

OURAY COUNTY SCHOOL DISTRICT No. R-2
FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

June 30, 2016



RECEIVED

By Justin L. Smith at 12:49 pm, Dec 02, 2016

C O N T E N T S

	Page
INDEPENDENT AUDITORS' REPORT.....	1
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	3
FINANCIAL STATEMENTS	
GOVERNMENT-WIDE:	
STATEMENT OF NET POSITION	9
STATEMENT OF ACTIVITIES	10
FUND:	
BALANCE SHEET – GOVERNMENTAL FUNDS.....	11
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION.....	12
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	13
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	14
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND	15
STATEMENT OF FIDUCIARY NET POSITION – STUDENT ACTIVITIES FUND.....	16
NOTES TO FINANCIAL STATEMENTS	17
SUPPLEMENTAL INFORMATION	
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS	36
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS	37
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – FOOD SERVICE FUND.....	38
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GRANTS FUND	39
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – CAPITAL PROJECTS FUND.....	40
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – BOND REDEMPTION FUND.....	41
SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL – STUDENT ACTIVITIES FUND.....	42
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF ACTIVITY – NET PENSION LIABILITY	43
SCHEDULE OF ACTIVITY – EMPLOYER PENSION CONTRIBUTIONS.....	44
AUDITORS INTEGRITY REPORT OF THE COLORADO DEPARTMENT OF EDUCATION	



INDEPENDENT AUDITORS' REPORT

September 22, 2016

The Board of Education
Ouray County School District No. R-2
Ridgway, Colorado

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ouray County School District No. R-2 (the District) as of and for the year ended June 30, 2016, 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. 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.



Ouray County School District No. R-2
Page Two

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 Ouray County School District No. R-2, as of June 30, 2016, and the respective changes in financial position and the respective budgetary comparison for the General Fund 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, the schedule of activity – net pension liability, and the schedule of activity – employer pension contributions 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ouray County School District No. R-2's basic financial statements. The combining statement and schedule for the nonmajor governmental funds, the capital projects fund, bond redemption fund, food service fund, and student activities fund budgetary comparison schedules (the budgetary comparison schedules) and the Auditors Integrity Report of the Colorado Department of Education (the Report) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Management's Discussion and Analysis

Ridgway School District R-2

June 30, 2016

As management of the Ridgway School District R2 we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2016.

Financial Highlights

The liabilities and deferred inflows of resources of the District were less than its assets and deferred outflows of resources at the close of the most recent fiscal year by \$2,211,467 (net position). Of this amount, \$6,971,871 is invested in capital assets (net of related debt), \$139,000 is restricted for emergencies, \$1,562,315 is restricted for debt service, leaving an unrestricted negative net position balance of (\$6,461,719).

At the end of the current fiscal year, fund balance for the general fund was \$1,504,612. This is attributable to a conservative approach in budgeting for the school district so the fund balance is covering at least three months of operating expenditures.

During the fiscal year, the fund balance in the District's general fund increased by \$83,439.

The District's long-term obligations decreased by a net amount of \$694,570 as the result of current year payments on the debt.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. 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 only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The government-wide financial statements only have governmental activities that are principally supported by taxes and intergovernmental revenues. The governmental activities of the District include instructional services, pupil services, instructional staff services, general administration services, school administration services, maintenance and capital asset services, and transportation services. The government-wide financial statements include only the District itself, as the District has no component units. The government-wide financial statements can be found on pages 9 and 10 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to 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 a government's near-term financing requirements.

Because the focus of the 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 impact of the government'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 maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, the Bond Redemption Debt Service Fund, the Capital Projects Fund, and nonmajor governmental funds. The General, Bond Redemption, and Capital Projects funds are considered to be major funds.

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 11-15 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The District uses an agency fund to account for resources held for student activities and groups.

Notes to the financial statements. The notes provide additional information that is essential 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 17-35 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows of resources were less than assets and deferred outflows of resources by \$2,211,467 at the close of the most recent fiscal year.

The District's net position in its net investment in capital assets (e.g., land and improvements, buildings, and equipment); less any related debt used to acquire those assets that is still outstanding, is \$6,971,871. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's net 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. Property taxes are levied specifically to fund debt service on general obligation bonds.

Ridgway School District R2 Net Position

	<u>Governmental Activities</u>	
	2015	2016
Current and other assets	\$3,264,576	\$3,596,335
Capital assets	<u>12,572,878</u>	<u>12,298,559</u>
Total assets	<u>15,837,454</u>	<u>15,894,894</u>
Deferred Outflows	1,165,684	1,306,275
Long-term liabilities outstanding	6,336,980	5,642,410
Other liabilities	382,153	530,249
Net Pension Liability	<u>8,270,610</u>	<u>8,450,258</u>
Total liabilities	<u>14,989,743</u>	<u>14,622,917</u>
Deferred Inflows	618	366,785
Net position:		
Net investment in capital asset	6,622,346	6,971,871
Restricted	1,596,927	1,701,315
Unrestricted	<u>(6,206,496)</u>	<u>(6,461,719)</u>
Total net position	<u>\$2,012,777</u>	<u>\$2,211,467</u>

The District was required to implement GASB 68 which addresses pension liabilities and expenses for the current year. The result is a large noncurrent liability and a negative unrestricted net position.

The largest portion of the District's assets (seventy seven percent) reflects its investment in capital assets, less accumulated depreciation. Twenty two percent of the District's assets are cash and investments. Eighty one percent of the District's current liabilities represent accrued salaries and fringe benefits. This liability occurs when teachers and certain other District employees work nine months of the year, but are paid over a full twelve months. Therefore, for each month these employees work, they earn more than they are paid. Colorado statutes do not require the liability to be funded or budgeted for until the year in which it is paid.

The liability will be paid in the months of July and August 2016 with state funds received in fiscal year 2017. There was a decrease in long-term bonds outstanding of \$610,337 due to payment of debt obligations, and amortization of bond premiums.

