

***Wray School District RD-2***  
**Wray, Colorado**

**Financial Statements**

**For the Year ended June 30, 2019**

## Table of Contents

	Page
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-10
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	12
Statement of Activities	14-15
Fund Financial Statements	
Balance Sheet – Governmental Funds	16-17
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	18-19
Statement of Net Position – Proprietary Funds	20
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds	21
Statement of Cash Flows – Proprietary Funds	22
Statement of Fiduciary Net Position – Fiduciary Funds	23
Notes to Financial Statements	24-62
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund	64
Schedule of the District's Proportionate Share of the Net Pension Liability – PERA's School Division Trust Fund	66-67
Schedule of District Contributions – PERA's School Division Trust Fund	68-69
Schedule of the District's Proportionate Share of the Net OPEB Liability – PERA's Health Care Trust Fund	70
Schedule of District Contributions – PERA's Health Care Trust Fund	71
Notes to the Required Supplementary Information	72
Other Supplementary Information	
General Fund	
Budgetary Comparison Schedule - Revenues	76
Budgetary Comparison Schedule - Expenditures	78-80
Nonmajor Governmental Funds	
Combining Balance Sheet	82
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	83
Budgetary Comparison Schedule – Food Service Fund	84
Budgetary Comparison Schedule – Head Start Fund	85
Budgetary Comparison Schedule – Capital Reserve Capital Projects Fund	86

## Table of Contents

	<u>Page</u>
Debt Service Fund	
Budgetary Comparison Schedule – Bond Redemption Fund	88
Capital Projects Fund	
Budgetary Comparison Schedule - Building Fund	90
Enterprise Fund	
Budgetary Comparison Schedule – Wind Turbine Fund	92
Fiduciary Fund	
Budgetary Comparison Schedule – Pupil Activity Agency Fund	94
Colorado Department of Education Supplementary Schedule	
Independent Auditors’ Report on Auditors’ Integrity Report	97
Auditors’ Integrity Report	98



## **Independent Auditors' Report**

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

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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **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. 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, historical pension information and other post-employment benefit plan 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 other supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Lauer, Szabo & Associates, P.C.*

Sterling, Colorado  
December 10, 2019

**WRAY SCHOOL DISTRICT RD-2  
Management Discussion and Analysis  
For Fiscal Year Ended June 30, 2019**

---

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, 2019.

**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 \$1,027,647 (net position - deficit).
- The district's total net position increased by \$4,586,400. This change in net position is due in large part to the inclusion of the District's share of PERA's pension and OPEB liabilities. Please refer to Notes H and J for more details.
- General revenues accounted for \$9,344,630 or 78% of the \$12,056,583 in total revenues. Program specific revenues in the form of charges for services, sales, and grants accounted for \$2,711,953 or 22% of revenues.
- The general fund ending fund balance reached \$3,535,657, an increase of \$293,500 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, administration and food service. 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 six 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, Bond Redemption Fund and Building Fund, which are considered to be major funds. Data for the other three 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 26-64 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 76-94.

### **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.

37% 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, 2019.

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2018-2019
	2019	2018	2019	2018	2019	2018	
Current and Other assets	\$22,901,991	\$ 5,747,762	\$ 72,268	\$ 74,599	\$22,974,259	\$ 5,822,361	294.59%
Capital assets	12,841,352	11,451,384	803,700	891,114	13,645,052	12,342,498	10.55%
<b>Total assets</b>	<b>35,743,343</b>	<b>17,199,146</b>	<b>875,968</b>	<b>965,713</b>	<b>36,619,311</b>	<b>18,164,859</b>	<b>101.59%</b>
Deferred outflows of resources	5,390,762	8,240,830	-	-	5,390,762	8,240,830	-34.58%
<b>Total assets and deferred outflows of resources</b>	<b>\$41,134,105</b>	<b>\$25,439,976</b>	<b>\$ 875,968</b>	<b>\$ 965,713</b>	<b>\$42,010,073</b>	<b>\$26,405,689</b>	<b>59.09%</b>
Other liabilities	\$ 1,175,565	\$ 714,792	\$ -	\$ 21,439	\$1,175,565	\$ 736,231	59.67%
Long-term liabilities	31,349,543	29,682,998	-	20,000	31,349,543	29,702,998	5.54%
<b>Total liabilities</b>	<b>32,525,108</b>	<b>30,397,790</b>	<b>-</b>	<b>41,439</b>	<b>32,525,108</b>	<b>30,439,229</b>	<b>6.85%</b>
Deferred inflows of resources	10,512,612	1,580,508	-	-	10,512,612	1,580,508	565.14%
Net investment in capital assets	9,388,548	8,377,806	803,700	871,114	10,192,248	9,248,920	10.20%
Restricted	17,346,911	1,663,751	-	-	17,346,911	1,663,751	942.64%
Unrestricted	(28,639,074)	(16,579,878)	72,268	53,160	(28,566,806)	(16,526,718)	72.85%
<b>Total net position</b>	<b>(1,903,615)</b>	<b>(6,538,321)</b>	<b>875,968</b>	<b>924,274</b>	<b>(1,027,647)</b>	<b>(5,614,047)</b>	<b>81.70%</b>
<b>Total liabilities, deferred inflows and net position</b>	<b>\$ 41,134,105</b>	<b>\$25,439,976</b>	<b>\$ 875,968</b>	<b>\$ 965,713</b>	<b>\$42,010,073</b>	<b>\$26,405,689</b>	<b>59.09%</b>

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

Revenues	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2018-2019
	2019	2018	2019	2018	2019	2018	
Program Revenues							
Charges for services	\$ 146,514	\$ 151,515	\$ 91,024	\$ 65,744	\$ 237,538	\$ 217,259	9.33%
Operating Grants & Contributions	1,480,418	1,374,418	-	-	1,480,418	1,374,418	7.71%
Capital Grants & Contributions	993,997	95,770	-	-	993,997	95,770	937.90%
General Revenue							
Property taxes	4,918,350	3,637,599	-	-	4,918,350	3,637,599	35.21%
State equalization	4,252,750	3,958,348	-	-	4,252,750	3,958,348	7.44%
Other	173,511	92,130	19	27	173,530	92,157	88.30%
<b>Total Revenue</b>	<b>11,965,540</b>	<b>9,309,780</b>	<b>91,043</b>	<b>65,771</b>	<b>12,056,583</b>	<b>9,375,551</b>	<b>28.60%</b>
Expenses							
Instruction	3,558,440	7,643,335	-	-	3,558,440	7,643,335	-53.44%
Supporting services	2,975,372	5,221,333	-	-	2,975,372	5,221,333	-43.02%
Unallocated depreciation	368,564	366,687	-	-	368,564	366,687	0.51%
Interest expense	428,458	98,193	-	-	428,458	98,193	336.34%
Wind turbine services	-	-	139,349	179,232	139,349	179,232	-22.25%
<b>Total Expenses</b>	<b>7,470,183</b>	<b>13,329,548</b>	<b>139,349</b>	<b>179,232</b>	<b>7,470,183</b>	<b>13,508,780</b>	<b>-44.70%</b>
<b>Change in net position</b>	<b>\$4,634,706</b>	<b>\$(4,019,768)</b>	<b>\$ (48,306)</b>	<b>\$ (113,461)</b>	<b>\$ 4,586,400</b>	<b>\$(4,133,229)</b>	<b>-210.96%</b>

## **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 \$8,669 per funded student. In fiscal year 2018-19 the funded pupil count was 677.6. Funding for the SFA comes from property taxes, specific ownership tax and state equalization. The School District receives approximately 57 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 \$2,748,927 in property taxes levied for general purposes for fiscal year 2019.

## **Business-Type Activities**

Business-type activities are made up of the wind turbine fund. These programs had total revenues of \$91,043 and expenses of \$139,349. 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 \$21,717,726, an increase of \$16,694,899. The general fund had a fund balance increase of \$293,500.

