

**FREMONT COUNTY SCHOOL DISTRICT NO. RE-3  
COTOPAXI, COLORADO**

**FINANCIAL STATEMENTS**

**June 30, 2010**

**FREMONT COUNTY SCHOOL DISTRICT NO. RE-3  
COTOPAXI, COLORADO**

**ROSTER OF SCHOOL OFFICIALS**

**June 30, 2010**

**BOARD OF EDUCATION**

Dan Ogden - President

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Superintendent

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Board of Education  
Fremont County School District No. RE-3  
Cotopaxi, 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 Fremont County School District No. RE-3 as of and for the year ended June 30, 2010, which collectively comprise the basic financial statements of the Fremont County School District No. RE-3, as listed in the table of contents. These financial statements are the responsibility of the Fremont County School District No. RE-3'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 Fremont County School District No. RE-3 as of June 30, 2010, 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 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 Fremont County School District No. RE-3's basic financial statements. The individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are 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*

December 20, 2010

**Fremont School District RE-3**  
**Cotopaxi Schools**  
*Management's Discussion and Analysis*  
Fiscal Year Ending June 30, 2010

As management of Fremont School District RE-3, we offer readers of the District's basic financial statements this narrative and analysis of the financial activities of Fremont School District RE-3 for the year ended June 30, 2010. We encourage readers to consider the information presented in conjunction with the accompanying financial statements.

**Financial Highlights**

The district continues to maintain a very healthy fund balance in the General Fund. The budget has sufficient contingencies greater than required by law to cover unanticipated operational needs.

Because of the sluggish economy the state of Colorado has reduced its funding for k-12 education. The district was prepared for an event such as this economic downturn with our \$1,071,772 beginning General Fund balance. This year the District also used a slight reduction in staff and prudent spending to reduce the General Fund expenses by \$94,778. The ending General Fund balance increased by \$124,670.

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

- Governmental Funds – Most of the District's basic services are included in the governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine the status of financial resources that can be spent in the near future to finance the District's program. The District maintains three individual governmental funds. They are General Fund, Capital Reserve Fund and Bond Fund. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and change in fund balances provide reconciliation to the government-wide financial statements in order to facilitate comparison between governmental funds and governmental activities.
- Proprietary Funds – Services for which the School charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information. The Food Service Fund is the only proprietary fund maintained by the District.
- Fiduciary Funds – The District is the trustee, or fiduciary, for various external and internal parties. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the fiduciary activities are reported in a separate statement of fiduciary net assets and statement of changes in fiduciary net assets. We exclude these activities from the District's government-wide financial statements because the assets cannot be used to finance operations.

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

### **Financial Analysis of the District as a Whole**

Net assets may serve over time as a useful indicator of a government's financial position. The assets of the governmental activities exceed liabilities by \$5,604,291 with an unrestricted balance of \$1,117,067 at June 30, 2010.

Key elements of the changes in net assets are as follows:

<b>Net Assets</b>	<b>Governmental</b>		<b>Business</b>		<b>Total</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>Assets</b>						
Current Assets	1,969,262	1,815,148	42,879	35,168	2,012,141	1,850,316
Capital Assets	4,920,082	5,097,296	1,103	2,420	4,921,185	5,099,716
Total Asset	6,889,344	6,912,444	43,982	37,588	6,933,326	6,950,032
<b>Liabilities</b>						
Current Liabilities	561,794	556,295	15,322	12,112	577,116	568,407
Noncurrent Liabilities	723,259	801,350	0	0	723,259	801,350
TOTAL LIABILITIES	1,285,053	1,357,645	15,322	12,112	1,300,375	1,369,757
<b>Net Assets</b>						
Invested in Capital Assets, Net	4,140,545	4,217,746	1,103	2,420	4,141,648	4,220,166
Restricted	346,679	372,555	0	0	346,679	372,555
Unrestricted	1,117,067	964,498	27,557	23,056	1,144,624	987,554
TOTAL NET ASSETS	5,604,291	5,554,799	28,660	25,476	5,632,951	5,580,275
<b>Change in Net Assets</b>						
<b>Expenses</b>						
Instruction	1,656,245	1,602,580	0	0	1,656,245	1,602,580
Supporting	1,118,067	1,192,828	0	0	1,118,067	1,192,828
Int & Fees on Long Term Debt.	35,719	47,331	0	0	35,719	47,331
Food Service		0	158,994	162,103	158,994	162,103
Total Expenses	2,810,031	2,842,739	158,994	162,103	2,969,025	3,004,842
<b>Revenues</b>						
Program Revenues	333,052	424,182	94,173	94,016	427,225	518,198
Property Taxes	1,342,355	1,236,021	0	0	1,342,355	1,236,021
Specific Ownership Taxes	169,934	191,706	0	0	169,934	191,706
Equalization	1,019,934	994,059	0	0	1,019,934	994,059
Grants not restricted	0	0	0	0	0	0
Investment Earnings	21,480	27,920	5	11	21,485	27,931
Miscellaneous	40,768	2,798	0	0	40,768	2,798
TRANSFERS	(68,000)	(68,000)	68,000	68,000	0	0
TOTAL REVENUES & TRANSFERS	2,859,523	2,808,686	162,178	162,027	3,021,701	2,970,713
CHANGE IN NET ASSETS	49,492	(34,053)	3,184	(76)	52,676	(34,129)
NET ASSETS, Beginning	5,554,799	5,588,852	25,476	25,552	5,580,275	5,614,404
NET ASSETS, Ending	5,604,291	5,554,799	28,660	25,476	5,632,951	5,580,275

The largest portion of the district's net assets (74%) represent its investment in capital assets (e.g. land, land improvements, buildings, equipment and vehicles), less related debt used to acquire these assets that is still outstanding. The district uses these capital assets to provide services to its constituents; consequently these assets are not available for future spending. Although the district's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets cannot be liquidated to pay the debt.

