

**DOLORES COUNTY (DOVE CREEK)
SCHOOL DISTRICT RE-2J**

Independent Accountants' Reports
and
Basic Financial Statements
June 30, 2016



RECEIVED

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DOLORES COUNTY (DOVE CREEK) SCHOOL DISTRICT RE-2J

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June 30, 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
Dolores County (Dove Creek) School District RE-2J
Dove Creek, Colorado 81324

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 Dolores County (Dove Creek) School District RE-2J, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Dolores County (Dove Creek) School District RE-2J, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity 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 and pension information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Dolores County (Dove Creek) School District RE-2J's basic financial statements. The other supplemental information and information required by oversight authorities, including the budgetary comparison schedules and Colorado Department of Education Auditors' Integrity Report, as listed in the table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedules and Colorado Department of Education Auditors' Integrity Report are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules and the Colorado Department of Education Auditors' Integrity Report are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Majors and Haley PC

Majors and Haley PC
August 24, 2016

DOLORES COUNTY (DOVE CREEK) SCHOOL DISTRICT RE-2J

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended June 30, 2016

MANGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Dolores County (Dove Creek) School District RE-2J, Colorado's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2016. Please consider the information presented here in conjunction with additional information that can be found in the basic financial statements, which begin on page 14.

FINANCIAL HIGHLIGHTS

- The District's net position increased \$585,764 as result of this year's operations.
 - Net position of governmental activities increased \$584,445. \$342,031 of the increase was due to the voter approved mill levy override. \$238,002 of the increase was from Forest Service revenues. The additional expense from the implementation of GASB 68, relating to how pension expenses are presented was \$158,583.
 - Net position of business-type activities, the Teacherage Fund, increased \$1,319 or 2.7%.
- The Districts total revenue was \$4,312,499 which is an increase of \$777,558 from \$3,534,941 in the prior year.
 - The increase is due, for the most part, to the voter approved mill levy override collections of \$342,031, and an increase from the previous year in Federal Forest Service collections of \$205,239.
 - General revenues (primarily state equalization and property tax) accounted for \$3,859,000 in revenue or 89.5% of all revenues. Program specific revenues in the form of charges for services and grants accounted for \$453,499 or the remaining 10.5%.
- The District incurred \$3,726,735 in expenses which is a decrease of \$91,603 from \$3,818,338 in the prior year. \$158,583 of the expense was due GASB 68 relating to how pension expenses are presented.
 - The general revenues were adequate by \$585,764 to cover \$3,273,236 in expenditures that were not offset by program specific revenues.
- The General Fund reported a \$539,746 increase in fund balance from \$1,126,279 in the prior year to \$1,666,025. This is a 47.9% increase.

DOLORES COUNTY (DOVE CREEK) SCHOOL DISTRICT RE-2J

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended June 30, 2016

- The General Fund revenues increased \$823,123 from \$2,999,620 in the prior year to \$3,822,743 for a 27.4% increase.
- The General Fund expenditures increased \$25,494 from \$3,243,003 in the prior year to \$3,268,497.
- The General Fund transfer to the Food Service Fund of \$54,000 remained the same as the previous year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. Management's Discussion and Analysis is intended to serve as an introduction to the Districts basic financial statements. Comparison to the prior year's activity is provided in this document. The basic financial statements are comprised of three components.

- Government-wide financial statements.
- Fund financial statements.
- Notes to the basic financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The Government-wide financial statements are designed to provide the reader of the District Annual Financial Report a broad overview of the financial activities in a manner similar to a private sector business. The government-wide financial statements include the Statement of Net Position and the Statement of Activities.

- The Statement of Net Position presents information about all of the District's assets, liabilities and deferred outflows and inflows of resources, with the difference reported as net position.
- The Statement of Activities presents information showing how the net position of the District changed during the current fiscal year. Changes in net position are recorded in the Statement of Activities when the underlying event occurs, regardless of the timing of related cash flow. Thus, all of the revenues and expenses are taken into account regardless of when cash is received or paid.

The Government-wide financial statements are one way to measure the District's financial health, or financial position.

DOLORES COUNTY (DOVE CREEK) SCHOOL DISTRICT RE-2J

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended June 30, 2016

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property base, student counts, and the condition of school facilities.

In the Government-wide financial statements, the District's activities are divided into two categories:

- **Governmental activities** – Most of the District's basic services are included here, such as instruction, students, operations and maintenance, and administration. These activities are financed mainly through general revenues (state equalization and property tax).
- **Business-type activities**- The District charges fees to help cover the costs of certain services it provides. The District's Teacherage Fund is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds, not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required to be established by state law. However, the District establishes other funds to help it manage and control its finances to achieve certain results. The fund types presented here are governmental funds, proprietary funds and fiduciary funds. These three funds use different accounting approaches.

- **Governmental funds**- Most of the District's basic services are included in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general operations and the services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or difference) between them.

DOLORES COUNTY (DOVE CREEK) SCHOOL DISTRICT RE-2J

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended June 30, 2016

- **Proprietary funds-** Services for which the District charges a fee are generally reported in proprietary funds. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. Proprietary funds are reported in the same way as the government-wide financial statements.
- **Fiduciary funds-** The District is the agent, or fiduciary, for assets that belong to others, such as the Student Trust Agency Fund. The District is responsible for ensuring that the assets reported in this fund are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, net position was \$(858,843) at the close of the most recent fiscal year.

Net investment in capital assets (e.g. land and improvements, buildings, and equipment net any related debt to acquire those assets that is still outstanding) represents \$2,152,743 of the net position. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Property taxes are levied specifically to fund debt service on general obligation bonds.

An additional \$986,540 of the net position represents resources that are subject to external restrictions on how they may be used. \$155,000 of the restricted net position is an emergency reserve required by the Tabor amendment and \$831,540 is for the repayment of the general obligation bonds.

The remaining \$(3,998,126) is unrestricted net position. The negative balance is due to the implementation of GASB 68, resulting in \$(5,544,012), representing the District's net share of the state retirement system plan.

The following table indicates a summary of the Statement of Net Position for Governmental Activities as of June 30, 2016 and 2015.

DOLORES COUNTY (DOVE CREEK) SCHOOL DISTRICT RE-2J

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
For the Year Ended June 30, 2016**

Table 1
Comparative Summary of Net Position
June 30, 2016 and 2015

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets						
Current assets	\$ 2,908,848	\$ 2,287,803	\$ 15,858	\$ 12,445	\$ 2,924,706	\$ 2,300,248
Capital assets, net of depreciation	3,633,845	3,779,083	34,669	36,763	3,668,514	3,815,846
Total Assets	6,542,693	6,066,886	50,527	49,208	6,593,220	6,116,094
Deferred Outflows of Resources	773,069	117,553			773,069	117,553
Liabilities						
Current liabilities	336,983	339,387			336,983	339,387
Noncurrent liabilities	7,721,977	7,294,651			7,721,977	7,294,651
Total Liabilities	8,058,960	7,634,038			8,058,960	7,634,038
Deferred Inflows of Resources	166,172	44,216			166,172	44,216
Net Position						
Net investment in capital assets	2,118,074	2,039,083	34,669	36,763	2,152,743	2,075,846
Restricted	986,540	907,388			986,540	907,388
Unrestricted	(4,013,984)	(4,440,286)	15,858	12,445	(3,998,126)	(4,427,841)
Net Position	\$ (909,370)	\$ (1,493,815)	\$ 50,527	\$ 49,208	\$ (858,843)	\$ (1,444,607)

At the close of the most recent fiscal year current assets comprised 44.5% of total assets, increasing from 37.7% in the prior year. Investments in capital assets, less depreciation make up the remaining 55.5% of assets. Accrued wages and benefits represent 83.6% of the total current liabilities. Accrued wages and benefits occur when teachers and certain other District employee's work nine or ten months of the year, but are paid over a full twelve months. Current liabilities decreased \$2,404 from \$339,387 to \$336,983. There was a net increase in noncurrent liabilities from the prior year of \$427,326. The increase was the result of the net pension liability increase of \$703,635, \$4,749 decrease in accrued sick leave, \$300,000 in general obligation current year debt payments and a new Capital lease with net \$28,440 increase. Deferred outflows of resources net of deferred inflows of resources increased \$533,560, mostly due to the pension deferred outflows and inflows of resources from the implementation of GASB 68.

DOLORES COUNTY (DOVE CREEK) SCHOOL DISTRICT RE-2J

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
For the Year Ended June 30, 2016**

The following table indicates the Summary of Net Position for governmental and business-type activities in 2016 and 2015.

