

Wray School District RD-2
Wray, Colorado

Financial Statements

For the Year ended June 30, 2017



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Independent Auditors' Report

Board of Education
Wray School District RD-2
Wray, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Wray School District RD-2 (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and historical pension information 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 other supplementary information listed in the table of contents is presented for purposes of additional analysis and is 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 other supplementary information 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 other supplementary information 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Lauer, Szabo & Associates, P.C.

Sterling, Colorado
December 14, 2017

WRAY SCHOOL DISTRICT RD-2
Management Discussion and Analysis
For Fiscal Year Ended June 30, 2017

This section of Wray School District RD-2's annual financial report presents its discussion and analysis of the District's financial performance during the year ended June 30, 2017.

Financial Highlights

- The liabilities and deferred inflows of resources of Wray School District RD-2 exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$922,107 (net position).
- The district's total net position decreased by \$2,872,922. This change in net position is due in large part to the inclusion of PERA liability reporting for the third year. Please refer to Note H beginning on page 40 for more details.
- General revenues accounted for \$7,131,405 or 81% of the \$8,777,252 in total revenues. Program specific revenues in the form of charges for services, sales, and grants accounted for \$1,645,847 or 19% of revenues.
- The general fund ending fund balance reached \$2,776,871, an increase of \$174,271 from last year.

Overview of Financial Statements

The discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. A comparison to the prior year's activity is normally provided in the document. The 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 required and other supplementary information in addition to the basic financial statements.

Government-wide Statements

The Government-wide financial statements are designed to provide readers with information about the School District as a whole using accounting methods similar to those used by private-sector businesses.

The statement of net position includes all of the School District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, 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 whether the financial position of the School 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 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., uncollected taxes and retiree's early retirement bonuses). In the government-wide financial statements, the School District's activities are divided into two categories:

- **Governmental activities:** Most of the School District's basic services are included here, such as instruction, transportation, maintenance and operations, food service, administration. Taxes and intergovernmental revenues principally support these activities.
- **Business-type activities:** The wind turbine operations are intended to recover all or a significant portion of their costs through charges and fees.

The government-wide financial statements consolidate the governmental and business type activities.

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 fund financial statements provide more detailed information about the School District's operations, focusing on the most significant or "major" funds, not the School District as a whole. The School District has three kinds of funds: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Most of the District's basic services are included in the governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine the status of financial resources that can be spent in the near future to finance the School District's program.

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. Thus, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and change in fund balances provide reconciliation to the government-wide financial statements in order to facilitate this comparison between governmental funds and governmental activities.

The School District maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures and change in fund balances for the General Fund, Food Service Fund and Bond Redemption Fund, which are considered to be major funds. Data for the other two nonmajor governmental funds are combined in a single, aggregated presentation. Individual fund data for the nonmajor governmental funds are provided in the form of a budgetary comparison schedule elsewhere in this report.

The basic governmental fund financial statements can be found on pages 16-19 of this report.

Proprietary Fund

The School District maintains a proprietary fund to report the same functions presented as business-type activities in its wind turbine fund. Proprietary funds provide the same type of information as government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 20-22 of this report.

Fiduciary Fund

Fiduciary funds are used to count for resources held for the benefit of parties outside the school district. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on page 23 of this report.

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 may be found on pages 25-46 of this report.

Other information

In addition to the basic financial statements, this report also presents other supplementary information concerning the School District's annual appropriated budgets with comparison statements that demonstrate compliance with budgets. Budgeted amounts may be found on pages 24-52.

Financial Analysis of the School District as a Whole

As noted earlier, net position may serve over time as a useful indicator of the School District's financial position.

70% of the School District's assets are investment in capital assets (e.g., land, buildings and equipment). The school District uses these assets to provide instruction and related services to its students.

The following table provides a summary of the district's net position as of June 30, 2017.

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2016-2017
	2017	2016	2017	2016	2017	2016	
Current and Other assets	\$ 4,979,099	\$4,804,837	\$ 99,207	\$ 74,421	\$ 5,078,306	\$4,879,258	4.08%
Capital assets	11,813,160	11,791,183	978,528	1,065,941	12,791,688	12,857,124	-0.51%
Total assets	16,792,259	16,596,020	1,077,735	1,140,362	17,869,994	17,736,382	0.75%
Deferred outflows of resources	9,294,710	1,724,656	-	-	9,294,710	1,724,656	438.93%
Total assets and deferred outflows of resources	\$26,086,969	\$18,320,676	\$1,077,735	\$1,140,362	\$27,164,704	\$19,461,038	39.59%
Other liabilities	\$ 656,521	\$694,991	\$ -	\$ -	\$ 656,521	\$ 694,991	-5.54%
Long-term liabilities	27,123,986	16,253,638	40,000	40,000	27,163,986	16,293,638	66.72%
Total liabilities	27,780,507	16,948,629	40,000	40,000	27,820,507	16,988,629	63.76%
Deferred inflows of resources	266,304	521,594	-	-	266,304	521,594	-48.94%
Net investment in capital assets	8,237,69	7,663,542	938,528	1,065,942	9,175,597	8,729,484	5.11%
Restricted	1,614,051	1,666,077	-	-	1,614,051	1,666,077	-3.12%
Unrestricted	(11,810,962)	(8,479,166)	99,207	34,420	(11,711,755)	(8,444,746)	38.69%
Total net position	(1,959,842)	850,453	1,037,735	1,100,362	(922,107)	1,950,815	-147.27%
Total liabilities, deferred inflows and net position	\$26,086,969	\$18,320,676	\$1,077,735	\$1,140,362	\$27,164,704	\$19,461,038	39.59%

Following is a summary of the School District's change in net position.

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2016-2017
	2017	2016	2017	2016	2017	2016	
Revenues							
Program Revenues							
Charges for services	\$ 158,064	\$ 151,581	\$ 82,560	\$ 75,152	\$ 240,624	\$ 226,733	6.13%
Operating Grants & Contributions	1,156,740	1,290,909	-	-	1,156,740	1,290,909	-10.39%
Capital Grants & Contributions	248,483	6,401	-	-	248,483	6,401	3,781.94%
General Revenue							
Property taxes	3,381,335	2,993,305	-	-	3,381,335	2,993,305	12.96%
State equalization	3,671,415	3,289,707	-	-	3,671,415	3,289,707	11.60%
Other	78,628	238,678	27	28	78,655	238,706	-67.05%
Total Revenue	8,694,665	7,970,581	82,587	75,180	8,777,252	8,045,761	9.09%
Expenses							
Instruction	6,273,545	4,340,868	-	-	6,273,545	4,340,868	44.52%
Supporting services	4,742,680	3,341,029	-	-	4,742,680	3,341,029	41.95%
Unallocated depreciation	364,451	-	-	-	364,451	-	n/a
Interest expense	124,284	121,624	-	-	124,284	121,624	2.19%
Wind turbine services	-	-	145,214	140,543	145,214	140,543	3.32%
Total Expenses	11,504,960	7,803,521	145,214	140,543	11,650,174	7,944,064	46.65%
Change in net position	\$(2,810,295)	\$ 167,060	\$ (62,627)	\$(65,363)	\$(2,872,922)	\$ 101,697	-2,924.98%

Governmental Activities

The primary source of operating revenue for school districts comes from the School Finance Act of 1994, as amended (SFA). Under the SFA the School District received \$7,984 per funded student. In fiscal year 2016-17 the funded pupil count was 648.7. Funding for the SFA comes from property taxes, specific ownership tax and state equalization. The School District receives approximately 40 percent of this funding from state equalization while the remaining amount comes from property taxes and specific ownership tax. The School District's assessed valuation generated \$2,551,399 in property taxes for fiscal year 2016-2017.

Business-Type Activities

Business-type activities are made up of the wind turbine fund. These programs had total revenues of \$82,587 and expenses of \$145,214. Business type activities receive no support from tax revenue.

Governmental Funds

The focus of the School 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 School district's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the School District's net resources available for spending at the end of the fiscal year.

As the end of the fiscal year, the School District's governmental funds reported combined ending fund balances of \$4,298,110, an increase of \$195,195. The general fund had a fund balance increase of \$174,271.

General Fund Budget Highlights

The District's budget is prepared according to Colorado law and is based on accounting for transactions under generally accepted accounting principles. The most significant budgeted fund is the General Fund.

The differences are found between the final budget and the actual expended amounts were due to large capital equipment and vehicle purchases as well the purchase of a new science curriculum and additional classroom consumables and supplies. We also received additional property tax revenues due to the passing of the mill levy override creating a positive effect on our bottom line.

Capital Assets and Debt Administration

Capital Assets

The School Districts investment in capital assets for its governmental and business type activities as of June 30, 2017 amounts to \$12,791,688 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment, licensed vehicles and capital leases all with an original cost greater than \$5,000 for the governmental activities and \$1,000 for the business-type activities and proprietary funds.

Capital asset additions during the current fiscal year include the following:

- Land improvements \$16,850
- Buildings & Improvements \$99,880
- Furniture and equipment \$175,303
- Licensed vehicles \$260,941

The School District's total capital assets at June 30, 2017, net of accumulated depreciation were as follows:

	Governmental Activities	Business-type Activities	Total
Land and improvements	\$ 633,722	\$ -	\$ 633,722
Building and improvements	10,545,985	-	10,545,985
Furniture and equipment	242,248	978,528	1,220,776
Licensed vehicles	391,205	-	391,205
Total capital assets	<u>\$ 11,813,160</u>	<u>\$ 978,528</u>	<u>\$ 12,791,688</u>

Additional information on the School District's capital assets can be found in note E to the basic financial statements.

