

**CUSTER COUNTY SCHOOL DISTRICT C-1  
WESTCLIFFE, COLORADO  
FINANCIAL STATEMENTS  
June 30, 2011**

**CUSTER COUNTY SCHOOL DISTRICT C-1  
WESTCLIFFE, COLORADO**

**ROSTER OF SCHOOL OFFICIALS**

June 30, 2011

**BOARD OF EDUCATION**

Randy Woods - President  
Gary Frickell - Vice-President  
Mike West - Secretary/Treasurer  
Monty Lee - Member  
Garrett Bachert - Member

**ADMINISTRATIVE STAFF**

Lance Villers  
Superintendent

Amy Perschbacher  
Business Manager

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Board of Education  
Custer County School District C-1  
Westcliffe, Colorado

### INDEPENDENT AUDITORS' REPORT

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 the Custer County School District C-1 as of and for the year ended June 30, 2011, which collectively comprise the basic financial statements of the Custer County School District C-1, as listed in the table of contents. These financial statements are the responsibility of the Custer County School District C-1's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Custer County School District C-1 as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and required supplementary information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Custer County School District C-1's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Swanhorst & Company LLC*

February 26, 2012

## **CUSTER COUNTY SCHOOL DISTRICT C-1**

### **Management's Discussion and Analysis**

**Fiscal Year Ending June 30, 2011**

As management of Custer County School District C-1, we offer readers of the District's basic financial statements this narrative and analysis of the financial activities of Custer County School District C-1 for the year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information provided in the accompanying financial statements.

#### **Financial Highlights**

The year ended June 30, 2011 was the fifth year of service for our superintendent, Mr. Lance Villers. He acted as principal for Custer County High School for the preceding three years. In fiscal year 2011, the general fund carryover balance reflects a decrease of \$44,118 from the prior year. This decrease was anticipated and was reflected in the budget. The District continued for a second year the use of the new 3,600 square foot preschool facility located at 118 Jerry Court in Westcliffe. The acquisition was made possible by conditions of a DOLA grant to the town and to a now defunct early learning organization. The final third payment of \$8,333 was made to the Town of Silver Cliff in February of 2010. Many improvements and safety upgrades have been made to the facility, some made possible through additional funds from the county. The preschool playground, originally funded through DOLA grants, was relocated to the new facility and meets safety and licensing requirements. One level of the two-story facility was utilized by the Custer County Kids Club in order to better serve multiple needs of the children and parents in our community, upon approval of the board of education. The preschool was relocated to the new facility in the fall of 2009. At this time, the District has retained the original preschool building located at 702 Main Street in Westcliffe for other uses. Although budget restrictions and increasing costs have made it difficult, the District continued to maintain its benefit package for all eligible employees, albeit at a higher deductible health insurance plan with the same provider as the previous fiscal year. The implementation of a medical reimbursement plan to replace the medical gap insurance plan offered by the District in the 2007-2008 school year has now realized an accumulated savings of \$88,694 to the District over the last four fiscal years.

The District had thirty-five fewer students enrolled than in the 2009-2010 school year; however, funded student count was down 24.5 students due to the five-year averaging allowed by the state. The operations of the District are funded primarily by tax revenue received under the State School Finance Act. Operating tax revenue for the year from property and specific ownership taxes from the county was approximately \$2,407,689, an increase of \$7,316 from local tax revenue from the previous year. State equalization revenue amounted to an additional \$913,495, reflecting a decrease of \$413,447 from the previous year's state equalization funding.

## Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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

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

The statement of activities presents information showing how the District's net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future periods (for example, salaries and benefits earned but unpaid as of year end).

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District keeps track of these monies to ensure and demonstrate compliance with finance-related legal requirements. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The District has two governmental funds: the General Fund and Bond Redemption Fund. Non-restricted funds remaining in the District's Capital Reserve Fund at the end of fiscal year 2010 were placed this fiscal year into a Capital Projects Fund that is included in General Fund reporting.

Enterprise funds are used to present the same functions as the business-type activities presented in the government-wide financial statements. The District uses an enterprise fund to account for its food service operation.

**Notes to Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

## Government-wide Financial Analysis

As noted previously, net assets may serve over time as a useful indicator of the District's financial position. For the year ending June 30, 2011, the District's combined assets exceeded liabilities by \$2,635,443. Of this amount, \$425,228 is unrestricted and is available to meet the District's ongoing financial obligations. \$1,467,147 is in capital assets net of related debt. \$108,000 is restricted (reserved for emergencies) to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment. In addition, \$635,068 is restricted for debt service.

