

**ELBERT COUNTY SCHOOL DISTRICT NO. C-1  
ELIZABETH, COLORADO**

**FINANCIAL STATEMENTS**

**June 30, 2012**

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## **FINANCIAL SECTION**



Board of Education  
Elbert County School District No. C-1  
Elizabeth, 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 discretely presented component unit and remaining fund information of the Elbert County School District No. C-1 as of and for the year ended June 30, 2012, which collectively comprise the basic financial statements of the Elbert County School District No. C-1, as listed in the table of contents. These financial statements are the responsibility of the Elbert County School District No. 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 discretely presented component unit and remaining fund information of the Elbert County School District No. C-1 as of June 30, 2012, 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 report of the Legacy Academy, a discretely presented component unit, indicated that the financial statements were prepared assuming that the Legacy Academy would continue as a going concern. However, the Legacy Academy has suffered ongoing losses from operations that raise substantial doubt about its ability to continue as a going concern.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Elbert County School District No. C-1's financial statements as a whole. The combining and 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling the information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated in all material respects in relation to the financial statements as a whole.

*Swainhart & Company LLC*

December 6, 2012

**ELIZABETH SCHOOL DISTRICT NUMBER C-1  
ELBERT COUNTY, COLORADO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
as of and for the fiscal year ended June 30, 2012

As management of the Elizabeth School District No. C-1, Elbert County, Colorado (the District), we offer readers of the District's Audited Financial Statements this narrative and analysis of the financial activities of the District for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with the District's financial statements.

**Financial Highlights**

- Fund balance of the District's governmental funds decreased by \$749,429, resulting in an ending balance of \$5,846,424.
- The District's assets for governmental activities exceeded its liabilities at the close of the most recent fiscal year by \$13,145,048 (net assets).
- The District's total net assets for the governmental activities decreased \$189,529 or 1.4% in fiscal year 2012.
- Governmental activities has \$3,816,992 in unrestricted net assets. The accounting treatment in the governmental funds of compensated absences payable greatly reduces this number.
- Business-type activities ended the year with ending net assets of \$143,273.
- The ending fund balance within the General Fund, as a percentage of expenditures, stood at 18.3%.

**Overview of the Financial Statements**

Management's discussion and analysis is intended to serve as an introduction to the District's basic financial statements. Comparison to the prior year's activity is provided in this document. The basic financial statements presented on pages 1-21 are comprised of three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements**

The government-wide financial statements are designed to provide the reader of the District's audited financial statements a broad overview of the financial activities in a manner similar to a private sector business. The government-wide financial statements include the statement of net assets and the statement of activities.

The statement of net assets presents information about all of the District's assets and liabilities. The difference between assets and liabilities is reported as net assets. Over time, changes 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 net assets of the District changed during the current fiscal year. Changes in net assets are recorded in the statement of activities when the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement even though the resulting cash flow may be recorded in a future period.

Both of the government-wide financial statements distinguish functions of the District that are supported from taxes and intergovernmental revenues (governmental activities) and other functions that are intended to recover all or most of their costs from user fees and charges (business-type activities). Governmental activities consolidate governmental funds including the General Fund, Debt Service Fund and Special Revenue Funds. The District has one business-type activity fund, the Food Service Fund.

The government-wide financial statements also include information on component units that are legally separate from the District (known as the primary government). At the close of the current fiscal year, the District has included information for one component unit, the Legacy Academy Charter School. Financial information for the charter school is presented separately from the primary government because the charter school has a separate governing board.

The government-wide financial statements can be found on pages 1-2 of this report.

### **Fund Financial Statements**

Fund financial statements are designed to demonstrate compliance with finance-related requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific objectives. Fund financial statements for the District include three fund types. The fund types presented here are governmental funds, proprietary funds and a fiduciary fund.

Governmental funds account for essentially the same information reported in the governmental activities of the government-wide financial statements. However, unlike the government-wide statements, the governmental fund financial statements focus on near-term financial resources and fund balances. Such information may be useful in evaluating the financing requirements in the near term.

Since the governmental funds and the governmental activities report information using the same functions, it is useful to compare the information presented. Because the focus of each report differs, a reconciliation is provided on the fund financial statements to assist the reader in comparing the near-term requirements with the long-term needs.

The District maintains four different governmental funds. The major funds are the General Fund and Bond Redemption Fund, while the nonmajor funds are the Grants Fund and the Athletics Fund.

The basic governmental fund financial statements can be found on pages 3-5 of this report.

The District adopts an annual appropriated budget for each of the governmental funds. A budgetary comparison schedule for the District's General Fund is included under required supplemental information on pages 22-24, to demonstrate compliance with the adopted budget.

The District maintains two types of proprietary funds. The Enterprise Fund is used to present the same functions as the business-type activities presented in the government-wide financial statements. The fund financial statements of the enterprise fund provide the same information as the government-wide financial statements.

The District's Enterprise Fund (Food Service Fund) is listed individually, but is not considered a major fund. The District also adopts an annual appropriated budget for the Enterprise Fund. The Enterprise Fund budgetary comparison is reported as other supplementary information.

The Internal Service Fund is used to account for the District's self-insurance activity. The premiums paid by employees and the District are presented as revenues, while claims and administrative fees paid are listed as expenditures. The fund activity is included in governmental activities within the government-wide financial statements.

The basic proprietary fund financial statements are presented on pages 6-8 of this report.

### **Notes to the Basic Financial Statements**

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes can be found on pages 10-21 of this report.



## **Government-wide Financial Analysis**

The assets of the District are classified as current assets and capital assets. Cash, investments, receivables, inventories and prepaid expenses are current assets. These assets are available to provide resources for the near-term operations of the District. The majority of the current assets are the result of the property tax collection process; the District receives almost 74% of the annual property tax assessment in March and June.

Capital assets are used in the operations of the District. These assets are buildings, equipment, fixtures and vehicles. Capital assets are discussed in greater detail in the section titled, Capital Assets and Debt Administration, elsewhere in this analysis.

Current and long-term liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable, accrued salaries and benefits, deferred revenues, and current debt obligations. The liquidation of current liabilities is anticipated to be either from currently available resources, current assets or new resources that become available early in the subsequent fiscal year. Long-term liabilities such as long-term debt obligations and compensated absences payable will be liquidated from resources that will become available later.

The assets of the primary government exceed liabilities by \$13,288,321, with an unrestricted net asset balance of \$3,954,262.

A net investment of \$17,882,991 in buildings, equipment, and vehicles to provide the services to the District's 2,656 public school students represents 66 percent of the District's assets. Net assets of \$2,263,081 accumulated due to voter approved bonded debt mill levy assessments have been restricted to provide resources to liquidate the current general obligation bond principal and related interest payments. The legally required TABOR reserve has also been restricted.

The \$1,869,555 of accrued salaries and benefits as of June 30 are payables associated with teacher and other employee contracts for the 2013 school year requiring resources from fiscal 2014 to liquidate.