An additional portion of the district's net assets (6%) are subject to external restrictions on how they may be used. The district has \$140,000 for one of these restrictions, Article X, Section 20 of the Colorado Constitution known as the TABOR Amendment. Other restrictions are required by Colorado law.

The remaining amount of net assets (20%) is available to fund the district's ongoing programs.

The Statement of Net Assets reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The long-term liabilities of the school, consisting of bonds and early retirement benefits payable have been reported in this manner on the Statement of Net Assets. The difference between the school's assets and liabilities is its net assets.

The District's net assets increased by \$52,676 primarily due to any increase in cash and investments. This resulted from an increase of \$49,492 in governmental activities net assets and an increase of \$3,184 in business-type activities net assets. Governmental activities total liabilities decreased by \$72,592.

The District's revenues totaled \$3,021,701. Approximately 50% of the District's revenue comes from property and other taxes, with approximately 34% coming from state equalization.

**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.

The General Fund is the major governmental fund of the District. At the end of fiscal year 2010, the District's General Fund reported an ending fund balance of \$1,196,442, an increase of \$124,670.

The Capital Reserve Fund which is used to purchase or build capital assets had a balance of \$81,503 an increase of \$1,775. The bond fund's ending balance was \$142,601, up by \$4,841. This fund is restricted for paying off the general obligation bonds.

**Proprietary Fund.** The District's only proprietary fund is the Food Service Fund. It is funded by charges for meals, reimbursements from the government for low-income students and a transfer from the general fund each year of \$68,000. This fund had an ending balance of \$28,660. This is an increase of \$3,184 from last year.

## General Fund Budgetary Highlights

The District budgeted for General Fund expenditures of \$3,754,961 for the year ending June 30, 2010. Actual expenditures approved by the board were \$2,679,179. The lower expenses were possible because of lower fuel cost, a small reduction in staff and very conservative spending.

The operations of the District are funded primarily by tax revenue received under the State School Finance Act based partly on the number of students. Budgeted revenues were projected at \$2,748,000 and actually came in at \$2,803,849 because of an addition to the Reading First Grant of \$52,678 which the school did not include in the budget.

The district has spent 58% of expenditures for instruction related activities. The remaining 44% was spent on supporting services, capital outlay, and debt services.

## Capital Asset and Debt Administration

**Capital assets.** The District's investment in governmental capital assets as of June 30, 2010, amounts to \$4,920,082. This drop from last year's total of \$5,097,296 was due to depreciation. The value of the proprietary capital assets also dropped from \$2,420 to \$1,103 due to depreciation. The District acquired two new capital assets this year. One was a new server for \$7,905. The other was new bathrooms at the baseball field. These were funded through a grant from the Dept of Parks and Recreation. More information on the district's capital assets can be found in Note 3 of the financial statements.

### Long-term debt.

	June 30, 2009	June 30, 2010
GO Bonds	640,000	560,000
Equipment Lease	239,550	219,537
Early Retirement	65,006	83,204
Total	944,556	862,741

Early retirement pay of \$83,204 are future fully funded liabilities. More information on the District's long-term debt can be found in Note 4 to the financial statements.

## Economic Factors and Next Year's Budget

The primary factor driving the budget for the District is Colorado's sluggish economy. Colorado is reducing its spending on k-12 education this year by 260 million dollars and may reduce it even more during the year. Another factor is student enrollment. The FTE for fiscal year 2010 was 203.5. For fiscal year 2011, the student count stayed exactly the same. Since the funding is based on an average of five years and the district has had declining enrollment every year except this last year, the funding will be based on a smaller pupil count. There have not been any real signs that the economy is starting to improve. Thus we do not want to spend down a lot of our operating reserves. These factors will cause us to continue to trim the budget for fiscal year 2011 and to be very fiscally conservative in all of our spending.

One of next year's challenges is an increase in medical insurance rates. In the fourth quarter of 2010 the District changed medical insurance companies. The new rates are significantly higher and it is likely that the rates will continue to increase. Also, other essential costs are scheduled to increase such as PERA retirement and unemployment insurance.

One final challenge the district will face is possible unforeseen medical liabilities for its staff not covered by our previous medical insurance company and related legal expenses. At this time the district plans on paying for these cost with some of the unrestricted portion of the beginning fund balance.

Some considerations for next year's budget are freezing salary schedules for all employees and reducing staff.

Our district has increased its operating reserves by more than \$500,000 over the past six years. These reserves will help the District with the declining revenues and increasing expenses anticipated in the future.

### **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:

**Fremont School District RE-3  
PO Box 385  
Cotopaxi, CO 81223**

## **BASIC FINANCIAL STATEMENTS**

FREMONT COUNTY SCHOOL DISTRICT NO. RE-3

STATEMENT OF NET ASSETS

June 30, 2010

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>ASSETS</b>			
Cash and Investments	\$ 1,780,992	\$ 30,297	\$ 1,811,289
Accounts Receivable	68	-	68
Taxes Receivable	149,766	-	149,766
Grants Receivable	38,436	6,632	45,068
Inventories	-	5,950	5,950
Capital Assets, Net of Accumulated Depreciation	<u>4,920,082</u>	<u>1,103</u>	<u>4,921,185</u>
<b>TOTAL ASSETS</b>	<u>6,889,344</u>	<u>43,982</u>	<u>6,933,326</u>
<b>LIABILITIES</b>			
Accounts Payable	47,584	-	47,584
Accrued Salaries and Benefits	207,022	15,322	222,344
Accrued Liabilities	167,706	-	167,706
Noncurrent Liabilities			
Due Within One Year	139,482	-	139,482
Due in More Than One Year	<u>723,259</u>	<u>-</u>	<u>723,259</u>
<b>TOTAL LIABILITIES</b>	<u>1,285,053</u>	<u>15,322</u>	<u>1,300,375</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	4,140,545	1,103	4,141,648
Restricted for Capital Outlay	56,475	-	56,475
Restricted for Debt Service	150,204	-	150,204
Restricted for Emergencies	140,000	-	140,000
Unrestricted	<u>1,117,067</u>	<u>27,557</u>	<u>1,144,624</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 5,604,291</u>	<u>\$ 28,660</u>	<u>\$ 5,632,951</u>