**Net Assets**

	<b>Governmental</b>		<b>Business-Type</b>		<b>Total</b>	
	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>
<b>Assets</b>						
Current Assets	\$1,904,401	\$1,764,942	\$10,842	\$5,053	\$1,915,243	\$1,769,995
Capital Assets-Net	<u>5,951,816</u>	<u>5,742,702</u>	<u>5,280</u>	<u>3,847</u>	<u>5,957,096</u>	<u>5,746,549</u>
<b>Total Assets</b>	<u>\$7,856,217</u>	<u>\$7,507,644</u>	<u>\$16,122</u>	<u>\$8,900</u>	<u>\$7,872,339</u>	<u>\$7,516,544</u>
<b>Liabilities</b>						
Current Liabilities	\$ 639,895	\$ 605,739	\$8,339	\$8,070	\$ 648,234	\$ 613,809
Noncurrent Liabilities	<u>4,512,642</u>	<u>4,267,292</u>			<u>4,512,642</u>	<u>4,267,292</u>
<b>Total Liabilities</b>	<u>\$5,152,537</u>	<u>\$4,873,031</u>	<u>\$8,339</u>	<u>\$8,070</u>	<u>\$5,160,876</u>	<u>\$4,881,101</u>
<b>Net Assets</b>						
Invested in Capital Assets, Net	\$1,456,369	\$1,463,300	\$5,280	\$3,847	\$1,461,649	\$1,467,147
Restricted	765,949	743,068			765,949	743,068
Unrestricted	<u>481,362</u>	<u>428,245</u>	<u>2,503</u>	<u>(3,017)</u>	<u>483,865</u>	<u>425,228</u>
<b>Total Net Assets</b>	<u>\$2,703,680</u>	<u>\$2,634,613</u>	<u>\$7,783</u>	<u>\$ 830</u>	<u>\$2,711,463</u>	<u>\$2,635,443</u>
<b>Change in Net Assets</b>						
<b>Revenues</b>						
Property Taxes	\$2,554,624	\$2,551,625			\$2,554,624	\$2,551,625
SO Taxes	305,883	269,733			305,883	269,733
Equalization	1,326,942	913,495			1,326,942	913,495
Charges for Services	7,640	3,605	\$38,868	\$37,569	46,508	41,174
Operating Grants and Contributions	405,151	279,475	75,584	74,725	480,735	354,200
Other Revenues	<u>411,734</u>	<u>297,943</u>			<u>411,734</u>	<u>297,943</u>
<b>Total Revenue</b>	<u>\$5,011,974</u>	<u>\$4,315,876</u>	<u>\$114,452</u>	<u>\$112,294</u>	<u>\$5,126,426</u>	<u>\$4,428,170</u>
<b>Expenses</b>						
Instruction	\$2,859,379	\$2,517,943			\$2,859,379	\$2,517,943
Support Services	1,634,117	1,611,016			1,634,117	1,611,016
Interest on Long-Term Debt	207,543	198,734			207,543	198,734
Food Service			\$176,721	\$176,497	176,721	176,497
<b>Total Expenses</b>	<u>\$4,701,039</u>	<u>\$4,327,693</u>	<u>\$176,721</u>	<u>\$176,497</u>	<u>\$4,877,760</u>	<u>\$4,504,190</u>
<b>Transfers</b>	<u>\$ (62,563)</u>	<u>\$ (57,250)</u>	<u>\$ 62,563</u>	<u>\$ 57,250</u>		
<b>Increase (Decrease) in Net Assets</b>	<u>\$ 248,372</u>	<u>\$ (69,067)</u>	<u>\$ 294</u>	<u>\$ (6,953)</u>	<u>\$ 248,666</u>	<u>\$ (76,020)</u>
<b>Net Assets, June 30, 2005</b>		<u>\$2,303,317</u>		<u>\$ 5,617</u>		<u>\$2,308,934</u>
<b>Net Assets, June 30, 2006</b>		<u>\$2,227,564</u>		<u>\$ 609</u>		<u>\$2,228,173</u>
<b>Net Assets, June 30, 2007</b>		<u>\$2,385,163</u>		<u>\$ 2,594</u>		<u>\$2,387,757</u>
<b>Net Assets, June 30, 2008</b>		<u>\$2,372,545</u>		<u>\$ 7,062</u>		<u>\$2,379,607</u>
<b>Net Assets, June 30, 2009</b>		<u>\$2,455,308</u>		<u>\$ 7,489</u>		<u>\$2,462,797</u>
<b>Net Assets, June 30, 2010</b>		<u>\$2,703,680</u>		<u>\$ 7,783</u>		<u>\$2,711,463</u>
<b>Net Assets, June 30, 2011</b>	<u>\$2,634,613</u>		<u>\$ 830</u>		<u>\$2,635,443</u>	



## **Financial Analysis of the District's Funds**

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

As of the end of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$1,230,874, a decrease of \$44,789 (reflecting decreased revenues and higher mandated employer contributions on employee benefits, among other rising expense). The Capital Reserve Fund ending fund balance for fiscal year 2010 was made up of non-restricted funds and was rolled into a Capital Projects Fund which is included in General Fund reporting, as previously mentioned. Many improvements (including ramps, updated door closures, and others) were made throughout school facilities to insure compliance with ADA guidelines for handicapped accessibility in fiscal year 2010 and a small number of those improvements continued in fiscal year 2011. A fourteen-passenger bus was purchased to replace an aging student transport vehicle for better reliability, fuel economy, and for the safety of students and staff utilizing that transportation in fiscal year 2010. No capital purchases were made in the transportation department in fiscal year 2011, although the District fleet is made up of several aging buses that the District is endeavoring to maintain in good working order. Additional playground mulch was purchased and installed by District staff to meet safety regulations for the elementary playground. Upgrades were made to the School District's file server to insure a secure and operable computer network system for the use of students and staff. Roof and fire alarm systems repairs were made and all of the parking lots were restriped where needed. Due to budgetary concerns, further upgrades or improvements have been delayed, including the updating of classroom computer equipment. Used computer equipment in good condition is being purchased to replace equipment that is beyond repair. Any possible safety issues District wide will continue to be monitored and addressed as the need arises.

The General Fund is the major operating fund of the District. At the end of the current fiscal year, fund balance decreased by \$44,118 (from \$661,291 to \$617,173).

The Bond Redemption Fund ending fund balance decreased by \$671 (from \$614,372 to \$613,701). The Board of Education and management intend to continue to lower the bond mill levy in the next fiscal year to meet bond redemption obligations with minimal change to the fund balance in the Bond Redemption Fund. The carryover fund balance now reflects an amount which would meet at least one year's obligations for bond redemption, in the event of default by any of the District's significantly large taxpayers.

### **General Fund Budgetary Highlights**

The District budgeted for General Fund expenditures of \$3,951,753 for the year ended June 30, 2011. Expenditures actually made in the General Fund totaled \$3,898,334. Budgeted revenues were projected at \$3,961,322 and actually came in at \$3,911,466. Both revenues and expenditures reflect a significant decrease from the previous fiscal year.

### **Capital Asset and Debt Administration**

**Capital assets.** The District's investment in capital assets as of June 30, 2011, amounts to \$5,746,549. Current year additions decreased from the previous year due to budgetary restrictions. More information on the District's capital assets can be found in Note 3 to the financial statements.

**Long-term debt.** As of June 30, 2011, the District had \$2,500,000 bonds payable from the bond issue of 2000 and the related refunding of 2005, which authorized the building of a new high school wing, a remodeled elementary wing, a remodeled middle school wing, new offices, and other facility improvements. Long term debt also includes \$1,860,000 bonds payable from the bond issue of 2004, which authorized the building of a new physical education complex that includes a gym, locker rooms, weight room, concession and storage areas, handicap accessible restrooms, and coaches' offices.