## **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 found between the final budget and the actual expended amounts were primarily to support mill levy override expenditures as promised to our taxpayers. Additionally, the increase was to support salary and benefit requirements (PERA required contributions increased (0.5%), as well as healthcare costs. 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, 2019 amounts to \$13,645,052 (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:

- Construction in progress \$1,633,032
- Furniture and equipment \$137,023
- Licensed vehicles \$190,473

The School District's total capital assets at June 30, 2019, net of accumulated depreciation were as follows:

	Governmental Activities	Business-type Activities	Total
Construction in progress	\$ 1,633,032	\$ -	\$ 1,633,032
Land and improvements	599,707	-	599,707
Building and improvements	9,752,461	-	9,752,461
Furniture and equipment	352,036	803,700	1,155,736
Licensed vehicles	504,116	-	504,116
Total capital assets	<u>\$ 12,841,352</u>	<u>\$ 803,700</u>	<u>\$ 13,645,052</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 \$31,349,543 consisted of the following:

	Governmental Activities	Business-type Activities	Total
Compensated absences	\$ 85,990	\$ -	\$ 85,990
Bonds payable	18,084,231	-	18,084,231
Bond premium	138,091	-	138,091
Capital lease obligation	161,805	-	161,805
Net pension liability	12,266,775	-	12,266,775
Net OPEB liability	612,651	-	612,651
Total long-term debt	<u>\$ 31,349,543</u>	<u>\$ -</u>	<u>\$ 31,349,543</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 18-19 budget. Among them:

- Adjustments to FTE and classroom budgets based on enrollment trends in FY19;
- Increase to our reserves for maintenance and upkeep for buildings and grounds as well as for the new PK-12 capital project;
- 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 July 2019 by another 0.25% for a total of 20.40% 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 FY19. 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](http://www.wrayschools.org).

### **Next Year Challenges**

Each year the state budget is crafted by the governor and legislature to determine how much of the total budget will be allocated to K-12 education. The state economic forecast is important to the district because a major source of funding for the district's General Operating Fund is received through the state's School Finance ACT (SFA), established by the state legislature. During the Great Recession, state revenue shortfalls forced cuts to K-12 education even though constitutionally mandated funding increases exist under Amendment 23. After the state sets the total funding for K-12 public education, each local district determines how to fund its specific programs and allocate resources to each school within its district.

The legislative council provided information regarding Residential Assessment Rate expectations for the 2019 reassessment cycle forecasting the residential assessment rate to decline from 7.20 percent to 6.78 percent in 2019. The forecast states that a strong economy and rebound in oil and gas development will increase the nonresidential tax base, relieving some downward pressure on the residential assessment rate in 2019.

- Although oil and gas development may have rebounded in the state, here in Yuma County, we continue to see a decrease in gas exploration and development. Agriculture commodities are experiencing below average yields and below average market prices across the board. The real estate market is steady; however, housing availability continues to be a challenge.
- Colorado's public school finance laws are subject to review and examination through the judicial process and are subject to legislative changes as well. Appropriation decisions regarding the State's share of Total Program Funding are made on an annual basis by the State legislature. It is likely that the General Assembly may cut public school funding as part of overall State spending cuts in the future. As a result, the District cannot anticipate, with certainty, all of the factors which may influence the financing of its future activities. There is no assurance that there will not be any change in, interpretation of, or addition to the applicable laws (including but not limited to the School Finance Act), provisions, and regulations which would have a material effect, directly or indirectly on the affairs of the District.
- Additionally, we are closely monitoring the discussions on the proposal of Mill Levy Equalization/Stabilization around the State as it has the potential to be a significant challenge impacting the tax payers of Wray School District.

### **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, 2019**

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash	\$ 5,154,324	\$ 44,364	\$ 5,198,688
Cash with fiscal agent	17,219,137		17,219,137
Investments	115,334		115,334
Receivables	401,913	20,256	422,169
Internal balances	(7,648)	7,648	-
Inventory	18,931		18,931
Capital assets, net of depreciation	12,841,352	803,700	13,645,052
<b>Total assets</b>	<b>35,743,343</b>	<b>875,968</b>	<b>36,619,311</b>
<b>Deferred outflows of resources</b>			
Deferred charges on refundings of bonds	131,027		131,027
Pension and other post-employment benefit deferrals	5,259,735		5,259,735
<b>Total deferred outflows of resources</b>	<b>5,390,762</b>	<b>-</b>	<b>5,390,762</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 41,134,105</b>	<b>\$ 875,968</b>	<b>\$ 42,010,073</b>
<b>Liabilities</b>			
Accounts payable	\$ 319,045		\$ 319,045
Due to fiduciary fund	7,095		7,095
Accrued salaries and benefits	783,256		783,256
Unearned revenues	9,806		9,806
Accrued interest payable	56,363		56,363
<b>Noncurrent liabilities</b>			
Due within one year	1,135,160		1,135,160
Due in more than one year	30,214,383		30,214,383
<b>Total liabilities</b>	<b>32,525,108</b>	<b>\$ -</b>	<b>32,525,108</b>
<b>Deferred inflows of resources</b>			
Pension and other post-employment benefit deferrals	10,512,612		10,512,612
<b>Net position</b>			
Net investment in capital assets	9,388,548	803,700	10,192,248
<b>Restricted for:</b>			
Emergencies	240,000		240,000
Colorado Preschool Program	13,895		13,895
Debt service	2,291,877		2,291,877
Food service operations	842		842
Capital projects	14,800,297		14,800,297
Unrestricted (deficit)	(28,639,074)	72,268	(28,566,806)
<b>Total net position (deficit)</b>	<b>(1,903,615)</b>	<b>875,968</b>	<b>(1,027,647)</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 41,134,105</b>	<b>\$ 875,968</b>	<b>\$ 42,010,073</b>

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

This page intentionally left blank.

**WRAY SCHOOL DISTRICT RD-2**  
**Statement of Activities**  
**For the Year Ended June 30, 2019**

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
Instruction	\$ 3,558,440	\$ 48,494	\$ 952,517	
Supporting services				
Students	128,800		8,178	
Instructional staff	307,906		26,151	
General administration	261,081		82,415	
School administration	285,464			
Business services	163,346		7,653	
Operations and maintenance	717,027		5,927	\$ 109,189
Student transportation	475,119		111,716	
Central support services	227,957			
Food service operations	408,582	98,020	285,861	
Facilities acquisitions	90			884,808
Unallocated depreciation *	368,564			
Interest and fiscal charges	428,458			
Total governmental activities	7,330,834	146,514	1,480,418	993,997
Business-type activities				
Wind turbine services	139,349	91,024		
Total school district	<u>\$ 7,470,183</u>	<u>\$ 237,538</u>	<u>\$ 1,480,418</u>	<u>\$ 993,997</u>

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 (deficit) 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
\$ (2,557,429)		\$ (2,557,429)
(120,622)		(120,622)
(281,755)		(281,755)
(178,666)		(178,666)
(285,464)		(285,464)
(155,693)		(155,693)
(601,911)		(601,911)
(363,403)		(363,403)
(227,957)		(227,957)
(24,701)		(24,701)
884,718		884,718
(368,564)		(368,564)
(428,458)		(428,458)
(4,709,905)	\$ -	(4,709,905)
	(48,325)	(48,325)
(4,709,905)	(48,325)	(4,758,230)
2,748,927		2,748,927
1,727,331		1,727,331
432,426		432,426
9,666		9,666
4,252,750		4,252,750
49,790	19	49,809
123,721		123,721
9,344,611	19	9,344,630
4,634,706	(48,306)	4,586,400
(6,538,321)	924,274	(5,614,047)
<u>\$ (1,903,615)</u>	<u>\$ 875,968</u>	<u>\$ (1,027,647)</u>