Long-Term Debt

At year end, the School District's long-term debt of \$27,163,986 represented its compensated absences of \$65,092, notes payable of \$40,000, general obligation bonds of \$3,560,000, bond premium of \$197,272 and net pension liability of \$23,301,622.

	Governmental Activities	Business-type Activities	Total
Compensated absences	\$ 65,092	\$ -	\$ 65,092
Notes payable	-	40,000	40,000
Bonds payable	3,560,000	-	3,560,000
Bond premium	197,272	-	197,272
Net pension liability	23,301,622	-	23,301,622
Total long-term debt	<u>\$ 27,123,986</u>	<u>\$ 40,000</u>	<u>\$ 27,163,986</u>

Additional information on the School District's long-term debt can be found in note G to the basic financial statements.

Economic Factors

The budget is based upon the goals and objectives of all stakeholders which include the board of education, community and staff, school accountability committees, and administration. The four goals are: 1) improving student achievement, 2) retain and hire highly qualified staff, 3) develop curriculum and instruction rotation, and 4) maintain and improve facilities and student transportation. Many factors were considered by the District's administration during the process of developing the fiscal year 16-17 budget. Among them:

- The enrollment remained steady in FY17; however, the enrollment outlook for FY18 remains uncertain due to our community size and economic challenges for rural areas.

- Maintenance and upkeep expenses on our buildings and grounds continue to rise due to our aging facilities despite the increase in reserves for capital replacement needs.
- The budget was built on the following considerations:
 - Salary – staff will receive a vertical step on the salary schedule. The District continues to make every effort to raise salaries when possible.
 - Fringe Benefits – The District will remain with CEBT health insurance. The health insurance premiums increased slightly, but below the state average.
 - PERA – Employer contribution will increase in January 2018 by another 0.5% for a total of 20.15% employer contribution.
 - Operation & Maintenance – Add funds to the reserve to allow for various capital replacement needs.
 - Food Services – The State requires the district to complete a lunch price equity tool to determine if lunch price need to be increased. A slight increase to lunch prices will be required in FY18. The general fund has budgeted to transfer money into the food service fund.

The District maintains the budget, quarterly reports, monthly accounts payable and current salary schedules on its website: www.wrayschools.org.

Next Year Challenges

The assessed valuation in our school district has grown but we continue to see a decrease in gas exploration in Yuma County due to the national economic factors. Agriculture commodities are experiencing below average yields and below average market prices across the board. The real estate market is steady and housing availability continues to be a challenge.

The states forecast for FY18 according to CDE representatives is higher than the national trend; however, the “negative factor” imposed on school districts from the State of Colorado continues to negatively impact the budget.

The board of education will adopt a balanced budget for the FY17-18 school year thanks to the communities support for passing a mill levy override in 2016-17. The support from our voters have helped improve the district’s financial strength for the upcoming year.

Contacting the Districts Financial Management

This financial report is designed to provide the District’s citizens, taxpayers, parents, investors and creditors with a general overview of the District’s finances and to demonstrate the district’s accountability for the money it receives. If you have any questions about this report or need additional information, contact Wray School District RD-2, 30222 County Road 35, Wray, Colorado 80758.

Basic Financial Statements

The basic financial statements of the District include the following:

Government-wide financial statements. The government-wide statements display information about the reporting government as a whole, except for its fiduciary activities.

Fund financial statements. The fund financial statements display information about major funds individually and nonmajor funds in the aggregate for governmental and enterprise funds.

Notes to the financial statements. The notes communicate information essential for fair presentation of the financial statements that is not displayed on the face of the financial statements. As such, the notes are an integral part of the basic financial statements.

WRAY SCHOOL DISTRICT RD-2
Statement of Net Position
June 30, 2017

	Governmental Activities	Business-type Activities	Total
Assets			
Cash	\$ 3,048,242	\$ 78,759	\$ 3,127,001
Cash with fiscal agent	1,460,449		1,460,449
Investments	110,838		110,838
Receivables	342,910	11,936	354,846
Internal balances	(8,512)	8,512	-
Inventory	25,172		25,172
Capital assets, net of depreciation	11,813,160	978,528	12,791,688
Total assets	16,792,259	1,077,735	17,869,994
Deferred outflows of resources			
Deferred charges on refundings of bonds	181,181		181,181
Pension deferrals	9,113,529		9,113,529
Total deferred outflows of resources	9,294,710	-	9,294,710
Total assets and deferred outflows of resources	\$ 26,086,969	\$ 1,077,735	\$ 27,164,704
Liabilities			
Accounts payable	\$ 3,138		\$ 3,138
Due to fiduciary fund	7,095		7,095
Accrued salaries and benefits	641,745		641,745
Payroll deductions and withholdings	299		299
Accrued interest payable	4,244		4,244
Noncurrent liabilities			
Due within one year	495,000	\$ 40,000	535,000
Due in more than one year	26,628,986		26,628,986
Total liabilities	27,780,507	40,000	27,820,507
Deferred inflows of resources			
Pension deferrals	266,304		266,304
Net position			
Net investment in capital assets	8,237,069	938,528	9,175,597
Restricted for:			
Emergencies	181,000		181,000
Colorado Preschool Program	7,036		7,036
Debt service	1,413,844		1,413,844
Food service operations	12,171		12,171
Unrestricted (deficit)	(11,810,962)	99,207	(11,711,755)
Total net position (deficit)	(1,959,842)	1,037,735	(922,107)
Total liabilities, deferred inflows of resources and net position	\$ 26,086,969	\$ 1,077,735	\$ 27,164,704

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

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WRAY SCHOOL DISTRICT RD-2
Statement of Activities
For the Year Ended June 30, 2017

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
Instruction	\$ 6,273,545	\$ 43,586	\$ 730,128	
Supporting services				
Students	273,422		2,300	
Instructional staff	524,936		41,380	
General administration	432,579			
School administration	602,166			
Business services	266,366			
Operations and maintenance	986,193			\$ 41,550
Student transportation	684,326		95,470	135,811
Central support services	439,067		840	
Food service operations	533,625	114,478	286,622	71,122
Unallocated depreciation *	364,451			
Interest and fiscal charges	124,284			
Total governmental activities	11,504,960	158,064	1,156,740	248,483
Business-type activities				
Wind turbine services	145,214	82,560		
Total school district	\$ 11,650,174	\$ 240,624	\$ 1,156,740	\$ 248,483

General revenues

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Specific ownership taxes

Delinquent taxes and interest

State categorical aid

Earnings on investments

Other

Total general revenues

Change in net position

Net position at beginning of year

Net position (deficit) at end of year

* This amount excludes depreciation that is included in the direct expenses of the various programs.

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

Net (Expenses) Revenues and
Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (5,499,831)		\$ (5,499,831)
(271,122)		(271,122)
(483,556)		(483,556)
(432,579)		(432,579)
(602,166)		(602,166)
(266,366)		(266,366)
(944,643)		(944,643)
(453,045)		(453,045)
(438,227)		(438,227)
(61,403)		(61,403)
(364,451)		(364,451)
(124,284)		(124,284)
(9,941,673)	\$ -	(9,941,673)
	(62,654)	(62,654)
(9,941,673)	(62,654)	(10,004,327)
2,551,399		2,551,399
529,570		529,570
311,322		311,322
(10,956)		(10,956)
3,671,415		3,671,415
13,475	27	13,502
65,153		65,153
7,131,378	27	7,131,405
(2,810,295)	(62,627)	(2,872,922)
850,453	1,100,362	1,950,815
<u>\$ (1,959,842)</u>	<u>\$ 1,037,735</u>	<u>\$ (922,107)</u>

WRAY SCHOOL DISTRICT RD-2
Balance Sheet
Governmental Funds
June 30, 2017

	General Fund	Food Service Fund	Bond Redemption Fund	Other Governmental Funds
Assets				
Cash	\$ 2,940,064	\$ 30,795		\$ 77,383
Cash with fiscal agent	62,538		\$ 1,397,911	
Investments	110,838			
Due from other funds	71,877			
Property taxes receivable	100,243		21,045	
Grants receivable	58,133	54,135		23,301
Other receivable	63,741	22,312		
Inventory		25,172		
Total assets	<u>\$ 3,407,434</u>	<u>\$ 132,414</u>	<u>\$ 1,418,956</u>	<u>\$ 100,684</u>
Liabilities				
Accounts payable	\$ 3,138			
Due to other funds	15,607	\$ 71,747	\$ 130	
Accrued salaries and benefits	587,789	23,324		\$ 30,632
Payroll deductions and withholdings	299			
Total liabilities	606,833	95,071	130	30,632
Deferred inflows of resources				
Deferred property tax revenues	23,730		4,982	
Total deferred inflows of resources	23,730	-	4,982	-
Fund balance				
Nonspendable inventory		25,172		
Restricted for:				
Emergencies	181,000			
Colorado Preschool Program	7,036			
Debt service			1,413,844	
Food service operations		12,171		
Committed to capital projects				70,052
Assigned for risk management	40,000			
Unassigned	2,548,835			
Total fund balance	<u>2,776,871</u>	<u>37,343</u>	<u>1,413,844</u>	<u>70,052</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 3,407,434</u>	<u>\$ 132,414</u>	<u>\$ 1,418,956</u>	<u>\$ 100,684</u>