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

FREMONT COUNTY SCHOOL DISTRICT NO. RE-3

STATEMENT OF ACTIVITIES

Year Ended June 30, 2010

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
<b>PRIMARY GOVERNMENT</b>				
<b>Governmental Activities</b>				
Instruction	\$ 1,656,245	\$ 11,906	\$ 208,195	\$ -
Supporting Services	1,118,067	-	81,076	31,875
Interest on Long-Term Debt	35,719	-	-	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>2,810,031</b>	<b>11,906</b>	<b>289,271</b>	<b>31,875</b>
<b>Business-Type Activities</b>				
Food Service	158,994	28,367	65,806	-
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>158,994</b>	<b>28,367</b>	<b>65,806</b>	<b>-</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 2,969,025</b>	<b>\$ 40,273</b>	<b>\$ 355,077</b>	<b>\$ 31,875</b>
GENERAL REVENUES				
Property Taxes				
Specific Ownership Taxes				
State Equalization				
Investment Income				
Miscellaneous				
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 (EXPENSES) REVENUE AND CHANGES IN NET ASSETS

GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
\$ (1,436,144)	\$ -	\$ (1,436,144)
(1,005,116)	-	(1,005,116)
<u>(35,719)</u>	<u>-</u>	<u>(35,719)</u>
<u>(2,476,979)</u>	<u>-</u>	<u>(2,476,979)</u>
<u>-</u>	<u>(64,821)</u>	<u>(64,821)</u>
<u>-</u>	<u>(64,821)</u>	<u>(64,821)</u>
<u>(2,476,979)</u>	<u>(64,821)</u>	<u>(2,541,800)</u>
1,342,355	-	1,342,355
169,934	-	169,934
1,019,934	-	1,019,934
21,480	5	21,485
40,768	-	40,768
<u>(68,000)</u>	<u>68,000</u>	<u>-</u>
<u>2,526,471</u>	<u>68,005</u>	<u>2,594,476</u>
49,492	3,184	52,676
<u>5,554,799</u>	<u>25,476</u>	<u>5,580,275</u>
<u>\$ 5,604,291</u>	<u>\$ 28,660</u>	<u>\$ 5,632,951</u>

FREMONT COUNTY SCHOOL DISTRICT NO. RE-3

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2010

	GENERAL	CAPITAL RESERVE	BOND REDEMPTION	TOTAL
<b>ASSETS</b>				
Cash and Investments	\$ 1,560,376	\$ 81,503	\$ 139,113	\$ 1,780,992
Accounts Receivable	68	-	-	68
Taxes Receivable	138,675	-	11,091	149,766
Grants Receivable	38,436	-	-	38,436
<b>TOTAL ASSETS</b>	<b>\$ 1,737,555</b>	<b>\$ 81,503</b>	<b>\$ 150,204</b>	<b>\$ 1,969,262</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 47,584	\$ -	\$ -	\$ 47,584
Accrued Salaries and Benefits	207,022	-	-	207,022
Accrued Liabilities	167,706	-	-	167,706
Deferred Revenues	118,801	-	7,603	126,404
<b>TOTAL LIABILITIES</b>	<b>541,113</b>	<b>-</b>	<b>7,603</b>	<b>548,716</b>
<b>FUND BALANCES</b>				
Reserved for Capital Outlay	-	56,475	-	56,475
Reserved for Debt Service	-	-	142,601	142,601
Reserved for Emergencies	140,000	-	-	140,000
Unreserved, Reported in General Fund	1,056,442	-	-	1,056,442
Special Revenue Fund	-	25,028	-	25,028
<b>TOTAL FUND BALANCES</b>	<b>1,196,442</b>	<b>81,503</b>	<b>142,601</b>	<b>1,420,546</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,737,555</b>	<b>\$ 81,503</b>	<b>\$ 150,204</b>	<b>\$ 1,969,262</b>

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

Total Fund Balances of Governmental Funds	\$ 1,420,546
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,920,082
Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the funds.	126,404
Long-term liabilities are not due and payable in the current year and, therefore, are not reported in the funds.	(862,741)
<b>Total Net Assets of Governmental Activities</b>	<b>\$ 5,604,291</b>

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

FREMONT COUNTY SCHOOL DISTRICT NO. RE-3

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2010

	GENERAL	CAPITAL RESERVE	BOND REDEMPTION	TOTAL
REVENUES				
Local Sources	\$ 1,494,644	\$ 28	\$ 110,041	\$ 1,604,713
State Sources	1,107,571	-	-	1,107,571
Federal Sources	201,634	-	-	201,634
 TOTAL REVENUES	 2,803,849	 28	 110,041	 2,913,918
EXPENDITURES				
Instruction	1,502,556	-	-	1,502,556
Supporting Services	1,013,409	-	-	1,013,409
Capital Outlay	39,682	23,253	-	62,935
Debt Service				
Principal	20,013	-	80,000	100,013
Interest and Fiscal Charges	10,519	-	25,200	35,719
 TOTAL EXPENDITURES	 2,586,179	 23,253	 105,200	 2,714,632
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 217,670	 (23,225)	 4,841	 199,286
OTHER FINANCING SOURCES (USES)				
Transfers In	-	25,000	-	25,000
Transfers Out	(93,000)	-	-	(93,000)
 TOTAL OTHER FINANCING SOURCES (USES)	 (93,000)	 25,000	 -	 (68,000)
 NET CHANGE IN FUND BALANCES	 124,670	 1,775	 4,841	 131,286
FUND BALANCES, Beginning	1,071,772	79,728	137,760	1,289,260
FUND BALANCES, Ending	\$ 1,196,442	\$ 81,503	\$ 142,601	\$ 1,420,546