Elizabeth School District No. C-1						
Net Assets (In thousands)						
As of June 30, 2012						
Government-wide Total Assets as compared to Total Liabilities and Total Net Assets:						
	Governmental Activities		Business-type Activities		Government- Wide	
	2012	2011	2012	2011	2012	2011
Assets:						
Current Assets	\$ 8,852	\$ 9,880	\$ 193	\$ 197	\$ 9,045	\$ 10,077
Other Assets	131	83			131	83
Capital Assets	17,877	18,330	6	8	17,883	18,338
Total Assets	26,860	28,294	199	205	27,059	28,498
Liabilities:						
Current Liabilities	2,103	2,246	56	53	2,159	2,299
Noncurrent Liabilities	11,612	12,713			11,612	12,713
Total Liabilities	13,715	14,959	56	53	13,771	15,012
Net Assets:						
Invested in capital assets, net of related debt	6,478	5,780	6	8	6,484	5,788
Restricted	2,850	2,933	0	0	2,850	2,933
Unrestricted	3,817	4,622	137	144	3,954	4,766
Total Net Assets	13,145	13,335	143	152	13,288	13,487

### Government-wide Activities

Governmental activities decreased the net assets of the District by \$189,529, which accounts for nearly all of the total reduction in the net assets of the District.

Elizabeth School District No. C-1						
Changes in Net Assets (In thousands)						
As of June 30, 2012						
	Governmental Activities		Business-type Activities		Government- Wide	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues	\$ 2,144	\$ 2,465	\$ 738	\$ 760	\$ 2,882	\$ 3,225
General revenues	18,616	19,950	0	0	18,616	19,950
Total Revenues	20,760	22,415	738	760	21,498	23,175
Expenses:						
Governmental activities						
Instruction	12,566	12,871			12,566	12,871
Supporting services	7,882	7,440			7,882	7,440
Interest on long-term debt	501	622			501	622
Business-type activities						
Food service operations			746	726	746	726
Total Expenses	20,949	20,933	746	726	21,695	21,659
Changes in net assets	(190)	1,482	(8)	34	(198)	1,516
Net assets at beginning of fiscal year	13,335	11,853	151	118	13,486	11,971
Net assets at end of fiscal year	13,145	13,335	143	152	13,288	13,487

Key elements of the increase in net assets for governmental activities are as follows:

- General Fund expenditures and transfers to other funds exceeded revenues by \$727,368. This decrease to the ending fund balance was a large component that helped decrease the District's net assets.
- The payment of \$1,120,000 of bond principal reduced long-term liabilities, which had the net effect of increasing net assets.

Business-type activities decreased the District's net assets by \$8,127, accounting for a 4 percent reduction in the District's net assets. Key elements of this decrease are as follows:

- The expenses for the food service program increased by \$17,218, while their revenue from charges for services decreased by \$48,756. The program realized additional revenues of \$27,290 from state and federal sources over the previous fiscal year.

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

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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, unassigned fund balance may serve as a useful measure of a government'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 \$5,846,424, a decrease of \$749,429 in comparison with the prior year.

The General Fund is the chief operating fund of the District. The fund has \$3,513,392 in the ending fund balance, of which \$587,000 is restricted for the constitutionally mandated TABOR reserve.

The Bond Redemption Fund has more than adequate reserves accumulated to make the December 2012 principal and interest payments. The mill levy to accumulate resources for the June and December 2014 principal and interest payments will be certified in December 2013.

### **Financial Analysis of the Proprietary Funds**

Proprietary Funds. The District's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. However, the Internal Service Fund is included in governmental activities in the government-wide financial statements.

Factors concerning the finances of the enterprise fund have already been addressed in the discussion of the District's business-type activities.

Self-Insurance Fund – The School District is self-insured for purposes of providing health, dental and vision coverage for their employees. The District pays up to \$110,000 per claim, then stop-loss limit coverage provided by Anthem covers the balance of the claim.

## General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was due to better information for both revenues and expenditures. For example, recessionary factors hindered the purchasing power of district residents, which decreased the anticipated amount attributable to Specific Ownership Tax collections. Another example were salaries, when the original budget was created there were numerous positions that were not filled so budgeted salaries were based on reasonable estimates, while the revised budget was able to utilize amounts that were much closer to the actual salary and benefit numbers.

General Fund expenditures and transfers exceeded revenues by \$727,368, thereby reducing the ending fund balance of the fund on a percentage basis by 17%.

## Capital Assets and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental and business-type activities as of June 30, 2012, amounts to \$17,882,991 (net of accumulated depreciation). This investment in capital assets includes buildings, equipment, vehicles, fixtures and land. The total decrease in the District's investment in capital assets for the current fiscal year was \$454,397, or a 2.5% decrease.

Major capital asset events during the current fiscal year included the following:

- Major capital expenditures were district-wide roof repairs, new HVAC units at the middle school, and two transportation vehicles.

Elizabeth District No. C-1						
Capital Assets (net of accumulated depreciation, in Thousands)						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$298	\$298	\$0	\$0	\$298	\$298
Buildings	\$24,489	\$24,292	\$0	\$0	\$24,489	\$24,292
Equipment, vehicles, & fixtures	\$680	\$631	\$211	\$211	\$891	\$842
Transportation equipment	\$2,571	\$2,563	\$0	\$0	\$2,571	\$2,563
Less: Accumulated Depreciation	(\$10,161)	(\$9,454)	(\$205)	(\$204)	(\$10,366)	(\$9,658)
Total capital assets	\$17,877	\$18,330	\$6	\$8	\$17,883	\$18,337

Additional information on the District's capital assets can be found in Note 3 on page 16.

Long-term Debt. At June 30, 2012, the District had total bonded debt outstanding of \$11,600,000 backed by the full faith and credit of the District. Additionally, the District has long-term debt obligations for compensated absences in the amount of \$82,154 still outstanding at the end of the current fiscal year.

Elizabeth School District No. C-1  
 General Obligation Bonds, Capital Leases, and Compensated Absences  
 June 30, 2012

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Government- Wide</u>
General obligation bonds	\$ 11,600,000	-	\$ 11,600,000
Compensated Absences	<u>82,154</u>	<u>-</u>	<u>82,154</u>
<b>Total</b>	<b><u>\$ 11,682,154</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 11,682,154</u></b>

Total long-term debt for the District decreased during the current fiscal year according to the normal schedule of payments.

On April 26, 2012, the District refunded \$2,680,000 of outstanding general obligation debt. The District realized a net present value savings of \$329,956.84 due to this refinancing.

Additional information on the District's long-term obligations can be found in Note 4 on pages 17-18 of this report.