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

Total Governmental Funds	Amounts reported for governmental activities in the statement of net position are different because:	
	Total fund balance - governmental funds	\$ 4,298,110
\$ 3,048,242	Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.	11,813,160
1,460,449		
110,838		
71,877		
121,288	Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.	28,712
135,569		
86,053		
25,172		
<u>\$ 5,059,488</u>	Accrued interest on long-term debt is not due and payable in the current period and therefore is not reported as a liability in the funds.	(4,244)
\$ 3,138	Long-term liabilities and related deferred inflows and outflows of resources, including bonds payable, bond premium, compensated absences and the net pension liability are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	(18,095,580)
87,484		
641,745		
299		
732,666		
	Net position of the governmental activities	<u>\$ (1,959,842)</u>
28,712		
28,712		
25,172		
181,000		
7,036		
1,413,844		
12,171		
70,052		
40,000		
2,548,835		
4,298,110		
<u>\$ 5,059,488</u>		

WRAY SCHOOL DISTRICT RD-2
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2017

	General Fund	Food Service Fund	Bond Redemption Fund	Other Governmental Funds
Revenues				
Local sources	\$ 3,217,315	\$ 114,493	\$ 538,106	\$ 410
Intermediate sources	3,166		233	
State sources	3,985,660	8,779		
Federal sources	211,126	277,843		288,893
Total revenues	7,417,267	401,115	538,339	289,303
Expenditures				
Instruction	3,774,628			215,249
Supporting services	3,285,570	424,082		74,052
Debt service				
Redemption of principal	82,641		485,000	
Interest and fiscal charges	2,107		107,500	
Total expenditures	7,144,946	424,082	592,500	289,301
Excess of revenues over (under) expenditures	272,321	(22,967)	(54,161)	2
Other financing sources (uses)				
Transfers in		28,000		70,050
Transfers out	(98,050)			
Total other financing sources (uses)	(98,050)	28,000	-	70,050
Net change in fund balance	174,271	5,033	(54,161)	70,052
Fund balance at beginning of year	2,602,600	32,310	1,468,005	-
Fund balance at end of year	\$ 2,776,871	\$ 37,343	\$ 1,413,844	\$ 70,052

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

Total Governmental Funds	Amounts reported for governmental activities in the statement of activities are different because:	
	Net change in fund balance - governmental funds	\$ 195,195
\$ 3,870,324	Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlays exceeded depreciation in the current period.	21,977
3,399		
3,994,439	Because some property taxes will not be collected for several months after the fiscal year ends, they are not considered as "available" revenues in the governmental funds and are, instead, counted as deferred tax revenues. They are, however, recorded as revenues in the statement of activities. In addition, some revenues received in the governmental this year were recorded as revenues in the statement of activities in the previous year.	19,798
777,862		
8,646,024		
3,989,877		
3,783,704		
567,641		
109,607		
8,450,829		
195,195	In the statement of activities, certain expenses related to the pension liabilities and related deferred inflows and outflows, compensated absences, accrued interest payable, refunding deferred charges amortization and bond premium amortization, are measured by the amounts incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	(3,643,749)
98,050		
(98,050)		
-		
195,195	Repayment of principal on bonds and capital lease obligations, as well as amounts payable to the Colorado Department of Education, are expenditures in the governmental funds, but the repayment reduces the long-term debt liability in the statement of net position.	596,484
4,102,915		
\$ 4,298,110		
	Change in net position of governmental activities	\$ (2,810,295)

WRAY SCHOOL DISTRICT RD-2
Statement of Net Position
Proprietary Funds
June 30, 2017

	Business-type Activities
	Wind Turbine
Assets	
Current assets	
Cash	\$ 78,759
Due from other funds	8,512
Other receivables	11,936
Total current assets	99,207
Capital assets	
Machinery and equipment	1,748,278
Less accumulated depreciation	(769,750)
Total capital assets, net	978,528
Total assets	\$ 1,077,735
Liabilities and net position	
Current liabilities	
Current portion of note payable	\$ 40,000
Total current liabilities/total liabilities	40,000
Net position	
Net investment in capital assets	938,528
Unrestricted	99,207
Total net position	1,037,735
Total liabilities and net position	\$ 1,077,735

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

WRAY SCHOOL DISTRICT RD-2
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2017

	Business-type Activities
	Wind Turbine
Operating revenues	
Charges for services	\$ 82,560
Operating expenses	
Purchased services	57,800
Depreciation	87,414
Total operating expenses	145,214
Operating loss	(62,654)
Nonoperating revenues	
Earnings on investments	27
Total nonoperating revenues	27
Change in net position	(62,627)
Net position at beginning of year	1,100,362
Net position at end of year	\$ 1,037,735

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

WRAY SCHOOL DISTRICT RD-2
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2017

	Business-type Activities
	Wind Turbine
Cash flows from operating activities	
Receipts from customers	\$ 85,872
Internal activity - payments to other funds	(8,512)
Payments to suppliers	(57,800)
Net cash provided by operating activities	19,560
Cash flows from investing activities	
Earnings on investments	27
Net cash provided by investing activities	27
Net increase in cash	19,587
Cash at beginning of year	59,172
Cash at end of year	\$ 78,759
Reconciliation of operating loss to net cash provided by operating activities	
Operating loss	\$ (62,654)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	87,414
Changes in assets and liabilities	
Interfund items	(8,512)
Accounts receivable	3,312
Net cash provided by operating activities	\$ 19,560

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

WRAY SCHOOL DISTRICT RD-2
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	<u>Agency Funds</u>
Assets	
Cash	\$ 128,938
Due from other funds	<u>7,095</u>
Total assets	<u><u>\$ 136,033</u></u>
Liabilities	
Due to student groups	<u>\$ 136,033</u>
Total liabilities	<u><u>\$ 136,033</u></u>

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

WRAY SCHOOL DISTRICT RD-2

Notes to Financial Statements

Note A – Summary of significant accounting policies

This summary of the Wray School District RD-2's significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. The policies are considered essential and should be read in conjunction with the accompanying financial statements.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The more significant of the District's accounting policies are described below.

A.1 – Reporting entity

The Wray School District RD-2 is a school district governed by an elected five-member board of education. The financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The reporting entity's financial statements should present the funds of the primary government (including its blended component units, which are, in substance, part of the primary government) and provide an overview of the discretely presented component units.

The District has examined other entities that could be included as defined in number 2 and 3 above. Based on these criteria, the District has no component units.

A.2 – Fund accounting

The District uses funds to report its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked funds (special revenue funds), and the servicing of general long-term debt (debt service fund). The following are the District's major governmental funds:

WRAY SCHOOL DISTRICT RD-2
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

General Fund – The General Fund is the operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include local property taxes, specific ownership taxes, and State of Colorado equalization funding, as determined by the School Finance Act of 1994, as amended.

Expenditures include all costs associated with the daily operation of the schools, except for programs funded by grants from federal and state governments, certain capital outlay expenditures, certain debt service transactions, food service operations, scholarships, and pupil activities.

Food Service Fund – This fund is an enterprise fund used to account for the financial activities associated with the District's food service operations.

Bond Redemption Fund – This fund is a debt service fund used to account for the revenues from a specific tax levy for the purpose of the repayment of debt principal, interest and other fiscal charges.

The following are the District's nonmajor governmental funds:

Head Start Fund – This fund is a special revenue fund used to account for expenditures related to the Head Start Program.

Capital Reserve Capital Projects Fund – This fund is a capital projects fund used to account for and report financial resources that have been designated for capital outlays acquisition or construction of major capital facilities and other capital assets.

Proprietary funds focus on the determination of the changes in net position, financial position and cash flows and are classified as either enterprise or internal service. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following is the District's major proprietary fund:

Wind Turbine Fund – This fund is an enterprise fund used to account for the financial activities associated with the District's wind turbine operations.

Fiduciary Funds focus on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations or other governments and are therefore not available to support the District's own programs.

WRAY SCHOOL DISTRICT RD-2
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The District has the following fiduciary fund:

Pupil Activity Agency Fund – This fund is an agency fund used to record transactions related to school-sponsored pupil organizations and activities.

Note A.3 – Basis of presentation

Government-wide financial statements – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with a brief explanation to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund financial statements – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

WRAY SCHOOL DISTRICT RD-2
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources management focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources, and a statement of revenues, expenditures and changes in fund balance, which reports the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the statement of net position. The statement of revenues, expenses and changes in fund net position presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Fiduciary funds focus on net position and changes in net position and are reported using accounting principles similar to proprietary funds. The District's fiduciary funds are presented in the fiduciary fund financial statements by type. Since by definition these assets are being held for the benefit of a third party and cannot be used to address the activities or obligations of the District, these funds are not incorporated into the government-wide financial statements.

A.4 – Basis of accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues – exchange and non-exchange transactions – Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. State equalization monies are recognized as revenues during the period in which

WRAY SCHOOL DISTRICT RD-2
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

they are appropriated. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes collected within sixty days after year-end, interest, tuition, grants and student fees.

Unearned revenue – Unearned revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to meeting eligibility requirements. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed and the revenue is recognized.

Deferred outflows/inflows of resources - In addition to assets, the statement of financial 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.

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.