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

Net Change in Fund Balances of Governmental Funds	\$ 131,286
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 are allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation expense (\$210,046) exceeded capital outlay \$32,832 in the current year.	(177,214)
Revenues that do not provide current financial resources are not reported as revenues in the funds.	13,605
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and does not affect the statement of activities. This amount includes debt principal payments \$100,013 and changes in early retirement benefits (\$18,198).	81,815
Change in Net Assets of Governmental Activities	\$ 49,492

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

FREMONT COUNTY SCHOOL DISTRICT NO. RE-3

STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
 June 30, 2010

	<u>FOOD SERVICE</u>
ASSETS	
CURRENT ASSETS	
Cash	\$ 30,297
Grants Receivable	6,632
Inventories	<u>5,950</u>
TOTAL CURRENT ASSETS	42,879
NONCURRENT ASSETS	
Capital Assets, Net of Accumulated Depreciation	<u>1,103</u>
TOTAL ASSETS	<u>43,982</u>
LIABILITIES	
CURRENT LIABILITIES	
Accrued Salaries and Benefits	<u>15,322</u>
TOTAL LIABILITIES	<u>15,322</u>
NET ASSETS	
Invested in Capital Assets	1,103
Unrestricted	<u>27,557</u>
TOTAL NET ASSETS	<u>\$ 28,660</u>

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

FREMONT COUNTY SCHOOL DISTRICT NO. RE-3

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
 Year Ended June 30, 2010

	<u>FOOD SERVICE</u>
OPERATING REVENUES	
Charges for Services	\$ <u>28,367</u>
OPERATING EXPENSES	
Salaries	70,984
Benefits	21,064
Purchased Services	580
Commodities	6,710
Supplies and Materials	58,339
Depreciation	<u>1,317</u>
TOTAL OPERATING EXPENSES	<u>158,994</u>
OPERATING INCOME (LOSS)	<u>(130,627)</u>
NONOPERATING INCOME	
Investment Income	5
State Sources	1,978
Federal Sources	57,118
Federal Donated Commodities	<u>6,710</u>
TOTAL NONOPERATING INCOME	<u>65,811</u>
NET INCOME (LOSS) BEFORE TRANSFERS	(64,816)
Transfers In	<u>68,000</u>
CHANGE IN NET ASSETS	3,184
NET ASSETS, Beginning	<u>25,476</u>
NET ASSETS, Ending	<u>\$ <u>28,660</u></u>

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

FREMONT COUNTY SCHOOL DISTRICT NO. RE-3

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
 Year Ended June 30, 2010  
 Increase (Decrease) in Cash

	<u>FOOD SERVICE</u>
Cash Flows From Operating Activities	
Cash Received from Sale of Meals	\$ 28,367
Cash Paid to Employees	(88,838)
Cash Paid to Suppliers	<u>(59,552)</u>
Net Cash Used for Operating Activities	<u>(120,023)</u>
Cash Flows From Noncapital Financing Activities	
Cash Received from Federal Programs	50,616
Cash Received from State Programs	1,848
Transfers from Other Funds	<u>68,000</u>
Net Cash Provided by Noncapital Financing Activities	<u>120,464</u>
Cash Flows From Investing Activities	
Interest Received	<u>5</u>
NET INCREASE IN CASH	446
CASH, Beginning	<u>29,851</u>
CASH, Ending	<u>\$ 30,297</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED FOR OPERATING ACTIVITIES	
Operating Income (Loss)	\$ (130,627)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used for Operating Activities	
Depreciation Expense	1,317
Donated Commodities	6,710
Changes in Assets and Liabilities Related to Operations	
Inventories	(633)
Accrued Salaries and Benefits	<u>3,210</u>
Net Cash Used for Operating Activities	<u>\$ (120,023)</u>
NONCASH TRANSACTIONS	
Donated Commodities	<u>\$ 6,710</u>

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

FREMONT COUNTY SCHOOL DISTRICT NO. RE-3

STATEMENT OF ASSETS AND LIABILITIES  
FIDUCIARY FUND  
June 30, 2010

	<u>STUDENT ACTIVITIES</u>
ASSETS	
Cash and Investments	\$ <u>15,471</u>
TOTAL ASSETS	\$ <u><u>15,471</u></u>
LIABILITIES	
Due to Student Groups	\$ <u>15,471</u>
TOTAL LIABILITIES	\$ <u><u>15,471</u></u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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

The accounting policies of the Fremont County School District No. RE-3 (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 and financial reporting principles. Following is a summary of the more significant policies.

**Reporting Entity**

The definition of the reporting entity is based primarily on financial accountability. The District is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if District officials appoint a voting majority of the organization’s governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. The District may also be financially accountable for organizations that are fiscally dependent upon it.

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 revenues 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 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 funds are reported in separate columns in the fund financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

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 proprietary fund's principal ongoing operations. Operating expenses for the enterprise fund 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.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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

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

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

The *Capital Reserve Fund* was funded in the prior years by a required transfer from the General Fund. It is used to fund ongoing capital needs such as site acquisition, building additions and equipment purchases.

The *Food Service Enterprise Fund* accounts for the financial activities associated with the District's breakfast and lunch programs.

Additionally, the District reports the following funds:

The *Bond Redemption Debt Service Fund* accounts for a property tax mill levy restricted for payment of the District's bonded indebtedness.

The *Agency Fund* is used to account for student activities and contributions from private organizations. The District holds all resources in a purely custodial capacity.

**Assets, Liabilities and Fund Balances/Net Assets**

*Cash and Investments* - The District pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. 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 identified 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 (first-in, first-out) or market.

*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 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 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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

**Assets, Liabilities and Fund Balances/Net Assets (Continued)**

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

Buildings and Improvements	20 to 50 years
Transportation Vehicles	10 years
Equipment	5 to 15 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 to ten months. The salaries and benefits earned, but unpaid, are reported as liabilities in the financial statements.