Ridgway School District R2 Changes in Net Position

	<u>Governmental Activities</u>	
	2015	2016
Revenues:		
Charges for services	\$ 163,419	\$ 235,581
Operating grants	191,368	185,327
Capital grant	71,378	204,035
Property taxes levied for general purposes	1,757,457	1,788,944
Property taxes levied for debt services	824,516	836,712
State equalization	1,925,890	2,045,263
Specific ownership taxes	229,281	248,024
Investment earnings	7,500	10,599
Miscellaneous revenue	<u>40,469</u>	<u>73,013</u>
Total revenues	5,211,278	5,627,498
Expenses:		
Instructional services	3,022,528	2,863,296
Support services:		
Pupils	126,068	198,497
Instructional Staff	161,961	120,779
General administration	256,538	182,047
School administration	373,672	477,544
Operations/maintenance	586,905	620,940
Pupil transportation	309,012	263,291
Central services	335,374	305,678
Food services	224,911	225,175
Interest on long-term debt	<u>184,807</u>	<u>171,561</u>
Total expenses	<u>5,581,776</u>	<u>5,428,808</u>
Change in net position	(370,498)	198,690
Net position - beginning	9,175,636	2,012,777
Changes in accounting principle	<u>(6,792,361)</u>	<u>-</u>
Net position, beginning, restated	<u>2,383,275</u>	<u>2,012,777</u>
Net position-ending	<u>\$ 2,012,777</u>	<u>\$ 2,211,467</u>

Key elements of the change in net position are as follows:

State equalization aid increased by **\$119,373 (six percent)** during the fiscal year. Property taxes levied for general purposes and for debt service increased. Some of the increase is the product of the Colorado Public School Finance Act, which provides for the majority of the funding of local school districts based on a funded pupil count formula and a standardized maximum statewide property tax mill levy.

General fund expenditures actually spent were \$71,468 under budget. While all staff received a longevity step increase in their salary, the District took steps to reduce expenditures in other areas. This was primarily in reaction to potential reductions in state funding.

The implementation of GASB 68 had a major impact on the net position and expenses of the District.

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, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$3,078,331. *Unassigned fund balance* is \$1,352,393. Restricted fund balance of \$139,000 must be set aside for emergencies (Tabor).

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, the total fund balance was \$1,504,612.

The fund balance of the District's General Fund increased by \$83,439 during the current fiscal year.

General Fund Budgetary Highlights

There were no amendments to the General Fund budget that increased appropriations, nor were any significant variances from budget to actual noteworthy.

Capital assets. The District's investment in capital assets for its governmental activities as of June 30, 2016 amount to \$12,298,559 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and vehicles and equipment. The total decrease in the District's investment in capital assets for the current fiscal year was due to additions to land improvements offset by depreciation.

Long-term debt. At the end of the current fiscal year, the District had total outstanding bonded debt of \$5,295,000, which are general obligation bonds that are backed by the full faith and credit of the District. The general obligation bonds maintain a rating of "AAA" from Standard & Poor's. State statutes limit the amount of general obligation debt a governmental entity may issue to 20 percent of its total assessed valuation. The current debt limitation for the District is \$19,023,020 which is significantly in excess of the District's outstanding general obligation debt.

Economic Factors and Next Year's Budgets

The District's enrollment declined for 2015-2016. Trends in enrollment directly impact the school district's budget for funding. Rising inflation costs and State budget cuts will directly affect the State of Colorado's funding formula for school districts in the future.

Ever-rising costs of health insurance for our staff benefit program means the District has to be very resourceful in purchasing goods and services.

In November 2000, voters in Colorado approved Amendment 23 to the Colorado constitution providing that K-12 funding would increase at pupil growth plus inflation plus one percent for 10 years and thereafter, growth plus inflation. The amendment created a State Education Fund, which was intended to accumulate revenues to support this level of funding. This provision was intended to stabilize and remove funding from the political process.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Ridgway School District R2 Business Manager, 1115 W Clinton, Ridgway, Colorado 81432.

Ouray County School District No. R-2

STATEMENT OF NET POSITION

June 30, 2016

	Governmental Activities	Total
ASSETS		
Cash and investments	\$ 3,391,682	\$ 3,391,682
Receivables	200,234	200,234
Inventories	4,419	4,419
Capital assets (net of accumulated depreciation)	12,298,559	12,298,559
Total assets	<u>15,894,894</u>	<u>15,894,894</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related deferred outflows	1,078,179	1,078,179
Deferred loss on debt refunding	228,096	228,096
Total deferred outflows of resources	<u>1,306,275</u>	<u>1,306,275</u>
LIABILITIES		
Accounts payable	28,416	28,416
Accrued salaries and benefits	432,806	432,806
Accrued interest payable	12,245	12,245
Unearned revenue	56,782	56,782
Noncurrent liabilities:		
Due within one year:		
General obligation bonds	625,337	625,337
Leases payable	31,644	31,644
Early retirement payable	10,000	10,000
Compensated absences	77,626	77,626
Due in more than one year:		
General obligation bonds	4,820,493	4,820,493
Leases payable	77,310	77,310
Net pension liability	8,450,258	8,450,258
Total liabilities	<u>14,622,917</u>	<u>14,622,917</u>
DEFERRED INFLOWS OF RESOURCES		
Pension related deferred inflows	366,785	366,785
Total deferred inflows of resources	<u>366,785</u>	<u>366,785</u>
NET POSITION		
Net investment in capital assets	6,971,871	6,971,871
Restricted for emergencies	139,000	139,000
Restricted for debt service	1,562,315	1,562,315
Unrestricted	(6,461,719)	(6,461,719)
Total net position	<u>\$ 2,211,467</u>	<u>\$ 2,211,467</u>

The notes to the financial statements are an integral part of this statement.