Table 2
Comparative Summary of Changes in Net Position
For the Year Ending June 30, 2016 and 2015

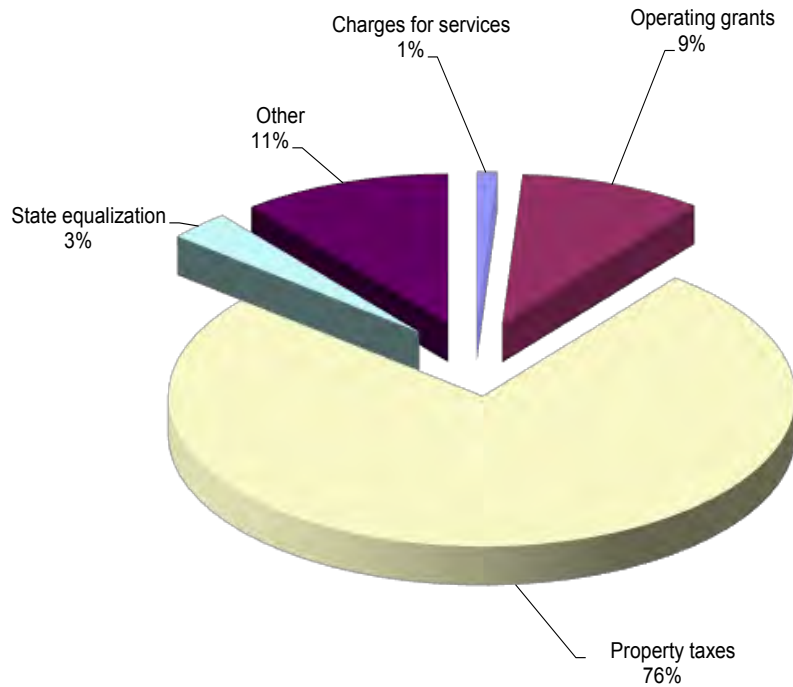
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenues						
Charges for services	\$ 27,209	\$ 35,446	\$ 17,333	\$ 22,317	\$ 44,542	\$ 57,763
Operating grants	408,957	316,355			408,957	316,355
General revenues						
Property tax	3,256,896	2,339,185			3,256,896	2,339,185
State equalization	137,210	595,639			137,210	595,639
Other	464,867	225,990	27	9	464,894	225,999
Total Revenues	4,295,139	3,512,615	17,360	22,326	4,312,499	3,534,941
Expenses						
Instructional	1,872,125	1,938,361			1,872,125	1,938,361
Students	113,609	118,666			113,609	118,666
Instructional staff	88,588	82,883			88,588	82,883
General administration	134,075	128,956			134,075	128,956
School administration	244,712	256,504			244,712	256,504
Business services	86,300	79,071			86,300	79,071
Operations and maint	418,753	431,180			418,753	431,180
Student transportation	262,117	287,477			262,117	287,477
Central support	176,022	121,554			176,022	121,554
Food service operations	126,232	119,166			126,232	119,166
Facilities		3,780			-	3,780
Other	1,003	41,973			1,003	41,973
Teacheraage operations			16,041	26,174	16,041	26,174
Interest on long-term debt	31,800	27,236			31,800	27,236
Unallocated depreciation	155,358	155,357			155,358	155,357
Total Expenses	3,710,694	3,792,164	16,041	26,174	3,726,735	3,818,338
Change in Net Position	584,445	(279,549)	1,319	(3,848)	585,764	(283,397)
Net Position - Beginning	(1,493,815)	(1,214,266)	49,208	53,056	(1,444,607)	(1,161,210)
Net Position - Ending	\$ (909,370)	\$ (1,493,815)	\$ 50,527	\$ 49,208	\$ (858,843)	\$ (1,444,607)

DOLORES COUNTY (DOVE CREEK) SCHOOL DISTRICT RE-2J

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
For the Year Ended June 30, 2016**

State equalization and property taxes accounted for most of the District's total revenue for the most recent fiscal year, with each contributing 3 percent and 76 percent respectively (See Table 3). Another 9 percent came from state and federal grants and the remainder from charges for services and miscellaneous sources.

***Table 3
Sources of Revenue for Fiscal Year 2016***

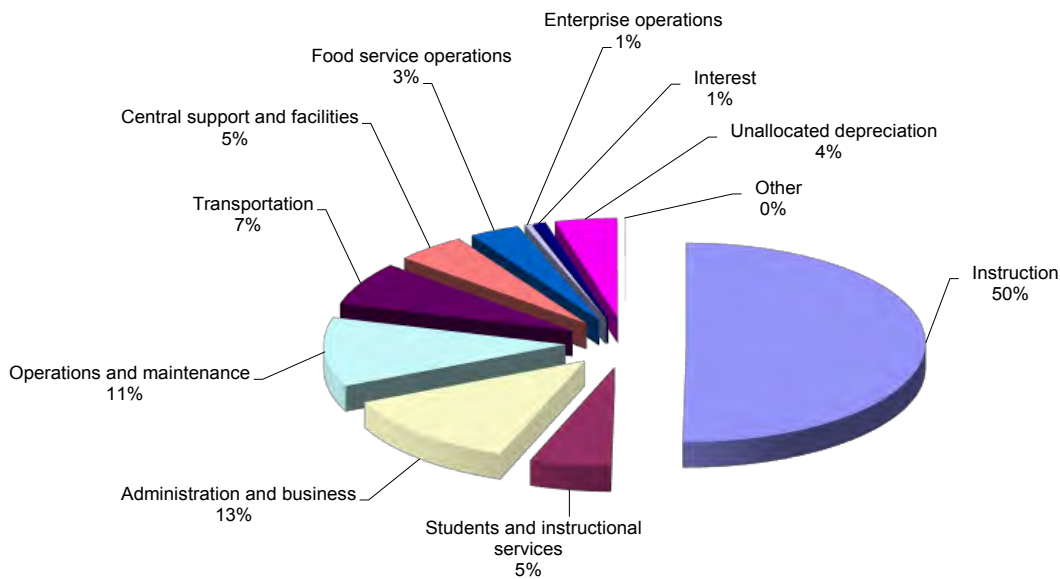


DOLORES COUNTY (DOVE CREEK) SCHOOL DISTRICT RE-2J

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended June 30, 2016

The District's expenses for the most recent fiscal year are predominately related to instruction, which total 50 percent of all expenses (See Table 4). The District's administrative and business activities accounted for an additional 13 percent of total costs.

Table 4
Expenses for Fiscal Year 2016



Governmental Activities

The primary source of operating revenue for school districts comes from the School Finance Act of 1994 (SFA) which is based on a funded pupil count formula and a standardized maximum statewide property tax mill levy. Under the SFA the District received \$10,561.97 per funded student. This is \$592.44 more than the previous year of \$9,969.53. In fiscal year 2016 the funded pupil count was 260.8 (266.3 in previous year). Funding for the SFA comes from property taxes, specific ownership taxes and state equalization. The District received 5.01 percent of this funding from state equalization while the remaining amounts come from property and specific ownership taxes.

DOLORES COUNTY (DOVE CREEK) SCHOOL DISTRICT RE-2J

MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
For the Year Ended June 30, 2016

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those service costs. Table 5 shows, for governmental activities, the total cost of services and net cost of services. That is, it identifies the cost of these services supported by unrestricted state equalization and property taxes.

Table 5
Statement of Activities for Fiscal Year 2016 and 2015

	Governmental Activities			
	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2014</u>
Instruction	\$ 1,872,125	\$ 1,938,361	\$ 1,610,553	\$ 1,734,027
Students and instructional services	202,197	201,549	198,697	198,549
Administration and business	465,087	464,531	461,187	461,110
Operations and maintenance	418,753	431,180	418,753	421,180
Transportation	262,117	287,477	208,602	227,409
Central support and facilities	176,022	125,334	123,441	125,334
Food service operations	126,232	119,166	65,134	48,188
Interest on long-term debt	31,800	27,236	31,800	27,236
Unallocated depreciation	155,358	155,357	155,358	155,357
Other	1,003	41,973	1,003	41,973
Total	\$ 3,710,694	\$ 3,792,164	\$ 3,274,528	\$ 3,440,363

- The cost of all governmental activities during the year was \$3,710,694.
- \$27,209 of the cost was financed by the users of the District's programs.
- Federal and state government subsidized certain programs with \$408,957 of operating grants.
- However, \$3,858,973 of the District's costs was financed by State and District taxpayers. This portion of governmental activities was financed with general revenues that consisted primarily of \$137,210 state equalization from the School Finance Act of 1994 (SFA) and \$3,376,519 in property and specific ownership taxes.

DOLORES COUNTY (DOVE CREEK) SCHOOL DISTRICT RE-2J

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended June 30, 2016

Business-type Activities

Business-type activities are made up of the Teacherage Fund. This fund had revenues of \$17,360 and expenses of \$16,041. Business-type activities receive no support from tax revenue.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District's major governmental funds include the General Fund, Food Service Fund, Bond Redemption Fund and Capital Reserve Capital Projects Fund. These funds are accounted for using the modified accrual basis of accounting. All governmental funds have total revenues of \$4,295,139 and expenditures of \$3,722,682. The other financing sources (uses) net to \$39,500 from a capital lease for a bus.

General Fund Budgetary Highlights

The District's budget process is consistent with current Colorado statutes that require a proposed budget be presented to the Board of Directors by June 1, with budget adoption by June 30. The law provides for school boards to adjust revenues and expenditures through January 30th of each year. The most significant budgeted fund is the General Fund.

Over the course of the year, the District revised the annual operating budget by making an increase in appropriations.

- Increases in appropriations were due the receipt of additional grant funds that were not anticipated at the time of the original budget.
- Actual expenditures were \$1,199,593 below budget of which \$341,584 is appropriated reserves.

CAPITAL ASSET ADMINISTRATION

By the end of fiscal year 2016, the District has invested \$7,325,492 in buildings and equipment (including vehicles), of this total \$7,209,283 was from governmental activities.

DOLORES COUNTY (DOVE CREEK) SCHOOL DISTRICT RE-2J

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
For the Year Ended June 30, 2016**

**Table 6
Capital Assets
June 30, 2016 and 2015**

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Buildings	\$ 6,206,778	\$ 6,206,778	\$ 116,209	\$ 116,209	\$ 6,322,987	\$ 6,322,987
Equipment	1,002,505	963,006			1,002,505	963,006
Total	<u>\$ 7,209,283</u>	<u>\$ 7,169,784</u>	<u>\$ 116,209</u>	<u>\$ 116,209</u>	<u>\$ 7,325,492</u>	<u>\$ 7,285,993</u>

Additional information on the District's capital assets can be found in the notes to the financial statements at note 3 on page 32 of this report.