*Deferred Revenues* - Deferred revenues in the fund financial statements include property taxes earned but not available.

*Vacation, Sick Leave, and Other Compensated Absences* - District employees are entitled to certain compensated absences based on their length of employment. Compensated absences do not vest or accumulate and are recorded as expenditures when paid. Compensated absences are not reflected in the financial statements since they are not paid at termination except in the case of retirement. As most employees are contracted to work a set number of days during a year, no vacation accrual accumulates.

*Early Retirement Benefits* - District employees with at least 20 years of continuous service with the District are allowed to retire early. The employees receive 50% of their final annual salary paid in three annual installments. Employees electing early retirement may also receive reimbursement for accumulated sick leave up to 45 days, at 30% of their salary. The District's liability under the early retirement policy is reported in the governmental activities column in the government-wide financial statements.

*Long-Term Debt* - In the government-wide financial statements and proprietary fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund. 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 on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenditures.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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

**Assets, Liabilities and Fund Balances/Net Assets (Continued)**

*Net Assets/Fund Balance* - In the government-wide financial statements and the proprietary fund in the fund financial statements, net assets are restricted when constraints placed on the net assets are externally imposed. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

**Property Tax Revenues**

Property taxes attach as an enforceable lien on property on January 1, and are levied the following January 1. Taxes are payable in full by April 30, or in two installments on February 28 and June 15. When taxes become delinquent, the property is sold at the tax sale in November.

**NOTE 2: CASH AND INVESTMENTS**

At June 30, 2010, the District's cash and investments consisted of the following:

Petty Cash	\$ 6,138
Deposits	1,679,865
Investments	<u>140,757</u>
Total	<b><u>\$ 1,826,760</u></b>

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

Governmental Activities	\$ 1,780,992
Business-Type Activities	30,297
Fiduciary Fund	<u>15,471</u>
Total	<b><u>\$ 1,826,760</u></b>

**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, 2010, the District had bank deposits of \$977,599 collateralized with securities held by the financial institutions' trust departments or agents but not in the District's name.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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

**Investments**

The District is required to comply with State statutes which specify investment instruments meeting defined rating, maturity, custodial, and concentration risk criteria in which local governments may invest, which include the following:

- 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

At June 30, 2010, the District had the following investments:

<u>Investment</u>	<u>Fair Value</u>
Local Government Investment Pool	\$ 1,644
Money Market Fund	<u>139,113</u>
Total	<u><b>\$ 140,757</b></u>

*Local Government Investment Pool* - At June 30, 2010, the District had \$1,644 invested in the Colorado Local Government Liquid Asset Trust (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating Colotrust. Colotrust operates similarly to a money market fund with each share equal in value to \$1.00. Colotrust is rated AAAM by Standard and Poor's. Investments of Colotrust are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

*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 organization (NRSRO). At June 30, 2010, the District had \$139,113 invested in the Wells Fargo Advantage Money Market Fund. The fund invests only in U.S. Treasury obligations and is rated AAAM by Standard and Poor's.

*Interest Rate Risk* - In accordance with State statutes, the District manages its exposure to declines in fair value losses arising from increased interest rates by limiting the maturity date of investment securities to five years from the date of purchase.

FREMONT COUNTY SCHOOL DISTRICT NO. RE-3

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

**NOTE 3: CAPITAL ASSETS**

Activity for capital assets of the District is summarized below:

	<u>Balances</u> 6/30/09	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> 6/30/10
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated				
Land	\$ 47,609	\$ -	\$ -	\$ 47,609
Total Capital Assets, Not Being Depreciated	<u>47,609</u>	<u>-</u>	<u>-</u>	<u>47,609</u>
Capital Assets, Being Depreciated				
Buildings and Improvements	6,937,609	24,927	-	6,962,536
Vehicles and Equipment	675,241	7,905	-	683,146
Total Capital Assets, Being Depreciated	<u>7,612,850</u>	<u>32,832</u>	<u>-</u>	<u>7,645,682</u>
Less Accumulated Depreciation				
Buildings and Improvements	(2,021,390)	(166,773)	-	(2,188,163)
Vehicles and Equipment	(541,773)	(43,273)	-	(585,046)
Total Accumulated Depreciation	<u>(2,563,163)</u>	<u>(210,046)</u>	<u>-</u>	<u>(2,773,209)</u>
Total Capital Assets, Being Depreciated, Net	<u>5,049,687</u>	<u>(177,214)</u>	<u>-</u>	<u>4,872,473</u>
Governmental Activities Capital Assets, Net	<u>\$ 5,097,296</u>	<u>\$ (177,214)</u>	<u>\$ -</u>	<u>\$ 4,920,082</u>
<b>Business-Type Activities</b>				
Capital Assets, Being Depreciated				
Equipment	\$ 31,938	\$ -	\$ -	\$ 31,938
Less Accumulated Depreciation				
Equipment	<u>(29,518)</u>	<u>(1,317)</u>	<u>-</u>	<u>(30,835)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 2,420</u>	<u>\$ (1,317)</u>	<u>\$ -</u>	<u>\$ 1,103</u>

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

<b>Governmental Activities</b>		
Instruction		\$ 160,418
Supporting Services		<u>49,628</u>
Total		<u>\$ 210,046</u>
<b>Business-Type Activities</b>		
Food Service		<u>\$ 1,317</u>

FREMONT COUNTY SCHOOL DISTRICT NO. RE-3

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

**NOTE 4: LONG-TERM DEBT**

Changes in long-term debt for the year ended June 30, 2010, were as follows:

	Balances 6/30/09	Additions	Payments	Balances 6/30/10	Due Within One Year
2007 GO Bonds	\$ 640,000	\$ -	\$ 80,000	\$ 560,000	\$ 85,000
Equipment Lease	239,550	-	20,013	219,537	20,936
Early Retirement	<u>65,006</u>	<u>61,391</u>	<u>43,193</u>	<u>83,204</u>	<u>33,546</u>
Total	<u>\$ 944,556</u>	<u>\$ 61,391</u>	<u>\$ 143,206</u>	<u>\$ 862,741</u>	<u>\$ 139,482</u>

**General Obligation Bonds**

\$800,000 General Obligation Refunding Bonds, Series 2007, were issued to refund the outstanding General Obligation Improvement Bonds, Series 1995, which were issued to finance renovations and additions to the District's facilities. Principal payments are due annually on December 1, through 2015. Interest accrues at 4.2% per annum and is payable semi-annually on December 1 and June 1.