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

The District is committed to an ongoing review of its programs and services for both effectiveness and efficiency. To accomplish this, the District examines how to best provide essential services on a cost-effective basis and to re-direct resources to the schools. The following factors will have a direct impact on the 2012-2013 fiscal year budget and future budgeting decisions:

- The most recent financial economic report from the State indicates that there will be a slight increase in per pupil funding for the upcoming fiscal year.
- The Public Employees Retirement Association (PERA) of Colorado, the pension plan that covers all district employees made several changes to address its unfunded liabilities. These legislative changes will obligate the District to increase its contribution every year through calendar year 2018. By the end of 2018 the District's contribution to PERA per employee will be 20.15%.
- Actual funded counts of student enrollment finally reversed a multi-year trend and increased from the prior fiscal year. The official count for the 2012-2013 school year, taken on the October 1 official count day, reported that the number of students was more than in fiscal year 2012.
- Cost savings measures implemented in prior years will need to remain due to the continuing economic conditions, both at the local and national levels.

For the fiscal year that just ended, 2011-2012, the District reduced the ending fund balance of the General Fund by \$727,368. For the past seven years the District has strategically added to the ending fund balance in preparation for a possible downturn in operating revenues. This planned increase in reserves has significantly reduced the number of budget reductions that would have negatively impacted the classroom. The 2012-2013 Budget also reflects a reduction in the ending fund balance, but the District is anticipating increases in future funding which will mitigate further reductions of the fund balance.

## **Requests for Information**

This 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 financial information should be addressed to:

Elizabeth School District Number C-1  
Attention: Business Office  
633 Dale Ct. PO Box 610  
Elizabeth, CO 80107

## **BASIC FINANCIAL STATEMENTS**

ELBERT COUNTY SCHOOL DISTRICT NO. C-1

STATEMENT OF NET ASSETS

June 30, 2012

	PRIMARY GOVERNMENT			COMPONENT
	GOVERNMENTAL	BUSINESS-TYPE	TOTAL	UNIT
	ACTIVITIES	ACTIVITIES		CHARTER SCHOOL
<b>ASSETS</b>				
Cash and Investments	\$ 8,539,359	\$ 136,067	\$ 8,675,426	\$ 531,519
Restricted Cash and Investments	-	-	-	851,455
Accounts Receivable	13,502	-	13,502	12,176
Taxes Receivable	298,978	-	298,978	-
Inventories	-	57,159	57,159	-
Prepaid Expenses	-	-	-	252
Lease Deposit	-	-	-	57,243
Debt Issuance Costs, Net of Accumulated Amortization	130,697	-	130,697	156,031
Capital Assets, Not Being Depreciated	298,022	-	298,022	347,000
Capital Assets, Net of Accumulated Depreciation	17,578,966	6,003	17,584,969	4,864,409
<b>TOTAL ASSETS</b>	<b>26,859,524</b>	<b>199,229</b>	<b>27,058,753</b>	<b>6,820,085</b>
<b>LIABILITIES</b>				
Accounts Payable	49,262	397	49,659	42,611
Accrued Salaries and Benefits	1,813,996	55,559	1,869,555	103,648
Deferred Revenues	-	-	-	6,490
Accrued Interest Payable	37,943	-	37,943	152,139
Insurance Claims Payable	201,411	-	201,411	-
Noncurrent Liabilities				
Due Within One Year	1,375,794	-	1,375,794	309,958
Due in More Than One Year	10,236,070	-	10,236,070	5,754,666
<b>TOTAL LIABILITIES</b>	<b>13,714,476</b>	<b>55,956</b>	<b>13,770,432</b>	<b>6,369,512</b>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	6,477,975	6,003	6,483,978	(260,688)
Restricted for Debt Service	2,263,081	-	2,263,081	590,270
Restricted for Repairs and Replacements	-	-	-	125,016
Restricted for Emergencies	587,000	-	587,000	87,000
Unrestricted	3,816,992	137,270	3,954,262	(91,025)
<b>TOTAL NET ASSETS</b>	<b>\$ 13,145,048</b>	<b>\$ 143,273</b>	<b>\$ 13,288,321</b>	<b>\$ 450,573</b>

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



ELBERT COUNTY SCHOOL DISTRICT NO. C-1

STATEMENT OF ACTIVITIES

Year Ended June 30, 2012

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES	
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS
<b>PRIMARY GOVERNMENT</b>			
<b>Governmental Activities</b>			
Instruction	\$ 12,565,841	\$ 688,346	\$ 1,053,207
Supporting Services	7,882,274	116,755	285,789
Interest on Long-Term Debt	501,049	-	-
Total Governmental Activities	20,949,164	805,101	1,338,996
<b>Business-Type Activities</b>			
Food Services	746,329	506,846	231,356
Total Business-Type Activities	746,329	506,846	231,356
TOTAL PRIMARY GOVERNMENT	\$ 21,695,493	\$ 1,311,947	\$ 1,570,352
<b>COMPONENT UNIT</b>			
Legacy Academy	\$ 3,439,207	\$ 177,531	\$ 77,723

GENERAL REVENUES

Local Property Taxes  
 Specific Ownership Taxes  
 State Equalization  
 Per Pupil Revenue  
 Capital Construction  
 Grants and Contributions not Restricted to  
 Specific Programs  
 Investment Income  
 Other

TOTAL GENERAL REVENUES

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

PRIMARY GOVERNMENT

GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNIT
\$ (10,824,288)	\$ -	\$ (10,824,288)	\$ -
(7,479,730)	-	(7,479,730)	-
(501,049)	-	(501,049)	-
(18,805,067)	-	(18,805,067)	-
-	(8,127)	(8,127)	-
-	(8,127)	(8,127)	-
(18,805,067)	(8,127)	(18,813,194)	-
-	-	-	(3,183,953)
5,754,604	-	5,754,604	-
825,018	-	825,018	-
11,595,263	-	11,595,263	-
-	-	-	2,594,371
-	-	-	32,388
17,165	-	17,165	35,372
6,185	-	6,185	20,987
417,303	-	417,303	90,021
18,615,538	-	18,615,538	2,773,139
(189,529)	(8,127)	(197,656)	(410,814)
13,334,577	151,400	13,485,977	861,387
\$ <u>13,145,048</u>	\$ <u>143,273</u>	\$ <u>13,288,321</u>	\$ <u>450,573</u>

ELBERT COUNTY SCHOOL DISTRICT NO. C-1

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2012

	<u>GENERAL</u>	<u>BOND REDEMPTION</u>	<u>NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL</u>
<b>ASSETS</b>				
Cash and Investments	\$ 5,225,288	\$ 2,216,386	\$ 154,518	\$ 7,596,192
Accounts Receivable	13,502	-	-	13,502
Taxes Receivable	214,340	84,638	-	298,978
<b>TOTAL ASSETS</b>	<u>\$ 5,453,130</u>	<u>\$ 2,301,024</u>	<u>\$ 154,518</u>	<u>\$ 7,908,672</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 45,116	\$ -	\$ 4,146	\$ 49,262
Accrued Salaries and Benefits	1,751,968	-	62,028	1,813,996
Deferred Revenues	142,654	56,336	-	198,990
<b>TOTAL LIABILITIES</b>	<u>1,939,738</u>	<u>56,336</u>	<u>66,174</u>	<u>2,062,248</u>
<b>FUND BALANCES</b>				
Restricted for Debt Service	-	2,244,688	-	2,244,688
Restricted for Emergencies	587,000	-	-	587,000
Assigned to Athletics Programs	-	-	88,344	88,344
Unassigned	2,926,392	-	-	2,926,392
<b>TOTAL FUND BALANCES</b>	<u>3,513,392</u>	<u>2,244,688</u>	<u>88,344</u>	<u>5,846,424</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 5,453,130</u>	<u>\$ 2,301,024</u>	<u>\$ 154,518</u>	<u>\$ 7,908,672</u>