LONG-TERM DEBT

General obligation bonds were issued in December of 2000 for the construction of a new high school. In 2005 the District refinanced a portion of the bonds through advance refunding. On September 4, 2014, the District issued \$2,035 000 in general obligation refunding bonds, Series 2014. During fiscal year 2016, the District paid principal of \$300,000 taking the balance to \$1,440,000. Additional information can be found in Note 5 on page 33 of this report. In 2016 the District entered into a lease agreement for a 2011 14 passenger bus for \$39,500. The lease is serviced by the General Fund and all payments and obligations are subject to annual appropriation by the Board of Education.

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District is not aware of any existing circumstances that could significantly affect its financial health in the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, parents, 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 questions about this report or need additional financial information, contact the Business Office, Dolores County (Dove Creek) School District RE-2J, P.O. Box 459, Dove Creek, Colorado 81324.

DOLORES COUNTY (DOVE CREEK) SCHOOL DISTRICT RE-2J

STATEMENT OF NET POSITION
June 30, 2016

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	\$ 2,698,980	\$ 15,858	\$ 2,714,838
Cash with fiscal agent	124,631		124,631
Property tax receivable	73,842		73,842
Grants accounts receivable	3,599		3,599
Other receivables	2,328		2,328
Inventories	5,468		5,468
Capital assets net of accumulated depreciation	3,633,845	34,669	3,668,514
Total Assets	<u>6,542,693</u>	<u>50,527</u>	<u>6,593,220</u>
Deferred Outflows of Resources			
Pensions, net of accumulated amortization	<u>773,069</u>		<u>773,069</u>
Liabilities			
Intergovernmental payable	47,208		47,208
Accounts payable	8,157		8,157
Wages and related benefits payable	281,618		281,618
Non-current liabilities			
Due within one year	374,441		374,441
Due in more than one year	1,141,330		1,141,330
Net pension liability	6,206,206		6,206,206
Total Liabilities	<u>8,058,960</u>		<u>8,058,960</u>
Deferred Inflows of Resources			
Unearned revenue - property taxes	55,297		55,297
Pensions, net of accumulated amortization	110,875		110,875
Total Deferred Inflows of Resources	<u>166,172</u>		<u>166,172</u>
Net Position			
Net investment in capital assets	2,118,074	34,669	2,152,743
Restricted			
TABOR	155,000		155,000
Debt Service	831,540		831,540
Unrestricted	(4,013,984)	15,858	(3,998,126)
Total Net Position	<u>\$ (909,370)</u>	<u>\$ 50,527</u>	<u>\$ (858,843)</u>

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

DOLORES COUNTY (DOVE CREEK) SCHOOL DISTRICT RE-2J

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

	Expenses	Program Revenues			Net (Expenses) Revenue And Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental Activities							
Instructional Program Services	\$ 1,872,125	\$ 3,853	\$ 257,719		\$ (1,610,553)		\$ (1,610,553)
Support Program Services							
Students	113,609				(113,609)		(113,609)
Instructional staff	88,588		3,500		(85,088)		(85,088)
General administration	134,075				(134,075)		(134,075)
School administration	244,712		3,900		(240,812)		(240,812)
Business	86,300				(86,300)		(86,300)
Operation and maintenance	418,753				(418,753)		(418,753)
Student transportation	262,117		53,515		(208,602)		(208,602)
Central support	176,022	6,183	46,398		(123,441)		(123,441)
Food service operations	126,232	16,961	44,137		(65,134)		(65,134)
Other	1,003				(1,003)		(1,003)
Interest on long-term debt	31,800				(31,800)		(31,800)
Depreciation excluding amounts directly allocated to programs	155,358				(155,358)		(155,358)
Total Governmental Activities	<u>3,710,694</u>	<u>26,997</u>	<u>409,169</u>		<u>(3,274,528)</u>		<u>(3,274,528)</u>
Business-Type Activities							
Teacherae operations	16,041	17,333				\$ 1,292	1,292
Total Business-Type Activities	<u>16,041</u>	<u>17,333</u>	<u>-</u>			<u>1,292</u>	<u>1,292</u>
Total School District	<u>\$ 3,726,735</u>	<u>\$ 44,330</u>	<u>\$ 409,169</u>	<u>\$ -</u>	<u>(3,274,528)</u>	<u>1,292</u>	<u>(3,273,236)</u>
General Revenues							
Property tax for general purposes					2,862,867		2,862,867
Specific Ownership tax for general purposes					102,054		102,054
Property tax for debt repayment					390,275		390,275
Specific Ownership tax for debt repayment					17,569		17,569
Other tax					3,754		3,754
Intergovernmental							
State Equalization					137,210		137,210
Federal Forest/Division of Wildlife					238,447		238,447
Mineral Lease					99,992		99,992
Earnings on investments					2,905	27	2,932
Proceeds from Capital Lease					3,900		3,900
Total General Revenues					<u>3,858,973</u>	<u>27</u>	<u>3,859,000</u>
Changes in Net Position					584,445	1,319	585,764
Net Position Beginning of the Year					(1,493,815)	49,208	(1,444,607)
Net Position End of the Year					<u>\$ (909,370)</u>	<u>\$ 50,527</u>	<u>\$ (858,843)</u>

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

DOLORES COUNTY (DOVE CREEK) SCHOOL DISTRICT RE-2J

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

	General Fund	Food Service Fund	Bond Redemption Fund	Capital Reserve Capital Projects Fund	Total Governmental Funds
Assets					
Cash on hand and in banks	\$ 1,863,373	\$ 4,767	\$ 816,803	\$ 14,037	\$ 2,698,980
Cash with fiscal agent	111,903		12,728		124,631
Property tax receivable	65,038		8,804		73,842
Grants accounts receivable		3,599			3,599
Other receivable		2,328			2,328
Inventory		5,468			5,468
Total Assets	<u>\$ 2,040,314</u>	<u>\$ 16,162</u>	<u>\$ 838,335</u>	<u>\$ 14,037</u>	<u>\$ 2,908,848</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Intergovernmental payable	\$ 47,208				\$ 47,208
Accounts payable	8,157				8,157
Wages and related benefits payable	270,422	\$ 11,196			281,618
Total Liabilities	<u>325,787</u>	<u>11,196</u>			<u>336,983</u>
Deferred inflows of resources					
Unearned revenue - property tax	<u>48,502</u>		<u>\$ 6,795</u>		<u>55,297</u>
Fund balances					
Nonspendable - inventory		5,468			5,468
Restricted					
TABOR	155,000				155,000
Debt Service			831,540		831,540
Assigned for FY17 expenditures	1,511,025			\$ 14,037	1,525,062
Unassigned		(502)			(502)
Total Fund Balances	<u>1,666,025</u>	<u>4,966</u>	<u>831,540</u>	<u>14,037</u>	<u>2,516,568</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,040,314</u>	<u>\$ 16,162</u>	<u>\$ 838,335</u>	<u>\$ 14,037</u>	<u>\$ 2,908,848</u>

Reconciliation of the Governmental Funds Balance Sheet with the Statement of Net Position

Total Fund Balance Governmental Funds \$ 2,516,568

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Capital assets	\$ 7,209,283	
Accumulated depreciation	(3,575,438)	
	<u>3,633,845</u>	

Long-term liabilities and related items, including net pension liability, deferred outflows of resources and deferred inflows of resources, are not due and payable in the current year, and, therefore, are not reported in the governmental funds.

Due within one year	(374,441)	
Due in more than one year	(1,141,330)	
Net pension obligation	(6,206,206)	
Deferred outflows of resources related to pensions - net	773,069	
Deferred inflows of resources related to pensions - net	(110,875)	
	<u>(7,059,783)</u>	

Total Net Position Governmental Activities \$ (909,370)

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

DOLORES COUNTY (DOVE CREEK) SCHOOL DISTRICT RE-2J

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

	General Fund	Food Service Fund	Bond Redemption Fund	Capital Reserve Capital Projects Fund	Total Governmental Funds
Revenues					
Current property taxes	\$ 2,862,867		\$ 390,275		\$ 3,253,142
Specific ownership taxes	102,054		17,569		119,623
State Equalization	137,210				137,210
State sources	210,118	\$ 1,573			211,691
Federal sources	444,745	42,564			487,309
Other	65,749	16,961	3,408	\$ 46	86,164
Total Revenues	3,822,743	61,098	411,252	46	4,295,139
Expenditures					
Instructional program services	1,781,963				1,781,963
Support program services					
Students	108,167				108,167
Instructional staff	84,041				84,041
General administration	128,961				128,961
School administration	231,258				231,258
Business	81,725				81,725
Operations and maintenance	405,291				405,291
Student transportation	260,789				260,789
Central support	174,539				174,539
Food service operations		122,085			122,085
Other	11,763		300		12,063
Debt service					
Principal			300,000		300,000
Interest			31,800		31,800
Total Expenditures	3,268,497	122,085	332,100		3,722,682
Other Financing Sources (Uses)					
Transfers in (out)	(54,000)	54,000			-
Capital Lease	39,500				39,500
Total Other Financing Sources (Uses)	(14,500)	54,000			39,500
Excess revenue and other sources over (under) expenditures and other uses	539,746	(6,987)	79,152	46	611,957
Fund Balance, Beginning	1,126,279	11,953	752,388	13,991	1,904,611
Fund Balance, Ending	\$ 1,666,025	\$ 4,966	\$ 831,540	\$ 14,037	\$ 2,516,568

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

DOLORES COUNTY (DOVE CREEK) SCHOOL DISTRICT RE-2J

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

Net Change in Fund Balances Governmental Funds \$ 611,957

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

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital outlay	\$ 39,500	
Depreciation expense	(184,738)	
		(145,238)

Governmental funds report debt issuance proceeds as an other financing source, while repayment of debt principal is reported as an expenditure. The net effect of these differences in the treatment of long-term debt is a follows:

Principal payment of long-term debt	311,060	
Proceeds from Capital Lease	(39,500)	
		271,560

Governmental funds expenditures related to pension obligations are measured by the amount of financial resources used (essentially, the amounts actually paid to the pension plan), whereas in the Statement of Activities, they are measured on the full accrual basis. This amount represents the change in net pension liability, pension-related deferred outflows and inflows of resources.