Compensated absences of \$107,546 and early retirement incentive payments of \$82,218 are future liabilities. More information on the District's long-term debt can be found in Note 5 to the financial statements.

### **Economic Factors and Next Year's Budget**

The primary factor driving the budget for the District is student enrollment. Enrollment for 2010-2011 was 454 students in preschool-12<sup>th</sup> grades with funded count being 426.5. This figure was a decrease in actual enrollment (down from 489) and in funded student count from the previous year (451). The enrollment projected for the 2011-2012 school year was decreased to 443 students. This factor was considered in preparing the District's budget for 2011-2012.

The increased size of the District's facilities over the last few years has increased utilities and operational expense. This was taken into consideration in the planning of the budget for 2011-2012. The volatility of fuel prices is of major concern to the District, especially in light of State funding for transportation decreasing at the same time that all other expenses are increasing. Because we are a small, rural school district with the majority of our students living outside of Westcliffe, the operation of our bus routes is imperative to providing our students with a quality education. There has been a reduction in staff in the District due to budget restrictions (primarily achieved by not replacing staff leaving the District at this time and by reassignment of current personnel). The District continues to subsidize the food service program from the General Fund; however, the board and management of the District continue to support the program for the benefit of the District's students. Raising prices for meals served in the program has not been deemed feasible at this time, due to the poor economic conditions in the District.

### **Requests for Information**

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

Custer County School District C-1  
709 Main Street, P.O. Box 730  
Westcliffe, CO 81252

## **BASIC FINANCIAL STATEMENTS**

## CUSTER COUNTY SCHOOL DISTRICT C-1

STATEMENT OF NET ASSETS

June 30, 2011

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>ASSETS</b>			
Cash and Investments	\$ 1,217,714	\$ 2,810	\$ 1,220,524
Accounts Receivable	206,858	-	206,858
Taxes Receivable	259,772	-	259,772
Inventories	-	2,243	2,243
Bond Issuance Costs, Net of Accumulated Amortization	80,598	-	80,598
Capital Assets, Net of Accumulated Depreciation	5,742,702	3,847	5,746,549
<b>TOTAL ASSETS</b>	<b>7,507,644</b>	<b>8,900</b>	<b>7,516,544</b>
<b>LIABILITIES</b>			
Accounts Payable	29,885	-	29,885
Accrued Salaries and Benefits	293,382	8,070	301,452
Noncurrent Liabilities			
Due Within One Year	282,472	-	282,472
Due in More Than One Year	4,267,292	-	4,267,292
<b>TOTAL LIABILITIES</b>	<b>4,873,031</b>	<b>8,070</b>	<b>4,881,101</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	1,463,300	3,847	1,467,147
Restricted for Debt Service	635,068	-	635,068
Restricted for Emergencies	108,000	-	108,000
Unrestricted	428,245	(3,017)	425,228
<b>TOTAL NET ASSETS</b>	<b>\$ 2,634,613</b>	<b>\$ 830</b>	<b>\$ 2,635,443</b>

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

## CUSTER COUNTY SCHOOL DISTRICT C-1

STATEMENT OF ACTIVITIES

Year Ended June 30, 2011

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES	
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS
PRIMARY GOVERNMENT			
<b>Governmental Activities</b>			
Instruction	\$ 2,517,943	\$ 3,605	\$ 204,866
Supporting Services	1,611,016	-	74,609
Interest and Fiscal Charges	198,734	-	-
Total Governmental Activities	4,327,693	3,605	279,475
<b>Business-Type Activities</b>			
Food Service	176,497	37,569	74,725
Total Business-Type Activities	176,497	37,569	74,725
TOTAL PRIMARY GOVERNMENT	\$ 4,504,190	\$ 41,174	\$ 354,200
GENERAL REVENUES			
Local Property Taxes			
Specific Ownership Taxes			
State Equalization			
Grants and Contributions not			
Restricted to Specific Programs			
Investment Income			
Other			
TRANSFERS			
TOTAL GENERAL REVENUES			
AND TRANSFERS			
CHANGE IN NET ASSETS			
NET ASSETS, Beginning			
NET ASSETS, Ending			

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

NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS

<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
\$ (2,309,472)	\$ -	\$ (2,309,472)
(1,536,407)	-	(1,536,407)
<u>(198,734)</u>	<u>-</u>	<u>(198,734)</u>
 <u>(4,044,613)</u>	 <u>-</u>	 <u>(4,044,613)</u>
 <u>-</u>	 <u>(64,203)</u>	 <u>(64,203)</u>
 <u>-</u>	 <u>(64,203)</u>	 <u>(64,203)</u>
 <u>(4,044,613)</u>	 <u>(64,203)</u>	 <u>(4,108,816)</u>
 2,551,625	 -	 2,551,625
269,733	-	269,733
913,495	-	913,495
 243,219	 -	 243,219
2,362	-	2,362
52,362	-	52,362
<u>(57,250)</u>	<u>57,250</u>	<u>-</u>
 <u>3,975,546</u>	 <u>57,250</u>	 <u>4,032,796</u>
 (69,067)	 (6,953)	 (76,020)
<u>2,703,680</u>	<u>7,783</u>	<u>2,711,463</u>
\$ <u><u>2,634,613</u></u>	\$ <u><u>830</u></u>	\$ <u><u>2,635,443</u></u>

## CUSTER COUNTY SCHOOL DISTRICT C-1

BALANCE SHEET  
GOVERNMENTAL FUNDS  
 June 30, 2011

	<u>GENERAL</u>	<u>BOND REDEMPTION</u>	<u>TOTAL</u>
<b>ASSETS</b>			
Cash and Investments	\$ 621,022	\$ 596,692	\$ 1,217,714
Accounts Receivable	206,858	-	206,858
Taxes Receivable	<u>221,396</u>	<u>38,376</u>	<u>259,772</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,049,276</u>	<u>\$ 635,068</u>	<u>\$ 1,684,344</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 29,885	\$ -	\$ 29,885
Accrued Salaries and Benefits	293,382	-	293,382
Deferred Revenues	<u>108,836</u>	<u>21,367</u>	<u>130,203</u>
<b>TOTAL LIABILITIES</b>	<u>432,103</u>	<u>21,367</u>	<u>453,470</u>
<b>FUND BALANCES</b>			
Restricted for Debt Service	-	613,701	613,701
Restricted for Emergencies	108,000	-	108,000
Unrestricted, Unassigned	<u>509,173</u>	<u>-</u>	<u>509,173</u>
<b>TOTAL FUND BALANCES</b>	<u>617,173</u>	<u>613,701</u>	<u>1,230,874</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 1,049,276</u>	<u>\$ 635,068</u>	<u>\$ 1,684,344</u>

Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:

Total Fund Balances of Governmental Funds	\$ 1,230,874
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	5,742,702
Other long-term assets are not available to pay current-year expenditures and, therefore, are deferred in the funds. This amount represents property taxes not available at year end.	130,203
Long-term liabilities and related items, including bond issuance costs \$80,598, are not due and payable in the current year and, therefore, are not reported in the funds.	<u>(4,469,166)</u>
Total Net Assets of Governmental Activities	<u>\$ 2,634,613</u>

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

## CUSTER COUNTY SCHOOL DISTRICT C-1

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2011

	<u>GENERAL</u>	<u>BOND REDEMPTION</u>	<u>TOTAL</u>
REVENUES			
Local Sources	\$ 2,597,700	\$ 423,063	\$ 3,020,763
State Sources	1,009,020	-	1,009,020
Federal Sources	<u>304,746</u>	<u>-</u>	<u>304,746</u>
 TOTAL REVENUES	 <u>3,911,466</u>	 <u>423,063</u>	 <u>4,334,529</u>
EXPENDITURES			
Instruction	2,338,421	-	2,338,421
Supporting Services	1,559,913	-	1,559,913
Debt Service			
Principal	-	225,000	225,000
Interest and Fiscal Charges	<u>-</u>	<u>198,734</u>	<u>198,734</u>
 TOTAL EXPENDITURES	 <u>3,898,334</u>	 <u>423,734</u>	 <u>4,322,068</u>
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 13,132	 (671)	 12,461
OTHER FINANCING SOURCES (USES)			
Transfers Out	<u>(57,250)</u>	<u>-</u>	<u>(57,250)</u>
 NET CHANGE IN FUND BALANCES	 (44,118)	 (671)	 (44,789)
 FUND BALANCES, Beginning	 <u>661,291</u>	 <u>614,372</u>	 <u>1,275,663</u>
 FUND BALANCES, Ending	 <u>\$ 617,173</u>	 <u>\$ 613,701</u>	 <u>\$ 1,230,874</u>

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



CUSTER COUNTY SCHOOL DISTRICT C-1

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

Year Ended June 30, 2011

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Net Change in Fund Balances of Governmental Funds	\$ (44,789)
Capital outlays to purchase or construct capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This amount represents depreciation expense in the current year.	(209,114)
Revenues in the statement of activities that do not provide current financial resources are deferred in the governmental funds. This amount represents the change in property tax revenues that were not available at year end.	(18,653)
Repayments of bond principal are expenditures in the governmental funds, but they reduce long-term liabilities in the statement of net assets and do not affect the statement of activities.	225,000
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 governmental funds. This includes the change in accrued compensated absences (\$4,038) and early retirement (\$8,518).	(12,556)
Proceeds from debt issuance and the related costs are revenues and expenditures in the governmental funds, but are long-term liabilities and assets in the statement of net assets and do not affect the statement of activities. This amount represents the amortization of bond issuance costs.	(8,955)
Change in Net Assets of Governmental Activities	\$ <u>(69,067)</u>

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

## CUSTER COUNTY SCHOOL DISTRICT C-1

STATEMENT OF NET ASSETSPROPRIETARY FUND

June 30, 2011

	<u>FOOD SERVICE</u>
ASSETS	
Current Assets	
Cash	\$ 2,810
Inventories	<u>2,243</u>
Total Current Assets	5,053
Noncurrent Assets	
Capital Assets, Net of Accumulated Depreciation	<u>3,847</u>
TOTAL ASSETS	<u>8,900</u>
LIABILITIES	
Current Liabilities	
Accrued Salaries and Benefits	<u>8,070</u>
TOTAL LIABILITIES	<u>8,070</u>
NET ASSETS	
Invested in Capital Assets	3,847
Unrestricted	<u>(3,017)</u>
TOTAL NET ASSETS	\$ <u><u>830</u></u>

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

## CUSTER COUNTY SCHOOL DISTRICT C-1

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND  
 Year Ended June 30, 2011

	<u>FOOD SERVICE</u>
OPERATING REVENUES	
Local Sources	
Charges for Services	\$ <u>37,569</u>
OPERATING EXPENSES	
Salaries	64,686
Employee Benefits	23,622
Purchased Services	509
Commodities	7,883
Supplies and Materials	76,671
Equipment	1,693
Depreciation	<u>1,433</u>
TOTAL OPERATING EXPENSES	<u>176,497</u>
OPERATING LOSS	<u>(138,928)</u>
NONOPERATING INCOME	
State Sources	2,264
Federal Sources	
School Lunch and Breakfast Program	64,578
Donated Commodities	<u>7,883</u>
TOTAL NONOPERATING INCOME	<u>74,725</u>
NET LOSS BEFORE TRANSFERS	(64,203)
Transfers In	<u>57,250</u>
CHANGE IN NET ASSETS	(6,953)
NET ASSETS, Beginning	<u>7,783</u>
NET ASSETS, Ending	\$ <u><u>830</u></u>

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

CUSTER COUNTY SCHOOL DISTRICT C-1

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

Increase (Decrease) in Cash

Year Ended June 30, 2011

	<u>FOOD SERVICE</u>
Cash Flows From Operating Activities	
Cash Received from Sale of Meals	\$ 38,020
Cash Paid to Employees	(90,270)
Cash Paid to Suppliers	<u>(77,036)</u>
Net Cash Used for Operating Activities	<u>(129,286)</u>
Cash Flows From Noncapital Financing Activities	
Cash Received from State Sources	2,338
Cash Received from Federal Sources	72,107
Transfers In	<u>57,250</u>
Net Cash Provided by Noncapital Financing Activities	<u>131,695</u>
NET INCREASE (DECREASE) IN CASH	2,409
CASH, Beginning	<u>401</u>
CASH, Ending	<u><u>\$ 2,810</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES	
Operating Loss	\$ (138,928)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities	
Donated Commodities	7,883
Depreciation Expense	1,433
Changes in Assets and Liabilities	
Accounts Receivable	451
Inventories	144
Accrued Salaries and Benefits	<u>(269)</u>
Net Cash Used for Operating Activities	<u><u>\$ (129,286)</u></u>
NON-CASH TRANSACTIONS	
Donated Commodities	<u><u>\$ 7,883</u></u>