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

Total Fund Balances of Governmental Funds	\$ 5,846,424
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	17,876,988
Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the funds. This amount represents property taxes earned but not available as current financial resources.	198,990
Long-term liabilities and related items, including long-term debt (\$11,611,864), accrued interest payable (\$37,943) and debt issuance costs \$130,697, are not due and payable in the current year and, therefore, are not reported in the funds.	(11,519,110)
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included with governmental activities in the statement of net assets.	<u>741,756</u>
<b>Total Net Assets of Governmental Activities</b>	<u>\$ 13,145,048</u>

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

ELBERT COUNTY SCHOOL DISTRICT NO. C-1

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
 Year Ended June 30, 2012

	<u>GENERAL</u>	<u>BOND REDEMPTION</u>	<u>NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL</u>
<b>REVENUES</b>				
Local Sources	\$ 6,540,178	\$ 1,646,250	\$ 107,371	\$ 8,293,799
County Sources	420	-	-	420
State Sources	12,372,117	-	23,436	12,395,553
Federal Sources	78,702	-	118,054	196,756
<b>TOTAL REVENUES</b>	<u>18,991,417</u>	<u>1,646,250</u>	<u>248,861</u>	<u>20,886,528</u>
<b>EXPENDITURES</b>				
Current				
Instruction	11,880,225	-	599,217	12,479,442
Supporting Services	7,325,062	-	150,879	7,475,941
Debt Service				
Principal	-	1,180,000	-	1,180,000
Interest and Fiscal Charges	-	502,156	-	502,156
Bond Issuance Costs	-	64,249	-	64,249
<b>TOTAL EXPENDITURES</b>	<u>19,205,287</u>	<u>1,746,405</u>	<u>750,096</u>	<u>21,701,788</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(213,870)</u>	<u>(100,155)</u>	<u>(501,235)</u>	<u>(815,260)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bonds Issued	-	2,745,000	-	2,745,000
Bond Premium	-	70,984	-	70,984
Payment to Escrow Agent	-	(2,750,153)	-	(2,750,153)
Transfers In	-	-	513,498	513,498
Transfers Out	(513,498)	-	-	(513,498)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(513,498)</u>	<u>65,831</u>	<u>513,498</u>	<u>65,831</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(727,368)</u>	<u>(34,324)</u>	<u>12,263</u>	<u>(749,429)</u>
<b>FUND BALANCES, Beginning</b>	<u>4,240,760</u>	<u>2,279,012</u>	<u>76,081</u>	<u>6,595,853</u>
<b>FUND BALANCES, Ending</b>	<u>\$ 3,513,392</u>	<u>\$ 2,244,688</u>	<u>\$ 88,344</u>	<u>\$ 5,846,424</u>

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

ELBERT COUNTY SCHOOL DISTRICT NO. 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, 2012

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

Net Change in Fund Balances of Governmental Funds	\$	(749,429)
<p>Capital outlay to purchase or construct capital assets are reported in the 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 (\$707,805) exceeded capital outlay \$254,905 in the current year.</p>		
		(452,900)
<p>Revenues that do not provide current financial resources are deferred in the governmental fund financial statements but are recognized in the government-wide financial statements. This amount represents the change in deferred property taxes.</p>		
		(64,944)
<p>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.</p>		
		1,180,000
<p>Debt proceeds provide current financial resources to governmental funds but issuing debt increases long-term liabilities in the statement of net assets and does not affect the statement of activities. This amount is the net affect of these differences in the treatment of long-term debt and related items: bonds issued (\$2,745,000), bond premium (\$70,984), debt issuance costs \$64,249, and payment to escrow agent \$2,750,153.</p>		
		(1,582)
<p>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 the governmental funds. This amount represents the change in accrued interest payable \$11,418, amortization of debt issuance costs (\$16,951), amortization of bond premiums \$43,337, amortization of loss on refundings (\$53,648) and the change in compensated absences (\$2,261).</p>		
		(18,105)
<p>An internal service fund is used by management to charge the costs of insurance to individual funds. The activities of the internal service fund are reported with governmental activities in the statement of activities.</p>		
		(82,569)
Change in Net Assets of Governmental Activities	\$	<u>(189,529)</u>

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

ELBERT COUNTY SCHOOL DISTRICT NO. C-1

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2012

	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>GOVERNMENTAL ACTIVITIES</u>
	<u>ENTERPRISE</u>	<u>INTERNAL SERVICE</u>
<b>ASSETS</b>		
Current Assets		
Cash and Investments	\$ 136,067	\$ 943,167
Inventories	<u>57,159</u>	<u>-</u>
Total Current Assets	193,226	943,167
Noncurrent Assets		
Capital Assets, Net of Accumulated Depreciation	<u>6,003</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>199,229</u>	<u>943,167</u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts Payable	397	-
Accrued Salaries and Benefits	55,559	-
Insurance Claims Payable	<u>-</u>	<u>201,411</u>
<b>TOTAL LIABILITIES</b>	<u>55,956</u>	<u>201,411</u>
<b>NET ASSETS</b>		
Invested in Capital Assets	6,003	-
Unrestricted	<u>137,270</u>	<u>741,756</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 143,273</u>	<u>\$ 741,756</u>

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

ELBERT COUNTY SCHOOL DISTRICT NO. C-1

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
 Year Ended June 30, 2012

	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>GOVERNMENTAL ACTIVITIES</u>
	<u>ENTERPRISE</u>	<u>INTERNAL SERVICE</u>
OPERATING REVENUES		
Charges for Services	\$ 506,846	\$ 1,554,511
 TOTAL OPERATING REVENUES	 <u>506,846</u>	 <u>1,554,511</u>
OPERATING EXPENSES		
Salaries	275,569	-
Benefits	89,593	-
Purchased Services	20,447	-
Commodities	21,936	-
Supplies and Materials	327,825	-
Property	9,462	-
Depreciation	1,497	-
Insurance Claims	-	1,637,088
 TOTAL OPERATING EXPENSES	 <u>746,329</u>	 <u>1,637,088</u>
 OPERATING INCOME (LOSS)	 <u>(239,483)</u>	 <u>(82,577)</u>
NONOPERATING REVENUES		
Federal Sources		
National School Lunch and Breakfast Programs	200,480	-
Donated Commodities	21,936	-
State Sources	8,940	-
Investment Income	-	8
 TOTAL NONOPERATING REVENUES	 <u>231,356</u>	 <u>8</u>
 CHANGE IN NET ASSETS	 (8,127)	 (82,569)
NET ASSETS, Beginning	<u>151,400</u>	<u>824,325</u>
NET ASSETS, Ending	\$ <u>143,273</u>	\$ <u>741,756</u>