Pension contributions	315,493	
Pension expense	(474,076)	
		(158,583)

Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore are not reported as expenditures in government funds.

(Increase) Decrease in accrued sick leave	4,749
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Change in Net Position of Governmental Activities	\$ 584,445
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The accompanying notes to the financial statements are an integral part of this statement.

DOLORES COUNTY (DOVE CREEK) SCHOOL DISTRICT RE-2J

STATEMENT OF NET POSITION
PROPRIETARY FUND TYPE - ENTERPRISE FUND
June 30, 2016

	Business-type Activities <hr/> Teacherage Fund <hr/>
Assets	
Current Assets	
Cash in banks	\$ 15,858
Total Current Assets	<hr/> 15,858 <hr/>
Noncurrent Assets	
Buildings	116,209
Accumulated depreciation	(81,540)
Total Noncurrent Assets	<hr/> 34,669 <hr/>
Total Assets	<hr/> 50,527 <hr/>
Liabilities	
Net Position	
Net investment in capital assets	34,669
Unrestricted	15,858
Total Net Position	<hr/> \$ 50,527 <hr/>

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

DOLORES COUNTY (DOVE CREEK) SCHOOL DISTRICT RE-2J

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUND TYPE - ENTERPRISE FUND
For the Year Ended June 30, 2016

	Business-type Activities
	<u>Teacherage Fund</u>
Operating Revenues	
Rents	\$ 17,333
Total Operating Revenues	<u>17,333</u>
Operating Expenses	
Purchased services	
Property	4,206
Supplies	9,553
Property	2,094
Other	188
Total Operating Expenses	<u>16,041</u>
Operating income (loss)	<u>1,292</u>
Nonoperating Revenues (Expenses)	
Local sources	
Earnings on investments	27
Total Nonoperating Revenues (Expenses)	<u>27</u>
Income (loss) before operating transfers	<u>1,319</u>
Net Income (Loss)	1,319
Net Position, Beginning	49,208
Net Position, Ending	<u>\$ 50,527</u>

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

DOLORES COUNTY (DOVE CREEK) SCHOOL DISTRICT RE-2J

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE - ENTERPRISE FUND
For the Year Ended June 30, 2016

	<u>Business-type</u>
	<u>Activities</u>
	<u>Teacherage</u>
	<u>Fund</u>
Cash Flows from Operating Activities	
Cash received for and rents	\$ 17,333
Cash payments to suppliers for goods and services	(13,946)
Net Cash Provided (Used) by Operating Activities	<u>3,387</u>
Cash Flows From Investing Activities	
Earnings on investments	27
Net Cash Provided (Used) by Investing Activities	<u>27</u>
Net increase (decrease) in cash and cash equivalents equivalents	3,414
Cash and Cash Equivalents, Beginning	12,444
Cash and Cash Equivalents, Ending	<u>\$ 15,858</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (used) by Operating Activities	
Operating income (loss)	\$ 1,293
Adjustments to reconcile operating income (loss) to net cash provided by operating activities	
Depreciation	2,094
Total adjustments	<u>2,094</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 3,387</u>

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

DOLORES COUNTY (DOVE CREEK) SCHOOL DISTRICT RE-2J

STATEMENT OF NET POSITION
FIDUCIARY FUNDS
STUDENT TRUST AGENCY FUND
June 30, 2016

Assets	
Cash	\$ 67,395
Total Assets	<u>\$ 67,395</u>
Liabilities	
Due to Agency Recipients	\$ 67,395
Total Liabilities	<u>\$ 67,395</u>

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

DOLORES COUNTY (DOVE CREEK) SCHOOL DISTRICT RE-2J

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

Note 1 - Summary of Significant Accounting Policies

The financial statements of Dolores County (Dove Creek) School District RE-2J (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements of Interpretations).

The following significant accounting policies were applied in the preparation of the accompanying financial statements.

The Financial Reporting Entity

The District is governed by the Board of Education ("Board") and is organized and operates in accordance with Colorado statutes. Board members are elected by the citizens of the District, not appointed by any other governing body. The Board selects the superintendent of schools. The Board is solely responsible for the District's budget adoption process. The District has the authority to levy taxes and issue debt. The District meets the criteria of a primary government; its' board is the publicly elected governing body; it is a legally separate entity; and it is fiscally independent. The District is not included in any other government reporting entity. In addition, there are no component units as defined the GASB Statements 14, 39 and 61, which are included in the District's reporting entity.

Government-wide and Fund Financial Statement Presentation

The government-wide financial statements (the Statement of Net Position and the Statement of Activities) display information on all of the non-fiduciary activities of the primary government. The effect of Interfund activities has been removed from these statements. These statements distinguish between the governmental and business-type activities of the District. Governmental activities are supported by taxes and intergovernmental revenues. Business-type activities are financed, to a significant extent, by fees and charges.

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

DOLORES COUNTY (DOVE CREEK) SCHOOL DISTRICT RE-2J

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the later are excluded from the government-wide financial statements. Major individual funds represent the Districts most important funds and are reported as separate columns in the fund financial statements. All remaining funds are aggregated and reported as non-major funds. The District considers all of their funds important and therefore has no non-major funds.

Measurement Focus and Basis of Accounting

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

The effect of interfund activity has generally been eliminated from the government-wide financial statements. Exceptions to this are charges between the District's governmental and business-type activities. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Those revenues subject to accrual are property taxes, charges for services and expended grants associated with the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

DOLORES COUNTY (DOVE CREEK) SCHOOL DISTRICT RE-2J

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

The District reports the following major governmental funds:

Major Governmental Funds

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

The Food Service Fund is used to account for the financial transactions related to the food service operations of the District.

The Bond Redemption Fund is a debt service fund, which accounts for the resources accumulated and the payments made for principal and interest on long-term general obligation debt of governmental funds.

The Capital Reserve Capital Projects Fund is used to account for the accumulation of resources and expenditures of resources for capital improvements within the District.

Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal revenues of the District's enterprise funds are charges for services. Operating expenses for enterprise funds include cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Major Proprietary Funds

Enterprise Funds are used to account for those operations financed and operated in a manner similar to private business or where the Board has decided that the determination of revenues earned, cost incurred and net income is necessary for management accountability. The District reported the following major business-type funds.

Teacherage Fund accounts for residential rentals owned by the District that are rented to District teachers.

Fiduciary Funds account for assets held by the government in a trustee capacity or as an agent on behalf of others.

The Agency Fund is custodial in nature and does not present results of operations or a measurement focus. Agency funds are accounted for using the accrual basis of accounting. The Student Trust Agency Fund accounts for assets held by the District for student and teacher clubs and organizations.

DOLORES COUNTY (DOVE CREEK) SCHOOL DISTRICT RE-2J

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity

Cash and Cash Equivalents

For the purpose of the statement of cash flows of the enterprise funds the cash and cash equivalents are considered to be cash on hand, demand deposits, and highly liquid investments which are subject to withdrawal.

Inventories

Inventories purchased by the Food Service Fund are stated at cost as determined by the first-in, first-out method. Commodity inventories are stated at USDA's assigned value, which approximate fair value at the date of receipt. Expenses for food items are recorded when used. The federal government donates surplus commodities to supplement the national school lunch programs.

Capital Assets

Capital assets, which include land, buildings and improvements, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. The District maintains a capitalization threshold of \$25,000 for major outlays for buildings and improvements. The District does not possess any infrastructure.

The cost of normal maintenance and repairs that do not add to the value of an asset or materially extend the life of an asset are not capitalized.

All reported capital assets are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities <u>Estimated Lives</u>	Business-Type Activities <u>Estimated Lives</u>
Buildings and Improvements	20-50 Years	N/A
Furniture and Equipment	5-15 Years	5-15 Years
Vehicles	8 Years	15 Years

DOLORES COUNTY (DOVE CREEK) SCHOOL DISTRICT RE-2J

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

Deferred Outflows/Inflows of Resources

In additions to assets, the statement of financial position and balance sheets 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 and fund balance that applies to future period(s) and so will not be recognized as an outflow or resources (expense/expenditure) until that time.

In addition to the liabilities, the statement of financial position and balance sheets 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 and fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Accrued Salaries and Benefits Payable

Accrued salaries and benefits payable represent the liability to teachers and certain other employees who earn their salaries over the nine-month school year but are paid over a twelve-month period. Changes in the accrual are reflected in expenditures or expense on the applicable fund's statement of revenue, expenditures and changed in fund balance.

Compensated Absences

Under the District's policies, employees earn vacation leave and sick leave based on longevity of services or position.

The amount of vacations for twelve-month non-professional employees is two weeks per year after the completion of one year on the job and three weeks per year after the completion of five years on the job. Vacations normally must be taken during the summer months unless special arrangements are made with the immediate supervisor. Vacation time does not vest or accumulate.

Certified employees will receive ten sick days on the first day of employment to accrue annually to a maximum of sixty days. Support staff employees will begin accruing sick leave on the first day of employment at the rate of one day per month of service, to a maximum of sixty days. A sick leave bank is available to all participating employees.

Sick leave may be accumulated to a maximum of 60 days. Employees have the right to be paid at the rate of \$35 per day for any accumulated sick leave days upon termination or retirement after three years of employment. Accumulated sick leave is shown as a long-term liability of the District.