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

CUSTER COUNTY SCHOOL DISTRICT C-1

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUND

June 30, 2011

	<u>PUPIL ACTIVITY</u>
ASSETS	
Cash and Investments	\$ <u>189,328</u>
LIABILITIES	
Due to Student Groups	\$ 150,191
Due to Scholarship Fund	15,708
Due to Teachers' Support Fund	<u>23,429</u>
TOTAL LIABILITIES	\$ <u>189,328</u>

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

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Custer County School District C-1 (the “District”) conform to generally accepted accounting principles as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting standards and principles. Following is a summary of the more significant policies.

**Reporting Entity**

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

Based on the application of this criteria, the District does not include additional organizations in its reporting entity.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges for interfund services that are reasonably equivalent to the services provided. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for the governmental funds, the proprietary fund, and the fiduciary fund, even though the latter is excluded from the District’s government-wide financial statements. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

In the fund financial statements, the District reports the following major governmental funds:

*General Fund* - This fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

*Bond Redemption Fund* - This fund accounts for a dedicated property tax restricted for payment of the District's general obligation debt.

Additionally, the District reports the following fund types:

The *Food Service Enterprise Fund* accounts for the financial activities of the District's student breakfast and lunch program.

The *Agency Fund* accounts for funds held by the District for student organizations, scholarship funds and the teachers' support fund. The District holds all resources in a purely custodial capacity.

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

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 collected within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current year.

Taxes, intergovernmental revenues, grants, and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

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

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

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)**Assets, Liabilities and Fund Balances/Net Assets**

*Investments* - Investments are reported at fair value.

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

*Inventories* - Inventories of the proprietary fund are valued at the lower of cost or market, using the first in, first out method. Donated commodities, received at no cost under a program supported by the federal government, are valued based upon the cost furnished by the federal government.

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

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

Property and equipment is depreciated using the straight-line method over the following estimated useful lives.

Buildings and Improvements	20 - 50 years
Transportation Vehicles	5 - 10 years
Equipment	5 - 10 years

*Accrued Salaries and Benefits* - Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve month period from September to August, but are earned during a school year of approximately nine months. The accrued salaries and benefits earned, but unpaid, are reported as a liability in the financial statements.

*Deferred Revenues* - Deferred revenues include grants that have been collected but the corresponding expenditures have not been incurred. Property taxes earned but not available are also reported as deferred revenues in the fund financial statements.

*Compensated Absences* - District employees are entitled to certain compensated absences based on their length of employment. Except for sick and vacation leave, compensated absences do not vest or accumulate and are recorded as expenditures when paid. A long-term liability has been reported in the government-wide financial statements for the accrued sick and vacation leave.

*Early Retirement* - Certain District employees are eligible to receive early retirement benefits. Early retirement payments are deferred and paid over three years from the retirement date. A long-term liability is reported in the government-wide financial statements when the early retirement benefits are accepted by the employee and approved by the Board of Education.



NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Assets, Liabilities and Fund Balances/Net Assets (Continued)**

*Long-Term Debt* - In the government-wide financial statements, and the proprietary fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the straight-line method.

In the fund financial statements, governmental funds recognize the face amount of debt issued as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenditures.

*Net Assets/Fund Balances* - In the government-wide and fund financial statements, net assets and fund balances are restricted when constraints placed on the use of resources are externally imposed. The District has not established a formal policy for its use of restricted and unrestricted fund balances. However, if both restricted and unrestricted fund balances are available, the District uses restricted fund balance first.

**Property Tax Revenues**

Property taxes attach as an enforceable lien on property on January 1, and are levied the following December. Taxes are payable in full the following April 30 or in two installments on February 28 and June 15. The County Treasurer's Office collects property taxes and remits to the District on a monthly basis.

**Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The District carries commercial insurance for these risks of loss.

**NOTE 2: CASH AND INVESTMENTS**

At June 30, 2011, the District had the following cash and investments.

Cash on Hand	\$ 200
Deposits	812,960
Investments	<u>596,692</u>
Total	<b><u>\$ 1,409,852</u></b>

Cash and investments are reported in the financial statements as follows:

Governmental Activities	\$ 1,217,714
Business-Type Activities	2,810
Fiduciary Fund	<u>189,328</u>
Total	<b><u>\$ 1,409,852</u></b>

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

**NOTE 2: CASH AND INVESTMENTS (Continued)****Deposits**

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2011, the District had bank deposits of \$446,666 collateralized with securities held by the financial institution's agent but not in the District's name.

**Investments**

The District is required to comply with State statutes which specify investment instruments meeting defined rating, maturity and concentration risk criteria in which local governments may invest, which include the following. State statutes do not address custodial risk.

- Obligations of the United States and certain U.S. Agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

*Interest Rate Risk* - State statutes generally limit the maturity date of investment securities to five years from the date of purchase unless the governing board authorizes investment for a period in excess of five years.

*Credit Risk* - State statutes limit investments in money market funds to those that maintain a constant share price, with a maximum remaining maturity in accordance with Rule 2a-7, and either have assets of one billion dollars or the highest rating issued by a nationally recognized statistical rating organizations (NRSRO). At June 30, 2011, the District had \$596,692 invested in a money market fund that was rated AAAm by Standard and Poor's and Aaa by Moody's Investors Service.

*Concentration of Credit Risk* - State statutes generally do not limit the amount the District may invest in a single issuer of investment securities.