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

ELBERT COUNTY SCHOOL DISTRICT NO. C-1

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Increase (Decrease) in Cash and Cash Equivalents

Year Ended June 30, 2012

	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>GOVERNMENTAL ACTIVITIES</u>
	<u>ENTERPRISE</u>	<u>INTERNAL SERVICE</u>
Cash Flows From Operating Activities		
Cash Received from Customers	\$ 506,846	\$ 1,554,511
Cash Paid to Suppliers	(353,975)	(1,633,697)
Cash Paid to Employees	(362,478)	-
Net Cash Provided (Used) by Operating Activities	<u>(209,607)</u>	<u>(79,186)</u>
Cash Flows From Noncapital Financing Activities		
Cash Received from Federal Programs	200,480	-
Cash Received from State Programs	8,940	-
Net Cash Provided by Noncapital Financing Activities	<u>209,420</u>	<u>-</u>
Cash Flows From Investing Activities		
Interest Received	-	8
NET CHANGE IN CASH AND CASH EQUIVALENTS	(187)	(79,178)
CASH AND CASH EQUIVALENTS, Beginning	<u>136,254</u>	<u>1,022,345</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 136,067</u>	<u>\$ 943,167</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (239,483)	\$ (82,577)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Depreciation	1,497	-
Donated Commodities	21,936	-
Changes in Assets and Liabilities		
Inventories	3,893	-
Accounts Payable	(134)	-
Accrued Salaries and Benefits	2,684	-
Insurance Claims Payable	-	3,391
Net Cash Provided (Used) by Operating Activities	<u>\$ (209,607)</u>	<u>\$ (79,186)</u>
SCHEDULE OF NON-CASH TRANSACTIONS		
Commodities Received	<u>\$ 21,936</u>	<u>\$ -</u>

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



ELBERT COUNTY SCHOOL DISTRICT NO. C-1

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUND

June 30, 2012

	<u>STUDENT ACTIVITY</u>
ASSETS	
Cash and Investments	\$ <u>224,730</u>
TOTAL ASSETS	\$ <u><u>224,730</u></u>
LIABILITIES	
Accrued Liabilities	
Due to Student Groups	\$ 220,437
Due to Other Entities	<u>4,293</u>
TOTAL LIABILITIES	\$ <u><u>224,730</u></u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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

The accounting policies of Elbert County School District No. 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 and financial reporting 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.

The District includes the Legacy Academy Charter School (the “School”) within its reporting entity because the School is fiscally dependent on the District. Since the School has a separately elected board, the School is discretely presented in the financial statements. Separate financial statements for the School may be obtained by contacting the School at 1975 Legacy Circle, Elizabeth, Colorado 80107.

**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 and its component unit. 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 reasonable 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. Likewise, the *primary government* is reported separately from the legally separate *component unit* for which the District is financially accountable.

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*.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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

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

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

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 *Bond Redemption Fund* accounts for property taxes restricted for the payment of general obligation debt issued by the District.

Additionally, the District reports the following fund types:

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

The *Insurance Reserve Internal Service Fund* accounts for the resources accumulated for the District's employee health and dental claims.

The *Agency Fund* is used to account for resources used to support each school's student activities. 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 agency 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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

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

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 proprietary 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.

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

*Cash and Investments* - The District utilizes the pooled cash concept whereby cash balances of each of the District's funds are pooled and invested by the District. Investments are reported at fair value.

For purposes of the statement of cash flows, the District considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

*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 taxes receivable and are presented net of an allowance for uncollectible taxes.

*Inventories* - Food Service Fund inventories are recorded as an asset when individual items are purchased and as an expense when consumed. Inventories are stated at average cost, and consist of purchased and donated commodities. Purchased inventories are recorded at cost. Donated inventories, 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 the proprietary funds 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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

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

Capital assets are depreciated using the straight-line method over the following estimated useful lives.

Buildings	25 - 50 years
Equipment	10 years
Transportation Vehicles	8 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 a liability in the financial statements.

*Deferred Revenues* - Property taxes earned but not available as current financial resources are reported as deferred revenues in the governmental fund financial statements.

*Long-Term Debt* - In the government-wide financial statements, and the proprietary funds 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 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.

*Compensated Absences* - Employees are allowed to accumulate unused vacation time for 12 months from the anniversary date at which it was granted. Accrued vacation time is paid to those eligible employees upon termination of employment.

These compensated absences are recognized as current salary costs when earned in the proprietary funds and when paid in the governmental funds. A long-term liability has been reported in the government-wide financial statements for the accrued compensated absences.

*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.

In the fund financial statements, governmental funds report committed fund balances when the Board of Education formally commits resources for a specific purpose through passage of a resolution. The Board of Education has delegated to the Superintendent the authority to assign fund balances to be used for specific purposes. In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications, District policy requires restricted fund balance to be used first, followed by committed, assigned, and unassigned balances.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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

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

District policy sets a financial goal to maintain a total fund balance in the General Fund of 2% of total operating revenues, in addition to any amounts required by State statutes.

**Property Taxes**

Property taxes attach as an enforceable lien on property on January 1, are levied the following December, and are collected in the subsequent calendar year. Taxes are payable in full on 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. When taxes become delinquent, the property is sold on the tax sale date.

**NOTE 2: CASH AND INVESTMENTS**

At June 30, 2012, the District had the following cash and investments:

Deposits	\$ 2,737,323
Investments	<u>6,162,833</u>
Total	<b><u>\$ 8,900,156</u></b>

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

Cash and Investments	\$ 8,675,426
Fiduciary Fund Cash and Investments	<u>224,730</u>
Total	<b><u>\$ 8,900,156</u></b>

**Deposits**

The Colorado Public Deposit Protection Act (PDPA) requires local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. State regulatory commissioners regulate financial institutions holding deposits for eligible public depositories. 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, 2012, the District had bank deposits of \$854,969 collateralized with securities held by the financial institution's agent but not in the District's name.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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

**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 investments to an original maturity of five years unless the governing board authorizes the 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 the Securities and Exchange Commission's Rule 2a-7, and either have assets of one billion dollars or the highest rating issued by one or more nationally recognized statistical rating organizations (NRSROs). At June 30, 2012, the District had \$2,123,595 invested in a money market fund that was rated AAAM by Standard and Poor's.

*Local Government Investment Pool* - At June 30, 2012, the District had \$4,039,238 invested in the Colorado Local Government Liquid Asset Trust (Colotrust). Colotrust is 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 in conformity with the Securities and Exchange Commission's Rule 2a-7 as promulgated under the Investment Company Act of 1940, as amended. 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.