Expenses/expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses and changes in fund net position as an expense with a like amount reported as revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

WRAY SCHOOL DISTRICT RD-2
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

A.5 – Encumbrances

Encumbrance accounting is utilized by the District to record purchase orders, contracts and other commitments for the expenditure of monies to assure effective budgetary control and accountability. Encumbrances outstanding at year-end are canceled and reappropriated in the ensuing year's budget.

A.6 – Cash and cash equivalents

For the purposes of the statement of cash flows, the District considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

A.7 – Short-term interfund receivables/payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as internal balances on the government-wide statement of net position, and are classified as due from other funds or due to other funds on the balance sheet.

A.8 – Inventories

Food Service Fund – purchased inventories are stated at cost as determined by the first-in, first-out method. Commodity inventories are stated at the United States Department of Agriculture's assigned values, which approximate fair value, at the date of receipt. Expenditures for food items are recorded when consumed. The federal government donates surplus commodities to the national school lunch program. Commodity distributions used by the District are recorded as revenues at the date of their consumption.

A.9 – Capital assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective fund financial statements.

WRAY SCHOOL DISTRICT RD-2
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

All capital assets with a unit cost greater than \$5,000 for the governmental activities and \$1,000 for the business-type activities and proprietary funds are capitalized at cost (or estimated historical cost, if actual cost is not available) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair value on the date received. Infrastructure assets, consisting of certain improvements other than buildings (such as parking facilities, sidewalks, landscaping and lighting systems) are capitalized along with other capital assets. Improvements to assets are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not.

All reported capital assets are depreciated with the exception of land costs. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Land and improvements	25 years	n/a
Buildings and improvements	20-50 years	n/a
Furniture and equipment	5-25 years	5-25 years
Licensed vehicles	7-10 years	n/a

A.10 – Compensated absences

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Compensated absences benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. Accumulated sick leave benefits are paid to employees upon termination of employment.

District employees are entitled to certain compensated absences based on their length of employment. Employees are allowed to carry over a maximum of 45 days of accumulated leave, unless employed by the District prior to the 2003-2004 school year, then employees may carry over a maximum of 100 days. Any such staff member who is in good standing with the District upon leaving employment shall be paid at a predetermined daily rate based on years of service for any unused accumulated leave.

The entire compensated absence liability is reported on the government-wide financial statements.

WRAY SCHOOL DISTRICT RD-2
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account “accrued compensated absences” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of the compensated absences is reported as a fund liability.

The amounts recorded as liabilities for all applicable compensated absences include salary-related payments associated with the payment of compensated absences, using the rates in effect at the balance sheet date.

A.11 – Accrued liabilities and long-term obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the noncurrent portion of compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. Bonds payable and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

A.12 – Fund balance

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below.

Nonspendable, such as fund balance associated with inventories, prepaid expenditures, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned),

Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

WRAY SCHOOL DISTRICT RD-2
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the board of education (the District's highest level of decision-making authority),

Assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and

Unassigned fund balance is the residual classification for the District's general fund and includes all spendable amounts not contained in the other classifications.

Committed fund balance is established by a formal passage of a resolution. This is typically done through the adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the board of education through adoption or amendment of the budget as intended for specific purpose (such as purchase of fixed assets, construction, debt service or for other purposes).

When both restricted and unrestricted resources are available in governmental funds, the District applies expenditures against restricted fund balance first, and followed by committed fund balance, assigned fund balance and unassigned fund balance.

A.13 – Net position

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 borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are liabilities imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

A.14 – Operating revenues and expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are wind turbine utility billings. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

WRAY SCHOOL DISTRICT RD-2
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

A.15 – Interfund transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. In general, the effect of interfund activity has been eliminated from the government-wide financial statements.

A.16 – Extraordinary and special items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the board of education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the year.

Note B – Cash and investments (Continued)

Cash and deposits

Colorado State statutes govern the District's deposit of cash. The Public Deposit Protection Acts (PDPA) for banks and savings and loans require state regulators to certify eligible depositories for public deposits. The PDPA require eligible depositories with public deposits in excess of federal insurance levels to create a single institution collateral pool of defined eligible assets. Eligible collateral includes obligations of the United States, obligations of the State of Colorado or Colorado local governments and obligations secured by first lien mortgages on real property located in the state. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group and not held in any individual government's name. The fair value of the assets in the pool must be at least equal to 102% of the aggregate uninsured deposits.

Custodial credit risk – deposits – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of year-end, the District had total deposits of \$3,657,071, of which \$573,398 was insured and \$3,083,673 was collateralized with securities held by the pledging institution's trust department or agent in the District's name.

WRAY SCHOOL DISTRICT RD-2
Notes to Financial Statements

Note B – Cash and investments

Investments

Authorized investments – Investment policies are governed by Colorado State Statutes and the District's own investment policies and procedures. Investments of the District may include:

- Obligations of the United States Government such as treasury bills, notes and bonds
- Certain international agency securities
- General obligation and revenue bonds of United States local government entities
- Bankers acceptances of certain banks
- Commercial paper
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

During the year, the District invested in Colotrust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commission administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. As of June 30, 2017, the District had invested \$110,838 in COLOTRUST PLUS+, an SEC Rule 2a7-like investment pool. Investments are valued at the net asset value (NAV) of \$1.00. The investment pools are routinely monitored by the Colorado Division of Securities with regard to operations and investments.

At year-end, the District had the following investments. The investment in Colotrust (a local government investment pool) is maintained in the General Fund.

		<u>Investment maturities (in years)</u>		
<u>Investment type</u>	<u>Fair value</u>	<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>
Investment in Colotrust	\$ 110,838	\$ 110,838	\$ -	\$ -

WRAY SCHOOL DISTRICT RD-2
Notes to Financial Statements

Note B – Cash and investments (Continued)

Credit risk – State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the highest rating from at least one nationally recognized rating agency at the time of purchase. The District has no investment policy that would further limit its investment choices. At year-end, the District's investment in Colotrust were rated AAA by Standard and Poor's.

The following table provides a reconciliation of cash and investments:

Cash	\$ 3,255,939
Investment in Colotrust	<u>110,838</u>
Total	<u>\$ 3,366,777</u>
<u>Statement of net position</u>	
Cash	\$ 3,127,001
Investments	<u>110,838</u>
Subtotal	3,237,839
<u>Statement of fiduciary net position</u>	
Cash	<u>128,938</u>
Subtotal	<u>128,938</u>
Total	<u>\$ 3,366,777</u>

Note C – Receivables

Receivables at year-end consist of the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Receivables</u>
Property taxes receivable	\$ 121,288	\$ -	\$ 121,288
Other receivable	86,053	11,936	97,989
Grants receivable	<u>135,569</u>	<u>-</u>	<u>135,569</u>
Total	<u>\$ 342,910</u>	<u>\$ 11,936</u>	<u>\$ 354,846</u>

Property taxes are levied on December 15th and attach as a lien on property the following January 1st. They are payable in full by April 30th or are due in two equal installments on February 28th and June 15th. Yuma County bills and collects property taxes for all taxing entities within the County. The tax receipts collected by the county are remitted to the District in the subsequent month.

WRAY SCHOOL DISTRICT RD-2
Notes to Financial Statements

Note D – Interfund transactions

The following is a summary of interfund borrowings and transfers for the year as presented in the fund financial statements:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<u>Governmental funds</u>		
General fund	\$ 71,877	\$ 15,607
Food service fund	-	71,747
Bond redemption fund	-	130
Subtotal	71,877	87,484
<u>Business-type funds</u>		
Wind turbine fund	8,512	-
<u>Fiduciary funds</u>		
Pupil Activity Agency Fund	7,095	-
Totals	<u>\$ 87,484</u>	<u>\$ 87,484</u>

All balances resulted from the lag between the dates that (1) interfund reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Governmental funds</u>		
General fund	\$ -	\$ 98,050
Food service fund	28,000	-
Other governmental funds	70,050	-
Total	<u>\$ 98,050</u>	<u>\$ 98,050</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. During the year, the District transferred funds in the amount of \$28,000 from the General Fund to the Food Service Fund to subsidize the costs of maintaining the District's food service operations. The District also transferred \$70,050 from the General Fund to the Capital Reserve Capital Projects Fund in order to set aside funds for capital acquisitions.

