Deficiency
2019-001

Criteria: A complete system of internal control includes the ability of the District's staff to compile financial statements and footnotes in compliance with generally accepted accounting principles as applied to local governments.

Condition: During testing, there were some misstatements detected through audit testing that indicate that the client does not have the current ability to compile a full set of GAAP financial statements.

Effect: Balances and disclosures in the financial statements could be misstated if the entity does not have the ability to compile a full set of GAAP financial statements and footnotes.

Cause: The finance director is new in the current year and the staff has not had training in compiling GAAP financial statements.

Recommendations: We recommend that the staff acquire the training necessary to be able to complete a set of GAAP financial statements and to identify information that is required to be reported in the financial statements and footnotes.

View of responsible officials: Management agrees.

SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAMS

Our audit did not disclose any matters required to be reported in accordance with 2CFR 200.516(a).

Lake County School District R-1

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended June 30, 2019

Material Weakness
2018-001

It was recommend that reconciliations should be done of accounts receivable balances on a regular basis and that items identified as uncollectible be corrected when identified.

Status of finding: Implemented

Material weakness
2018-002

It was recommended that the District carefully review the calculation of the net pension liability to ensure that it is properly calculated in compliance with GASB 68.

Status of finding: Implemented

Lake County School District R-1 respectfully submits the following corrective action plan for the year ended June 30, 2019.

FINDINGS UNDER GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

Significant Deficiency

2019-001

Criteria: A complete system of internal control includes the ability of the District's staff to compile financial statements and footnotes in compliance with generally accepted accounting principles as applied to local governments.

Condition: During testing, there were some misstatements detected through audit testing that indicate that the client does not have the current ability to compile a full set of GAAP financial statements.

Effect: Balances and disclosures in the financial statements could be misstated if the entity does not have the ability to compile a full set of GAAP financial statements and footnotes.

Cause: The finance director is new in the current year and the staff has not had training in compiling GAAP financial statements.

Recommendations: We recommend that the staff acquire the training necessary to be able to complete a set of GAAP financial statements and to identify information that is required to be reported in the financial statements and footnotes.

View of responsible officials: Accounting staff will continue learning about the Alio software used to track revenue and expenses, attending the Alio Summit is one such training that can provide necessary knowledge. By September 1st, 2020 district accounting staff will use templates provided by auditor to compile a full set of GAAP financial statements prior to the audit beginning around October 1, 2020 with a two year goal of generating these reports with minimal errors for the auditor.

Responsible Individual: Paul Anderson, CFO

Colorado Department of Education

Auditors Integrity Report

District: 1510 - Lake County R-1
Fiscal Year 2018-19
Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type &Number	Beg Fund Balance & Prior Per Adj (6880*) +	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses -	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance =
Governmental				
10 General Fund	3,023,530	10,221,919	9,954,825	3,290,624
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	59,528	358,088	412,336	5,280
Sub- Total	3,083,058	10,580,007	10,367,161	3,295,904
11 Charter School Fund	0	0	0	0
20,26-29 Special Revenue Fund	20,221	818,692	810,706	28,207
06 Supplemental Cap Const, Tech, Main. Fund	0	0	0	0
21 Food Service Spec Revenue Fund	6,343	717,983	712,382	11,944
22 Govt Designated-Purpose Grants Fund	0	1,956,684	1,956,684	0
23 Pupil Activity Special Revenue Fund	0	0	0	0
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	1,266,198	805,497	758,779	1,312,916
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	432,834	254,965	363,933	323,866
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
Totals	4,808,654	15,133,828	14,969,645	4,972,837
Proprietary				
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	0	192,700	140,383	52,317
60,65-69 Other Internal Service Funds	0	0	0	0
Totals	0	192,700	140,383	52,317
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	263,644	276,719	276,793	263,570
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
Totals	263,644	276,719	276,793	263,570

FINAL