Ouray County School District No. R-2

STATEMENT OF ACTIVITIES

Year ended June 30, 2016

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Governmental activities						
Instructional services	\$ 2,863,296	\$ 175,299	\$ 102,512	\$ -	\$ (2,585,485)	\$ (2,585,485)
Support services:						
Pupils	198,497	-	-	-	(198,497)	(198,497)
Instructional staff	120,779	-	-	-	(120,779)	(120,779)
General administrator	182,047	-	-	-	(182,047)	(182,047)
School administrator	477,544	-	-	-	(477,544)	(477,544)
Operations and maintenance	620,940	-	-	172,477	(448,463)	(448,463)
Pupil transportation	263,291	-	28,429	-	(234,862)	(234,862)
Central	305,678	-	-	19,330	(286,348)	(286,348)
Food service	225,175	60,282	54,386	12,228	(98,279)	(98,279)
Interest on long-term deb	171,561	-	-	-	(171,561)	(171,561)
Total governmental activities:	<u>\$ 5,428,808</u>	<u>\$ 235,581</u>	<u>\$ 185,327</u>	<u>\$ 204,035</u>	<u>(4,803,865)</u>	<u>(4,803,865)</u>
General revenues						
Property taxes levied for general purposes					1,788,944	1,788,944
Property taxes levied for debt service					836,712	836,712
State equalization					2,045,263	2,045,263
Specific ownership taxes					248,024	248,024
Investment earnings					10,599	10,599
Miscellaneous revenue					73,013	73,013
Total general revenues					<u>5,002,555</u>	<u>5,002,555</u>
Change in net position					198,690	198,690
Net position - beginning					2,012,777	2,012,777
Net position - ending					<u>\$ 2,211,467</u>	<u>\$ 2,211,467</u>

The notes to the financial statements are an integral part of this statement.

Ouray County School District No. R-2

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2016

	General	Capital Projects	Bond Redemption	Nonmajor Governmental	Totals Governmental Funds
ASSETS					
Cash and investments	\$ 1,838,181	\$ -	\$ 1,535,572	\$ 17,929	\$ 3,391,682
Receivables	73,465	100,000	26,743	26	200,234
Due from other funds	28,567	-	-	-	28,567
Inventories	-	-	-	4,419	4,419
Total assets	<u>\$ 1,940,213</u>	<u>\$ 100,000</u>	<u>\$ 1,562,315</u>	<u>\$ 22,374</u>	<u>\$ 3,624,902</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 11,782	\$ -	\$ -	\$ 2,551	\$ 14,333
Accrued salaries and benefits	409,464	-	-	23,342	432,806
Due to other funds	14,083	28,567	-	-	42,650
Unearned revenues	272	52,574	-	3,936	56,782
Total liabilities	435,601	81,141	-	29,829	546,571
Fund balances					
Nonspendable	-	-	-	4,419	4,419
Restricted - TABOR reserve	139,000	-	-	-	139,000
Restricted for debt service	-	-	1,562,315	-	1,562,315
Assigned for capital projects	-	18,859	-	-	18,859
Assigned for grants	-	-	-	1,345	1,345
Unassigned	1,365,612	-	-	(13,219)	1,352,393
Total fund balances	<u>1,504,612</u>	<u>18,859</u>	<u>1,562,315</u>	<u>(7,455)</u>	<u>3,078,331</u>
Total liabilities and fund balances	<u>\$ 1,940,213</u>	<u>\$ 100,000</u>	<u>\$ 1,562,315</u>	<u>\$ 22,374</u>	<u>\$ 3,624,902</u>

The notes to the financial statements are an integral part of this statement.

Ouray County School District No. R-2

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

June 30, 2016

Amount reported for governmental activities in the statement of net position
are different because:

Total fund balance - governmental funds	\$	3,078,331
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is and the accumulated depreciation is	17,284,467 <u>(4,985,908)</u>	12,298,559
Deferred loss on the refunding is not a current financial resource and, therefore, is not reported in the funds.		228,096
Net pension obligations and the related deferred items are not financial resources and, therefore, are not recorded in the funds. The assessed value of the net pension obligation is (\$8,450,258), the deferred outflows total \$1,078,179 and the deferred inflows total (\$366,785).		(7,738,864)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Long-term bonds	(5,295,000)	
Bond premiums	(150,830)	
Leases payable	(108,954)	
Early retirement payable	(10,000)	
Compensated absences	<u>(77,626)</u>	(5,642,410)
Interest accrued on long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds.		<u>(12,245)</u>
Total net position - governmental activities	\$	<u><u>2,211,467</u></u>

The notes to the financial statements are an integral part of this statement.

Ouray County School District No. R-2

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

Year ended June 30, 2016

	General	Bond Redemption	Capital Projects	Nonmajor Governmental	Totals Governmental Funds
Revenues					
Local sources	\$ 2,224,446	\$ 841,632	\$ -	\$ 60,282	\$ 3,126,360
State sources	2,191,060	-	135,190	2,282	2,328,532
Federal sources	12,228	-	-	123,093	135,321
Total revenues	<u>4,427,734</u>	<u>841,632</u>	<u>135,190</u>	<u>185,657</u>	<u>5,590,213</u>
Expenditures					
Current					
Instruction	2,247,276	-	-	51,659	2,298,935
Supporting services	1,835,961	-	-	-	1,835,961
Food service	-	-	-	207,285	207,285
Capital outlay	49,559	-	199,850	19,555	268,964
Debt service, interest and charges	-	154,244	5,826	-	160,070
Debt service principal	-	590,000	46,485	-	636,485
Total expenditures	<u>4,132,796</u>	<u>744,244</u>	<u>252,161</u>	<u>278,499</u>	<u>5,407,700</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	294,938	97,388	(116,971)	(92,842)	182,513
Other financing sources (uses)					
Transfers in (out)	(211,499)	-	125,854	85,645	-
	<u>(211,499)</u>	<u>-</u>	<u>125,854</u>	<u>85,645</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	83,439	97,388	8,883	(7,197)	182,513
Fund balances beginning of year	<u>1,421,173</u>	<u>1,464,927</u>	<u>9,976</u>	<u>(258)</u>	<u>2,895,818</u>
Fund balance end of year	<u><u>\$ 1,504,612</u></u>	<u><u>\$ 1,562,315</u></u>	<u><u>\$ 18,859</u></u>	<u><u>\$ (7,455)</u></u>	<u><u>\$ 3,078,331</u></u>

The notes to the financial statements are an integral part of this statement.