DOLORES COUNTY (DOVE CREEK) SCHOOL DISTRICT RE-2J

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

Long-term Obligations

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

Net Position

The net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position should be displayed in the following three components:

- Net investment in capital assets represents capital assets, net accumulated depreciation, reduced by the outstanding balances of any borrowing that are attributable to the acquisition, construction or improvement of those assets.
- Restricted consists of restricted assets that have limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.
- Unrestricted consists of the net amounts of assets, deferred outflows and inflows or resources and liabilities that are not included in the determination of net investment in capital assets or the restricted components of the net position.

Fund Balance

The fund balances of the governmental funds are reported in classifications based on the extent to which the District is bound to honor constraints for the specific purposes on which amounts in the fund can be spent as follows;

- Nonspendable fund balance represents assets that cannot be spent because of their form or legally or contractually must be maintained intact.
- Restricted fund balance reflects resources that are subject to externally enforceable legal limitations.
- Committed fund balance is the portion that is limited to specific purposes determined by a formal action of the Board of Education, the District's highest level of decision making authority. Commitments may be modified or rescinded only through resolutions approved by the Board of Education.
- Assigned fund balance displays the District's intended use of these resources. The assigned fund balance amounts are assigned by the Board of Education, per the District policy.
- Unassigned fund balance represents resources with residual net resources.

DOLORES COUNTY (DOVE CREEK) SCHOOL DISTRICT RE-2J

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

When determining categories of fund balance, it is assumed that the type of expenditure determines the primary use of fund balance. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. Once the commitment or assignment is satisfied unassigned resources are used.

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 and 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.

Inter-fund 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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the District's management to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred outflows and inflows of resources, revenues and expenditures (expenses). Actual results could differ from those estimates and assumptions used.

Property Taxes

Property taxes for a calendar year are certified by the Board of Education by December 15 and levied on assessed valuation by the county commissioners by December 22, are due and payable in the subsequent calendar year. Assessed values are established by the county assessor. Property taxes attach as an enforceable lien on property as of January 1 of the year in which payable. Property taxes are payable in full by April 30 or in two equal installments due February 28 and June 15. The county bills and collects property taxes for all taxing districts in the county. The property tax receipts collected by the county are generally remitted to the District in the subsequent month.

DOLORES COUNTY (DOVE CREEK) SCHOOL DISTRICT RE-2J

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

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 sales related to the rental of houses in the Teacherage Fund. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activities of the fund. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Budgets and Budgetary Accounting

The District is required by Colorado Statutes to adopt annual budgets for all funds. Each budget is prepared on the same basis (GAAP basis) as that used for accounting purposes.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

Prior to June 1, the Superintendent's staff submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1.

The operating budget includes proposed expenditures and the means of financing them.

Public hearings are conducted to obtain comments.

Prior to June 30, the budget is legally adopted through passage of a resolution by the Board of Education. However, the Board can review and change the adopted budget through January 31.

Formal budgetary integration is employed as a management control device during the year. Encumbrance accounting is employed by the District. Encumbrances outstanding at year end do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year

Note 2 - Cash and Investments

Custodial Credit Risk for deposits is the risk that, in the event of a bank failure, the District's deposits might not be recovered. However, there is no custodial risk for public deposits because they are collateralized under the Colorado Public Deposit Protection Act (PDPA). The PDPA specify eligible depositories for public cash deposits, which must be Colorado institutions and must maintain federal insurance on deposits held. Each eligible depository with deposits in excess of the insured levels must pledge a collateral pool of defined eligible assets, to be maintained by another institution or held in trust for all of its local government depositors as a group, with a market value at least 102% of the uninsured deposits. The State Regulatory Commissions for banks and savings and loan associations are required by statute to monitor the naming of eligible depositories and the reporting of uninsured deposits and assets maintained in the collateral pools.

DOLORES COUNTY (DOVE CREEK) SCHOOL DISTRICT RE-2J

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

For investments, custodial risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Colorado statutes define eligible investments for local governments. These include bonds and other interest-bearing obligations of or guaranteed by the United States government or its agencies, bonds which are direct obligations of the State of Colorado or any of its political subdivisions, repurchase agreements, commercial paper, guaranteed investment contracts and local government investment pools. The District has no investments exposed to custodial credit risk.

Interest Rate Risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Colorado revised statutes limits investment maturities to five years or less. The District has no investments exposed to interest rate risk.

Credit Risk is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Credit risk in the portfolio is minimized by investing the majority of asset in US Treasury and Instrumentalities which have the support of US government and failure to receive maturing funds is remote.

At June 30, 2016, the District had investments in one local governmental investment pool, the Colorado Government Liquid Asset Trust (COLOTRUST). COLOTRUST is an investment vehicle established for local government entities in Colorado to pool surplus funds for investment purposes. COLOTRUST is routinely monitored by the Colorado Division of Securities with regard to its operations and investments, which are also subject to provisions of C.R.S. Title 24, Article 75, and Section 6. The fair value of the investments in COLOTRUST is the same as the value of the pool shares. None of these types of investments are categorized because they are not evidenced by securities that exist in physical or book entry form. COLOTRUST is rated AAAM from Standard and Poor's. Financial statements for COLOTRUST may be obtained at www.colotruster.com.

At June 30, 2016 the carrying amount of the District's cash and investments was \$2,782,233, including \$67,395 of agency fund deposits. The District's bank balances were \$1,910,260 and COLOTRUST balances were \$915,617. The District's bank balances at June 30, 2016 and during the year ended June 30, 2016 were entirely covered by FDIC insurance or pledged collateral held by the District's agent banks in the name of governmental accounts of which the District is a part.

DOLORES COUNTY (DOVE CREEK) SCHOOL DISTRICT RE-2J

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

Note 3 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2016 follows:

	Capital Assets			Capital Assets
	<u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2016</u>
Governmental Activities				
Buildings and Improvements	\$ 6,206,778			\$ 6,206,778
Equipment	963,005	\$ 39,500		1,002,505
Less Accumulated Depreciation	(3,390,700)	(184,738)		(3,575,438)
Total Governmental Activities	<u>3,779,083</u>	<u>(145,238)</u>		<u>3,633,845</u>
Business-type Activities				
Buildings and Improvements	116,209			116,209
Less Accumulated Depreciation	(79,446)	(2,094)		(81,540)
Total Business-type Activities	<u>36,763</u>	<u>(2,094)</u>		<u>34,669</u>
Total District	<u>\$ 3,815,846</u>	<u>\$ (147,332)</u>	\$ -	<u>\$ 3,668,514</u>

Depreciation expense was charged as a direct expense to the following governmental programs:

Transportation	\$ 29,150
Operations and Maintenance	230
Unallocated	155,358
Total depreciation governmental activities	<u>\$ 184,738</u>

Note 4 - Accrued Salaries

Certified instructors of the District are contracted for nine months annually between Labor Day and June 1. These instructors, while only working nine or ten months, are paid for their services in twelve equal monthly installments. On June 30 of each year they have completed their entire contract, but have only received 10/12 of the related compensation with the difference to be paid over the summer break. The difference, totaling \$281,618, is reflected as an accrued expense at June 30.

DOLORES COUNTY (DOVE CREEK) SCHOOL DISTRICT RE-2J

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

Note 5 - Long Term Debt

General Obligation Bonds Payable - In December of 2000, the voters of the District approved the issuance of \$4,400,000 of general obligation building bonds. The proceeds of the bonds were used in the construction of a new high school. The bonds are to be repaid through a voter approved increase in property taxes. The bonds are due in semi-annual installments and bear interest ranging from 4.35% to 5.10%. In 2005 the District refinanced a portion of the bonds through an advanced refunding. The refinancing called for the issuance of \$3,610,000 in general obligation refunding bonds. The proceeds were used to advance refund a portion of the original bond issue. The refunding bonds are payable in semi-annual installments and bear interest ranging from 3.00% to 4.00%. The advance refunding provided a present value economic gain to the District of \$204,608.

On September 4, 2014, the District issued \$2,035,000 in General Obligation Refunding Bonds, Series 2014, at a true interest cost of 1.38%. The interest rate is fixed at the time the bonds were sold and had an average coupon rate of 3.92%. The net proceeds of \$2,635,360 (including a \$49,846 premium; after payment of \$49,486 in underwriting fees and other issuance costs and legally available moneys of \$600,000 from the District) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the General Obligation Refunding Bonds, Series 2005, are considered defeased (debt legally satisfied). After all expenses, the refunding will save the District's taxpayers \$311,849. The refunding savings equals \$237,489 on the present value basis or approximately 9.187% of the amounts of refunded bonds.

The repayment of the bonds is recorded in the Debt Service Fund.

The annual requirements to amortize the bonds outstanding at June 30, 2016 are as follows:

Fiscal Year Ending June 30	Series 2014 General Obligation Bonds	
	Principal	Interest
2017	\$ 320,000	\$ 25,600
2018	325,000	19,150
2019	330,000	12,600
2020	335,000	5,950
2021	130,000	1,300
Total	<u>\$ 1,440,000</u>	<u>\$ 64,600</u>

Capital Lease Payable – In fiscal year 2016 the District entered into a lease agreement for a 2011 Chevy Collin 14 passenger bus. The lease was for \$39,500 with a down payment of \$3,950. The lease is payable in 5 annual payments of \$7703.41, including interest at an average rate of 3.78% beginning on May 12, 2016. The lease is serviced by the General Fund and the bus serves as collateral. All payments obligations of the District are subject to annual appropriation by the Board of Education.