**WRAY SCHOOL DISTRICT RD-2**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2019**

	General Fund	Bond Redemption Fund	Building Fund	Other Governmental Funds
<b>Assets</b>				
Cash	\$ 5,061,609			\$ 92,715
Cash with fiscal agent	46,613	\$ 2,258,431	\$ 14,914,093	
Investments	115,334			
Due from other funds	24,826			1,036,484
Property taxes receivable	93,419	58,676		
Grants receivable	53,743		139,084	54,878
Other receivables	140			1,973
Inventory				18,931
<b>Total assets</b>	<b>\$ 5,395,684</b>	<b>\$ 2,317,107</b>	<b>\$ 15,053,177</b>	<b>\$ 1,204,981</b>
<b>Liabilities</b>				
Accounts payable	\$ 66,120		\$ 252,880	\$ 45
Due to other funds	1,051,227	\$ 130		24,696
Accrued salaries and benefits	702,717			80,539
Unearned revenues				9,806
<b>Total liabilities</b>	<b>1,820,064</b>	<b>130</b>	<b>252,880</b>	<b>115,086</b>
<b>Deferred inflows of resources</b>				
Deferred property tax revenues	39,963	25,100		
<b>Total deferred inflows of resources</b>	<b>39,963</b>	<b>25,100</b>	-	-
<b>Fund balance</b>				
Nonspendable inventory				18,931
Restricted for:				
Emergencies	240,000			
Colorado Preschool Program	13,895			
Debt service		2,291,877		
Food service operations				842
Capital projects			14,800,297	
Committed to capital projects				1,070,122
Assigned for risk management	120,040			
Unassigned	3,161,722			
<b>Total fund balance</b>	<b>3,535,657</b>	<b>2,291,877</b>	<b>14,800,297</b>	<b>1,089,895</b>
<b>Total liabilities, deferred inflows of resources and fund balance</b>	<b>\$ 5,395,684</b>	<b>\$ 2,317,107</b>	<b>\$ 15,053,177</b>	<b>\$ 1,204,981</b>

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	\$ 21,717,726
\$ 5,154,324	Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.	12,841,352
17,219,137		
115,334		
1,061,310	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.	65,063
152,095		
247,705		
2,113		
18,931		
<u>\$ 23,970,949</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.	(56,363)
\$ 319,045	Long-term liabilities and related deferred inflows and outflows of resources, including bonds payable, bond premium, compensated absences and the net pension and OPEB liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(36,471,393)
1,076,053		
783,256		
9,806		
<u>2,188,160</u>	Net position (deficit) of the governmental activities	<u>\$ (1,903,615)</u>
65,063		
<u>65,063</u>		
18,931		
240,000		
13,895		
2,291,877		
842		
14,800,297		
1,070,122		
120,040		
3,161,722		
<u>21,717,726</u>		
<u>\$ 23,970,949</u>		

**WRAY SCHOOL DISTRICT RD-2**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2019**

	General Fund	Bond Redemption Fund	Building Fund	Other Governmental Funds
<b>Revenues</b>				
Local sources	\$ 3,479,671	\$ 1,738,586		\$ 103,711
Intermediate sources	5,567	629		
State sources	4,951,875		\$ 884,808	9,920
Federal sources	178,089			560,180
<b>Total revenues</b>	<b>8,615,202</b>	<b>1,739,215</b>	<b>884,808</b>	<b>673,811</b>
<b>Expenditures</b>				
Instruction	4,275,417			194,176
Supporting services	3,163,185			532,838
Capital outlay	90		1,608,742	
Debt service				
Principal retirement	78,199	505,000		
Interest and fiscal charges	4,811	379,910		
<b>Total expenditures</b>	<b>7,521,702</b>	<b>884,910</b>	<b>1,608,742</b>	<b>727,014</b>
<b>Excess of revenues over (under) expenditures</b>	<b>1,093,500</b>	<b>854,305</b>	<b>(723,934)</b>	<b>(53,203)</b>
<b>Other financing sources (uses)</b>				
Proceeds from bond issuance			15,524,231	
Transfers in				800,000
Transfers out	(800,000)			
<b>Total other financing sources (uses)</b>	<b>(800,000)</b>	<b>-</b>	<b>-</b>	<b>800,000</b>
<b>Net change in fund balance</b>	<b>293,500</b>	<b>854,305</b>	<b>14,800,297</b>	<b>746,797</b>
Fund balance at beginning of year	3,242,157	1,437,572		343,098
Fund balance at end of year	<u>\$ 3,535,657</u>	<u>\$ 2,291,877</u>	<u>\$ 14,800,297</u>	<u>\$ 1,089,895</u>

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	\$ 16,694,899
\$ 5,321,968	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.	
6,196		
5,846,603		
738,269		
11,913,036		1,389,968
4,469,593	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.	
3,696,023		
1,608,832		
583,199		43,887
384,721		
10,742,368	In the statement of activities, certain operating expenses - compensated absences, accrued interest payable, refunding deferred charges amortization and bond premium amortization - are measured by the amounts incurred or earned 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).	
1,170,668		(51,029)
15,524,231	Governmental funds report pension and OPEB contributions as expenditures. However, in the statement of activities, service costs, current year benefit changes, member contributions, expected earnings on plan investments, administrative expenses and recognition of deferred outflows and inflows from the pensions and OPEB are reported as expense.	
800,000		
(800,000)		
16,694,899		1,497,933
5,022,827	Proceeds from the issuance of debt are reported as revenue in the governmental funds, however, they are reported as a long-term liability in the statement of activities.	
\$ 21,717,726		(15,524,231)
	Repayment of principal on bonds and capital lease obligations, are expenditures in the governmental funds, but the repayment reduces the long-term debt liability in the statement of net position.	583,279
	Change in net position of governmental activities	\$ 4,634,706

**WRAY SCHOOL DISTRICT RD-2**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2019**

	Business-type Activities
	Wind Turbine
Assets	
Current assets	
Cash	\$ 44,364
Due from other funds	7,648
Other receivables	20,256
Total current assets	72,268
Capital assets	
Machinery and equipment	1,748,278
Less accumulated depreciation	(944,578)
Total capital assets, net	803,700
Total assets	\$ 875,968
Liabilities and net position	
Current liabilities	\$ -
Net position	
Net investment in capital assets	803,700
Unrestricted	72,268
Total net position	875,968
Total liabilities and net position	\$ 875,968

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, 2019**

	Business-type Activities
	Wind Turbine
Operating revenues	
Charges for services	\$ 91,024
Operating expenses	
Purchased services	44,435
Other	7,500
Depreciation	87,414
Total operating expenses	139,349
Operating loss	(48,325)
Nonoperating revenues	
Earnings on investments	19
Total nonoperating revenues	19
Change in net position	(48,306)
Net position at beginning of year	924,274
Net position at end of year	\$ 875,968

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, 2019**

	Business-type Activities
	Wind Turbine
Cash flows from operating activities	
Receipts from customers	\$ 79,728
Payments to suppliers	(73,374)
Net cash provided by operating activities	6,354
Cash flows from capital and related financing activities	
Principal paid on capital debt	(20,000)
Net cash used by capital and related financing activities	(20,000)
Cash flows from investing activities	
Earnings on investments	19
Net cash provided by investing activities	19
Net decrease in cash	(13,627)
Cash at beginning of year	57,991
Cash at end of year	\$ 44,364
Reconciliation of operating loss to net cash provided by operating activities	
Operating loss	\$ (48,325)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	87,414
Changes in assets and liabilities	
Accounts receivable	(11,296)
Accounts payable	(21,439)
Net cash provided by operating activities	\$ 6,354

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, 2019**

---

	<u>Agency Fund</u>
Assets	
Cash	\$ 153,699
Due from other funds	7,095
	<hr/>
Total assets	<u>\$ 160,794</u>
Liabilities	
Due to student groups	<u>\$ 160,794</u>
	<hr/>
Total liabilities	<u>\$ 160,794</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.

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.

Building Fund – This fund is a capital projects fund used to account for the revenues from a bond issuance and BEST grant funds for the purpose of the acquisition or construction of major capital facilities.