CUSTER COUNTY SCHOOL DISTRICT C-1

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

**NOTE 3:      CAPITAL ASSETS**

Activity for capital assets during the year ended June 30, 2011, is summarized below:

	Balances 6/30/10	Additions	Deletions	Balances 6/30/11
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated				
Land	\$ 176,400	\$ -	\$ -	\$ 176,400
Total Capital Assets, Not Being Depreciated	<u>176,400</u>	<u>-</u>	<u>-</u>	<u>176,400</u>
Capital Assets, Being Depreciated				
Buildings and Improvements	7,876,252	-	-	7,876,252
Transportation Vehicles	759,774	-	-	759,774
Equipment	<u>23,342</u>	<u>-</u>	<u>-</u>	<u>23,342</u>
Total Capital Assets, Being Depreciated	<u>8,659,368</u>	<u>-</u>	<u>-</u>	<u>8,659,368</u>
Less Accumulated Depreciation				
Buildings and Improvements	(2,271,838)	(172,744)	-	(2,444,582)
Transportation Vehicles	(595,149)	(35,095)	-	(630,244)
Equipment	<u>(16,965)</u>	<u>(1,275)</u>	<u>-</u>	<u>(18,240)</u>
Total Accumulated Depreciation	<u>(2,883,952)</u>	<u>(209,114)</u>	<u>-</u>	<u>(3,093,066)</u>
Total Capital Assets, Being Depreciated, Net	<u>5,775,416</u>	<u>(209,114)</u>	<u>-</u>	<u>5,566,302</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 5,951,816</u></u>	<u><u>\$ (209,114)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,742,702</u></u>
<b>Business-Type Activities</b>				
Capital Assets, Being Depreciated				
Equipment	\$ 18,627	\$ -	\$ -	\$ 18,627
Less Accumulated Depreciation				
Equipment	<u>(13,347)</u>	<u>(1,433)</u>	<u>-</u>	<u>(14,780)</u>
Business-Type Activities Capital Assets, Net	<u><u>\$ 5,280</u></u>	<u><u>\$ (1,433)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,847</u></u>

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

Governmental Activities	
Instruction	\$ 166,966
Supporting Services	<u>42,148</u>
Total	<u><u>\$ 209,114</u></u>

**NOTE 4:      SHORT-TERM DEBT**

During the year ended June 30, 2011, the District borrowed \$556,656 from the State-sponsored interest-free loan program to provide cash flow throughout the fiscal year. The loan was paid in full in May, 2011, from property taxes received from February through May.

CUSTER COUNTY SCHOOL DISTRICT C-1

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

**NOTE 5: LONG-TERM DEBT**

Following is a summary of long-term debt transactions for the year ended June 30, 2011.

	Balances 6/30/10	Additions	Payments	Balances 6/30/11	Due Within One Year
General Obligation Bonds					
Series 2000	\$ 180,000	\$ -	\$ 180,000	\$ -	\$ -
Series 2004	1,885,000	-	25,000	1,860,000	25,000
Series 2005	2,520,000	-	20,000	2,500,000	210,000
Compensated Absences	103,508	7,323	3,285	107,546	11,878
Early Retirement	73,700	33,084	24,566	82,218	35,594
Total	<u>\$ 4,762,208</u>	<u>\$ 40,407</u>	<u>\$ 252,851</u>	<u>\$ 4,549,764</u>	<u>\$ 282,472</u>

**General Obligation Bonds**

In December, 2000, the District issued \$3,750,000 General Obligation Bonds and \$125,000 of registered coupons to finance the construction and renovation of school facilities. During the year ended June 30, 2005, a portion of the bonds were refunded. The remaining interest payments were due semi-annually on June 1 and December 1, at rates ranging from 4.45% to 4.65%. Principal payments were due annually on December 1. The bonds were paid in full on December 1, 2010.

In December, 2004, the District issued \$1,990,000 General Obligation Bonds and \$30,000 of registered coupons to construct a physical education complex. Interest payments are due semi-annually on June 1 and December 1, at rates ranging from 2.15% to 5.5%. Principal payments are due annually on December 1, through 2024.

In June, 2005, the District issued \$2,610,000 General Obligation Refunding Bonds to partially refund the existing General Obligation Bonds, Series 2000. Interest payments are due semi-annually on June 1 and December 1, at rates ranging from 2.9% to 3.875%. Principal payments are due annually on December 1, through 2020.

Future debt service requirements for the bonds are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 235,000	\$ 189,075	\$ 424,075
2013	245,000	180,450	425,450
2014	250,000	171,231	421,231
2015	265,000	161,706	426,706
2016	275,000	151,902	426,902
2017 - 2021	1,555,000	588,289	2,143,289
2022 - 2025	1,535,000	216,700	1,751,700
Total	<u>\$ 4,360,000</u>	<u>\$ 1,659,353</u>	<u>\$ 6,019,353</u>

CUSTER COUNTY SCHOOL DISTRICT C-1

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

**NOTE 5: LONG-TERM DEBT (Continued)**

**Compensated Absences and Early Retirement**

Accrued compensated absences and early retirement are expected to be liquidated with revenues of the General Fund.

Payments to maturity for the early retirement obligation are as follows:

Year Ended June 30,

2012	\$ 35,594
2013	35,596
2014	<u>11,028</u>
Total	<u><u>\$ 82,218</u></u>

**NOTE 6: INTERFUND TRANSACTIONS**

For the year ended June 30, 2011, the General Fund subsidized the operations of the Food Service Fund through a transfer of \$57,250.

**NOTE 7: JOINTLY GOVERNED ORGANIZATION**

The District, in conjunction with other surrounding districts, created the South Central Board of Cooperative Educational Services (BOCES). The BOCES is an organization that provides member districts educational services at a shared lower cost per district. The BOCES board is comprised of one member from each participating district. The District paid \$47,098 to the BOCES during the year ended June 30, 2011. The BOCES' financial statements can be obtained by writing to South Central BOCES, 323 South Purcell Boulevard, Pueblo West, Colorado 81007, or by calling 719-647-0023.