Ouray County School District No. R-2

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

Year ended June 30, 2016

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

Net change in fund balances - total governmental funds		\$ 182,513
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays and donated capital assets (\$37,287) in the current period. (\$442,419 - 168,100)</p>		
		(274,319)
<p>In the governmental funds, expenditures for the defined benefit plan are measured by the amount of financial resources used, whereas in the statement of activities they are measured as the liability is accrued according to actuarial estimates. This is the amount the net pension liability, with accompanying deferred outflows/inflows, changed in the current year.</p>		
		(372,246)
<p>Governmental funds report repayment of debt principal as an expenditure. Also, governmental funds report the effect of debt premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of long-term debt is as follows:</p>		
Debt principal payments	636,485	
Change in early retirement payable	10,000	
Change in accrued compensated absences	27,748	
Change in accrued interest payable	1,150	
Amortization of deferred loss on debt refunding	(32,978)	
Accretion on bond premium	20,337	662,742
Change in net position of governmental activities		\$ 198,690

The notes to the financial statements are an integral part of this statement.

Ouray County School District No. R-2

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

Year ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Current property taxes	\$ 1,819,818	\$ 1,796,770	\$ 1,788,944	\$ (7,826)
Specific ownership taxes	150,000	160,000	248,024	88,024
State equalization	2,035,044	2,030,768	2,045,263	14,495
Transportation, state	27,123	27,123	28,429	1,306
State sources, other	91,630	165,155	117,368	(47,787)
Federal sources	-	-	12,228	12,228
Interest income	3,000	3,000	5,679	2,679
Other local sources	150,191	150,591	181,799	31,208
Total revenues	<u>4,276,806</u>	<u>4,333,407</u>	<u>4,427,734</u>	<u>94,327</u>
Expenditures				
Current				
Instruction	2,301,831	2,283,236	2,247,276	35,960
Supporting services				
Pupils	163,605	162,692	172,150	(9,458)
Instructional staff	127,773	122,740	109,920	12,820
General administration	178,612	172,242	155,736	16,506
School administration	454,924	447,339	443,080	4,259
Operations and maintenance	492,491	496,919	492,406	4,513
Pupil transportation	247,095	205,930	207,263	(1,333)
Central support services	240,542	262,904	255,406	7,498
Capital outlay	51,262	50,262	49,559	703
Total expenditures	<u>4,258,135</u>	<u>4,204,264</u>	<u>4,132,796</u>	<u>71,468</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	18,671	129,143	294,938	165,795
Other financing sources (uses)				
Transfers in (out)	(110,006)	(130,041)	(211,499)	(81,458)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(91,335)	(898)	83,439	84,337
Fund balance beginning of year	<u>91,335</u>	<u>898</u>	<u>1,421,173</u>	<u>1,420,275</u>
Fund balance end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,504,612</u>	<u>\$ 1,504,612</u>

The notes to the financial statements are an integral part of this statement.

Ouray County School District No. R-2

STATEMENT OF FIDUCIARY NET POSITION
STUDENT ACTIVITIES FUND

June 30, 2016

ASSETS

Cash and investments	\$	184,535
Due from General Fund		14,083
	\$	<u>198,618</u>

LIABILITIES

Due to others	\$	<u>198,618</u>
---------------	----	----------------

The notes to the financial statements are an integral part of this statement.

Ouray County School District No. R-2

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Ridgway School District No. R-2 (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body establishing governmental accounting and financial reporting principles.

The following is a summary of the District's significant accounting policies:

1. The Reporting Entity

The District is governed by a five member Board of Education and is organized and operates in accordance with Colorado statutes. Board of Education members are elected by the citizens of Ouray County, residing within the District's boundaries. The Board is not appointed by any other governing body. The Board selects the superintendent of schools and senior level administrators. The Board is solely responsible for the District's budget adoption process. The District independently issues debt for short and long-term financing. The District meets the criteria of a primary government: its Board is the publicly elected governing body; it is a legally separate entity; and it is fiscally independent. The District is not included in any other governmental reporting entity, and has no component units.

2. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Ouray County School District No. R-2

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers 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 and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

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

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *Capital Projects Fund* accounts for ongoing capital needs, such as site acquisition, building additions, and equipment purchases.

Additionally, the District reports the following fund types:

The *Grant Fund* accounts for revenue and expenditures of funds as proscribed by various federal, state and local grantors as awarded to the District.

The *Food Service Fund* accounts for the activities of the nutrition services operations.

The *Student Body Activities Agency Fund* is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations or budgetary accounting. However, the Colorado State Auditor's Office has determined that an annual budget and appropriation be adopted by the Board of Education.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Interfund activity is not eliminated in the fund financial statements.

Ouray County School District No. R-2

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Amounts reported as *program revenues* include 1) charges to students and customers for tuition, fees, rental or services provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes.

4. Assets, Liabilities and Net Assets or Equity

Cash and Investments

State statutes authorize the government and the District to invest in obligations of the U.S. Treasury, obligations unconditionally guaranteed by U.S. agencies, certain international agency securities, certain types of bonds of U.S. local government entities, bankers acceptances of certain banks, commercial paper, written repurchase agreements collateralized by certain authorized securities, certain money market funds and guaranteed investment contracts.

Investments for the District are reported at fair value.

Receivables and Payables

Interfund receivables and payables result from overdraws of the cash and investment pool. These outstanding balances between funds are reported as “due to/from other funds.”

Inventories

Inventories of expendable supplies and materials are valued at cost using the first-in, first-out basis. Inventory items are charged to expenditures when they are consumed. United States Department of Agriculture commodity inventories are valued using Federal guidelines.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. 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 cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Ouray County School District No. R-2

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Property, plant, and equipment of the District is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and building improvements	15 - 40
Vehicles	10
Equipment	4 - 25

Future Compensated Absences

When a staff member accumulates leave days beyond the annual numbers set by the Board, they are deemed to be vested in the leave program. The number of days required to be vested was 35 days for the 2015/2016 school year. Staff members may accumulate up to 60 leave days. Once a staff member accumulates 60 days, the staff member will receive payment annually for the number of days over 60.

Upon resignation or retirement a vested employee will be paid 75% of the substitute wage or the lowest rate for each classification paid per day for each day accumulated, not to exceed 60 days. This payment will be made by July 1 of the year the vested employee resigns or retires.

Long-term obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.