ELBERT COUNTY SCHOOL DISTRICT NO. C-1

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**NOTE 3: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2012, is summarized below:

	Balances 6/30/11	Additions	Deletions	Balances 6/30/12
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated				
Land	\$ 298,022	\$ -	\$ -	\$ 298,022
Total Capital Assets, Not Being Depreciated	<u>298,022</u>	<u>-</u>	<u>-</u>	<u>298,022</u>
Capital Assets, Being Depreciated				
Buildings	24,292,066	196,435	-	24,488,501
Equipment	630,654	49,720	-	680,374
Transportation Vehicles	<u>2,562,735</u>	<u>8,750</u>	<u>-</u>	<u>2,571,485</u>
Total Capital Assets, Being Depreciated	<u>27,485,455</u>	<u>254,905</u>	<u>-</u>	<u>27,740,360</u>
Less Accumulated Depreciation				
Buildings	(6,801,453)	(586,436)	-	(7,387,889)
Equipment	(404,760)	(37,351)	-	(442,111)
Transportation Vehicles	<u>(2,247,376)</u>	<u>(84,018)</u>	<u>-</u>	<u>(2,331,394)</u>
Total Accumulated Depreciation	<u>(9,453,589)</u>	<u>(707,805)</u>	<u>-</u>	<u>(10,161,394)</u>
Total Capital Assets, Being Depreciated, Net	<u>18,031,866</u>	<u>(452,900)</u>	<u>-</u>	<u>17,578,966</u>
Governmental Activities Capital Assets, Net	<u><b>\$ 18,329,888</b></u>	<u><b>\$ (452,900)</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 17,876,988</b></u>
<b>Business-Type Activities</b>				
Capital Assets, Being Depreciated				
Equipment	\$ 211,466	\$ -	\$ -	\$ 211,466
Less Accumulated Depreciation				
Equipment	<u>(203,966)</u>	<u>(1,497)</u>	<u>-</u>	<u>(205,463)</u>
Business-Type Activities Capital Assets, Net	<u><b>\$ 7,500</b></u>	<u><b>\$ (1,497)</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 6,003</b></u>

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

Instruction	\$ 1,561
Supporting Services	<u>706,244</u>
Total	<u><b>\$ 707,805</b></u>



ELBERT COUNTY SCHOOL DISTRICT NO. C-1

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**NOTE 4: LONG-TERM DEBT**

Following is a summary of long-term debt transactions for the year ended June 30, 2012.

	Balances 6/30/11	Additions	Payments	Balances 6/30/12	Due Within One Year
<b>Governmental Activities</b>					
1998 GO Bonds	\$ 1,795,000	\$ -	\$ 1,795,000	\$ -	\$ -
1999 GO Bonds	195,000	-	195,000	-	-
2000 GO Bonds	1,695,000	-	1,695,000	-	-
2005 GO Bonds	9,030,000	-	175,000	8,855,000	185,000
2005 Bond Premium	301,328	-	35,450	265,878	-
2005 Loss on Refunding	(382,760)	-	(44,879)	(337,881)	-
2012 GO Bonds	-	2,745,000	-	2,745,000	1,130,000
2012 Bond Premium	-	70,984	7,887	63,097	-
2012 Loss on Refunding	-	(70,153)	(8,769)	(61,384)	-
Compensated Absences	79,893	94,831	92,570	82,154	60,794
<b>Total</b>	<b><u>\$12,713,461</u></b>	<b><u>\$ 2,840,662</u></b>	<b><u>\$ 3,942,259</u></b>	<b><u>\$11,611,864</u></b>	<b><u>\$ 1,375,794</u></b>

Compensated absences of the governmental activities are expected to be liquidated primarily with revenues of the General Fund.

**General Obligation Bonds**

\$10,000,000 General Obligation Bonds, Series 1998, were issued for the purpose of constructing, furnishing and equipping a new high school building. Principal payments were due annually on December 1, through 2012. Interest payments were due semi-annually on June 1 and December 1, with interest accruing at rates ranging from 3.65% to 4.8% per annum.

\$2,550,000 General Obligation Refunding and Building Bonds, Series 1999, were issued for the purpose of refunding certain existing bond obligations, and to continue the building and equipping of the high school building. Principal payments were due annually on December 1, through 2019. Interest payments were due semi-annually on June 1 and December 1, with interest accruing at rates ranging from 3.3% to 5.2% per annum.

\$7,075,000 General Obligation Refunding and Building Bonds, Series 2000, were issued for the purpose of refunding certain existing bond obligations and to complete the high school building. Principal payments were due annually on December 1, through 2019, with interest accruing at rates ranging from 4.65% to 5.7% per annum. Additionally, \$390,000 detachable registered coupons were issued, which were due on December 1, in the years 2006 through 2010.

\$9,030,000 General Obligation Refunding Bonds, Series 2005, were issued to refund certain existing bond obligations. Principal payments are due annually on December 1, through 2019. Interest payments are due semi-annually on June 1 and December 1, with interest accruing at rates ranging from 3.63% to 5% per annum. Additionally, \$295,000 detachable registered coupons were issued, which were due on December 1, in the years 2005 through 2010.

ELBERT COUNTY SCHOOL DISTRICT NO. C-1

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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

**General Obligation Bonds (Continued)**

\$2,745,000 General Obligation Refunding Bonds, Series 2012, were issued to refund certain existing bond obligations. On April 26, 2012, bond proceeds in the amount of \$2,750,153 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service requirements of the General Obligation Bonds, Series 1998, Series 1999, and Series 2000. Although the refunding resulted in the recognition of an accounting loss of \$70,153, the District reduced its aggregate debt service payments by approximately \$348,017 and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$329,957. The refunded bonds were called and paid in full on May 29, 2012. Principal payments are due annually on December 1, through 2019. Interest accrues at rates ranging from 2% to 2.25% per annum, and is payable semi-annually on June 1 and December 1.

Bond payments to maturity are as follows.

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,315,000	\$ 440,544	\$ 1,755,544
2014	1,305,000	395,475	1,700,475
2015	1,360,000	341,675	1,701,675
2016	1,410,000	291,575	1,701,575
2017	1,460,000	237,425	1,697,425
2018 - 2020	<u>4,750,000</u>	<u>308,985</u>	<u>5,058,985</u>
Total	<b><u>\$ 11,600,000</u></b>	<b><u>\$ 2,015,679</u></b>	<b><u>\$ 13,615,679</u></b>

**NOTE 5: INTERFUND TRANSACTIONS**

Interfund transfers for the year ended June 30, 2012, consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Grants Fund	General Fund	\$ 93,498
Athletics Fund	General Fund	<u>420,000</u>
Total		<b><u>\$ 513,498</u></b>

The General Fund routinely subsidizes the programs of the Grants and Athletics Funds through interfund transfers.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**NOTE 6: 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; and health and dental claims of its employees. The District accounts for and finances its risk activities in the General and Insurance Internal Service Funds.

The District purchases commercial insurance for property, liability, and workers compensation risks of loss. Under the District's employee health and dental plan, the District provides coverage for up to a maximum of \$110,000 per employee for each calendar year. The aggregate stop-loss limit for the District is 120% of expected claims, or \$2,126,435 for the year ended June 30, 2012.

Claims liabilities are reported in the government-wide financial statements and the internal service fund if information available prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Other than current amounts, the District does not believe the estimated claims liability is fully measurable, and the District could incur additional costs related to IBNR claims.