The following are the District's nonmajor governmental funds:

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

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 \$5,630,746, of which \$524,153 was insured and \$5,106,593 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 (Continued)**

**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, 2019, the District had invested \$115,334 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 type</u>	<u>Fair value</u>	<u>Investment maturities (in years)</u>		
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>
Investment in Colotrust	\$ 115,334	\$ 115,334	\$ -	\$ -

**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 Colostrust were rated AAA by Standard and Poor’s.

The following table provides a reconciliation of cash and investments:

Cash	\$ 5,352,387
Investment in Colostrust	<u>115,334</u>
Total	<u>\$ 5,467,721</u>
<u>Statement of net position</u>	
Cash	\$ 5,198,688
Investments	<u>115,334</u>
Subtotal	5,314,022
<u>Statement of fiduciary net position</u>	
Cash	<u>153,699</u>
Subtotal	<u>153,699</u>
Total	<u>\$ 5,467,721</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	\$ 152,095	\$ -	\$ 152,095
Other receivable	2,113	20,256	22,369
Grants receivable	<u>247,705</u>	<u>-</u>	<u>247,705</u>
Total	<u>\$ 401,913</u>	<u>\$ 20,256</u>	<u>\$ 422,169</u>

Property taxes are levied on December 15<sup>th</sup> and attach as a lien on property the following January 1<sup>st</sup>. They are payable in full by April 30<sup>th</sup> or are due in two equal installments on February 28<sup>th</sup> and June 15<sup>th</sup>. 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	\$ 24,826	\$ 1,051,227
Bond redemption fund	-	130
Other governmental funds	<u>1,036,484</u>	<u>24,696</u>
Subtotal	1,061,310	1,076,053
<u>Business-type funds</u>		
Wind turbine fund	7,648	-
<u>Fiduciary funds</u>		
Pupil Activity Agency Fund	<u>7,095</u>	<u>-</u>
Totals	<u>\$ 1,076,053</u>	<u>\$ 1,076,053</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	\$ -	\$ 800,000
Other governmental funds	<u>800,000</u>	<u>-</u>
Total	<u>\$ 800,000</u>	<u>\$ 800,000</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 \$50,000 from the General Fund to the other governmental funds to subsidize the costs of maintaining the District's food service operations. The District also transferred \$750,000 from the General Fund to the other governmental funds 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:

	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
<b>Governmental activities</b>				
Capital assets, not being depreciated:				
Land	\$ 359,300	\$ -	\$ -	\$ 359,300
Construction in progress	-	1,633,032	-	1,633,032
Total capital assets, not being depreciated	359,300	1,633,032	-	1,992,332
Capital assets, being depreciated:				
Land improvements	1,247,603	-	-	1,247,603
Buildings and improvements	19,400,755	-	-	19,400,755
Furniture and equipment	717,156	137,023	(11,000)	843,179
Licensed vehicles	2,110,232	190,473	-	2,300,705
Total capital assets, being depreciated	23,475,746	327,496	(11,000)	23,792,242
Total capital assets	23,835,046	1,960,528	(11,000)	25,784,574
Less accumulated depreciation for:				
Land improvements	(986,306)	(20,890)	-	(1,007,196)
Buildings and improvements	(9,252,292)	(396,002)	-	(9,648,294)
Furniture and equipment	(465,899)	(36,244)	11,000	(491,143)
Licensed vehicles	(1,679,165)	(117,424)	-	(1,796,589)
Total accumulated depreciation	(12,383,662)	(570,560)	11,000	(12,943,222)
Governmental activities capital assets, net	\$ 11,451,384	\$ 1,389,968	\$ -	\$ 12,841,352
<b>Business-type activities</b>				
Capital assets, being depreciated:				
Furniture and equipment	\$ 1,748,278	\$ -	\$ -	\$ 1,748,278
Less accumulated depreciation	(857,164)	(87,414)	-	(944,578)
Business-type activities capital assets, net	\$ 891,114	\$ (87,414)	\$ -	\$ 803,700

**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:

<b>Governmental activities</b>	
Instruction	\$ 43,781
General administration	10,635
Operations and maintenance	20,141
Student transportation	117,424
Central support service	1,469
Food service operations	8,546
Unallocated	<u>368,564</u>
Subtotal	570,560
<b>Business-type activities</b>	
Wind turbine operations	<u>87,414</u>
Total depreciation expense	<u>\$ 657,974</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 \$783,256. 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>
<b>Governmental activities</b>					
Compensated absences	\$ 78,778	\$ 7,212	\$ -	\$ 85,990	\$ -
General obligation bonds payable	3,065,000	15,524,231	(505,000)	18,084,231	1,054,950
Bond premium	167,682	-	(29,591)	138,091	-
Capital lease obligation	240,084	-	(78,279)	161,805	80,210
Net pension liability	25,548,045	-	(13,281,270)	12,266,775	-
Net OPEB liability	<u>583,409</u>	<u>29,242</u>	<u>-</u>	<u>612,651</u>	<u>-</u>
Total	<u>\$ 29,682,998</u>	<u>\$ 15,560,685</u>	<u>\$(13,894,140)</u>	<u>\$ 31,349,543</u>	<u>\$ 1,135,160</u>

**WRAY SCHOOL DISTRICT RD-2**  
**Notes to Financial Statements**

**Note G – Long-term debt (Continued)**

Payments on the general obligation bonds are made in the Bond Redemption Fund, while payments on the capital lease obligation will be made in the General Fund. The compensated absences attributable to the governmental activities will be liquidated primarily by the General Fund, as well as the net pension and OPEB liabilities. 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 15<sup>th</sup> and December 15<sup>th</sup>. \$ 2,560,000

\$15,524,231 general obligation bonds, dated November 6, 2018, due in annual installments beginning in fiscal year 2020 ranging from \$534,950 to \$1,088,538; fixed annual interest rate of 3.893%, payable semi-annually on June 1<sup>st</sup> and December 1<sup>st</sup>. 15,524,231

Total general obligation bonds \$ 18,084,231

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>
2020	\$ 1,054,950	\$ 662,946	\$ 1,717,896
2021	1,082,382	626,053	1,708,435
2022	1,118,691	588,054	1,706,745
2023	1,160,830	548,683	1,709,513
2024	998,831	510,910	1,509,741
2025-2029	3,446,762	2,140,719	5,587,481
2030-2034	4,171,985	1,401,380	5,573,365
2035-2038	<u>5,049,800</u>	<u>506,478</u>	<u>5,556,278</u>
Totals	<u>\$ 18,084,231</u>	<u>\$ 6,985,223</u>	<u>\$ 25,069,454</u>

**WRAY SCHOOL DISTRICT RD-2**  
**Notes to Financial Statements**

**Note G – Long-term debt (Continued)**

**Capital lease obligations**

Technology lease obligation – In May 2017, the District entered into an agreement with Apple, Inc. to purchase technology equipment. The agreement called for a lease term of four years. Annual payments of \$84,876 are due on July 15<sup>th</sup> of each year, with a final payment due in fiscal year 2021. The average interest rate over the lease term is 2.99%. The District has not capitalized any assets under this capital lease as none of the assets acquired met the District’s capitalization threshold.

The following is a schedule by years of future minimum lease payments under the capital leases above, together with the present value of the net minimum lease payments at year-end:

<u>Year ended June 30,</u>	<u>Debt service requirement</u>
2020	\$ 83,010
2021	<u>83,010</u>
Total minimum lease payments	166,020
Less amount representing interest	<u>(4,215)</u>
Present value of future net minimum lease payments	<u>\$ 161,805</u>

<b>Business-type Activities</b>	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Due within one year</u>
Notes payable	\$ 20,000	\$ -	\$ (20,000)	\$ -	\$ -

**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 plan administered by the Public Employees’ Retirement Association of Colorado (“PERA”). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**WRAY SCHOOL DISTRICT RD-2**  
**Notes to Financial Statements**

---

**Note H – Defined benefit pension plan (Continued)**

The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. A brief description of some of the major changes to plan provisions required by SB 18-200 for the SCHDTF are listed below. A full copy of the bill can be found online at [www.leg.colorado.gov](http://www.leg.colorado.gov).

- Increases employer contribution rates for the SCHDTF by 0.25 percent on July 1, 2019.
- Increases employee contribution rates for the SCHDTF by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).
- As specified in C.R.S. Section 24-51-413, the State is required to contribute \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of the annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SCHDTF is considered a nonemployer contribution for financial reporting purposes.
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, increases the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.
- Member contributions, employer contributions, the direct distribution from the State, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.

**General information about the pension plan**

*Plan description.* Eligible employees of the District are provided with pensions through the School Division Trust Fund (SCHDTF) – a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.copera.org/investments/pera-financial-reports](http://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 as of December 31, 2018.* PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. 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.

As of December 31, 2018, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments in certain years, referred to as annual increases in the C.R.S. Pursuant to SB 18-200, there are no annual increases (AI) for 2018 and 2019 for all benefit recipients. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure will receive an annual increase,

**WRAY SCHOOL DISTRICT RD-2**  
**Notes to Financial Statements**

**Note H – Defined benefit pension plan (Continued)**

unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 1.5 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 will receive the lesser of an annual increase of 1.5 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SCHDTF. The automatic adjustment provision may raise or lower the aforementioned AI for a given year by up to one-quarter of 1 percent based on the parameters specified in C.R.S. Section 24-51-413.