In the fund financial statements, governmental fund types recognize debt premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

5. Stewardship, compliance and accountability

Budgetary Information

Annual budgets are adopted for all funds on a basis consistent with GAAP, with the exception that the accrual for salaries and benefits in the Grants fund is not budgeted. In June, the Board of Education adopts the budget for the following fiscal year. In accordance with Colorado statutes, the Board makes final changes, if any, when it “readopts” the budget by January 2016. The Board may amend or adopt supplemental budgets during the budget year. There were two supplemental appropriation during the current year.

Ouray County School District No. R-2

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Budgeted level of expenditures

Expenditures may not legally exceed appropriations at the fund level. Administrative control is maintained through the use of detailed line-item budgets. Budgets must be amended at the fund level by the Board of Education. At year-end, all appropriations lapse in accordance with Colorado statutes. The District did not have any funds that exceeded their appropriations.

6. Pensions

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

NOTE B – CASH AND INVESTMENTS

Cash and investments consist of the following:

Demand accounts	\$ 2,004,454
Certificate of deposit	36,191
ColoTrust	<u>1,535,572</u>
Total cash and investments	<u>\$ 3,576,217</u>

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

The District's bank balance for deposits was \$2,098,597 of which \$500,000 was FDIC insured and the remainder of \$1,598,597 was covered by PDPA as described above.

The District is invested in the Colorado Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local government entities in Colorado pursuant to Part 7 of article 75 of the Colorado Revised Statutes. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. The fair value of the position in the pool is the same as the value of the pool shares. The designated custodial bank provides safe keeping and depository services in connection with the direct investments and withdrawal functions, substantially all securities owned by the pool are held by the Federal Reserve Bank in the account maintained by the custodial bank. The pool carried a rating of AAA from Standard & Poor's.

Ouray County School District No. R-2

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE C – PROPERTY TAXES

Property Tax Calendar

The District's property taxes certified by the Board of Education by December 15 and levied on assessed valuation by the Ouray County Commissioners by December 22, are due and payable in the subsequent calendar year. Assessed values are established by the county assessor. Property taxes attach as an enforceable lien on property as of January 1 of the year in which payable. The taxes are payable under two methods: 1) in full on or before April 30; 2) one-half on or before February 28 and the remaining on-half on or before June 15. The Ouray County Treasurer collects all property taxes. District taxes are received by the 10th of the month following the month of collection, except for the months of March, May and June, when two payments are received.

NOTE D – CAPITAL ASSETS

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 554,431	\$ –	\$ –	\$ 554,431
Construction in Progress	9,430	11,778	9,430	11,778
Total capital assets, not being depreciated	563,861	11,778	9,430	566,209
Capital assets, being depreciated:				
Buildings and building improvements	15,856,448	165,752	–	16,022,200
Equipment	155,168	–	–	155,168
Transportation equipment	602,715	–	61,825	540,890
Total capital assets being depreciated	16,614,331	165,752	61,825	16,718,258
Less accumulated depreciation for:				
Buildings and building improvements	4,118,318	389,456	–	4,507,774
Equipment	107,605	13,346	–	120,951
Transportation equipment	379,391	39,617	61,825	357,183
Total accumulated depreciation	4,605,314	442,419	61,825	4,985,908
Total capital assets being depreciated, net	12,009,017	(276,667)	–	11,732,350
Governmental activities capital assets, net	\$ 12,572,878	\$ (264,889)	\$ 9,430	\$ 12,298,559

Ouray County School District No. R-2

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE D – CAPITAL ASSETS – CONTINUED

Depreciation expense was charged for functions/programs of the primary government as follows:

Governmental activities:	
Instructional services	\$ 376,452
Pupil services	13,086
Instructional staff services	472
General administration services	1,313
Operations and maintenance services	9,787
Food Service	1,247
Pupil transportation services	<u>40,062</u>
Total depreciation expense governmental activities	<u>\$ 442,419</u>

NOTE E – LONG-TERM LIABILITIES

The following is a summary of long-term liabilities transactions of the District for the year ended June 30, 2016:

	<u>Balance</u> <u>6/30/15</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/16</u>	<u>Due within</u> <u>one year</u>
General obligation bond 2008	\$1,065,000	\$ –	\$ 100,000	\$ 965,000	\$ 100,000
Bond premium, 2008 bonds	38,918	–	4,624	34,294	4,624
General obligation bond 2012	4,820,000	–	490,000	4,330,000	505,000
Bond premium, 2012 bonds	132,249	–	15,713	116,536	15,713
Lease-purchase agreements	155,439	–	46,485	108,954	31,644
Voluntary exit program	20,000	–	10,000	10,000	10,000
Accrued compensated absences	<u>105,374</u>	<u>–</u>	<u>27,748</u>	<u>77,626</u>	<u>77,626</u>
	<u>\$6,336,980</u>	<u>\$ –</u>	<u>\$ 694,570</u>	<u>\$5,642,410</u>	<u>\$ 744,607</u>

General Obligation Bonds

General Obligation Refunding Bonds, Series 2012

On March 22, 2012 the District issued General Obligation Refunding Bonds, Series 2012 in the principal amount of \$5,470,000. The Bonds were issued to refund a portion of the District's outstanding General Obligation Bonds, Series 2004. Bond payments require interest to be paid semi-annually on June 1 and December 1 with an annual principal payment due December 1. Interest rates vary from 2.00% to 2.50%.

Ouray County School District No. R-2

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE E – LONG-TERM LIABILITIES – CONTINUED

General Obligation Bonds, Series 2008

In January 2009, the District issued general obligation bonds in the amount of \$2,200,000 in order to finance the costs of constructing, equipping, and improving: (i) a regulation gymnasium and locker rooms, (ii) a performing arts studio/music classroom, and (iii) a climbing wall and weight training facility to District buildings. Bond payments require interest to be paid semi-annually on June I and December I with an annual principal payment due December 1. Interest rates vary from 3.00% to 5.50%.