DOLORES COUNTY (DOVE CREEK) SCHOOL DISTRICT RE-2J

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

Fiscal Year Ending June 30	Capital Lease	
	Principal	Interest
2017	\$ 7,110	\$ 593
2018	7,110	593
2019	7,110	593
2020	7,110	593
Total	<u>\$ 28,440</u>	<u>\$ 2,372</u>

Changes in Long-Term Debt

A summary of changes in general long-term debt follows:

Description	Balance	Additions	Deletions	Balance
	July 1, 2015			June 30, 2016
General Obligation Bonds				
Series 2005	\$ 1,740,000		\$ (300,000)	\$ 1,440,000
Capital Lease		\$ 39,500	(11,060)	28,440
Accrued Sick Leave	52,080		(4,749)	47,331
Total	<u>\$ 1,792,080</u>	<u>\$ 39,500</u>	<u>\$ (315,809)</u>	<u>\$ 1,515,771</u>

Note 6 - Inter-fund Operating Allocations/Transfers

A summary of Inter-fund balances are as follows:

Allocations	In	Out
Governmental Activities		
General Fund		\$ 70,000
Insurance Reserve	\$ 70,000	
Total Allocations	<u>\$ 70,000</u>	<u>\$ 70,000</u>
Transfers	In	Out
Governmental Activities		
General Fund		\$ 54,000
Food Service Fund	54,000	
Total Transfers	<u>\$ 54,000</u>	<u>\$ 54,000</u>

The Transfers were made with the purpose of subsidizing the Insurance Reserve Fund and Food Service Fund.

DOLORES COUNTY (DOVE CREEK) SCHOOL DISTRICT RE-2J

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

Note 7 - Fund Balance Restrictions and Assignments

Restricted indicates that a portion of the fund balance can only be spent for specific purposes because of state or federal laws, or externally imposed conditions by grantors or creditors. Assigned indicates amounts that are designated for a specific purpose of the Board of Education but are not spendable until appropriated. The District uses the following restrictions and assignments.

Restricted

TABOR is required by an amendment to the State Constitution, Article X; Section 20, known as the Tabor Amendment, which requires local government units to establish emergency reserves. The designation is a minimum of three percent of the current fiscal year eligible expenditures. Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. Fund balance reserved for emergencies consists of \$155,000 in the General Fund.

Debt Service is the amounts to be used for future repayment of the District's outstanding bond. Fund balance assigned for debt service consists of \$831,540 in the Bond Redemption Fund.

Assigned

Assigned for Future Expenditures – indicates anticipated fund balances available for appropriation in the next budget year. Fund balances assigned for future expenditures consist of the following:

General Fund	\$ 1,511,025
Capital Projects Fund	14,037
Total	<u><u>\$ 1,525,062</u></u>

Note 8 - Budgets and Budgetary Accounting

The District is required by Colorado Statutes to adopt annual budgets for all funds. Each budget is prepared on the same basis (GAAP basis) as that used for accounting purposes, except for the Enterprise Funds, which are prepared essentially on the modified accrual basis of accounting. This basis of accounting is at variance with GAAP.

DOLORES COUNTY (DOVE CREEK) SCHOOL DISTRICT RE-2J

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

Prior to June 1, the Business Manager submits to the Board a proposed operating budget for the fiscal year commencing the following July 1.

The operating budget includes proposed expenditures and the means of financing them.

Public hearings are conducted to obtain comments.

Prior to June 30, the budget is legally adopted through passage of a resolution by the Board of Directors. However, the Board can review and change the adopted budget through January 30.

Formal budgetary integration is employed as a management control device during the year. Encumbrance accounting is employed by the District. Encumbrances outstanding at year end do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

Budgeted amounts reported in the accompanying financial statements are as originally adopted and as amended by the Board of Directors throughout the year. Following is a summary of the revised budget, actual amount spent and variance.

	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Governmental Activities			
General Fund	\$ 4,522,090	\$ 3,322,497	\$ 1,199,593
Food Service Fund	\$ 140,128	\$ 122,085	\$ 18,043
Bond Redemption Fund	\$ 1,111,888	\$ 332,100	\$ 779,788
Capital Reserve			
Capital Projects Fund	\$ 13,991	\$ -	\$ 13,991
Business-type Activities			
Teacherage Fund	\$ 24,545	\$ 13,946	\$ 10,599
Fiduciary Fund			
Student Trust Agency Fund	\$ 314,647	\$ 128,819	\$ 185,828

Appropriations are adopted by resolution for each fund in total and lapse at the end of each year. Over-expenditures are not deemed to exist unless the fund as a total has expenditures in excess of appropriations.

DOLORES COUNTY (DOVE CREEK) SCHOOL DISTRICT RE-2J

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

Note 9 – Jointly Governed Organization

The District is a participant among nine school districts in a jointly governed organization to operate the San Juan Board of Cooperative Educational Services (BOCES). The BOCES is a regional education service unit created under the “Board of Cooperative Services Act of 1965” of the Colorado Revised Statutes. The BOCES provides unique education services that the member districts could not provide individually on a cost-effective basis. The BOCES governing board is made up of representatives from each member district’s board. The governing board control budgeting and fiscal matters. The District does not have an ongoing financial interest in or ongoing financial responsibility for the BOCES. Financial statements for the BOCES can be obtained by contacting the Director of Business Services at (970)247-3261. The District had no debt with BOCES at year end.

Note 10 – Defined Benefit 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 as defined in Governmental Accounting Standards Board (GASB) Statement No. 67 and is administered by the Public Employees’ Retirement Association of Colorado (PERA). PERA issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided – 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.

The SCHDTF serves as a defined benefit retirement plan where retirees receive a predictable monthly benefit for their lifetime, and generally, an increase each year, as eligible. 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. Title 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.

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.

DOLORES COUNTY (DOVE CREEK) SCHOOL DISTRICT RE-2J

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

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

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs) as established by State Statutes.

Benefit recipients who began eligible employment before January 1, 2007 receive an annual increase of 2 percent, unless the plan has a negative investment year, in which case the annual increase for the next three years is the lessor of 2 percent or the average Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients who began eligible employment after January 1, 2007 receive an annual increase of the lessor of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve for the SCHDTF.

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

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

Contributions – Eligible employees and the District are required to contribute to the SCHDTF at a rates established by Title 24, Article 51, Part 4 of the C.R.S. These contributions requirements are established and may be amended by the State Legislature. Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized the following table:

DOLORES COUNTY (DOVE CREEK) SCHOOL DISTRICT RE-2J

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

	For the Year Ended December 31, 2015	For the Year Ended December 31, 2016
	<hr/>	<hr/>
Employer Contribution Rate ¹	10.15%	10.15%
Amount of Employer Contribution apportioned to the Health Care Trust Fund (HCTF) as specified in C.R.S. § 24-51-208(1)(f) ¹	-1.02%	-1.02%
Amount Apportioned to the SCHDTF ¹	<hr/> 9.13%	<hr/> 9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹	4.20%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	4.00%	4.50%
Total Employer Contribution Rate to the SCHDTF ¹	<hr/> <hr/> 17.33%	<hr/> <hr/> 18.13%

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

Employer contributions are recognized by the SCHDTF in the period 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 SDHDTF from the District were \$315,493 for the year ended June 30, 2016.

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

At June 30, 2016 the District reported a liability of \$6,206,206 for its proportionate share of the net position liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The District proportion of the net pension liability was based on the District's contribution to the SCHDTF for the calendar year 2015 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2015, the Districts proportion was .0405785702 percent, which was decrease of .0000207448 percent from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$474,076. As June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

DOLORES COUNTY (DOVE CREEK) SCHOOL DISTRICT RE-2J

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 81,954	\$ 259
Changes in assumptions		87,704
Net difference between projected and actual earnings on pension plan investments	527,701	
Changes in proportion and differences between contributions recognized and proportionate share of contributions		22,912
Contributions subsequent to the measurement date	163,414	
	<u>\$ 773,069</u>	<u>\$ 110,875</u>

\$163,414 reported as deferred outflows or resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	
2017	\$ 124,021
2018	128,110
2019	138,439
2020	108,210
Total	<u>\$ 498,780</u>

DOLORES COUNTY (DOVE CREEK) SCHOOL DISTRICT RE-2J

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

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

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

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

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

The SCHDTF's long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the most recent analysis of the long-term expected rate of return, presented to the PERA governing board on November 15, 2013, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

DOLORES COUNTY (DOVE CREEK) SCHOOL DISTRICT RE-2J

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

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

Discount rate. The discount rate used to measure the total pension liability was 7.50 percent. The projections of cash flows to determine the discount rate assumed that employee contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the fixed statutory rates specified in law, including current and future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Based on those assumptions, the SCHDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

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 7.50 percent, as well as what the proportionate share of the net position liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1 % Decrease (6.50%)	Current Discount Rate (7.50%)	1 % Increase (8.50%)
Proportionate share of the net pension liability	\$ 6,268,268	\$ 6,206,206	\$ 6,144,144

DOLORES COUNTY (DOVE CREEK) SCHOOL DISTRICT RE-2J

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

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

Note 11 – Other Post-Employment Benefits

Health Care Trust Fund

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

Funding Policy – The District is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirement for the District are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2014, 2015 and 2016, the District's employer contributions to the HCTF were \$17,203 \$17,732, and \$18,145, respectively, equal to their required contribution for each year.

Note 12 – 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 for the Plan. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy – The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. The District has not agreed to match employee contributions. Employees are immediately vested in their own contributions, employer contributions and investment earnings. For the year ended June 30, 2016, program members contributed \$1,975 to the Voluntary Investment Program.

DOLORES COUNTY (DOVE CREEK) SCHOOL DISTRICT RE-2J

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

Note 13 - 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 is a member of the Colorado School Districts Self-Insurance Pool (CSDSIP). The CSDSIP was formed in 1981, when Colorado state regulators authorized the organization's creation, in response to shortcomings in the commercial insurance market. The CSDSIP provides member school districts and related educational facilities with defined property and liability coverage through joint self-insurance and excess insurance.