WRAY SCHOOL DISTRICT RD-2
Notes to Financial Statements

Note E – Capital assets

Capital asset activity for the year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 359,300	\$ -	\$ -	\$ 359,300
Total capital assets, not being depreciated	359,300	-	-	359,300
Capital assets, being depreciated:				
Land improvements	1,216,128	16,850	-	1,232,978
Buildings and improvements	19,300,875	99,880	-	19,400,755
Furniture and equipment	616,485	175,303	(114,538)	677,250
Licensed vehicles	<u>1,698,493</u>	<u>260,941</u>	<u>-</u>	<u>1,959,434</u>
Total capital assets, being depreciated	<u>22,831,981</u>	<u>552,974</u>	<u>(114,538)</u>	<u>23,270,417</u>
Total capital assets	23,191,281	552,974	(114,538)	23,629,717
Less accumulated depreciation for:				
Land improvements	(924,784)	(33,772)	-	(958,556)
Buildings and improvements	(8,459,911)	(394,859)	-	(8,854,770)
Furniture and equipment	(530,361)	(19,179)	114,538	(435,002)
Licensed vehicles	<u>(1,485,042)</u>	<u>(83,187)</u>	<u>-</u>	<u>(1,568,229)</u>
Total accumulated depreciation	<u>(11,400,098)</u>	<u>(530,997)</u>	<u>114,538</u>	<u>(11,816,557)</u>
Governmental activities capital assets, net	<u>\$ 11,791,183</u>	<u>\$ 21,977</u>	<u>\$ -</u>	<u>\$ 11,813,160</u>
Business-type activities				
Capital assets, being depreciated:				
Furniture and equipment	\$ 1,748,278	\$ -	\$ -	\$ 1,748,278
Less accumulated depreciation	<u>(682,336)</u>	<u>(87,414)</u>	<u>-</u>	<u>(769,750)</u>
Business-type activities capital assets, net	<u>\$ 1,065,942</u>	<u>\$ (87,414)</u>	<u>\$ -</u>	<u>\$ 978,528</u>

WRAY SCHOOL DISTRICT RD-2
Notes to Financial Statements

Note E – Capital assets (Continued)

Depreciation expense was charged to programs of the District as follows:

Governmental activities	
Instruction	\$ 52,917
General administration	10,635
Operations and maintenance	13,234
Student transportation	83,187
Central support service	1,469
Food service operations	5,104
Unallocated	<u>364,451</u>
Subtotal	530,997
Business-type activities	
Wind turbine operations	<u>87,414</u>
Total depreciation expense	<u>\$ 618,411</u>

Note F – Accrued salaries and benefits

Salaries and benefits of certain contractually employed personnel are paid over a twelve-month period from September to August, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned but not paid at year-end are estimated to be \$641,745. Accordingly, this accrued compensation is reflected as a liability in the accompanying financial statements.

Note G – Long-term debt

The following is a summary of the changes in long-term debt for the year:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Due within one year</u>
Governmental activities					
Compensated absences	\$ 63,832	\$ 1,260	\$ -	\$ 65,092	\$ -
CDE repayment	28,844	-	(28,844)	-	-
General obligation bonds payable	4,045,000	-	(485,000)	3,560,000	495,000
Bond premium	257,708	-	(60,436)	197,272	-
Capital lease obligation	82,640	-	(82,640)	-	-
Net pension liability	<u>11,775,614</u>	<u>11,526,008</u>	<u>-</u>	<u>23,301,622</u>	<u>-</u>
Total	<u>\$ 16,253,638</u>	<u>\$ 11,527,268</u>	<u>\$ (656,920)</u>	<u>\$ 27,123,986</u>	<u>\$ 495,000</u>

WRAY SCHOOL DISTRICT RD-2
Notes to Financial Statements

Note G – Long-term debt

Payments on the general obligation bonds are made in the Bond Redemption Fund. The compensated absences attributable to the governmental activities will be liquidated primarily by the General Fund, as well as the net pension liability. The District believes that the current portion of compensated absences is negligible and is therefore not reported.

General obligation bonds

General obligation bonds payable consist of the following individual issue:

\$5,430,000 general obligation refunding bonds, dated March 14, 2013, due in annual installments beginning in fiscal year 2014 ranging from \$385,000 to \$570,000; varying annual interest rates ranging from 2.00% to 3.00%, payable semi-annually on June 15th and December 15th.

Total general obligation bonds \$ 3,560,000

The following schedule represents the District's debt service requirement to maturity for all outstanding bond indebtedness:

<u>Year ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 495,000	\$ 96,900	\$ 591,900
2019	505,000	84,375	589,375
2020	520,000	69,000	589,000
2021	535,000	53,175	588,175
2022	550,000	36,900	586,900
2023-2024	<u>955,000</u>	<u>25,875</u>	<u>980,875</u>
Totals	<u>\$ 3,560,000</u>	<u>\$ 366,225</u>	<u>\$ 3,926,225</u>

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Due within one year</u>
Business-type Activities					
Notes payable	<u>\$ 40,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,000</u>	<u>\$ 40,000</u>

Payments on the notes payable are made in the Wind Turbine Fund.

WRAY SCHOOL DISTRICT RD-2
Notes to Financial Statements

Note G – Long-term debt (Continued)

Note payable

In April 2008, the District received \$200,000 from the City of Wray for up-front capital for the purchase and installation of a wind turbine. In connection with this, the District entered into an agreement with the City of Wray to repay the funds over a ten-year period that commenced on the date of the first electric production from the wind turbine. The method of reimbursement was to be selected by the District and followed until the funds have been repaid. No interest will be payable in connection with this agreement.

The following schedule represents the District's debt service requirements to maturity for the note:

<u>Year ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 40,000	-	\$ 40,000
Totals	\$ 40,000	\$ -	\$ 40,000

Note H – Defined benefit pension plan

Summary of significant accounting policies

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

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.

WRAY SCHOOL DISTRICT RD-2
Notes to Financial Statements

Note H – 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. Section 24-51-602, 604, 1713, and 1714.

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

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

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

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit.
- \$15 times the first 10 years of service credit plus \$20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factors.

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

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

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior

WRAY SCHOOL DISTRICT RD-2
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10% of PERA's Annual Increase Reserve (AIR) for the SCHDTF.

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

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

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

	For the Year Ended December 31, 2016	For the Year Ended December 31, 2017
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. Section 24-51-208(1)(f) ¹	<u>(1.02)%</u>	<u>(1.02)%</u>
Amount apportioned to the SCHDTF ¹	9.13%	9.13%
Amortization equalization disbursement (AED) as specified in C.R.S. Section 24-51-411 ¹	4.50%	4.50%
Supplemental amortization equalization disbursement (SAED) as specified in C.R.S. Section 24-51-411 ¹	<u>4.50%</u>	<u>5.00%</u>
Total employer contribution rate to the SCHDTF ¹	<u>18.13%</u>	<u>18.63%</u>

¹Rates are expressed as a percentage of salary as define in C.R.S. Section 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 \$690,448 for the year ended.

WRAY SCHOOL DISTRICT RD-2
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

At year-end, the District reported a liability of \$23,301,622 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016. The District's proportion of the net pension liability was based on the District's contributions to the SCHDTF for the calendar year 2016 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2016, the District's proportion was 0.0783 percent, which was an increase of 0.0013 percent from its proportion measured as of December 31, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$4,318,260. At year-end, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 289,714	\$ 205
Changes of assumptions or other inputs	7,560,890	103,376
Net difference between projected and actual earnings on pension plan investments	768,382	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	138,096	162,723
Contributions subsequent to the measurement date	<u>356,447</u>	<u>-</u>
Total	<u>\$ 9,113,529</u>	<u>\$ 266,304</u>

\$356,447 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 subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

WRAY SCHOOL DISTRICT RD-2
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

Year Ended June 30, _____	Amount
2018	\$ 3,322,514
2019	3,445,665
2020	1,714,827
2021	<u>7,772</u>
Totals	<u>\$ 8,490,778</u>

Actuarial assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial cost method, 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
Discount rate	7.50 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

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

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 9.70 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	5.26 percent
Post-retirement benefit increases:	

WRAY SCHOOL DISTRICT RD-2
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

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

Mortality rates used in the December 31, 2015 valuation were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years. Active member mortality was based upon the same mortality rates but adjusted to 55 percent of the base rate for males and 40 percent of the base rate for females. For disabled retirees, the RP-2000 Disabled Mortality Table (set back 2 years for males and set back 2 years for females) was assumed.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

As a result of the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic actuarial assumptions including withdrawal rates, retirement rates for early reduced and unreduced retirement, disability rates, administrative expense load, and pre- and post-retirement and disability mortality rates were adopted by PERA's Board on November 18, 2016 to more closely reflect PERA's actual experience. As the revised economic and demographic assumptions are effective as of the measurement date, December 31, 2016, these revised assumptions were reflected in the total pension liability and roll-forward procedures.

Healthy mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 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 adjustment for credibility.

WRAY SCHOOL DISTRICT RD-2
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

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

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

The 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. As a result of the October 28, 2016 actuarial assumptions workshop and the November 18, 2016 PERA Board meeting, the economic assumptions changed, effective December 31, 2016, as follows:

- Investment rate of return assumption decreased from 7.50 percent per year, compounded annually, net of investment expenses to 7.25 percent per year, compounded annually, net of investment expenses.
- Price inflation assumption decreased from 2.80 percent per year to 2.40 percent per year.
- Real rate of investment return assumption increased from 4.70 percent per year, net of investment expenses, to 4.85 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.90 percent per year to 3.50 percent per year.

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 November 18, 2016 adoption of the current long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

WRAY SCHOOL DISTRICT RD-2
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
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	<u>1.00%</u>	0.20%
Total	<u><u>100.00%</u></u>	

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

Discount rate. The discount rate used to measure the total pension liability was 5.26 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated economic and demographic actuarial assumptions adopted by PERA's Board on November 18, 2016.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimate future AED and SAED, until the Actuarial Value

WRAY SCHOOL DISTRICT RD-2
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

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 or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the projection test indicates the SCHDTF's fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25 percent on pension plan investments was applied to periods through 2041 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System, was applied to periods on and after 2041 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.86 percent, resulting in a discount rate of 5.26 percent.