Debt service requirements for general obligation bonds are as follows:

General Obligation Refunding Bonds, Series 2012

<u>Maturity</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 505,000	\$ 92,826	\$ 597,826
2018	510,000	82,676	592,676
2019	525,000	72,326	597,326
2020	535,000	61,726	596,726
2021	545,000	49,563	594,563
2022-2024	1,710,000	64,877	1,774,877
Total	<u>\$ 4,330,000</u>	<u>\$ 423,994</u>	<u>\$ 4,753,994</u>

General Obligation Refunding Bonds, Series 2008

<u>Maturity</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 100,000	\$ 46,943	\$ 146,943
2018	110,000	42,068	152,068
2019	110,000	36,568	146,568
2020	115,000	30,943	145,943
2021	120,000	25,069	145,069
2022-2024	410,000	34,791	444,791
Total	<u>\$ 965,000</u>	<u>\$ 216,382</u>	<u>\$ 1,181,382</u>

Lease-purchase Agreements

In July 2012, the District entered into a lease agreement to purchase a 2008 Blue Bird Vision 42-passenger bus. The agreement called for a down payment of \$7,065 and 5 annual payments of \$14,123 with an imputed interest rate of 3.5%. Total cost of the bus was \$70,645. Debt service requirements to maturity for this lease-purchase agreement are as follows:

2008 Blue Bird Vision Bus

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 13,158	\$ 965	\$ 14,123
2018	13,632	491	14,123
Total	<u>\$ 26,790</u>	<u>\$ 1,456</u>	<u>\$ 28,246</u>

Ouray County School District No. R-2

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE E – LONG-TERM LIABILITIES – CONTINUED

In March 2014 the District entered into a lease agreement for the purchase of a 2015 Blue Bird Bus. The agreement called for 7 annual payments of \$17,373. Total cost of the bus was \$108,410 plus interest of \$13,203. Debt service requirements to maturity for this lease-purchase agreement are as follows:

2015 Blue Bird Bus #25			
	Principal	Interest	Total
2017	\$ 14,564	\$ 2,809	\$ 17,373
2018	15,087	2,286	17,373
2019	15,629	1,744	17,373
2020	16,190	1,183	17,373
2021	16,772	601	17,373
Total	<u>\$ 78,242</u>	<u>\$ 8,623</u>	<u>\$ 86,865</u>

In June 2014 the District entered into a lease contract with John Deere Financial for the purchase of a John Deere Model 997S ZTRAK W/72" side discharge mower. The cost of the mower was \$15,371 plus interest of \$948. The contract calls for four payments of \$4,080 beginning June 25, 2014. Debt service requirements to maturity for this lease-purchase agreement are as follows:

John Deere Model 9975 Mower			
	Principal	Interest	Total
2017	\$ 3,922	\$ 158	\$ 4,080
Total	<u>\$ 3,922</u>	<u>\$ 158</u>	<u>\$ 4,080</u>

Voluntary Exit Program

In the 1997-98 fiscal year, revised in fiscal year 2010, the District established a voluntary exit program to provide an opportunity to certain employees who may desire to exit from the service of the District, but who may or may not have reached the normal retirement age. During fiscal year 2016 no employees opted for the program.

Accrued Compensated Absences

At June 30, 2016 the District reported a liability for discretionary leave days for vested employees in the amount of \$77,626.

Ouray County School District No. R-2

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE F – FUND BALANCES

GASB Statement No. 54 clearly defines fund balance categories by providing fund balance classifications which can be more consistently applied and by clarifying the existing governmental fund type definitions. The following classifications describe these categories:

- *Non-spendable fund balance* - The portion of fund balance that cannot be spent because it is either not in spendable form (such as inventory) or is legally or contractually required to be maintained intact.
- *Restricted fund balance* - The portion of fund balance constrained to being used for a specific purpose by external parties (such as grantors or bondholders), constitutional provisions or enabling legislation.
- *Committed fund balance* - The portion of fund balance constrained for specific purposes according to limitations imposed by the District's highest level of decision making authority, the School Board, prior to the end of the current fiscal year. The constraint may be removed or changed only through formal action of the School Board.
- *Assigned fund balance* - The portion of fund balance set aside for planned or intended purposes. The intended use may be expressed by the School Board or other individuals authorized to assign funds to be used for a specific purpose. Assigned fund balances in special revenue funds will also include any remaining fund balance that is not restricted or committed. This classification is necessary to indicate that those funds are, at a minimum intended to be used for the purpose of that particular fund.
- *Unassigned fund balance* - The residual portion of fund balance that does not meet any of the above criteria. The District will only report a positive unassigned fund balance in the General Fund.

If both restricted and unrestricted amounts of fund balance are available for use when an expenditure is incurred, it is District policy to use restricted amounts first. Unrestricted fund balance will be used in the following order: committed, assigned, and unassigned. The Food Service fund ended the year with a deficit fund balance of \$8,800. Also, per District policy, the Board shall protect the future fiscal health of the District by maintaining a reserve fund balance of no less than 25% of expenditures.

NOTE G – DEFINED BENEFIT PENSION PLAN

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.

Ouray County School District No. R-2

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE G – DEFINED BENEFIT PENSION PLAN – CONTINUED

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

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

- Highest average salary multiplied by 2.5% and then multiplied by years of service credit
- The value of the retiring employee's member contribution account plus a 100% match on eligible amounts as of the retirement date. The 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% 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% 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% or 100% on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

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

Ouray County School District No. R-2

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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

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

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District were \$445,890 for the year ended June 30, 2016.

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

At June 30, 2016, the District reported a liability of \$8,450,258 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014.