Changes in claims payable for the employee health and dental plan were as follows:

Claims Payable, June 30, 2010	\$ 197,700
Claims Incurred and Adjustments	1,713,339
Payments	<u>(1,713,019)</u>
Claims Payable, June 30, 2011	198,020
Claims Incurred and Adjustments	1,637,088
Payments	<u>(1,633,697)</u>
Claims Payable, June 30, 2012	<b><u>\$ 201,411</u></b>

**NOTE 7: 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, 2012

**NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)**

*Funding Policy* - The contribution requirements of 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 salaries. The District contribution rate for calendar years 2010, 2011 and 2012 was 13.85%, 14.75% and 15.65% 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 8). The District's contributions to the SDTF for the years ended June 30, 2012, 2011 and 2010 were \$1,553,776, \$1,501,647 and \$1,453,260, respectively, equal to the required contributions for each year.

**NOTE 8: 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 by contacting PERA 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 contributions of 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, 2012, 2011 and 2010 was \$102,245, \$105,157 and \$107,983, respectively.

**NOTE 9: 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, 2012, 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.

**Tabor Amendment**

In November 1992, Colorado voters passed Article X, Section 20 (the "Amendment") to the State Constitution which limits state and local government taxing powers and imposes spending limits. The District is subject to the Amendment.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**NOTE 9: COMMITMENTS AND CONTINGENCIES**

**Tabor Amendment (Continued)**

In November, 1996, voters within the District authorized the District to collect and to expend the full revenues received by the District from any source in the current fiscal year and in each fiscal year thereafter, notwithstanding the limits of the Amendment. The Amendment is subject to many interpretations, but the District believes it is in substantial compliance with the Amendment.

The Amendment requires the District to establish a reserve for emergencies, representing 3% of qualifying expenditures. At June 30, 2012, the District's emergency reserve, of \$587,000, was reported as restricted fund balance in the General Fund.

**Litigation**

The District has threatened and pending litigation. The outcome of the litigation cannot be predicted at this time.

**REQUIRED SUPPLEMENTARY INFORMATION**

ELBERT COUNTY SCHOOL DISTRICT NO. C-1

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2012

	BUDGET		ACTUAL	VARIANCE
	ORIGINAL	FINAL		Positive (Negative)
<b>REVENUES</b>				
<b>Local Sources</b>				
Property Taxes	\$ 4,436,028	\$ 4,191,642	\$ 4,173,467	\$ (18,175)
Specific Ownership Taxes	825,000	825,000	825,018	18
Tuition and Fees	565,000	560,000	615,322	55,322
Investment Income	30,000	15,000	6,008	(8,992)
Rentals	80,000	70,000	82,408	12,408
BOCES Reimbursement	403,403	403,403	420,652	17,249
Other	-	380,000	417,303	37,303
Total Local Sources	<u>6,339,431</u>	<u>6,445,045</u>	<u>6,540,178</u>	<u>95,133</u>
<b>County Sources</b>				
Mineral Lease	-	-	420	420
<b>State Sources</b>				
State Equalization	11,600,406	11,588,627	11,595,263	6,636
Vocational Education	40,000	40,000	51,944	11,944
Special Education	414,706	467,986	482,248	14,262
Transportation	220,000	237,000	242,662	5,662
Total State Sources	<u>12,275,112</u>	<u>12,333,613</u>	<u>12,372,117</u>	<u>38,504</u>
<b>Federal Sources</b>				
Education Jobs Fund	-	-	16,745	16,745
Other	130,000	80,000	61,957	(18,043)
Total Federal Sources	<u>130,000</u>	<u>80,000</u>	<u>78,702</u>	<u>(1,298)</u>
<b>TOTAL REVENUES</b>	<u>18,744,543</u>	<u>18,858,658</u>	<u>18,991,417</u>	<u>132,759</u>
<b>EXPENDITURES</b>				
Instruction	<u>11,915,610</u>	<u>12,029,595</u>	<u>11,880,225</u>	<u>149,370</u>
<b>Supporting Services</b>				
Students	811,849	890,667	887,730	2,937
Instructional Staff	213,297	218,951	206,914	12,037
General Administration	446,312	435,180	426,328	8,852
School Administration	1,094,133	1,069,658	1,055,564	14,094
Business Services	519,685	456,039	434,058	21,981
Operations and Maintenance	2,312,638	2,198,177	2,039,927	158,250
Student Transportation	960,462	999,518	993,710	5,808
Central Support	647,596	667,768	650,002	17,766
Community Services	353,657	396,631	379,997	16,634
Facilities Acquisition	70,000	250,000	250,832	(832)
Total Supporting Services	<u>7,429,629</u>	<u>7,582,589</u>	<u>7,325,062</u>	<u>257,527</u>
<b>TOTAL EXPENDITURES</b>	<u>19,345,239</u>	<u>19,612,184</u>	<u>19,205,287</u>	<u>406,897</u>

(Continued)

See the accompanying Independent Auditors' Report.

ELBERT COUNTY SCHOOL DISTRICT NO. C-1

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
 Year Ended June 30, 2012

	BUDGET		ACTUAL	VARIANCE
	ORIGINAL	FINAL		Positive (Negative)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(600,696)	(753,526)	(213,870)	539,656
OTHER FINANCING SOURCES (USES)				
Transfers Out	(510,000)	(525,000)	(513,498)	11,502
NET CHANGE IN FUND BALANCE	(1,110,696)	(1,278,526)	(727,368)	551,158
FUND BALANCE, Beginning	3,185,910	4,240,760	4,240,760	-
FUND BALANCE, Ending	\$ 2,075,214	\$ 2,962,234	\$ 3,513,392	\$ 551,158

See the accompanying Independent Auditors' Report.



NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2012

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

**Budgetary Information**

Budgets are adopted for all funds on a basis consistent with generally accepted accounting principles, except for the Food Services Fund, where the receipt or use of donated commodities is not budgeted. 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.

- 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. Authorization to transfer budget amounts between programs and/or departments within any fund and the reallocation of budget line items within any program and/or department rests with the Superintendent. Revisions that alter the total expenditures of any fund must be approved by the Board of Education.

**COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES**

ELBERT COUNTY SCHOOL DISTRICT NO. C-1

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2012

	<u>SPECIAL REVENUE</u>		<u>TOTAL</u>
	<u>GRANTS</u>	<u>ATHLETICS</u>	
ASSETS			
Cash and Investments	\$ 36,863	\$ 117,655	\$ 154,518
 TOTAL ASSETS	 <u>\$ 36,863</u>	 <u>\$ 117,655</u>	 <u>\$ 154,518</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 3,998	\$ 148	\$ 4,146
Accrued Salaries and Benefits	<u>32,865</u>	<u>29,163</u>	<u>62,028</u>
 TOTAL LIABILITIES	 <u>36,863</u>	 <u>29,311</u>	 <u>66,174</u>
FUND BALANCES			
Assigned to Athletics Programs	<u>-</u>	<u>88,344</u>	<u>88,344</u>
 TOTAL FUND BALANCES	 <u>-</u>	 <u>88,344</u>	 <u>88,344</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 36,863</u>	 <u>\$ 117,655</u>	 <u>\$ 154,518</u>

See the accompanying Independent Auditors' Report.