WRAY SCHOOL DISTRICT RD-2
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

As of the prior measurement date, the projection test indicated the SCHDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments of 7.50 percent was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination did not use a municipal bond index rate and the discount rate was 7.50 percent, 2.24 percent higher compared to the current measurement date.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 5.26 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 (4.26 percent) or 1-percentage-point higher (6.26 percent) than the current rate:

	1% Decrease <u>(4.26%)</u>	Current Discount <u>(5.26%)</u>	1% Increase <u>(6.26%)</u>
Proportionate share of the net pension liability	<u>\$ 29,301,041</u>	<u>\$ 23,301,622</u>	<u>\$ 18,415,313</u>

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

Payables to the pension plan

The District did not report any payables to the pension plan at year-end.

Note I – Defined contribution pension plan

Voluntary Investment Program

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

WRAY SCHOOL DISTRICT RD-2

Notes to Financial Statements

Note I – Postemployment healthcare benefits (Continued)

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. The District does not offer matching contributions to its employees. Employees are immediately vested in their own contributions and investment earnings. For the year ended, program members contributed \$38,272 for the Voluntary Investment Program.

Health Care Trust Fund

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

Funding policy. The District is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the fiscal years ended June 30, 2017, 2016 and 2015, the District's contributions to the HCTF were \$36,293, \$33,195 and \$31,730, respectively, equal to their required contributions for each year.

Note K – 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. The District participates in the Colorado School Districts SelfInsurance Pool (the Pool). The Pool's objectives are to provide member school districts defined property and liability coverages through selfinsurance and excess insurance purchased from commercial companies. The District pays an annual contribution to the Pool for its insurance coverages. The District's contribution for the year was \$82,131. The District continues to carry commercial insurance for all other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage or the deductible in any of the past three fiscal years. There has been no significant reduction in insurance coverage from the prior year in any of the major categories of risk.

WRAY SCHOOL DISTRICT RD-2
Notes to Financial Statements

Note L – Commitments and contingencies

Federal and state funding

The District receives revenues from various federal and state grant programs which are subject to final review and approval by the grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

TABOR amendment

In November 1992, Colorado voters passed an amendment, commonly known as the Taxpayer's Bill of Rights (TABOR), to the State Constitution (Article X, Section 20) which limits the revenue raising and spending abilities of state and local governments. The limits on property taxes, revenue, and "fiscal year spending" include allowable annual increases tied to inflation and local growth in student enrollment. Fiscal year spending as defined by the amendment excludes spending from certain revenue and financing sources such as federal funds, gifts, property sales, fund transfers, damage awards, and fund reserves (balances). The amendment requires voter approval for any increase in mill levy or tax rates, new taxes, or creation of multi-year debt. Revenue earned in excess of the "spending limit" must be refunded or approved to be retained by the District under specified voting requirements by the entire electorate. On November 3, 1998, the voters of the District approved a ballot initiative permitting the District to retain, appropriate, and utilize, by retention for reserve, carryover fund balance, or expenditure, the full proceeds and revenues received from every source whatsoever, without limitation, in this fiscal year and all subsequent fiscal years notwithstanding any limitation of Article X, Section 20 of the Colorado Constitution. TABOR is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of TABOR. However, the District has made certain interpretations of TABOR's language in order to determine its compliance. The District has reserved funds in the General Fund in the amount of \$181,000 for the emergency reserve.

Note M – Prior-year defeasance of debt

In prior years, the District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At year-end, \$4,435,000 of bonds outstanding are considered defeased.

WRAY SCHOOL DISTRICT RD-2
Notes to Financial Statements

Note N – Joint venture

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

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

The District has one member on the board. This board has final authority for all budgeting and financing of the joint venture.

Separate financial statements of the Northeast Colorado Board of Educational Services are available by contacting their administrative office in Haxtun, Colorado.

For the year, the District's financial contribution was \$147,115.

Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Governmental Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule – General Fund
- Budgetary Comparison Schedule – Food Service Fund
- Schedule of the District's Proportionate Share of the Net Pension Liability
- Schedule of District Contributions
- Notes to the Required Supplementary Information

WRAY SCHOOL DISTRICT RD-2
General Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources	\$ 2,191,367	\$ 3,089,063	\$ 3,217,315	\$ 128,252
Intermediate sources	3,639	3,639	3,166	(473)
State sources	3,877,266	4,179,529	3,985,660	(193,869)
Federal sources	186,662	186,662	211,126	24,464
Total revenues	6,258,934	7,458,893	7,417,267	(41,626)
Expenditures				
Instruction	3,677,924	3,761,649	3,774,628	(12,979)
Supporting services	2,515,625	3,050,054	3,285,570	(235,516)
Debt service				
Principal retirement	84,800	84,800	82,641	2,159
Interest and fiscal charges			2,107	(2,107)
Appropriated reserves	2,106,103	3,164,990		3,164,990
Total expenditures	8,384,452	10,061,493	7,144,946	2,916,547
Excess of revenues over (under) expenditures	(2,125,518)	(2,602,600)	272,321	2,874,921
Other financing sources (uses)				
Transfers out	(46,232)	(47,689)	(98,050)	(50,361)
Net change in fund balance	\$ (2,171,750)	\$ (2,650,289)	174,271	\$ 2,824,560
Fund balance at beginning of year			2,602,600	
Fund balance at end of year			\$ 2,776,871	

WRAY SCHOOL DISTRICT RD-2
Food Service Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues				
Local sources	\$ 99,208	\$ 100,708	\$ 114,493	\$ 13,785
State sources	9,900	8,700	8,779	79
Federal sources	230,200	240,500	277,843	37,343
Total revenues	339,308	349,908	401,115	51,207
Expenditures				
Supporting services				
Salaries	104,300	116,800	112,680	4,120
Employee benefits	62,839	65,395	61,027	4,368
Purchased services	9,900	7,900	12,377	(4,477)
Supplies and materials	202,502	203,502	232,570	(29,068)
Property	4,000	4,000	5,428	(1,428)
Appropriated reserves	36,459	32,310		32,310
Total expenditures	420,000	429,907	424,082	5,825
Excess of revenues over (under) expenditures	(80,692)	(79,999)	(22,967)	57,032
Other financing sources				
Transfers in	46,232	47,689	28,000	(19,689)
Net change in fund balance	\$ (34,460)	\$ (32,310)	5,033	\$ 37,343
Fund balance at beginning of year			32,310	
Fund balance at end of year			\$ 37,343	

WRAY SCHOOL DISTRICT RD-2**Schedule of the District's Proportionate Share of the Net Pension Liability ¹****June 30, 2017**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.0782619942%	0.0769935093%	0.0778593011%
District's proportionate share of the net pension liability	\$ 23,301,622	\$ 11,775,614	\$ 10,552,551
District's covered-employee payroll	\$ 3,558,108	\$ 3,452,695	\$ 3,276,669
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	654.89%	341.06%	322.05%
Plan fiduciary net position as a percentage of the total pension liability	43.10%	59.20%	62.84%

¹ Information is not available prior to June 30, 2015. In future reports, additional years will be added until 10 years of historical data are presented.

WRAY SCHOOL DISTRICT RD-2
Schedule of District Contributions ¹
June 30, 2017

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 690,448	\$ 647,243	\$ 586,820
Contributions in relation to the contractually required contribution	<u>(690,448)</u>	<u>(647,243)</u>	<u>(586,820)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 3,558,108	\$ 3,452,695	\$ 3,276,669
Contributions as a percentage of covered-employee payroll	19.40%	18.75%	17.91%

¹ Information is not available prior to June 30, 2015. In future reports, additional years will be added until 10 years of historical data are presented.

WRAY SCHOOL DISTRICT RD-2
Notes to the Required Supplementary Information

Note A – Budgetary data

The District adheres to the following procedures in compliance with Colorado Revised Statutes, establishing the budgetary data in the financial statements:

1. Budgets are required by state law for all funds. Prior to 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.
2. Public hearings are conducted by the board of education to obtain taxpayer comments.
3. Prior to June 30, the budget is adopted by formal resolution.
4. Prior to January 31, the board of education submits its adopted annual budget to the department of education.
5. Expenditures may not legally exceed appropriations at the fund level. Authorization to transfer budgeted amounts between departments within any fund and reallocation of budget line items within any department in the General Fund rests with the superintendent of schools. Revisions that alter the total expenditures of any fund must be approved by the board of education.
6. Budgets for all funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
7. Budgeted amounts reported in the accompanying financial statements are as originally adopted and as amended by the board of education throughout the year. After budget approval, the District board of education may approve supplemental appropriations if an occurrence, condition, or need exists which was not known at the time the budget was adopted.
8. Appropriations lapse at year-end.

Note B – Factors affecting trends in amounts reported in the pension schedules

Information about factors that significantly affect trends in the amounts reported in the Schedule of the District's Proportionate Share of the Net Pension Liability and the Schedule of District Contributions is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

Other Supplementary Information

Other supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

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Budgetary Comparison Schedules - General Fund

The General Fund accounts for all transactions of the District not required to be accounted for in other funds. This fund represents an accounting of the District's ordinary operations financed primarily from property and specific ownership taxes and state aid. It is the most significant fund in relation to the District's overall operations. The schedules of revenues and expenditures are included to provide a greater level of detail to the reader of the financial statements.