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

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

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

	January 1, 2018 Through <u>December 31, 2018</u>	January 1, 2019 Through <u>June 30, 2019</u>
Employer contribution rate	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)	<u>(1.02)%</u>	<u>(1.02)%</u>
Amount apportioned to the SCHDTF	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. Section 24-51-411	<u>5.50%</u>	<u>5.50%</u>
Total employer contribution rate to the SCHDTF	<u>19.13%</u>	<u>19.13%</u>

Contribution rates for the SCHDTF are expressed as a percentage of salary as defined in C.R.S. Section 24-51-101(42).

**WRAY SCHOOL DISTRICT RD-2**  
**Notes to Financial Statements**

---

**Note H – Defined benefit pension plan (Continued)**

As specified in C.R.S. Section 24-51-413, the State is required to contribute \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SCHDTF is considered a nonemployer contribution for financial reporting purposes.

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District were \$730,440 for the year.

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

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

At year-end, the District reported a liability of \$12,266,775 for its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity. The amount recognized by the District as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 12,266,775
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the District	<u>1,677,311</u>
Total	<u>\$ 13,944,086</u>

At December 31, 2018, the District's proportion was 0.0693 percent, which was a decrease of 0.0097 percent from its proportion measured as of December 31, 2017.

**WRAY SCHOOL DISTRICT RD-2**  
**Notes to Financial Statements**

**Note H – Defined benefit pension plan (Continued)**

For the year ended June 30, 2019, the District recognized pension income of \$1,031,540 and revenue of \$108,238 for support from the State as a nonemployer contributing entity. 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	\$ 443,020	\$ -
Changes of assumptions or other inputs	2,597,562	7,628,614
Net difference between projected and actual earnings on pension plan investments	1,683,848	1,132,330
Changes in proportion and differences between contributions recognized and proportionate share of contributions	117,992	1,743,414
Contributions subsequent to the measurement date	<u>375,172</u>	<u>-</u>
Total	<u>\$ 5,217,594</u>	<u>\$ 10,504,358</u>

\$375,172 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:

<u>Year Ended June 30, ___</u>	<u>Amount</u>
2020	\$ (798,487)
2021	(3,105,947)
2022	(2,123,248)
2023	<u>365,746</u>
Totals	<u>\$ (5,661,936)</u>

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

**WRAY SCHOOL DISTRICT RD-2**  
**Notes to Financial Statements**

---

**Note H – Defined benefit pension plan (Continued)**

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	4.78 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (automatic)	2.00 percent compounded annually
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

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

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

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

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

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

**WRAY SCHOOL DISTRICT RD-2**  
**Notes to Financial Statements**

**Note H – Defined benefit pension plan (Continued)**

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

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

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

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

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

<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>	

**WRAY SCHOOL DISTRICT RD-2**  
**Notes to Financial Statements**

---

**Note H – Defined benefit pension plan (Continued)**

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200. Employer contributions also include the current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

**WRAY SCHOOL DISTRICT RD-2**  
**Notes to Financial Statements**

**Note H – Defined benefit pension plan (Continued)**

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

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

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

*Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate.* The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease <u>(6.25%)</u>	Current Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
Proportionate share of the net pension liability	<u>\$ 15,595,106</u>	<u>\$ 12,266,775</u>	<u>\$ 9,473,744</u>

*Pension plan fiduciary net position.* Detailed information about the SCHDTF's fiduciary net position is available in PERA's CAFR which can be obtained at [www.copera.org/investments/pera-financial-reports](http://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.

**WRAY SCHOOL DISTRICT RD-2**  
**Notes to Financial Statements**

---

**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 which includes additional information on the Voluntary Investment Program. That report can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

*Funding policy.* The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. 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 \$42,139 for the Voluntary Investment Program.

**Note J – Defined benefit other post-employment benefit (OPEB) plan**

Summary of significant accounting policies

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

General information about the OPEB plan

*Plan description.* Eligible employees of the District are provided with OPEB through the HCTF – a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**WRAY SCHOOL DISTRICT RD-2**  
**Notes to Financial Statements**

---

**Note J – Defined benefit other post-employment benefit (OPEB) plan (Continued)**

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

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

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

*PERA Benefit Structure*

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

**WRAY SCHOOL DISTRICT RD-2**  
**Notes to Financial Statements**

---

**Note J – Defined benefit other post-employment benefit (OPEB) plan (Continued)**

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

*DPS Benefit Structure*

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

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

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the District were \$38,947 for the year ended.

**WRAY SCHOOL DISTRICT RD-2**  
**Notes to Financial Statements**

**Note J – Defined benefit other post-employment benefit (OPEB) plan (Continued)**

OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB

At year-end, the District reported a liability of \$612,651 for its proportionate share of the net OPEB liability. The net pension OPEB liability for the HCTF was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2018. The District's proportion of the net OPEB liability was based on the District's contributions to the HCTF for the calendar year 2018 relative to the total contributions of participating employers to the HCTF.

At December 31, 2018, the District's proportion was 0.0450 percent, which was an increase of 0.0001 percent from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the District recognized OPEB expense of \$38,947. At year-end, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 2,217	\$ 933
Changes of assumptions or other inputs	4,298	-
Net difference between projected and actual earnings on OPEB plan investments	10,866	7,321
Changes in proportion and differences between contributions recognized and proportionate share of contributions	4,756	-
Contributions subsequent to the measurement date	<u>20,004</u>	<u>-</u>
Total	<u>\$ 42,141</u>	<u>\$ 8,254</u>

\$20,004 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**WRAY SCHOOL DISTRICT RD-2**  
**Notes to Financial Statements**

**Note J – Defined benefit other post-employment benefit (OPEB) plan (Continued)**

Year Ended June 30, _____	Amount
2020	\$ 2,579
2021	2,579
2022	2,579
2023	5,019
2024	1,089
2025	<u>38</u>
Totals	<u>\$ 13,883</u>

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

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

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

**WRAY SCHOOL DISTRICT RD-2**  
**Notes to Financial Statements**

**Note J – Defined benefit other post-employment benefit (OPEB) plan (Continued)**

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

In determining the additional liability for PERACare enrollees who are age sixty-five or older and who are not eligible for premium-free Medicare Part A, the following monthly costs/premiums are assumed for 2018 for the PERA Benefit Structure:

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

The 2018 Medicare Part A premium is \$422 per month.

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

<u>Medicare Plan</u>	Cost for Members Without Medicare Part A
Self-funded Medicare Supplement Plans	\$289
Kaiser Permanente Medicare Advantage HMO	300
Rocky Mountain Health Plans Medicare HMO	270
UnitedHealthcare Medicare HMO	400

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

**WRAY SCHOOL DISTRICT RD-2**  
**Notes to Financial Statements**

**Note J – Defined benefit other post-employment benefit (OPEB) plan (Continued)**

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2017, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

<u>Year</u>	<u>PERACare Medicare Plans</u>	<u>Medicare Part A Premiums</u>
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.25%
2023	5.00%	4.50%
2024	5.00%	4.75%
2025+	5.00%	5.00%

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

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

**WRAY SCHOOL DISTRICT RD-2**  
**Notes to Financial Statements**

---

**Note J – Defined benefit other post-employment benefit (OPEB) plan (Continued)**

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

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

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

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

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

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

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2018 plan year.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

**WRAY SCHOOL DISTRICT RD-2**  
**Notes to Financial Statements**

**Note J – Defined benefit other post-employment benefit (OPEB) plan (Continued)**

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

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

<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>100.00%</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%.