Ouray County School District No. R-2

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE G – DEFINED BENEFIT PENSION PLAN – CONTINUED

Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The District’s proportion of the net pension liability was based on the District’s contributions to the SCHDTF for the calendar year 2015 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2015, the District’s proportion was 0.055251%, which was a decrease of 0.005772 from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$818,136. At June 30, 2016, 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	\$ 111,197	\$ –
Changes of assumptions or other inputs	–	119,417
Net difference between projected and actual earnings on pension plan investments	732,001	–
Changes in proportion and differences between contributions recognized and proportionate share of contributions	–	247,368
Contributions subsequent to the measurement date	<u>234,981</u>	<u>–</u>
Total	<u>\$ 1,078,179</u>	<u>\$ 366,785</u>

\$234,981 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30, 2016:	
2017	165,010
2018	108,613
2019	55,452
2020	147,338
2021	–
Thereafter	–

Ouray County School District No. R-2

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE G – DEFINED BENEFIT PENSION PLAN – CONTINUED

Actuarial assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90-10.10 percent
Long-term investment rate of return, net of pension Plan investment expenses, including price inflation	7.50 percent
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Changes to assumptions or other inputs since the December 31, 2013 actuarial valuation are as follows:

- The following programming changes were made:
 - Valuation of the full survivor benefit without any reduction for possible remarriage.
 - Reflection of the employer match on separation benefits for all eligible years.
 - Reflection of one year of service eligibility for survivor annuity benefit.
 - Refinement of the 18 month annual increase timing.
 - Refinements to directly value certain and life, modified cash refund and pop up benefit forms.
- The following methodology changes were made:
 - Recognition of merit salary increases in the first projection year.
 - Elimination of the assumption that 35% of future disabled members elect to receive a refund.
 - Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
 - Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year.

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years.

Ouray County School District No. R-2

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE G – DEFINED BENEFIT PENSION PLAN – CONTINUED

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

The SCHDTF’s long-term expected rate of return on pension plan investments was determined using 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 November 15, 2013 adoption of the long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	10 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	26.76%	5.00%
U.S. Equity – Small Cap	4.40%	5.19%
Non U.S. Equity – Developed	22.06%	5.29%
Non U.S. Equity – Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov’t/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
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 7.50%.

Discount Rate. The discount rate used to measure the total pension liability was 7.50%. 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:

Ouray County School District No. R-2

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE G – DEFINED BENEFIT PENSION PLAN – CONTINUED

- 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 3.90%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above actuarial cost method and assumptions, 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 on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

Ouray County School District No. R-2

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE G – DEFINED BENEFIT PENSION PLAN – CONTINUED

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 7.50%, 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 (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$10,954,004	\$8,450,258	\$6,367,608

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 – POSTEMPLOYMENT HEALTHCARE BENEFITS

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

Funding Policy. The District is required to contribute at a rate of 1.02% of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contribution to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. The District’s employer contributions to HCTF for the years ended June 30, 2016, 2015 and 2014 were \$25,635, \$23,995, and \$22,744, respectively, equal to the required contribution for each year.

Ouray County School District No. R-2

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE I – DEFINED CONTRIBUTION PENSION PLAN

Plan Description. Employees of Ouray County School District No. R-2 that are also members of the SCHDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report for the Plan. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy. The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. In addition, the District has agreed to match employee contributions up to a certain percent. Employees are immediately vested in their own contributions and investment earnings. For the year ended June 30, 2016, program members contributed \$24,266 and the District recognized pension expense of \$6,506 for the Voluntary Investment Program.

NOTE J – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the District's participation as a member of the Colorado School District Self Insurance Pool, which operates as a risk-sharing public entity risk pool comprised of various school districts and other related public educational entities within the State of Colorado. The Pool provides the District with general, property and vehicle liability insurance. In the event of the impairment or insolvency of the Pool, the District may be assessed such amounts as may be necessary to ensure the solvency of the Pool.

NOTE K – TAX, SPENDING AND DEBT LIMITATIONS

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations including revenue raising, spending abilities and other specific requirements of state and local governments. The Amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the Amendment. However, the District has made certain interpretations of the Amendment's language in order to determine its compliance. In a general election held on November 2, 1999, voters approved a ballot issue which allows the District to exceed the revenue limitations for the year ended June 30, 1999 and into the future.

NOTE L – COMMITMENTS AND CONTINGENCIES

Grants - The District receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the District's independent auditors and other governmental auditors. If expenditures are disallowed due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. Based on prior experience, the District administration believes such disallowance, if any, would be immaterial.

Ouray County School District No. R-2

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE L – COMMITMENTS AND CONTINGENCIES – CONTINUED

Litigation - The District is not party to any litigation. Management believes that any potential claims against the District, not covered by insurance, would not materially affect the financial statements of the District.

NOTE M – INTERFUND TRANSFERS AND DUE FROM/TO

The General Fund transferred \$125,854 to the Capital Projects Fund and \$85,645 to the Food Service Fund. The General Fund owes the Capital Projects Fund \$25,567 and the Student Body Activities Fund \$14,083 at June 30, 2016.

NOTE N – JOINT VENTURE

The District is a member of the Uncompahgre Board of Cooperative Services (BOCS), a joint venture of several local school districts. The BOCS is governed by a board formed of one board member from each member district. The participants oversee budgeting and finance. The following was extracted from the BOCS fund financial statements of June 30, 2016, and for the year then ended.

Total assets	\$ 271,203
Total liabilities	63,727
Total fund equity	207,476
Total revenues	1,048,254
Total expenditures	1,088,100
Excess of revenues over (under) expenditures	(39,846)

The District had no debt with the joint venture at June 30, 2016.

SUPPLEMENTARY INFORMATION

Ouray County School District No. R-2

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2016

	Special Revenue		Total Nonmajor Governmental Funds
	Food Service Fund	Grants Fund	
ASSETS			
Cash and cash equivalents	\$ -	\$ 17,929	\$ 17,929
Receivables	26	-	26
Inventories	4,419	-	4,419
	<u>4,419</u>	<u>-</u>	<u>4,419</u>
Total assets	<u>\$ 4,445</u>	<u>\$ 17,929</u>	<u>\$ 22,374</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 1,629	\$ 922	\$ 2,551
Unearned revenues	-	3,936	3,936
Accrued salaries and benefits	11,616	11,726	23,342
	<u>11,616</u>	<u>11,726</u>	<u>23,342</u>
Total liabilities	13,245	16,584	29,829
Fund balances			
Nonspendable	4,419	-	4,419
Assigned			
Grants	-	1,345	1,345
Unassigned	(13,219)	-	(13,219)
	<u>(13,219)</u>	<u>-</u>	<u>(13,219)</u>
Total fund balances	<u>(8,800)</u>	<u>1,345</u>	<u>(7,455)</u>
Total liabilities and fund balances	<u>\$ 4,445</u>	<u>\$ 17,929</u>	<u>\$ 22,374</u>