**NOTE 8: DEFINED BENEFIT PENSION PLAN**

*Plan Description* - The District contributes to the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). The SDTF provides retirement and disability, post-retirement annual increases, and death benefits for members or their beneficiaries. All employees of the District are members of the SDTF. Title 24, Article 51 of the Colorado Revised Statutes (CRS), as amended, assigns the authority to establish benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the SDTF. That report may be obtained by writing to Colorado PERA, 1301 Pennsylvania Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

**NOTE 8: DEFINED BENEFIT PENSION PLAN (Continued)**

*Funding Policy* - The contribution requirements of Plan members and the District are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members was 8% of covered salary. The District's contribution rate for calendar years 2009, 2010 and 2011 was 12.95%, 13.85% and 14.75% of covered salary, respectively. Also, a portion of the District's contribution (1.02% of covered salary) was allocated to the Health Care Trust Fund (See Note 9). The District's contributions to the SDTF for the years ended June 30, 2011, 2010 and 2009 were \$336,275, \$336,331 and \$307,062, respectively, equal to the required contributions for each year.

**NOTE 9: POSTEMPLOYMENT HEALTHCARE BENEFITS**

*Plan Description* - The District contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer postemployment healthcare plan administered by the PERA. The HCTF provides a health care premium subsidy to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the CRS, as amended, assigns the authority to establish the HCTF benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the HCTF. That report may be obtained as described previously.

*Funding Policy* - The District was required to contribute at a rate of 1.02% of covered salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contribution to the HCTF is established under Title 24, Article 51, Section 208 of the CRS, as amended. The District's apportionment to the HCTF for the years ended June 30, 2011, 2010 and 2009 was \$23,982, \$25,585 and \$25,036, respectively, equal to the required amounts for each year.

**NOTE 10: COMMITMENTS AND CONTINGENCIES****Claims and Judgments**

The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental entities. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. At June 30, 2011, significant amounts of grant expenditures have not been audited but the District believes that disallowed expenditures, if any, based on subsequent audits would not have a material effect on the overall financial position of the District.

**Tabor Amendment**

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution which limits state and local government taxing powers and imposes spending limitations. In November 1997, electors within the District authorized the District to collect, retain and expend all revenues collected or received by the District effective for the 1996-97 fiscal year and each subsequent year thereafter, notwithstanding the limitations of the Amendment.

CUSTER COUNTY SCHOOL DISTRICT C-1

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

**NOTE 10: COMMITMENTS AND CONTINGENCIES (Continued)**

**Tabor Amendment (Continued)**

The Amendment is subject to many interpretations, but the District believes it is in substantial compliance with the Amendment. As required by the Amendment, the District has established a reserve for emergencies, representing 3% of qualifying expenditures. This reserve, in the amount of \$108,000, is reported as restricted fund balance in the General Fund.

**Litigation**

The District has threatened litigation. However, the outcome of the litigation cannot be predicted at this time.

**NOTE 11: RESTATEMENT**

For the year ended June 30, 2011, the District adopted the standards of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. As a result, the Capital Reserve Fund was merged with the General Fund for reporting purposes, as follows.

	<u>General</u>	<u>Capital Reserve</u>	<u>Total</u>
Fund Balances, June 30, 2010, as Originally Stated	\$ 579,183	\$ 82,108	\$ 661,291
Merger	<u>82,108</u>	<u>(82,108)</u>	<u>-</u>
Fund Balances, June 30, 2010, as Restated	<u><b>\$ 661,291</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 661,291</b></u>

## **REQUIRED SUPPLEMENTARY INFORMATION**



## CUSTER COUNTY SCHOOL DISTRICT C-1

BUGETARY COMPARISON SCHEDULEGENERAL FUND

Year Ended June 30, 2011

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Local Sources				
Property Taxes	\$ 2,122,864	\$ 2,122,864	\$ 2,137,956	\$ 15,092
Specific Ownership Taxes	251,000	251,000	269,733	18,733
Delinquent Taxes, Penalties and Interest	8,000	8,000	9,407	1,407
Tuition	-	-	3,605	3,605
Investment Income	5,000	5,000	2,214	(2,786)
Payments in Lieu of Taxes	130,000	130,000	104,500	(25,500)
Other	72,400	71,922	70,285	(1,637)
Total Local Sources	2,589,264	2,588,786	2,597,700	8,914
State Sources				
State Equalization	1,102,040	997,695	913,495	(84,200)
Vocational Education	17,000	18,000	20,916	2,916
Transportation	65,000	71,000	74,609	3,609
Total State Sources	1,184,040	1,086,695	1,009,020	(77,675)
Federal Sources				
Grants	303,668	285,841	304,746	18,905
TOTAL REVENUES	4,076,972	3,961,322	3,911,466	(49,856)
EXPENDITURES				
Instruction	2,342,745	2,299,439	2,338,421	(38,982)
Supporting Services				
Students	141,488	137,537	84,340	53,197
Instructional Staff	25,771	25,770	21,175	4,595
General Administration	343,120	343,815	341,586	2,229
School Administration	267,313	265,027	256,833	8,194
Business Services	75,893	75,891	69,296	6,595
Operations and Maintenance	482,753	481,489	443,016	38,473
Student Transportation	233,452	222,785	284,147	(61,362)
Central Support	40,000	40,000	26,264	13,736
Facilities	40,000	60,000	33,256	26,744
Total Supporting Services	1,649,790	1,652,314	1,559,913	92,401
TOTAL EXPENDITURES	3,992,535	3,951,753	3,898,334	53,419
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	84,437	9,569	13,132	3,563
OTHER FINANCING SOURCES (USES)				
Transfers Out	(65,000)	(65,000)	(57,250)	7,750
NET CHANGE IN FUND BALANCE	19,437	(55,431)	(44,118)	11,313
FUND BALANCE, Beginning	588,455	661,291	661,291	-
FUND BALANCE, Ending	\$ 607,892	\$ 605,860	\$ 617,173	\$ 11,313

See the accompanying Independent Auditors' Report.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2011

**NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information**

Budgets are adopted for all funds on a basis consistent with generally accepted accounting principles, except the Food Service Fund which utilizes a non-GAAP budgetary basis. Capital outlay is budgeted as an expenditure and depreciation is not budgeted. The District adheres to the following procedures in establishing the budgetary data reflected in the financial statements.

- By May 31, management submits to the Board of Education a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted by the Board of Education to obtain taxpayer comments.
- Prior to June 30, the budget is adopted by formal resolution.
- Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures of any fund must be approved by the Board of Education.
- All appropriations lapse at fiscal year end.