WRAY SCHOOL DISTRICT RD-2
General Fund
Budgetary Comparison Schedule - Revenues
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues				
Local sources				
Property taxes	\$ 1,793,684	\$ 2,416,684	\$ 2,527,669	\$ 110,985
Specific ownership taxes	266,871	276,871	311,322	34,451
Delinquent taxes and interest	4,000	3,200	(7,731)	(10,931)
Tuition	42,574	42,324	38,537	(3,787)
Earnings on investments	2,400	3,200	5,622	2,422
Pupil activities	5,500	5,000	5,049	49
Other local revenue	76,338	341,784	336,847	(4,937)
Total local sources	2,191,367	3,089,063	3,217,315	128,252
Intermediate sources	3,639	3,639	3,166	(473)
State sources				
Equalization	3,376,970	3,672,093	3,653,343	(18,750)
Vocational education	2,000	6,614	35,391	28,777
Transportation	95,570	94,596	92,224	(2,372)
ELPA professional development	26,822	26,822	26,822	-
English language proficiency	18,662	18,662	11,137	(7,525)
READ Act	10,871	10,871	18,635	7,764
State grants to libraries		3,500	3,500	-
Small rural schools funding	169,896	169,896		(169,896)
Additional at-risk funding			4,564	4,564
Services within the BOCES	176,475	176,475	140,044	(36,431)
Total state sources	3,877,266	4,179,529	3,985,660	(193,869)
Federal sources				
Title I	116,391	116,391	117,290	899
Title II-A	21,732	21,732	21,655	(77)
REAP	36,989	36,989	37,874	885
Title I, Part A: Improving basic programs operated by schools			16,225	16,225
IDEA, Part A			5,000	5,000
Services within the BOCES	11,550	11,550	13,082	1,532
Total federal sources	186,662	186,662	211,126	24,464
Total revenues	\$ 6,258,934	\$ 7,458,893	\$ 7,417,267	\$ (41,626)

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WRAY SCHOOL DISTRICT RD-2
General Fund
Budgetary Comparison Schedule - Expenditures
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Expenditures				
Instruction				
Salaries	\$ 2,280,996	\$ 2,295,496	\$ 2,302,326	\$ (6,830)
Employee benefits	889,940	895,532	877,090	18,442
Purchased services	278,415	291,445	297,825	(6,380)
Supplies and materials	187,973	223,746	206,888	16,858
Property	19,000	19,470	62,585	(43,115)
Other	21,600	35,960	27,914	8,046
Total instruction	3,677,924	3,761,649	3,774,628	(12,979)
Supporting services				
Students				
Salaries	115,084	115,084	116,740	(1,656)
Employee benefits	44,554	44,554	45,323	(769)
Purchased services	2,050	2,050	2,886	(836)
Supplies and materials	944	1,844	655	1,189
Other	430	430	71	359
Total students	163,062	163,962	165,675	(1,713)
Instructional staff				
Salaries	143,957	147,157	153,685	(6,528)
Employee benefits	63,099	63,774	58,808	4,966
Purchased services	84,508	81,133	100,746	(19,613)
Supplies and materials	56,940	61,339	61,482	(143)
Property	7,500	7,500	7,410	90
Other	1,500	1,500	958	542
Total instructional staff	357,504	362,403	383,089	(20,686)
General administration				
Salaries	109,522	109,522	108,725	797
Employee benefits	36,495	36,495	34,588	1,907
Purchased services	57,197	57,197	41,008	16,189
Supplies and materials	4,265	4,265	4,018	247
Other	13,100	13,100	9,921	3,179
Total general administration	220,579	220,579	198,260	22,319

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
School administration				
Salaries	266,900	266,900	262,319	4,581
Employee benefits	96,357	96,357	92,477	3,880
Purchased services	3,000	3,000	2,258	742
Supplies and materials	1,100	2,000	807	1,193
Other	2,480	2,480	2,193	287
Total school administration	369,837	370,737	360,054	10,683
Business services				
Salaries	87,252	87,252	88,857	(1,605)
Employee benefits	31,843	31,843	30,868	975
Purchased services	37,824	37,824	32,744	5,080
Supplies and materials	23,000	23,000	21,527	1,473
Property	1,500	1,500	766	734
Other	2,900	2,900	6,353	(3,453)
Total business services	184,319	184,319	181,115	3,204
Operations and maintenance				
Salaries	214,365	214,365	235,913	(21,548)
Employee benefits	85,365	85,750	99,085	(13,335)
Purchased services	58,935	203,117	251,727	(48,610)
Supplies and materials	236,000	236,000	267,995	(31,995)
Property	21,500	93,500	113,083	(19,583)
Other	3,000	3,000	470	2,530
Total operations and maintenance	619,165	835,732	968,273	(132,541)
Student transportation				
Salaries	207,658	219,952	217,291	2,661
Employee benefits	87,044	89,999	84,809	5,190
Purchased services	14,300	14,300	50,148	(35,848)
Supplies and materials	80,000	80,000	86,351	(6,351)
Property	2,000	143,224	239,388	(96,164)
Other		(28,560)	(16,459)	(12,101)
Total student transportation	391,002	518,915	661,528	(142,613)

(continued)

WRAY SCHOOL DISTRICT RD-2
General Fund
Budgetary Comparison Schedule - Expenditures
For the Year Ended June 30, 2017

(continued)	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Central support services				
Salaries	50,750	156,754	152,925	3,829
Employee benefits	22,358	18,901	15,291	3,610
Purchased services	133,549	113,549	124,808	(11,259)
Supplies and materials	2,000	2,000	2,000	-
Other	1,500	1,500	1,430	70
Total central support services	210,157	292,704	296,454	(3,750)
Food service operations				
Property		100,703	71,122	29,581
Total food service operations	-	100,703	71,122	29,581
Total supporting services	2,515,625	3,050,054	3,285,570	(235,516)
Debt service				
Principal retirement	84,800	84,800	82,641	2,159
Interest and fiscal charges			2,107	(2,107)
Total debt service	84,800	84,800	84,748	52
Appropriated reserves	2,106,103	3,164,990		3,164,990
Total expenditures	\$ 8,384,452	\$ 10,061,493	\$ 7,144,946	\$ 2,916,547

**Combining Statements and Budgetary Comparison Schedules –
Nonmajor Governmental Funds**

The District reports the following nonmajor governmental funds:

Special Revenue Funds – These funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

- Head Start Fund – This fund is to account for expenditures related to the Head Start Program.

Capital Projects Fund – These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

- Capital Reserve Capital Projects Fund – This fund was established to account for and report financial resources that have been designated for capital outlays acquisition or construction of major capital facilities and other capital assets.

WRAY SCHOOL DISTRICT RD-2
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2017

	Head Start Fund	Capital Reserve Capital Projects Fund	Totals
Assets			
Cash	\$ 7,331	\$ 70,052	\$ 77,383
Grants receivable	23,301		23,301
Total assets	<u>\$ 30,632</u>	<u>\$ 70,052</u>	<u>\$ 100,684</u>
Liabilities			
Accrued salaries and benefits	\$ 30,632		\$ 30,632
Total liabilities	30,632	\$ -	30,632
Fund balance			
Committed to capital projects		70,052	70,052
Total fund balance	<u>-</u>	<u>70,052</u>	<u>70,052</u>
Total liabilities and fund balance	<u>\$ 30,632</u>	<u>\$ 70,052</u>	<u>\$ 100,684</u>

WRAY SCHOOL DISTRICT RD-2
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2017

	Head Start Fund	Capital Reserve Capital Projects Fund	Totals
Revenues			
Local sources	\$ 408	\$ 2	\$ 410
Federal sources	288,893		288,893
Total revenues	289,301	2	289,303
Expenditures			
Instruction	215,249		215,249
Supporting services	74,052		74,052
Total expenditures	289,301	-	289,301
Excess of revenues over expenditures	-	2	2
Other financing sources			
Transfers in		70,050	70,050
Net change in fund balances	-	70,052	70,052
Fund balance at beginning of year	-	-	-
Fund balance at end of year	\$ -	\$ 70,052	\$ 70,052

WRAY SCHOOL DISTRICT RD-2
Head Start Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues				
Local sources	\$ 4	\$ 80,004	\$ 408	\$ (79,596)
Federal sources	249,391	249,391	288,893	39,502
Total revenues	249,395	329,395	289,301	(40,094)
Expenditures				
Instruction				
Salaries	90,524	103,281	122,234	(18,953)
Employee benefits	47,003	47,007	49,334	(2,327)
Purchased services	22,349	85,425	27,811	57,614
Supplies and materials	12,001	12,001	15,870	(3,869)
Property	1,000	1,000		1,000
Total instruction	172,877	248,714	215,249	33,465
Supporting services				
Salaries	51,692	55,859	56,905	(1,046)
Employee benefits	24,822	24,822	17,147	7,675
Total supporting services	76,514	80,681	74,052	6,629
Appropriated reserves	30,609			-
Total expenditures	280,000	329,395	289,301	40,094
Net change in fund balance	\$ (30,605)	\$ -	-	\$ -
Fund balance at beginning of year			-	
Fund balance at end of year			\$ -	

WRAY SCHOOL DISTRICT RD-2
Capital Reserve Capital Projects Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues				
Local sources				
Earnings on investments	\$ -	\$ -	\$ 2	\$ 2
Expenditures				
Capital outlay	-	-	-	-
Excess of revenues over expenditures	-	-	2	2
Other financing sources				
Transfers in	-	-	70,050	70,050
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>70,052</u>	<u>\$ 70,052</u>
Fund balance at beginning of year			-	
Fund balance at end of year			<u>\$ 70,052</u>	

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Budgetary Comparison Schedule - Debt Service Fund

The District reports the following major debt service fund:

Bond Redemption Fund – This fund is a debt service fund used to account for the revenues from a specific tax levy for the purpose of the repayment of debt principal, interest and other fiscal charges.