Ouray County School District No. R-2

COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS

Year ended June 30, 2016

	Special Revenue		Total
	Food Service Fund	Grants Fund	Nonmajor Governmental Funds
Revenues			
Local sources	\$ 60,282	\$ -	\$ 60,282
State sources	2,282	-	2,282
Federal sources	52,104	70,989	123,093
Total revenues	114,668	70,989	185,657
Expenditures			
Current			
Instructional services	-	51,659	51,659
Food service	207,285	-	207,285
Capital outlay	225	19,330	19,555
Total expenditures	207,510	70,989	278,499
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(92,842)	-	(92,842)
Other financing sources (uses)			
Transfers in (out)	85,645	-	85,645
	85,645	-	85,645
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(7,197)	-	(7,197)
Fund balances beginning of year	(1,603)	1,345	(258)
Fund balance end of year	\$ (8,800)	\$ 1,345	\$ (7,455)

Ouray County School District No. R-2

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

Year ended June 30, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Revenues				
Local sources	\$ 72,887	\$ 59,507	\$ 60,282	\$ 775
State sources	2,557	2,557	2,282	(275)
Federal sources	44,658	44,658	52,104	7,446
Total revenues	120,102	106,722	114,668	7,946
Expenditures				
Food service	176,973	208,287	207,510	777
Total expenses	176,973	208,287	207,510	777
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	(56,871)	(101,565)	(92,842)	8,723
Other financing sources (uses)				
Transfers in	-	64,035	85,645	21,610
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES				
	(56,871)	(37,530)	(7,197)	30,333
Fund balance beginning of year	-	-	(1,603)	(1,603)
Fund balance end of year	\$ (56,871)	\$ (37,530)	\$ (8,800)	\$ 28,730

Ouray County School District No. R-2

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

Year ended June 30, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Revenues				
Federal sources	\$ 82,854	\$ 84,304	\$ 70,989	\$ (13,315)
Expenditures				
Current				
Instructional services	56,476	54,543	51,659	2,884
Capital outlay	26,378	27,828	19,330	8,498
Total expenses	<u>82,854</u>	<u>82,371</u>	<u>70,989</u>	<u>11,382</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ 1,933</u>	-	<u>\$ (1,933)</u>
Fund balance beginning of year			<u>1,345</u>	
Fund balance end of year			<u>\$ 1,345</u>	

Ouray County School District No. R-2

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

Year ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
State sources	\$ 100,000	\$ 100,000	\$ 135,190	\$ 35,190
Total revenues	100,000	100,000	135,190	35,190
Expenditures				
Capital outlay	223,806	252,161	199,850	52,311
Debt service principal	-	-	46,485	(46,485)
Debt service interest	-	-	5,826	(5,826)
Total expenditures	223,806	252,161	252,161	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(123,806)	(152,161)	(116,971)	35,190
Other financing sources (uses)				
Transfers in	50,006	66,606	125,854	59,248
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(73,800)	(85,555)	8,883	94,438
Fund balance beginning of year	73,800	85,555	9,976	(75,579)
Fund balance end of year	\$ -	\$ -	\$ 18,859	\$ 18,859

Ouray County School District No. R-2

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

Year ended June 30, 2016

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	\$ 752,550	\$ 836,712	\$ 84,162
Interest income	3,000	4,920	1,920
Total revenues	<u>755,550</u>	<u>841,632</u>	<u>86,082</u>
Expenditures			
Debt service principal	585,000	590,000	(5,000)
Interest and fiscal charges	170,550	154,244	16,306
Total expenditures	<u>755,550</u>	<u>744,244</u>	<u>11,306</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	97,388	97,388
Fund balance beginning of year	<u>-</u>	<u>1,464,927</u>	<u>1,464,927</u>
Fund balance end of year	<u>\$ -</u>	<u>\$ 1,562,315</u>	<u>\$ 1,562,315</u>

Ouray County School District No. R-2

SCHEDULE OF REVENUES AND EXPENDITURES
STUDENT ACTIVITIES FUND - BUDGET AND ACTUAL

Year ended June 30, 2016

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Local sources	\$ 262,783	\$ 283,411	\$ 20,628
Expenditures			
Student activities	262,783	262,783	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ -	\$ 20,628	\$ 20,628

Ouray County School District No. R-2

SCHEDULE OF ACTIVITY - NET PENSION LIABILITY

June 30, 2016

	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
<u>Measurement date:</u>					
December 31, 2014	0.061023%	\$ 8,270,610	\$ 2,366,180	350%	63%
December 31, 2015	0.055251%	8,450,258	2,417,128	350%	59%

Ouray County School District No. R-2

SCHEDULE OF ACTIVITY - EMPLOYER PENSION CONTRIBUTIONS

June 30, 2016

	Required employer contribution	Employer contributions recognized by the plan	Difference	Employer covered payroll	Contributions as a percentage of employer covered payroll
June 30, 2015	\$ 395,575	\$ 395,575	\$ -	\$ 2,352,454	16.82%
June 30, 2016	445,890	445,890	-	2,513,222	17.74%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note 1: Factors that Significantly Affect Trends in the Amounts Reported

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or assumptions used that significantly affect trends in the amounts reported.



Colorado Department of Education

Auditors Integrity Report

District: 2590 - RIDGWAY R-2

Fiscal Year 2015-16

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	1,421,174	4,216,234	4,132,796	1,504,612
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	0	0	0	0
Sub- Total	1,421,174	4,216,234	4,132,796	1,504,612
11 Charter School Fund	0	0	0	0
20,26-29 Special Revenue Fund	0	0	0	0
21 Food Service Spec Revenue Fund	-1,603	200,313	207,510	-8,800
22 Govt Designated-Purpose Grants Fund	1,344	70,989	70,988	1,345
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	1,464,927	841,632	744,244	1,562,315
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	9,976	261,044	252,161	18,859
Totals	2,895,818	5,590,212	5,407,699	3,078,331
Proprietary				
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	0	0	0	0
Totals	0	0	0	0
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	177,990	283,411	262,783	198,618
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
Totals	177,990	283,411	262,783	198,618

FINAL

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