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

**WRAY SCHOOL DISTRICT RD-2**  
**Notes to Financial Statements**

**Note J – Defined benefit other post-employment benefit (OPEB) plan (Continued)**

	<u>1% Decrease in Trend Rates</u>	<u>Current Trend Rates</u>	<u>1% Increase in Trend Rates</u>
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.25%	3.25%	4.25%
Ultimate Medicare Part A trend rate	<u>4.00%</u>	<u>5.00%</u>	<u>6.00%</u>
Net OPEB Liability	\$ 595,733	\$ 612,651	\$ 632,109

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2018 measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

**WRAY SCHOOL DISTRICT RD-2**  
**Notes to Financial Statements**

**Note J – Defined benefit other post-employment benefit (OPEB) plan (Continued)**

*Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate.* The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease <u>(6.25%)</u>	Current Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
Proportionate share of the net OPEB liability	\$ <u>685,503</u>	\$ <u>612,651</u>	\$ <u>550,369</u>

*OPEB plan fiduciary net position.* Detailed information about the HCTF's fiduciary net position is available in PERA's CAFR which can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

Payables to the OPEB plan

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

**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 Self-Insurance Pool (the Pool). The Pool's objectives are to provide member school districts defined property and liability coverages through self-insurance 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 \$106,907. 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.

**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.

**WRAY SCHOOL DISTRICT RD-2**  
**Notes to Financial Statements**

---

**Note L – Commitments and contingencies (Continued)**

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 \$240,000 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, \$3,580,000 of bonds outstanding are considered defeased.

**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,

**WRAY SCHOOL DISTRICT RD-2**  
**Notes to Financial Statements**

---

**Note N – Joint venture (Continued)**

- 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 \$192,864.

**Note O – Construction commitments**

The District began a construction project to build a new facility during the prior year at an estimated cost of \$34,498,292, funded in part with local bond funds as well as state BEST Grant funds. At year-end, the District had approximately \$32,889,550 in uncompleted construction contracts, which will be paid from remaining local bond funds as well as BEST Grant funds.

### **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
- Schedule of the District's Proportionate Share of the Net Pension Liability – PERA's School Division Trust Fund
- Schedule of District Contributions – PERA's School Division Trust Fund
- Schedule of the District's Proportionate Share of the Net OPEB Liability – PERA's Health Care Trust Fund
- Schedule of District Contributions – PERA's Health Care Trust Fund

**WRAY SCHOOL DISTRICT RD-2**  
**General Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources	\$ 3,351,155	\$ 3,348,281	\$ 3,479,671	\$ 131,390
Intermediate sources	3,500	3,500	5,567	2,067
State sources	4,369,809	4,559,649	4,951,875	392,226
Federal sources	174,476	173,427	178,089	4,662
Total revenues	7,898,940	8,084,857	8,615,202	530,345
Expenditures				
Instruction	4,376,144	4,450,644	4,275,417	175,227
Supporting services	3,012,031	3,190,035	3,163,185	26,850
Capital outlay			90	(90)
Debt service				
Principal retirement	84,800	84,800	78,199	6,601
Interest and fiscal charges			4,811	(4,811)
Appropriated reserves	2,950,430	3,661,526		3,661,526
Total expenditures	10,423,405	11,387,005	7,521,702	3,865,303
Excess of revenues over (under) expenditures	(2,524,465)	(3,302,148)	1,093,500	4,395,648
Other financing sources (uses)				
Transfers out	(277,221)	(277,221)	(800,000)	(522,779)
Net change in fund balance	\$ (2,801,686)	\$ (3,579,369)	293,500	\$ 3,872,869
Fund balance at beginning of year			3,242,157	
Fund balance at end of year			\$ 3,535,657	

This page intentionally left blank.

**WRAY SCHOOL DISTRICT RD-2**  
**Schedule of the District's Proportionate Share of the Net Pension Liability<sup>1</sup>**  
**PERA's School Division Trust Fund**  
**June 30, 2019**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
District's proportion of the net pension liability	0.0693%	0.0790%	0.0783%	0.0770%
District's proportionate share of the net pension liability	\$ 12,266,775	\$ 25,548,045	\$ 23,301,622	\$ 11,775,614
State's proportionate share of the net pension liability	<u>1,677,311</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 13,944,086</u>	<u>\$ 25,548,045</u>	<u>\$ 23,301,622</u>	<u>\$ 11,775,614</u>
District's covered payroll	\$ 3,808,484	\$ 3,644,497	\$ 3,515,279	\$ 3,355,357
District's proportionate share of the net pension liability as a percentage of its covered payroll	322.09%	701.00%	662.87%	350.95%
Plan fiduciary net position as a percentage of the total pension liability	57.01%	43.96%	43.10%	59.20%

\* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

<sup>1</sup> Information is not available prior to June 30, 2014. In future reports, additional years will be added until 10 years of historical data are presented.

---

June 30, 2015    June 30, 2014

0.0779%            0.0824%

\$ 10,552,551      \$ 10,511,588

\$ 10,552,551      \$ 10,511,588

\$ 3,261,743      \$ 3,322,277

323.52%            316.40%

62.84%              64.07%

**WRAY SCHOOL DISTRICT RD-2**  
**Schedule of District Contributions<sup>1</sup>**  
**PERA's School Division Trust Fund**  
**June 30, 2019**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Contractually required contribution	\$ 730,440	\$ 711,899	\$ 654,155	\$ 612,026
Contributions in relation to the contractually required contribution	<u>(730,440)</u>	<u>(711,899)</u>	<u>(654,155)</u>	<u>(612,026)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 3,818,290	\$ 3,768,879	\$ 3,558,108	\$ 3,452,695
Contributions as a percentage of covered payroll	19.13%	18.89%	18.38%	17.73%

<sup>1</sup> Information is not available prior to June 30, 2014. In future reports, additional years will be added until 10 years of historical data are presented.

---

<u>June 30, 2015</u>	<u>June 30, 2014</u>
\$ 553,398	\$ 526,074
<u>(553,398)</u>	<u>(526,074)</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 3,276,669	\$ 3,291,484
16.89%	15.98%

**WRAY SCHOOL DISTRICT RD-2**  
**Schedule of the District's Proportionate Share of the Net OPEB Liability<sup>1</sup>**  
**PERA's Health Care Trust Fund**  
**June 30, 2019**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
District's proportion of the net OPEB liability	0.0450%	0.0449%	0.0445%
District's proportionate share of the net OPEB liability	\$ 612,651	\$ 583,409	\$ 577,214
District's covered payroll	\$ 3,808,484	\$ 3,644,497	\$ 3,515,279
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	16.09%	16.01%	16.42%
Plan fiduciary net position as a percentage of the total OPEB liability	17.03%	17.53%	16.72%

\* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

<sup>1</sup> Information is not available prior to June 30, 2017. 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<sup>1</sup>**  
**PERA's Health Care Trust Fund**  
**June 30, 2019**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Contractually required contribution	\$ 38,947	\$ 38,443	\$ 36,293
Contributions in relation to the contractually required contribution	<u>(38,947)</u>	<u>(38,443)</u>	<u>(36,293)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 3,818,290	\$ 3,768,879	\$ 3,558,108
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%

<sup>1</sup> Information is not available prior to June 30, 2017. 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 and OPEB schedules**

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

This page intentionally left blank.

## **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, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
<b>Local sources</b>				
Property taxes	\$ 2,949,273	\$ 2,747,010	\$ 2,726,256	\$ (20,754)
Specific ownership taxes	298,000	373,000	432,426	59,426
Delinquent taxes and interest	3,200	9,200	6,781	(2,419)
Tuition	40,800	45,800	39,202	(6,598)
Earnings on investments	4,510	6,010	20,147	14,137
Pupil activities	5,000	7,200	9,292	2,092
Other local revenue	50,372	160,061	223,559	63,498
Services within the BOCES			22,008	22,008
<b>Total local sources</b>	<b>3,351,155</b>	<b>3,348,281</b>	<b>3,479,671</b>	<b>131,390</b>
<b>Intermediate sources</b>	<b>3,500</b>	<b>3,500</b>	<b>5,567</b>	<b>2,067</b>
<b>State sources</b>				
Equalization	4,152,855	4,252,695	4,252,750	55
Vocational education	25,000	25,000	26,172	1,172
Transportation	10,000	100,000	111,716	11,716
ELPA professional development	26,822	26,822	25,756	(1,066)
English language proficiency	18,662	18,662	19,554	892
READ Act	13,870	13,870	20,035	6,165
State grants to libraries	3,500	3,500	3,500	-
Stipends for national board			1,600	1,600
Small rural schools funding			248,178	248,178
Additional at-risk funding			4,541	4,541
State on-behalf payment			99,621	99,621
Services within the BOCES	119,100	119,100	138,452	19,352
<b>Total state sources</b>	<b>4,369,809</b>	<b>4,559,649</b>	<b>4,951,875</b>	<b>392,226</b>
<b>Federal sources</b>				
Title I	117,931	117,931	118,905	974
Title II-A	22,496	22,496	22,651	155
Title IV-A	10,000	10,000	12,716	2,716
IDEA, Part D	11,400	11,400	7,855	(3,545)
Services within the BOCES	12,649	11,600	15,962	4,362
<b>Total federal sources</b>	<b>174,476</b>	<b>173,427</b>	<b>178,089</b>	<b>4,662</b>
<b>Total revenues</b>	<b>\$ 7,898,940</b>	<b>\$ 8,084,857</b>	<b>\$ 8,615,202</b>	<b>\$ 530,345</b>

This page intentionally left blank.