The District continues to carry commercial insurance for all other risks of loss including worker's compensation and employee health and accident insurance. There have been no settled claims that have exceeded insurance coverage in any of the past three fiscal years. There have been no significant decreases in insurance coverage from the prior year.

Note 14 - Tax, Spending, and Debt Limitations

Colorado Voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. On November 5, 1996 the people of the District voted to authorize the spending of all monies in existing funds and to collect, retain, and expend the full revenue, including state grants and taxes, generated during fiscal year 1997 and for each subsequent year regardless of any limitation contained in Article X, Section 20, of the Colorado Constitution. The Amendment is complex and subject to judicial interpretation. The District believes it is in compliance with all other requirements of the amendment. However, the District has made certain interpretations of the amendment's language in order to determine its compliance.

On November 3, 2015, the voters approved a mill levy override. The taxes may be increased by \$350,000 in the first full fiscal year (2016) and whatever amounts are raised annually thereafter by the imposition of an additional mill levy not to exceed 3 mills upon taxable real property within the District.

Note 15 - Commitments and Contingent Liabilities

The District had received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to a request for reimbursement to grantor agencies for expenditures disallowed under terms of the grant. District management believes that disallowance, if any, would be immaterial to the basic financial statements.

DOLORES COUNTY (DOVE CREEK) SCHOOL DISTRICT RE-2J

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2016

Required supplementary information includes financial information disclosure that are required by the GASB but are not considered a part of the basic financial statements.

Such information includes:

Budgetary Comparison Schedules

General Fund

Food Service Fund

Capital Reserve Capital Projects Fund

Schedule of the District's Pension Contributions

Schedule of the District's Proportionate Share of the Net Pension Liability

DOLORES COUNTY (DOVE CREEK) SCHOOL DISTRICT RE-2J

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

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Revenues from Local Sources				
Current property taxes	\$ 1,880,203	\$ 2,807,866	\$ 2,862,867	\$ 55,001
Specific ownership taxes	84,000	84,000	102,054	18,054
Delinquent taxes and interest on taxes	4,000	4,000	3,098	(902)
Earnings on investments	600	600	551	(49)
Other	54,000	55,000	62,100	7,100
Total Revenues from Local Sources	2,022,803	2,951,466	3,030,670	79,204
Revenues from State Sources				
State grants from CDE				
State equalization	687,931	122,000	137,210	15,210
Transportation	35,000	35,000	53,515	18,515
Small attendance center aid	10,000	10,000	20,550	10,550
Colorado read act	15,890	15,890	18,118	2,228
Colorado library	3,000	6,500	3,500	(3,000)
Small rural schools		68,448	68,448	-
Additional at risk			1,666	1,666
State grants flow through SJBOCES				
Special education			10,171	10,171
Gifted and talented	7,700	7,700	8,738	1,038
Other state grants				
Vocational education	11,800	11,800	25,412	13,612
Total Revenues from State Sources	771,321	277,338	347,328	69,990
Revenues from Federal Sources				
Federal grants from CDE				
Title I, Part A Grant	43,585	44,340	44,553	213
Title II, Part A Teacher Improvement Grant	14,695	14,667	14,685	18
Other grants			117	117
Other federal grants				
Title VI, Part B REAP - Summer School Grant	15,000	15,000	15,434	434
Other grants	8,000	43,000	31,962	(11,038)
Mineral lease			99,992	99,992
Federal forest	50,000	50,000	235,961	185,961
Division of Wildlife			2,041	2,041
Total Revenues from Federal Sources	131,280	167,007	444,745	277,738
Total Revenues	2,925,404	3,395,811	3,822,743	426,932

DOLORES COUNTY (DOVE CREEK) SCHOOL DISTRICT RE-2J

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

For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable <u>(Unfavorable)</u>
Expenditures				
Instructional Programs				
Salaries	\$ 1,203,603	\$ 1,216,971	\$ 1,100,204	\$ 116,767
Employee benefits	487,850	495,836	377,791	118,045
Purchased services				
Professional and technical	17,757	20,757	11,763	8,994
Property	11,500	11,500	6,455	5,045
Other	160,933	162,076	86,964	75,112
Supplies	131,175	516,175	161,285	354,890
Property	68,350	68,350	23,892	44,458
Other	5,000	5,000	13,609	(8,609)
Total Instructional Programs	<u>2,086,168</u>	<u>2,496,665</u>	<u>1,781,963</u>	<u>714,702</u>
Support Services				
Students				
Salaries	68,000	68,000	63,360	4,640
Employee benefits	28,000	28,000	27,048	952
Purchased services				
Professional and technical	24,000	14,000	12,885	1,115
Other	500	500		500
Supplies	4,000	7,500	4,874	2,626
Total Students	<u>124,500</u>	<u>118,000</u>	<u>108,167</u>	<u>9,833</u>
Instructional Staff				
Salaries	75,350	75,350	52,710	22,640
Employee benefits	38,000	38,000	24,248	13,752
Purchased services				
Professional and technical		10,000		10,000
Property	2,000	2,000		2,000
Other	3,000	3,000		3,000
Supplies	3,200	3,200	7,083	(3,883)
Total Instructional Staff	<u>121,550</u>	<u>131,550</u>	<u>84,041</u>	<u>47,509</u>

DOLORES COUNTY (DOVE CREEK) SCHOOL DISTRICT RE-2J

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

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
General Administration				
Salaries	\$ 42,140	\$ 42,140	\$ 59,284	\$ (17,144)
Employee benefits	23,500	23,500	19,322	4,178
Purchased services				
Professional and technical	25,700	25,700	32,188	(6,488)
Property	2,500	2,500	1,266	1,234
Other	11,000	11,000	6,031	4,969
Supplies	3,500	3,500	3,034	466
Property	2,300	2,300	1,765	535
Other	8,000	8,000	6,071	1,929
Total General Administration	118,640	118,640	128,961	(10,321)
School Administration				
Salaries	177,300	177,300	155,956	21,344
Employee benefits	77,586	77,586	71,072	6,514
Purchased services				
Other	1,500	1,500	330	1,170
Supplies	1,500	1,500		1,500
Other	4,921	4,921	3,900	1,021
Total School Administration	262,807	262,807	231,258	31,549
Business Services				
Salaries	56,900	56,900	53,038	3,862
Employee benefits	21,700	21,700	17,843	3,857
Purchased services				
Other	6,700	6,700	9,416	(2,716)
Supplies	3,000	3,000	1,428	1,572
Property	1,000	1,000		1,000
Total Business Services	89,300	89,300	81,725	7,575
Operations and Maintenance				
Salaries	171,600	171,600	153,388	18,212
Employee benefits	66,200	66,200	57,204	8,996
Purchased services				
Property	46,000	46,000	45,362	638
Other	25,900	25,900	30,361	(4,461)
Supplies	168,200	168,200	115,541	52,659
Property	1,000	1,000	3,435	(2,435)
Total Operations and Maintenance	478,900	478,900	405,291	73,609

DOLORES COUNTY (DOVE CREEK) SCHOOL DISTRICT RE-2J

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

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Student Transportation				
Salaries	\$ 143,500	\$ 143,500	\$ 135,373	\$ 8,127
Employee benefits	38,000	38,000	38,420	(420)
Purchased services				
Professional and technical	1,000	1,000	628	372
Other	3,000	3,000	1,091	1,909
Supplies	78,500	78,500	55,286	23,214
Property	4,000	4,000	40,486	(36,486)
Other			(10,495)	10,495
Total Student Transportation	268,000	268,000	260,789	7,211
Central Support				
Salaries		4,651	17,191	(12,540)
Employee benefits		1,993	10,225	(8,232)
Purchased services				
Professional and technical	5,000	5,000		5,000
Other	105,225	105,000	101,875	3,125
Supplies	5,000	5,000	4,248	752
Property		41,000	41,000	-
Total Central Support	115,225	162,644	174,539	(11,895)
Other Uses				
Capital Lease Payments			11,763	(11,763)
Appropriated reserves	246,938	341,584		341,584
Total Expenditures	3,912,028	4,468,090	3,268,497	1,199,593
Excess revenue over (under) expenditures	(986,624)	(1,072,279)	554,246	1,626,525
Other Financing Sources (Uses)				
Capital Lease			39,500	39,500
Transfers out - Food Service Fund	(54,000)	(54,000)	(54,000)	-
Other Financing Sources (Uses)	(54,000)	(54,000)	(14,500)	39,500
Net Change in Fund Balance	(1,040,624)	(1,126,279)	539,746	1,666,025
Fund Balance, Beginning	1,040,624	1,126,279	1,126,279	-
Fund Balance, Ending	\$ -	\$ -	\$ 1,666,025	\$ 1,666,025