Annual debt service requirements for the outstanding bonds at June 30, 2010, were as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 85,000	\$ 21,735	\$ 106,735
2012	85,000	18,165	103,165
2013	90,000	8,190	98,190
2014	95,000	6,300	101,300
2015	100,000	10,650	110,650
2016	<u>105,000</u>	<u>8,715</u>	<u>113,715</u>
Total	<u>\$ 560,000</u>	<u>\$ 73,755</u>	<u>\$ 633,755</u>

**Equipment Lease**

On November 1, 2006, the District entered into a lease purchase agreement for boiler, furnace, and ventilation equipment. The agreement requires quarterly lease payments, including principal and interest, of \$7,633, through March 1, 2019.

FREMONT COUNTY SCHOOL DISTRICT NO. RE-3

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

**NOTE 4: LONG-TERM DEBT (Continued)**

**Equipment Lease (Continued)**

Annual debt service requirements for the outstanding equipment lease at June 30, 2010, were as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 20,936	\$ 9,596	\$ 30,532
2012	21,901	8,631	30,532
2013	22,910	7,622	30,532
2014	23,966	6,566	30,532
2015	25,071	5,461	30,532
2016 - 2019	<u>104,753</u>	<u>9,744</u>	<u>114,497</u>
Total	<u>\$ 219,537</u>	<u>\$ 47,620</u>	<u>\$ 267,157</u>

**Early Retirement**

Certain District employees have qualified to receive early retirement benefits. The benefits are paid in three annual installments in November. Future required payments for the early retirement benefits that have been voluntarily accepted by the employees are as follows:

<u>Year Ended June 30,</u>	
2011	\$ 33,546
2012	35,842
2013	<u>13,816</u>
Total	<u>\$ 83,204</u>

The early retirement benefits are expected to be liquidated with revenues of the General Fund.

**NOTE 5: INTERFUND TRANSFERS**

The General Fund transferred \$25,000 to the Capital Reserve Fund for future capital purchases. In addition, the General Fund transferred \$68,000 to the Food Service Fund to subsidize its operations.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

**NOTE 6: JOINTLY GOVERNED ORGANIZATION**

**South Central Colorado Board of Cooperative Educational Services**

The District, in conjunction with other surrounding districts, created the South Central Colorado Board of Cooperative Educational Services (BOCES). The BOCES is an organization that provides member districts educational services at a shared lower cost. The BOCES Board is comprised of one member from each participating district. During the year ended June 30, 2010, the District contributed \$14,165 to the BOCES. Financial statements for the BOCES can be obtained from the BOCES administrative offices at 24975 East Highway 50, Pueblo, Colorado 81006.

**NOTE 7: 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; natural disasters. The District participates in the Colorado School District Self-Insurance Pool for all risks of loss except workers compensation, for which it has utilized a commercial insurance carrier.

**Colorado School Districts Self-Insurance Pool**

The Colorado School Districts Self-Insurance Pool (CSDSIP), sponsored by the Colorado Association of School Boards, operates as a self-insurance pool comprised of various school districts and other related public educational entities within the State of Colorado. The CSDSIP is administered by a board comprised of eight members. The eight members include the president, vice president, and executive director of the Colorado Association of School Boards (CASB), with the remaining five members being appointed by the Board of Directors of CASB. The District pays an annual premium to the CSDSIP for various types of property and liability insurance coverage. The CSDSIP's agreement provides that the CSDSIP will be self-sustaining through member premiums and will reinsure through a duly authorized insurer. The reinsurance covers claims against the CSDSIP in excess of specific claim amounts and in the aggregate in an amount and at limits determined by the CSDSIP to be adequate to protect the solvency of the CSDSIP.

**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, 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 FINANCIAL STATEMENTS

June 30, 2010

**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%. The District contribution rate for calendar years 2008, 2009 and 2010 was 12.05%, 12.95% and 13.85% of covered salaries, respectively. A portion of the District's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 9). The District's contributions to the SDTF for the years ended June 30, 2010, 2009 and 2008 were \$224,696, \$216,914 and \$197,989, 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 is required to contribute at a rate of 1.02% of covered salaries 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 contributions to the HCTF for the years ended June 30, 2010, 2009 and 2008 were \$17,099, \$17,697 and \$17,414, respectively, equal to the required contributions for each year.

**NOTE 10: COMMITMENTS AND CONTINGENCIES**

**Claims and Judgments**

The District participates in a number of federal and state programs that are 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, 2010, significant amounts of grant expenditures have not been audited but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the District.

The District's employee health insurance provider has not paid many claims submitted by the employees. This may result in claims asserted against the District or its employees. However, the District does not believe that these potential claims would have an adverse affect on the District's financial condition.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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

**Colorado Department of Education Audit**

The Colorado Department of Education performed an audit of the District's student counts and other programs. As a result, the District was assessed a reimbursement of \$167,706. The assessment is due in full in January, 2011, and is reported as a liability in the financial statements.

**Tabor Amendment**

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution which limits state and local government tax powers and imposes spending limitations. On November 14, 1997, the District's electorate authorized the District to collect, retain and expend all revenues and other funds collected during 1996 and each subsequent year from any source, notwithstanding the limitations of the Amendment. The Amendment is subject to many interpretations, but the District believes it is in substantial compliance with its requirements.