## **SUPPLEMENTARY INFORMATION**

## CUSTER COUNTY SCHOOL DISTRICT C-1

BUGETARY COMPARISON SCHEDULEBOND REDEMPTION FUND

Year Ended June 30, 2011

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES			
Local Sources			
Property Taxes	\$ 423,030	\$ 422,915	\$ (115)
Investment Income	10,000	148	(9,852)
TOTAL REVENUES	433,030	423,063	(9,967)
EXPENDITURES			
Debt Service			
Principal	225,000	225,000	-
Interest and Fiscal Charges	208,030	198,734	9,296
TOTAL EXPENDITURES	433,030	423,734	9,296
NET CHANGE IN FUND BALANCE	-	(671)	(671)
FUND BALANCE, Beginning	600,608	614,372	13,764
FUND BALANCE, Ending	\$ 600,608	\$ 613,701	\$ 13,093

See the accompanying Independent Auditors' Report.

## CUSTER COUNTY SCHOOL DISTRICT C-1

BUGETARY COMPARISON SCHEDULEFOOD SERVICE FUND

Year Ended June 30, 2011

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Local Sources				
Charges for Services	\$ 63,102	\$ 62,514	\$ 37,569	\$ (24,945)
State Sources	1,700	1,700	2,264	564
Federal Sources				
School Lunch and Breakfast Program	43,000	43,000	64,578	21,578
Transfers In	65,000	64,910	57,250	(7,660)
	<u>172,802</u>	<u>172,124</u>	<u>161,661</u>	<u>(10,463)</u>
TOTAL REVENUES				
EXPENDITURES				
Salaries	61,976	61,400	64,686	(3,286)
Employee Benefits	30,276	30,174	23,622	6,552
Purchased Services	1,050	1,050	509	541
Supplies and Materials	74,500	74,500	76,671	(2,171)
Equipment	5,000	5,000	1,693	3,307
	<u>172,802</u>	<u>172,124</u>	<u>167,181</u>	<u>4,943</u>
TOTAL EXPENDITURES				
CHANGE IN NET ASSETS, Budgetary Basis	\$ <u>-</u>	\$ <u>-</u>	(5,520)	\$ <u>(5,520)</u>
ADJUSTMENTS TO GAAP BASIS				
Depreciation			(1,433)	
Donated Commodities Received			7,883	
Donated Commodities Used			<u>(7,883)</u>	
CHANGE IN NET ASSETS, GAAP Basis			\$ <u>(6,953)</u>	

See the accompanying Independent Auditors' Report.

CUSTER COUNTY SCHOOL DISTRICT C-1

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUND

Year Ended June 30, 2011

	BALANCE 6/30/10	ADDITIONS	DEDUCTIONS	BALANCE 6/30/11
ASSETS				
Cash and Investments	\$ <u>196,057</u>	\$ <u>194,622</u>	\$ <u>201,351</u>	\$ <u>189,328</u>
LIABILITIES				
Due to Student Groups	\$ 138,055	\$ 193,652	\$ 181,516	\$ 150,191
Due to Scholarship Fund	15,869	839	1,000	15,708
Due to Teachers' Support Fund	<u>42,133</u>	<u>131</u>	<u>18,835</u>	<u>23,429</u>
TOTAL LIABILITIES	\$ <u>196,057</u>	\$ <u>194,622</u>	\$ <u>201,351</u>	\$ <u>189,328</u>

See the accompanying Independent Auditors' Report.

## CUSTER COUNTY SCHOOL DISTRICT C-1

BUGETARY COMPARISON SCHEDULEAGENCY FUND

Year Ended June 30, 2011

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
ADDITIONS				
Revenues	\$ 400,000	\$ 400,000	\$ 194,622	\$ (205,378)
DEDUCTIONS				
Expenditures	400,000	400,000	201,351	198,649
Reserves	140,000	196,057	-	196,057
TOTAL EXPENDITURES	540,000	596,057	201,351	394,706
NET CHANGE IN DUE TO OTHER GROUPS	(140,000)	(196,057)	(6,729)	189,328
DUE TO OTHER GROUPS, Beginning	140,000	196,057	196,057	-
DUE TO OTHER GROUPS, Ending	\$ -	\$ -	\$ 189,328	\$ 189,328

See the accompanying Independent Auditors' Report.

## **COMPLIANCE SECTION**





Board of Education  
Custer County School District C-1  
Westcliffe, Colorado

**INDEPENDENT AUDITORS' REPORT ON  
AUDITOR'S INTEGRITY REPORT**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Custer County School District C-1 as of and for the year ended June 30, 2011, which collectively comprise the basic financial statements of the Custer County School District C-1, and have issued our report thereon dated February 26, 2012. These financial statements are the responsibility of the Custer County School District C-1's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Custer County School District C-1's basic financial statements. The accompanying auditor's integrity report is presented for purposes of additional analysis as required by State of Colorado statutes and is not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Swanhorst & Company LLC*

February 26, 2012

02/24/2012  
04:41 PM

Colorado Department of Education  
Fiscal Year 2010-2011  
Colorado School District/BOCES  
Auditor's Integrity Report

CUSTER COUNTY SCHOOL DISTRICT C-1  
District Code: 0860

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	572,575	3,827,976	3,872,072	528,478
18 Risk Mgmt Sub-Fund of General Fund	88,717	26,241	26,264	88,694
19 Colorado Preschool Program Fund	0	0	0	0
Subtotal	661,292	3,854,216	3,898,336	617,172
11 Charter School Fund	0	0	0	0
20,26-29 Special Revenue Fund	0	0	0	0
21 Capital Reserve Spec Revenue Fund	0	0	0	0
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
30 Debt Service Fund	0	0	0	0
31 Bond Redemption Fund	614,372	423,063	423,733	613,702
39 Non-Voter Approved Debt Service Fund	0	0	0	0
41 Building Fund	0	0	0	0
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	0	0	0	0
TOTALS	1,275,664	4,277,279	4,322,070	1,230,874
Proprietary				
51 Food Service Fund	7,782	169,544	176,497	830
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	0	0	0	0
TOTALS	7,782	169,544	176,497	830
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	196,055	194,623	201,350	189,328
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
TOTALS	196,055	194,623	201,350	189,328

\*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.