**WRAY SCHOOL DISTRICT RD-2**  
**General Fund**  
**Budgetary Comparison Schedule - Expenditures**  
**For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Expenditures</b>				
<b>Instruction</b>				
Salaries	\$ 2,665,004	\$ 2,713,487	\$ 2,627,360	\$ 86,127
Employee benefits	1,059,504	1,083,521	1,080,644	2,877
Purchased services	342,174	345,674	319,435	26,239
Supplies and materials	252,702	251,202	208,007	43,195
Property	18,000	18,000	20,370	(2,370)
Other	38,760	38,760	19,601	19,159
<b>Total instruction</b>	<b>4,376,144</b>	<b>4,450,644</b>	<b>4,275,417</b>	<b>175,227</b>
<b>Supporting services</b>				
<b>Students</b>				
Salaries	111,791	111,791	107,234	4,557
Employee benefits	47,030	47,030	49,065	(2,035)
Purchased services	2,050	2,050	8,562	(6,512)
Supplies and materials	1,844	1,844	1,336	508
Other	430	430	63	367
<b>Total students</b>	<b>163,145</b>	<b>163,145</b>	<b>166,260</b>	<b>(3,115)</b>
<b>Instructional staff</b>				
Salaries	213,030	213,030	167,517	45,513
Employee benefits	99,771	99,771	76,037	23,734
Purchased services	103,000	109,616	62,026	47,590
Supplies and materials	67,714	68,914	46,581	22,333
Property	15,000	15,000	14,039	961
Other	1,500	1,500	225	1,275
<b>Total instructional staff</b>	<b>500,015</b>	<b>507,831</b>	<b>366,425</b>	<b>141,406</b>
<b>General administration</b>				
Salaries	115,690	115,690	129,643	(13,953)
Employee benefits	39,840	39,839	44,084	(4,245)
Purchased services	64,262	64,262	46,619	17,643
Supplies and materials	3,100	3,100	1,504	1,596
Other	16,800	16,800	11,217	5,583
<b>Total general administration</b>	<b>239,692</b>	<b>239,691</b>	<b>233,067</b>	<b>6,624</b>

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
School administration				
Salaries	271,984	271,984	269,960	2,024
Employee benefits	103,484	103,484	107,920	(4,436)
Purchased services	3,000	3,000		3,000
Supplies and materials	1,800	1,800	378	1,422
Other	2,580	2,580	1,511	1,069
Total school administration	382,848	382,848	379,769	3,079
Business services				
Salaries	90,365	90,365	91,539	(1,174)
Employee benefits	32,948	32,948	34,552	(1,604)
Purchased services	41,228	34,228	34,456	(228)
Supplies and materials	24,000	31,200	23,695	7,505
Property	4,000	4,000	320	3,680
Other	2,900	2,900	5,323	(2,423)
Total business services	195,441	195,641	189,885	5,756
Operations and maintenance				
Salaries	268,900	258,900	247,548	11,352
Employee benefits	100,357	110,557	116,072	(5,515)
Purchased services	142,200	149,400	99,187	50,213
Supplies and materials	249,000	264,000	272,035	(8,035)
Property	69,500	216,689	194,781	21,908
Other	3,000	3,000	1,705	1,295
Total operations and maintenance	832,957	1,002,546	931,328	71,218
Student transportation				
Salaries	230,836	230,836	221,987	8,849
Employee benefits	89,906	90,306	101,248	(10,942)
Purchased services	30,500	30,500	21,184	9,316
Supplies and materials	78,000	78,000	90,271	(12,271)
Property	3,000	3,000	193,677	(190,677)
Other	(28,560)	(28,560)	(2,652)	(25,908)
Total student transportation	403,682	404,082	625,715	(221,633)

(continued)

**WRAY SCHOOL DISTRICT RD-2**  
**General Fund**  
**Budgetary Comparison Schedule - Expenditures**  
**For the Year Ended June 30, 2019**

(continued)	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Central support services				
Salaries	99,000	99,000	126,664	(27,664)
Employee benefits	22,637	22,637	16,562	6,075
Purchased services	169,074	169,074	125,182	43,892
Supplies and materials	2,240	2,240	2,328	(88)
Other	1,300	1,300		1,300
Total central support services	294,251	294,251	270,736	23,515
Total supporting services	3,012,031	3,190,035	3,163,185	26,850
Capital outlay				
Facilities acquisitions				
Property			90	(90)
Total capital outlay	-	-	90	(90)
Debt service				
Principal retirement	84,800	84,800	78,199	6,601
Interest and fiscal charges			4,811	(4,811)
Total debt service	84,800	84,800	83,010	1,790
Appropriated reserves	2,950,430	3,661,526		3,661,526
Total expenditures	<u>\$ 10,423,405</u>	<u>\$ 11,387,005</u>	<u>\$ 7,521,702</u>	<u>\$ 3,865,303</u>

**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.

- Food Service Fund – This fund is used to record financial transactions related to the District’s food service operations.
- 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, 2019**

	Food Service Fund	Head Start Fund	Capital Reserve Capital Projects Fund	Totals
<b>Assets</b>				
Cash	\$ 2,816	\$ 19,777	\$ 70,122	\$ 92,715
Due from other funds	36,484		1,000,000	1,036,484
Grants receivable		54,878		54,878
Other receivables	1,973			1,973
Inventory	18,931			18,931
<b>Total assets</b>	<b>\$ 60,204</b>	<b>\$ 74,655</b>	<b>\$ 1,070,122</b>	<b>\$ 1,204,981</b>
<b>Liabilities</b>				
Accounts payable		\$ 45		\$ 45
Due to other funds		24,696		24,696
Accrued salaries and benefits	\$ 30,625	49,914		80,539
Unearned revenues	9,806			9,806
<b>Total liabilities</b>	<b>40,431</b>	<b>74,655</b>	<b>\$ -</b>	<b>115,086</b>
<b>Fund balance</b>				
Nonspendable inventory	18,931			18,931
Restricted for food service operations	842			842
Committed to capital projects			1,070,122	1,070,122
<b>Total fund balance</b>	<b>19,773</b>	<b>-</b>	<b>1,070,122</b>	<b>1,089,895</b>
<b>Total liabilities and fund balance</b>	<b>\$ 60,204</b>	<b>\$ 74,655</b>	<b>\$ 1,070,122</b>	<b>\$ 1,204,981</b>

**WRAY SCHOOL DISTRICT RD-2**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Year Ended June 30, 2019**

	Food Service Fund	Head Start Fund	Capital Reserve Capital Projects Fund	Totals
<b>Revenues</b>				
Local sources	\$ 103,670	\$ 6	\$ 35	\$ 103,711
State sources	9,920			9,920
Federal sources	275,942	284,238		560,180
<b>Total revenues</b>	<b>389,532</b>	<b>284,244</b>	<b>35</b>	<b>673,811</b>
<b>Expenditures</b>				
Instruction		194,176		194,176
Supporting services	442,770	90,068		532,838
<b>Total expenditures</b>	<b>442,770</b>	<b>284,244</b>	<b>-</b>	<b>727,014</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(53,238)</b>	<b>-</b>	<b>35</b>	<b>(53,203)</b>
<b>Other financing sources</b>				
Transfers in	50,000		750,000	800,000
<b>Net change in fund balances</b>	<b>(3,238)</b>	<b>-</b>	<b>750,035</b>	<b>746,797</b>
Fund balance at beginning of year	23,011	-	320,087	343,098
Fund balance at end of year	<u>\$ 19,773</u>	<u>\$ -</u>	<u>\$ 1,070,122</u>	<u>\$ 1,089,895</u>