The Amendment requires the District to establish a reserve for emergencies, representing 3% of qualifying expenditures. The District's reserve at June 30, 2010, of \$140,000, was reported as a reservation of fund balance in the General Fund.

**REQUIRED SUPPLEMENTARY INFORMATION**

FREMONT COUNTY SCHOOL DISTRICT NO. RE-3

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2010

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
<b>REVENUES</b>			
Local Sources			
Property Taxes	\$ 1,203,220	\$ 1,250,560	\$ 47,340
Specific Ownership Taxes	165,679	169,934	4,255
Delinquent Taxes, Penalties and Interest	-	221	221
Tuition	16,000	11,906	(4,094)
Investment Income	18,000	21,255	3,255
Other Local Revenues	-	40,768	40,768
Total Local Sources	<u>1,402,899</u>	<u>1,494,644</u>	<u>91,745</u>
State Sources			
State Equalization	1,092,827	1,019,934	(72,893)
Gifted and Talented (ECEA)	8,250	6,561	(1,689)
Transportation	72,000	81,076	9,076
Other State Revenues	29,156	-	(29,156)
Total State Sources	<u>1,202,233</u>	<u>1,107,571</u>	<u>(94,662)</u>
Federal Sources			
Federal Grants	<u>142,868</u>	<u>201,634</u>	<u>58,766</u>
<b>TOTAL REVENUES</b>	<u>2,748,000</u>	<u>2,803,849</u>	<u>55,849</u>
<b>EXPENDITURES</b>			
Instruction			
Salaries	1,087,700	1,086,222	1,478
Employee Benefits	285,525	224,129	61,396
Purchased Services	52,900	48,526	4,374
Supplies and Materials	78,775	84,794	(6,019)
Property	14,800	41,925	(27,125)
Other	7,800	16,960	(9,160)
Total Instruction	<u>1,527,500</u>	<u>1,502,556</u>	<u>24,944</u>
Supporting Services			
Students			
Salaries	44,875	40,812	4,063
Employee Benefits	11,745	6,303	5,442
Purchased Services	1,950	394	1,556
Supplies and Materials	1,500	430	1,070
Total Students	<u>60,070</u>	<u>47,939</u>	<u>12,131</u>

(Continued)

See the accompanying Independent Auditors' Report.

FREMONT COUNTY SCHOOL DISTRICT NO. RE-3

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2010

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
EXPENDITURES (Continued)			
Supporting Services (Continued)			
Instructional Staff			
Salaries	22,375	24,538	(2,163)
Employee Benefits	7,175	6,178	997
Purchased Services	850	-	850
Supplies and Materials	1,850	897	953
Property	500	-	500
Other	150	-	150
Total Instructional Staff	<u>32,900</u>	<u>31,613</u>	<u>1,287</u>
General Administration			
Salaries	124,900	123,104	1,796
Employee Benefits	25,820	23,805	2,015
Purchased Services	51,000	35,730	15,270
Supplies and Materials	3,000	207	2,793
Total General Administration	<u>204,720</u>	<u>182,846</u>	<u>21,874</u>
School Administration			
Salaries	105,050	100,310	4,740
Employee Benefits	24,575	30,200	(5,625)
Purchased Services	12,080	-	12,080
Supplies and Materials	2,000	-	2,000
Total School Administration	<u>143,705</u>	<u>130,510</u>	<u>13,195</u>
Business Services			
Salaries	39,455	39,582	(127)
Employee Benefits	9,340	8,916	424
Purchased Services	7,000	6,079	921
Total Business Services	<u>55,795</u>	<u>54,577</u>	<u>1,218</u>
Operations and Maintenance			
Salaries	141,550	141,095	455
Employee Benefits	35,165	23,642	11,523
Purchased Services	40,004	31,898	8,106
Supplies and Materials	157,000	94,264	62,736
Total Operations and Maintenance	<u>373,719</u>	<u>290,899</u>	<u>82,820</u>

(Continued)

See the accompanying Independent Auditors' Report.

FREMONT COUNTY SCHOOL DISTRICT NO. RE-3

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2010

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
EXPENDITURES (Continued)			
Supporting Services (Continued)			
Student Transportation			
Salaries	119,000	110,636	8,364
Employee Benefits	40,900	38,133	2,767
Purchased Services	77,125	71,748	5,377
Supplies and Materials	50,500	38,368	12,132
Total Student Transportation	<u>287,525</u>	<u>258,885</u>	<u>28,640</u>
Central Support			
Purchased Services	<u>24,244</u>	<u>16,140</u>	<u>8,104</u>
Total Supporting Services	<u>1,182,678</u>	<u>1,013,409</u>	<u>169,269</u>
Capital Outlay	29,156	39,682	(10,526)
Debt Service			
Principal	30,389	20,013	10,376
Interest	-	10,519	(10,519)
Reserves	<u>892,238</u>	<u>-</u>	<u>892,238</u>
 TOTAL EXPENDITURES	 <u>3,661,961</u>	 <u>2,586,179</u>	 <u>1,075,782</u>
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 (913,961)	 217,670	 1,131,631
OTHER FINANCING SOURCES (USES)			
Transfers Out	<u>(93,000)</u>	<u>(93,000)</u>	<u>-</u>
 NET CHANGE IN FUND BALANCE	 (1,006,961)	 124,670	 1,131,631
FUND BALANCE, Beginning	<u>1,006,961</u>	<u>1,071,772</u>	<u>64,811</u>
FUND BALANCES, Ending	<u>\$ -</u>	<u>\$ 1,196,442</u>	<u>\$ 1,196,442</u>

See the accompanying Independent Auditors' Report.