DOLORES COUNTY (DOVE CREEK) SCHOOL DISTRICT RE-2J

SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUND
FOOD SERVICE FUND

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		(Unfavorable)
Revenues from Local Sources				
Charges for services	\$ 19,675	\$ 19,675	\$ 16,961	\$ (2,714)
Total Revenues from Local Sources	<u>19,675</u>	<u>19,675</u>	<u>16,961</u>	<u>(2,714)</u>
Revenues from State Sources				
State Lunch Grant	1,000	1,000	1,573	573
Total Revenues from State Sources	<u>1,000</u>	<u>1,000</u>	<u>1,573</u>	<u>573</u>
Revenues from Federal Sources				
National School Lunch Program Grant	37,500	37,500	31,736	(5,764)
National School Breakfast Program	11,000	11,000	4,370	(6,630)
Commodities	5,000	5,000	6,458	1,458
Total Revenues from Federal Sources	<u>53,500</u>	<u>53,500</u>	<u>42,564</u>	<u>(10,936)</u>
Total Revenues	<u>74,175</u>	<u>74,175</u>	<u>61,098</u>	<u>(13,077)</u>
Expenditures				
Food services				
Salaries	50,300	50,300	48,075	2,225
Employee benefits	25,600	25,600	23,622	1,978
Supplies	53,000	53,000	48,818	4,182
Property	1,000	1,000	1,570	(570)
Appropriated reserves	5,275	10,228		10,228
Total Expenditures	<u>135,175</u>	<u>140,128</u>	<u>122,085</u>	<u>18,043</u>
Excess revenue over (under) expenditures	(61,000)	(65,953)	(60,987)	4,966
Other Financing Sources (Uses)				
Transfers in (out)	54,000	54,000	54,000	-
Net Change in Fund Balance	<u>(7,000)</u>	<u>(11,953)</u>	<u>(6,987)</u>	<u>4,966</u>
Fund Balance, Beginning	7,000	11,953	11,953	-
Fund, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,966</u>	<u>\$ 4,966</u>

DOLORES COUNTY (DOVE CREEK) SCHOOL DISTRICT RE-2J

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL
 CAPITAL RESERVE CAPITAL PROJECTS FUND
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (<u>Unfavorable</u>)
Revenues from Local Sources				
Earnings on investments			\$ 46	\$ 46
Total Revenues from Local Sources			<u>46</u>	<u>46</u>
Expenditures				
Appropriated reserves	\$ 13,985	\$ 13,991		13,991
Total Expenditures	<u>13,985</u>	<u>13,991</u>		<u>13,991</u>
Excess revenue and other sources over (under) expenditures and other uses	(13,985)	(13,991)	46	14,037
Fund Balance, Beginning	13,985	13,991	13,991	-
Fund Balance, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,037</u>	<u>\$ 14,037</u>

DOLORES COUNTY (DOVE CREEK) SCHOOL DISTRICT RE-2J

Schedule of Pension Contributions

June 30, 2016

Last 10 Years*

	2014	2015	2016
Statutorily required contributions	\$ 269,556	\$ 293,595	\$ 315,493
Contributions in relation to the statutory required contribution	269,556	293,595	315,493
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered employee payroll	\$ 1,686,593	\$ 1,738,432	\$ 1,778,896
Contributions as a percentage of covered employee payroll	15.98%	16.89%	17.74%

* Fiscal year 2015 was the 1st year of implementation. Information in not available for years prior to 2014.

DOLORS COUNTY (DOVE CREEK) SCHOOL DISTRICT RE-2J
 Schedule of the School's Proportionate Share of the Net Pension Liability

June 30, 2016
 Last 10 Years*
 (Dollars in Thousands)

	2014	2015	2016
Proportionate Share of the Net Pension Liability	0.04099029%	0.04059932%	0.04057857%
School's proportionate share of the Net Pension Liability	\$ 5,228,300	\$ 5,502,571	\$ 6,206,206
School's covered employee payroll	\$ 1,686,563	\$ 1,738,432	\$ 1,778,896
School's proportionate share of the net pension liability as a percentage of its covered employee payroll	310.00%	316.52%	348.88%
Plan fiduciary net position as a percentage of the total pension liability	62.84%	64.07%	59.20%

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

** Fiscal year 2015 was the 1st year of implementation. Information in not available for years prior to 2014.*

DOLORES COUNTY (DOVE CREEK) SCHOOL DISTRICT RE-2J

OTHER SUPPLEMENTARY INFORMATION

June 30, 2016

Other supplementary information includes financial statements and schedules not required by the GASB, or a part of the basic financial statements, but are presented for purposes of additional analysis.

These statements and schedules include:

- Budgetary Comparison Schedules
 - Debt Service Fund
 - Bond Redemption Fund
- Proprietary Fund
 - Enterprise Fund
 - Teacherage Fund
- Fiduciary Fund
 - Student Trust Agency Fund

DOLORES COUNTY (DOVE CREEK) SCHOOL DISTRICT RE-2J

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL
 BOND REDEMPTION FUND
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Revenues				
Current property tax	\$ 345,000	\$ 345,000	\$ 390,275	\$ 45,275
Specific ownership tax	12,000	12,000	17,569	5,569
Earnings on investments	1,000	1,000	654	(346)
Other	1,500	1,500	2,754	1,254
Total Revenues	<u>359,500</u>	<u>359,500</u>	<u>411,252</u>	<u>51,752</u>
Expenditures				
Other				
Purchased services				
Professional and technical	150	150	300	(150)
Debt Service				
Principal	340,000	340,000	300,000	40,000
Interest	35,000	35,000	31,800	3,200
Appropriated reserves	677,146	736,738		736,738
Total Expenditures	<u>1,052,296</u>	<u>1,111,888</u>	<u>332,100</u>	<u>779,788</u>
Excess revenue and other sources over (under) expenditures and other uses	(692,796)	(752,388)	79,152	831,540
Fund Balance, Beginning	692,796	752,388	752,388	-
Fund Balance, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 831,540</u>	<u>\$ 831,540</u>

DOLORES COUNTY (DOVE CREEK) SCHOOL DISTRICT RE-2J

SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - BUDGET (NON GAAP BASIS) AND ACTUAL
PROPRIETARY FUND TYPE - ENTERPRISE FUND
TEACHERAGE FUND
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Operating Revenues				
Rents	\$ 12,000	\$ 12,000	\$ 17,333	\$ 5,333
Total Operating Revenues	12,000	12,000	17,333	5,333
Operating Expenses				
Purchased services				
Property	6,000	6,000	4,206	1,794
Supplies	20,000	12,000	9,553	2,447
Other			187	(187)
Total Operating Expenses	26,000	18,000	13,946	4,054
Operating income (loss)	(14,000)	(6,000)	3,387	9,387
Nonoperating Revenues (Expenses)				
Local sources				
Earnings on investments	100	100	27	(73)
Appropriated reserves	(6,000)	(6,545)		6,545
Changes in Net Position Non GAAP Basis	(19,900)	(12,445)	3,414	15,859
Less depreciation expense			(2,094)	(2,094)
Net Position, Beginning	19,900	12,445	49,208	36,763
Net Position, Ending	\$ -	\$ -	\$ 50,528	\$ 50,528

DOLORES COUNTY (DOVE CREEK) SCHOOL DISTRICT RE-2J

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
DUE TO AGENCY RECIPIENTS - BUDGET AND ACTUAL
FIDUCIARY FUND
STUDENT TRUST AGENCY FUND
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance
	Original	Budget		Favorable (Unfavorable)
Revenues				
Other	\$ 245,500	\$ 245,800	\$ 127,367	\$ (118,433)
Total Revenues	<u>245,500</u>	<u>245,800</u>	<u>127,367</u>	<u>(118,433)</u>
Expenditures				
Instruction				
School Accounts	245,500	245,500	128,819	116,681
Appropriated reserves		69,147		69,147
Total Expenditures	<u>245,500</u>	<u>314,647</u>	<u>128,819</u>	<u>185,828</u>
Excess of revenues and other sources over (under) expenditures and other uses	-	(68,847)	(1,452)	67,395
Due to Agency Recipients, Beginning	-	68,847	68,847	-
Due to Agency Recipients, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67,395</u>	<u>\$ 67,395</u>

INFORMATION REQUIRED BY OVERSIGHT AUTHORITIES

Majors and Haley, P.C.
Certified Public Accountants

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Chris L. Majors, CPA, MT

Lori Hasty Haley, CPA

INDEPENDENT AUDITORS' REPORT
ON COLORADO DEPARTMENT OF EDUCATION AUDITORS' INTEGRITY REPORT

To the Board of Education
Dolores County (Dove Creek) School District RE-2J
Dove Creek, Colorado 81324

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dolores County (Dove Creek) School District RE-2J, as of and for the year ended June 30, 2016, and have issued our report thereon dated August 24, 2016, which expressed an unmodified opinion on those financial statements, appears as listed in the table of contents. These financial statements are the responsibility of Dolores County (Dove Creek) School District RE-2J management.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Dolores County (Dove Creek) School District RE-2J's financial statements. The accompanying Colorado Department of Education Auditors' Integrity Report is presented for purposes of additional analysis and is not a required part of the basic 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 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.

Majors and Haley PC

Majors and Haley, P.C.

Cortez, Colorado
August 24, 2016



Colorado Department of Education
Auditors Integrity Report
 District: 0890 - DOLORES COUNTY RE NO.2
 Fiscal Year 2015-16
 Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental	+		-	=
10 General Fund	1,116,395	3,722,057	3,183,456	1,654,995
18 Risk Mgmt Sub-Fund of General Fund	9,884	86,185	85,039	11,030
19 Colorado Preschool Program Fund	0	0	0	0
Sub- Total	1,126,279	3,808,242	3,268,495	1,666,025
11 Charter School Fund	0	0	0	0
20,26-29 Special Revenue Fund	0	0	0	0
21 Food Service Spec Revenue Fund	11,953	115,098	122,085	4,966
22 Govt Designated-Purpose Grants Fund	0	0	0	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	752,388	411,253	332,100	831,540
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	0	0	0	0
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	13,991	46	0	14,037
Totals	1,904,611	4,334,637	3,722,680	2,516,568
Proprietary				
50 Other Enterprise Funds	49,208	17,361	16,040	50,528
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	0	0	0	0
Totals	49,208	17,361	16,040	50,528
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	68,847	127,367	128,820	67,395
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
Totals	68,847	127,367	128,820	67,395

FINAL

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