**WRAY SCHOOL DISTRICT RD-2**  
**Food Service Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources	\$ 129,276	\$ 129,276	\$ 103,670	\$ (25,606)
State sources	10,200	10,200	9,920	(280)
Federal sources	286,844	286,844	275,942	(10,902)
Total revenues	426,320	426,320	389,532	(36,788)
Expenditures				
Supporting services				
Salaries	128,200	128,200	122,333	5,867
Employee benefits	70,797	70,797	71,480	(683)
Purchased services	11,800	11,800	11,412	388
Supplies and materials	238,744	238,744	235,836	2,908
Property	4,000	4,000	1,709	2,291
Appropriated reserves	40,351	96,459		96,459
Total expenditures	493,892	550,000	442,770	107,230
Excess of revenues over (under) expenditures	(67,572)	(123,680)	(53,238)	70,442
Other financing sources				
Transfers in	27,221	27,221	50,000	22,779
Net change in fund balance	\$ (40,351)	\$ (96,459)	(3,238)	\$ 93,221
Fund balance at beginning of year			23,011	
Fund balance at end of year			\$ 19,773	

**WRAY SCHOOL DISTRICT RD-2**  
**Head Start Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources	\$ 4	\$ 4	\$ 6	\$ 2
Federal sources	258,782	263,101	284,238	21,137
Total revenues	258,786	263,105	284,244	21,139
Expenditures				
Instruction				
Salaries	78,949	78,831	88,700	(9,869)
Employee benefits	35,511	37,626	37,874	(248)
Purchased services	52,160	54,503	56,038	(1,535)
Supplies and materials	8,686	9,761	11,564	(1,803)
Property	1,000	1,000		1,000
Total instruction	176,306	181,721	194,176	(12,455)
Supporting services				
Salaries	56,127	54,543	62,872	(8,329)
Employee benefits	26,353	26,841	27,196	(355)
Total supporting services	82,480	81,384	90,068	(8,684)
Appropriated reserves	40,000	36,895		36,895
Total expenditures	298,786	300,000	284,244	15,756
Net change in fund balance	\$ (40,000)	\$ (36,895)	-	\$ 36,895
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, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources				
Earnings on investments	\$ 20	\$ 20	\$ 35	\$ 15
Expenditures				
Capital outlay	165,000	165,000		165,000
Appropriated reserves	406,090	410,000		410,000
Total expenditures	571,090	575,000		575,000
Excess of revenues over (under) expenditures	(571,070)	(574,980)	35	(574,985)
Other financing sources				
Transfers in	250,000	250,000	750,000	500,000
Net change in fund balance	\$ (321,070)	\$ (324,980)	750,035	\$ 1,075,015
Fund balance at beginning of year			320,087	
Fund balance at end of year			\$ 1,070,122	

## **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, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Local sources				
Property taxes	\$ 590,700	\$ 1,727,715	\$ 1,706,115	\$ (21,600)
Delinquent taxes and interest	1,000	2,500	2,885	385
Interest on investments	2,600	15,600	29,586	13,986
Total local sources	594,300	1,745,815	1,738,586	(7,229)
Intermediate sources	1,500	500	629	129
Total revenues	595,800	1,746,315	1,739,215	(7,100)
<b>Expenditures</b>				
Debt service				
Principal retirement	495,000	1,621,015	505,000	1,116,015
Interest and fiscal charges	107,500	125,300	379,910	(254,610)
Appropriated reserves	1,321,884	178,069		178,069
Total expenditures	1,924,384	1,924,384	884,910	1,039,474
Net change in fund balance	\$ (1,328,584)	\$ (178,069)	854,305	\$ 1,032,374
Fund balance at beginning of year			1,437,572	
Fund balance at end of year			\$ 2,291,877	

## **Budgetary Comparison Schedule - Capital Projects Fund**

The District reports the following major capital projects fund:

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

- Building Fund – This fund is a capital projects fund used to account for the revenues from a bond issuance and BEST grant funds for the purpose of the acquisition or construction of major capital facilities.

**WRAY SCHOOL DISTRICT RD-2**  
**Building Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources		\$ 1,000		\$ (1,000)
State sources		19,000,000	\$ 884,808	(18,115,192)
Total revenues	\$ -	19,001,000	884,808	(18,116,192)
Expenditures				
Capital outlay				
Property		14,000,000	1,608,742	12,391,258
Appropriated reserves		20,501,000		20,501,000
Total expenditures	-	34,501,000	1,608,742	32,892,258
Excess of revenues over (under) expenditures	-	(15,500,000)	(723,934)	14,776,066
Other financing sources				
Proceeds from bond issuance		15,500,000	15,524,231	24,231
Net change in fund balance	\$ -	\$ -	14,800,297	\$ 14,800,297
Fund balance at beginning of year			-	
Fund balance at end of year			\$ 14,800,297	

## **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, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Operating revenues				
Charges for services	\$ 100,000	\$ 100,000	\$ 91,024	\$ (8,976)
Operating expenses				
Purchased services	49,146	49,346	44,435	4,911
Other	7,500	7,500	7,500	-
Depreciation	83,900	87,900	87,414	486
Appropriated reserves	84,900	80,700		80,700
Total expenses	225,446	225,446	139,349	86,097
Operating loss	(125,446)	(125,446)	(48,325)	77,121
Nonoperating revenues				
Earnings on investments	50	50	19	(31)
Total nonoperating revenues	50	50	19	(31)
Change in net position	\$ (125,396)	\$ (125,396)	(48,306)	\$ 77,090
Net position at beginning of year			924,274	
Net position at end of year			\$ 875,968	

## **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, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Additions				
Fundraising and other events	\$ 425,000	\$ 500,000	\$ 392,335	\$ (107,665)
Deductions				
Pupil activity expenditures	425,000	450,000	444,666	5,334
Appropriated reserves	136,033	263,124		263,124
Total deductions	561,033	713,124	444,666	268,458
Excess of additions over (under) deductions	<u>\$ (136,033)</u>	<u>\$ (213,124)</u>	(52,331)	<u>\$ 160,793</u>
Due to student groups at beginning of year			<u>213,125</u>	
Due to student groups at end of year			<u>\$ 160,794</u>	

**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.

This page intentionally left blank.



**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, 2019, and our report thereon dated December 10, 2019, which expressed an unmodified opinion on those financial statements, appears on pages 1-2. 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 10, 2019



**Colorado Department of Education**

**Auditors Integrity Report**

District: 3210 - Wray RD-2

Fiscal Year 2018-19

Colorado School District/BOCES

**Revenues, Expenditures, & Fund Balance by Fund**

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental	+		-	=
10 General Fund	3,162,137	7,775,181	7,521,702	3,415,616
18 Risk Mgmt Sub-Fund of General Fund	80,020	40,020	0	120,040
19 Colorado Preschool Program Fund	0	0	0	0
<b>Sub-Total</b>	<b>3,242,157</b>	<b>7,815,201</b>	<b>7,521,702</b>	<b>3,535,657</b>
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	23,011	439,532	442,770	19,773
22 Govt Designated-Purpose Grants Fund	0	284,244	284,244	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	1,437,572	1,739,215	884,910	2,291,877
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	0	16,409,039	1,608,742	14,800,297
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	320,087	750,035	0	1,070,122
46 Supplemental Cap Const. Tech. Main Fund	0	0	0	0
<b>Totals</b>	<b>5,022,828</b>	<b>27,437,266</b>	<b>10,742,368</b>	<b>21,717,725</b>
<b>Proprietary</b>				
50 Other Enterprise Funds	924,274	91,042	139,349	875,968
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	0	0	0	0
<b>Totals</b>	<b>924,274</b>	<b>91,042</b>	<b>139,349</b>	<b>875,968</b>
<b>Fiduciary</b>				
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	213,125	392,335	444,666	160,794
79 GASB 34 Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
<b>Totals</b>	<b>213,125</b>	<b>392,335</b>	<b>444,666</b>	<b>160,794</b>

FINAL