FREMONT COUNTY SCHOOL DISTRICT NO. RE-3

BUDGETARY COMPARISON SCHEDULE  
CAPITAL RESERVE FUND  
 Year Ended June 30, 2010

	<u>ORIGINAL AND FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE Positive (Negative)</u>
REVENUES			
Local Sources			
Investment Income	\$ 800	\$ 28	\$ (772)
TOTAL REVENUES	<u>800</u>	<u>28</u>	<u>(772)</u>
EXPENDITURES			
Capital Outlay			
Buildings and Improvements	5,000	6,100	(1,100)
Equipment	10,000	17,153	(7,153)
Debt Service			
Principal	13,000	-	13,000
Interest	11,171	-	11,171
Reserves	<u>72,953</u>	<u>-</u>	<u>72,953</u>
TOTAL EXPENDITURES	<u>112,124</u>	<u>23,253</u>	<u>88,871</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(111,324)	(23,225)	88,099
OTHER FINANCING SOURCES			
Transfers In	<u>25,000</u>	<u>25,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(86,324)	1,775	88,099
FUND BALANCE, Beginning	<u>86,324</u>	<u>79,728</u>	<u>(6,596)</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ 81,503</u>	<u>\$ 81,503</u>

See the accompanying Independent Auditors' Report.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2010

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

**Budgetary Information**

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for all funds except the agency fund. All annual appropriations lapse at fiscal year end.

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.

**INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES**

FREMONT COUNTY SCHOOL DISTRICT NO. RE-3

BUDGETARY COMPARISON SCHEDULE  
BOND REDEMPTION FUND  
 Year Ended June 30, 2010

	<u>ORIGINAL AND FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE Positive (Negative)</u>
REVENUES			
Local Sources			
Property Taxes	\$ 105,050	\$ 109,844	\$ 4,794
Investment Income	400	197	(203)
TOTAL REVENUES	<u>105,450</u>	<u>110,041</u>	<u>4,591</u>
EXPENDITURES			
Debt Service			
Principal	80,000	80,000	-
Interest and Fiscal Charges	25,200	25,200	-
Reserves	241,260	-	241,260
TOTAL EXPENDITURES	<u>346,460</u>	<u>105,200</u>	<u>241,260</u>
NET CHANGE IN FUND BALANCE	(241,010)	4,841	245,851
FUND BALANCE, Beginning	<u>241,010</u>	<u>137,760</u>	<u>(103,250)</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ 142,601</u>	<u>\$ 142,601</u>

See the accompanying Independent Auditors' Report.

FREMONT COUNTY SCHOOL DISTRICT NO. RE-3

BUDGETARY COMPARISON SCHEDULE

FOOD SERVICE FUND

Year Ended June 30, 2010

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
<b>REVENUES</b>			
Charges for Services	\$ 28,000	\$ 28,367	\$ 367
Investment Income	10	5	(5)
State Sources	1,000	1,978	978
Federal Sources	58,000	57,118	(882)
Federal Donated Commodities	-	6,710	6,710
Transfers In	68,000	68,000	-
<b>TOTAL REVENUES</b>	<b>155,010</b>	<b>162,178</b>	<b>7,168</b>
<b>EXPENSES</b>			
Salaries	69,000	70,984	(1,984)
Benefits	18,000	21,064	(3,064)
Purchased Services	3,000	580	2,420
Commodities	-	6,710	(6,710)
Supplies and Materials	69,000	58,339	10,661
Depreciation	2,500	1,317	1,183
Reserves	20,700	-	20,700
<b>TOTAL EXPENSES</b>	<b>182,200</b>	<b>158,994</b>	<b>23,206</b>
<b>CHANGE IN NET ASSETS</b>	<b>(27,190)</b>	<b>3,184</b>	<b>30,374</b>
<b>NET ASSETS, Beginning</b>	<b>27,190</b>	<b>25,476</b>	<b>(1,714)</b>
<b>NET ASSETS, Ending</b>	<b>\$ -</b>	<b>\$ 28,660</b>	<b>\$ 28,660</b>

See the accompanying Independent Auditors' Report.

FREMONT COUNTY SCHOOL DISTRICT NO. RE-3

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUND

Year Ended June 30, 2010

	<u>BALANCE</u> 6/30/09	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> 6/30/10
<b>ASSETS</b>				
Cash	\$ <u>27,966</u>	\$ <u>124,163</u>	\$ <u>136,658</u>	\$ <u>15,471</u>
<b>LIABILITIES</b>				
Due to Student Groups	\$ <u>27,966</u>	\$ <u>124,163</u>	\$ <u>136,658</u>	\$ <u>15,471</u>

See the accompanying Independent Auditors' Report.

**STATE COMPLIANCE**



Board of Education  
Fremont County School District No. RE-3  
Cotopaxi, Colorado

**INDEPENDENT AUDITORS' REPORT ON  
AUDITOR'S INTEGRITY 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 Fremont County School District No. RE-3 as of and for the year ended June 30, 2010, which collectively comprise the basic financial statements of the Fremont County School District No. RE-3, and have issued our report thereon dated December 20, 2010. These financial statements are the responsibility of the Fremont County School District No. RE-3'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 Fremont County School District No. RE-3'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*

December 20, 2010

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
<b>Governmental</b>				
10 General Fund	1,071,773	2,710,849	2,586,179	1,196,443
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	0	0	0	0
Subtotal	1,071,773	2,710,849	2,586,179	1,196,443
11 Charter School Fund	0	0	0	0
20,26-29 Special Revenue Fund	0	0	0	0
21 Capital Reserve Spec Revenue Fund	79,728	25,029	23,253	81,503
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	137,759	110,041	105,200	142,600
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
<b>TOTALS</b>	<b>1,289,260</b>	<b>2,845,919</b>	<b>2,714,632</b>	<b>1,420,546</b>
<b>Proprietary</b>				
51 Food Service Fund	25,476	162,179	158,993	28,661
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
<b>TOTALS</b>	<b>25,476</b>	<b>162,179</b>	<b>158,993</b>	<b>28,661</b>
<b>Fiduciary</b>				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	27,966	124,163	136,658	15,471
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
<b>TOTALS</b>	<b>27,966</b>	<b>124,163</b>	<b>136,658</b>	<b>15,471</b>

\*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.