WRAY SCHOOL DISTRICT RD-2
Bond Redemption Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues				
Local sources				
Property taxes	\$ 626,390	\$ 720,000	\$ 533,503	\$ (186,497)
Delinquent taxes and interest	1,000	1,050	(3,225)	(4,275)
Interest on investments	950	3,200	7,828	4,628
Total local sources	628,340	724,250	538,106	(186,144)
Intermediate sources	487	1,700	233	(1,467)
Total revenues	628,827	725,950	538,339	(187,611)
Expenditures				
Debt service				
Redemption of principal	465,000	485,000	485,000	-
Interest and fiscal charges	162,390	162,390	107,500	54,890
Appropriated reserves	72,610	1,546,565		1,546,565
Total expenditures	700,000	2,193,955	592,500	1,601,455
Net change in fund balance	\$ (71,173)	\$ (1,468,005)	(54,161)	\$ 1,413,844
Fund balance at beginning of year			1,468,005	
Fund balance at end of year			\$ 1,413,844	

Budgetary Comparison Schedule – Enterprise Fund

The District reports the following major proprietary fund:

Enterprise Funds – These funds are used to account for operations that provide services that are financed primarily by user charges, or activities where periodic measurement of income is appropriate for capital maintenance, public policy, management control or other purposes.

- Wind Turbine Fund – This fund is used to record financial transactions related to the District's wind turbine operations.

WRAY SCHOOL DISTRICT RD-2
Wind Turbine Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Operating revenues				
Charges for services	\$ 75,000	\$ 75,000	\$ 82,560	\$ 7,560
Operating expenses				
Purchased services	49,346	49,346	57,800	(8,454)
Other	3,550	3,550		3,550
Depreciation	85,000	85,000	87,414	(2,414)
Appropriated reserves	112,104	1,037,516		1,037,516
Total expenses	250,000	1,175,412	145,214	1,030,198
Operating loss	(175,000)	(1,100,412)	(62,654)	1,037,758
Nonoperating revenues				
Earnings on investments	50	50	27	(23)
Total nonoperating revenues	50	50	27	(23)
Change in net position	\$ (174,950)	\$ (1,100,362)	(62,627)	\$ 1,037,735
Net position at beginning of year			1,100,362	
Net position at end of year			\$ 1,037,735	

Budgetary Comparison Schedule - Fiduciary Fund

These funds focus on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds.

Agency funds – These funds are used to report resources held by the District in a purely custodial capacity (assets equal liabilities). These funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

- Pupil Activity Agency Fund – This fund is an agency fund used to record transactions related to school-sponsored pupil organizations and activities.

WRAY SCHOOL DISTRICT RD-2
Pupil Activity Agency Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Additions				
Fundraising and other events	\$ 475,000	\$ 425,000	\$ 351,412	\$ (73,588)
Deductions				
Pupil activity expenditures	475,000	425,000	368,475	56,525
Appropriated reserves	125,000	153,096		153,096
Total deductions	600,000	578,096	368,475	209,621
Excess of additions over (under) deductions	<u>\$ (125,000)</u>	<u>\$ (153,096)</u>	(17,063)	<u>\$ 136,033</u>
Due to student groups at beginning of year			153,096	
Due to student groups at end of year			<u>\$ 136,033</u>	

Single Audit Section

The Single Audit Section contains the following:

- Schedule of Expenditures of Federal Awards
- Notes to Schedule of Expenditures of Federal Awards
- Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
- Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance
- Schedule of Findings and Questioned Costs

WRAY SCHOOL DISTRICT RD-2
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

<u>Federal Grantor / Pass-through Grantor / Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education</u>				
Direct program:				
Rural Education	84.358	4358	\$ -	\$ 37,874
Pass-through programs from:				
Colorado Department of Education:				
Special Education - State Personnel Development	84.323	5323	-	5,000
Supporting Effective Instruction State Grants	84.367	4367	-	21,655
Title I Grants to Local Educational Agencies	84.010	4010	-	117,290
Title I Grants to Local Educational Agencies	84.010	5010	-	16,225
Total U.S. Department of Education				198,044
<u>U.S. Department of Health and Human Services</u>				
Direct program:				
Head Start	93.600	8600	-	288,893
Total U. S. Department of Health and Human Services				288,893
<u>Child Nutrition Cluster</u>				
U.S. Department of Agriculture:				
Pass-through programs from:				
Colorado Department of Human Services:				
National School Lunch Program - Donated Commodities	10.555	4555	-	25,515
Colorado Department of Education:				
School Breakfast Program	10.553	4553	-	91,249
National School Lunch Program	10.555	4555	-	161,079
Total Child Nutrition Cluster				277,843
Total expenditures of federal awards				\$ 764,780

See accompanying Notes to Schedule of Expenditures of Federal Awards.

WRAY SCHOOL DISTRICT RD-2
Notes to Schedule of Expenditures of Federal Awards

Note A – Basis of presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Wray School District RD-2 and is presented on the modified accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CRF) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note B – Nonmonetary assistance

Federal nonmonetary assistance is reported in the schedule at the fair value of the items received and disbursed during the year. The District received nonmonetary assistance for the year as follows:

CFDA No. 10.555	National School Lunch Program – Donated Commodities	\$ <u>25,515</u>
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Note C – Indirect Cost Rate

The District did not elect to use the 10% de minimis indirect cost rate.

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**Independent Auditors' Report on Internal Control over
Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

Board of Education
Wray School District RD-2
Wray, 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, the business-type activities, each major fund, and the aggregate remaining fund information of Wray School District RD-2 (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 14, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Districts' 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 first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Lauer, Szabo & Associates, P.C.

Sterling, Colorado
December 14, 2017



**Independent Auditors' Report on Compliance for
Each Major Program and on Internal Control over
Compliance Required by the Uniform Guidance**

Board of Education
Wray School District RD-2
Wray, Colorado

Report on Compliance for Each Major Federal Program

We have audited Wray School District RD-2's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. The District's major federal programs are identified in the summary of auditors' 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.

Auditors' 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, 2017.

Report on Internal Control over Compliance

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

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

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

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

Lauer, Szabo & Associates, P.C.

Sterling, Colorado
December 14, 2017

WRAY SCHOOL DISTRICT RD-2
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Summary of auditors' results

1. The auditors' report expresses an unmodified opinion on the basic financial statements of the Wray School District RD-2 (the District).
2. No significant deficiencies relating to the audit of the basic financial statements are reported in the Independent Auditors' 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*.
3. No instances of noncompliance material to the basic financial statements of the District were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditors' report on compliance for the major federal award programs for the District expresses an unmodified opinion on all major federal programs.
6. The audit did not disclose any findings relative to the major federal award programs of the District.
7. The programs tested as major were:

Child Nutrition Cluster	CFDA Nos. 10.553 and 10.555
Rural Education	CFDA No. 84.358
8. The threshold for distinguishing Type A and B programs was \$750,000.
9. The District did not qualify as a low-risk auditee.

Findings – Financial statement audit

We noted no findings that are required to be reported under *Government Auditing Standards*.

Findings and Questioned Costs

We noted no findings or questioned costs that are required to be reported in accordance with the Uniform Guidance.

Prior year findings

There were no findings or questioned costs reported for the year ended June 30, 2016.

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**Colorado Department of Education
Supplementary Schedule**

Auditors' integrity report – This fiscal-year report is required by the Colorado Department of Education to maintain statewide consistency in financial reporting. This report is also used to gather financial data that could affect future state funding.

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Independent Auditors' Report on Auditors' Integrity Report

Board of Education
Wray School District RD-2
Wray, Colorado

We have audited the financial statements of the Wray School District RD-2 (the District) as of and for the year ended June 30, 2017, and our report thereon dated December 14, 2017, which expressed an unmodified opinion on those financial statements, appears on pages 1-3. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Auditors' Integrity Report is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Lauer, Szabo & Associates, P.C.

Sterling, Colorado
December 14, 2017



Colorado Department of Education

Auditors Integrity Report

District: 3210 - WRAY RD-2

Fiscal Year 2016-17

Colorado School District/BOCES

Page: 1

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental	+	-	=	
10 General Fund	2,502,680	7,279,217	7,144,946	2,735,871
18 Risk Mgmt Sub-Fund of General Fund	0	40,000	0	40,000
19 Colorado Preschool Program Fund	0	0	0	0
Sub-Total	2,602,680	7,319,217	7,144,946	2,775,871
11 Charter School Fund	0	0	0	0
20,26-29 Special Revenue Fund	0	0	0	0
06 Supplemental Cap Const, Tech, Main, Fund	0	0	0	0
21 Food Service Spec Revenue Fund	32,310	429,115	424,082	37,243
22 Govt Designated Purpose Grants Fund	0	289,301	289,301	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	1,463,005	538,339	592,500	1,413,844
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	0	70,052	0	70,052
46 Supplemental Cap Const, Tech, Main, Fund	0	0	0	0
Totals	4,102,915	8,646,024	8,450,829	4,298,110
Proprietary	-	-	-	
50 Other Enterprise Funds	1,100,362	82,586	145,214	1,037,735
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	0	0	0	0
Totals	1,100,362	82,586	145,214	1,037,735
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	153,096	351,412	368,476	156,033
79 GASB 34 Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
Totals	153,096	351,412	368,476	156,033

FINAL