ELBERT COUNTY SCHOOL DISTRICT NO. C-1

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
 Year Ended June 30, 2012

	SPECIAL REVENUE		TOTAL
	GRANTS	ATHLETICS	
REVENUES			
Local Sources	\$ -	\$ 107,371	\$ 107,371
State Sources	23,436	-	23,436
Federal Sources	118,054	-	118,054
 TOTAL REVENUES	 141,490	 107,371	 248,861
EXPENDITURES			
Current			
Instruction	234,988	364,229	599,217
Supporting Services	-	150,879	150,879
 TOTAL EXPENDITURES	 234,988	 515,108	 750,096
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 (93,498)	 (407,737)	 (501,235)
OTHER FINANCING SOURCES			
Transfers In	93,498	420,000	513,498
 NET CHANGE IN FUND BALANCES	 -	 12,263	 12,263
FUND BALANCES, Beginning	-	76,081	76,081
FUND BALANCES, Ending	\$ -	\$ 88,344	\$ 88,344

See the accompanying Independent Auditors' Report.

ELBERT COUNTY SCHOOL DISTRICT NO. C-1

BUDGETARY COMPARISON SCHEDULE

GRANTS FUND

Year Ended June 30, 2012

	BUDGET		ACTUAL	VARIANCE
	ORIGINAL	FINAL		Positive (Negative)
REVENUES				
State Grants	\$ 19,000	\$ 19,000	\$ 23,436	\$ 4,436
Federal Grants	111,019	111,000	118,054	7,054
TOTAL REVENUES	130,019	130,000	141,490	11,490
EXPENDITURES				
Current				
Instruction	220,019	235,000	234,988	12
TOTAL EXPENDITURES	220,019	235,000	234,988	12
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(90,000)	(105,000)	(93,498)	11,502
OTHER FINANCING SOURCES				
Transfers In	90,000	105,000	93,498	(11,502)
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE, Beginning	-	-	-	-
FUND BALANCE, Ending	\$ -	\$ -	\$ -	\$ -

See the accompanying Independent Auditors' Report.

ELBERT COUNTY SCHOOL DISTRICT NO. C-1

BUDGETARY COMPARISON SCHEDULE

ATHLETICS FUND

Year Ended June 30, 2012

	BUDGET		ACTUAL	VARIANCE Positive (Negative)
	ORIGINAL	FINAL		
REVENUES				
Local Sources				
Charges for Services	\$ 100,000	\$ 100,000	\$ 107,371	\$ 7,371
TOTAL REVENUES	100,000	100,000	107,371	7,371
EXPENDITURES				
Current				
Instruction	367,089	367,089	364,229	2,860
Supporting Services	162,911	172,911	150,879	22,032
TOTAL EXPENDITURES	530,000	540,000	515,108	24,892
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(430,000)	(440,000)	(407,737)	32,263
OTHER FINANCING SOURCES				
Transfers In	420,000	420,000	420,000	-
NET CHANGE IN FUND BALANCE	(10,000)	(20,000)	12,263	32,263
FUND BALANCE, Beginning	37,069	76,081	76,081	-
FUND BALANCE, Ending	\$ 27,069	\$ 56,081	\$ 88,344	\$ 32,263

See the accompanying Independent Auditors' Report.

ELBERT COUNTY SCHOOL DISTRICT NO. C-1

BUDGETARY COMPARISON SCHEDULE  
BOND REDEMPTION FUND  
 Year Ended June 30, 2012

	BUDGET		ACTUAL	VARIANCE
	ORIGINAL	FINAL		Positive (Negative)
REVENUES				
Local Sources				
Property Taxes	\$ 1,650,000	\$ 1,650,000	\$ 1,646,081	\$ (3,919)
Investment Income	-	-	169	169
<b>TOTAL REVENUES</b>	<u>1,650,000</u>	<u>1,650,000</u>	<u>1,646,250</u>	<u>(3,750)</u>
EXPENDITURES				
Debt Service				
Principal	1,180,000	1,180,000	1,180,000	-
Interest and Fiscal Charges	570,000	570,000	502,156	67,844
Bond Issuance Costs	-	-	64,249	(64,249)
<b>TOTAL EXPENDITURES</b>	<u>1,750,000</u>	<u>1,750,000</u>	<u>1,746,405</u>	<u>3,595</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,155)</u>	<u>(155)</u>
OTHER FINANCING SOURCES (USES)				
Bonds Issued	-	-	2,745,000	2,745,000
Bond Premium	-	-	70,984	70,984
Payment to Escrow Agent	-	-	(2,750,153)	(2,750,153)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>65,831</u>	<u>65,831</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(100,000)</u>	<u>(100,000)</u>	<u>(34,324)</u>	<u>65,676</u>
FUND BALANCE, Beginning	<u>2,223,298</u>	<u>2,279,012</u>	<u>2,279,012</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ 2,123,298</u>	<u>\$ 2,179,012</u>	<u>\$ 2,244,688</u>	<u>\$ 65,676</u>

See the accompanying Independent Auditors' Report.

ELBERT COUNTY SCHOOL DISTRICT NO. C-1

BUDGETARY COMPARISON SCHEDULE

FOOD SERVICES FUND

Year Ended June 30, 2012

	BUDGET		ACTUAL	VARIANCE Positive (Negative)
	ORIGINAL	FINAL		
REVENUES				
Charges for Services				
Student Meals	\$ 600,000	\$ 576,000	\$ 506,846	\$ (69,154)
Federal Sources				
National School Lunch and Breakfast Programs	150,000	164,000	200,480	36,480
State Sources				
Grants	4,500	4,500	8,940	4,440
Local Sources				
Other	20,000	30,000	-	(30,000)
	<u>774,500</u>	<u>774,500</u>	<u>716,266</u>	<u>(58,234)</u>
TOTAL REVENUES				
EXPENSES				
Salaries	285,000	280,000	275,569	4,431
Benefits	100,000	90,000	89,593	407
Purchased Services	3,000	29,000	20,447	8,553
Supplies and Materials	375,000	365,000	327,825	37,175
Property	-	-	9,462	(9,462)
Depreciation	10,000	20,000	1,497	18,503
	<u>773,000</u>	<u>784,000</u>	<u>724,393</u>	<u>59,607</u>
TOTAL EXPENSES				
CHANGE IN NET ASSETS, Budgetary Basis	\$ <u>1,500</u>	\$ <u>(9,500)</u>	(8,127)	\$ <u>1,373</u>
ADJUSTMENTS TO GAAP BASIS				
Donated Commodities Received			21,936	
Donated Commodities Used			<u>(21,936)</u>	
CHANGE IN NET ASSETS, GAAP Basis			(8,127)	
NET ASSETS, Beginning			<u>151,400</u>	
NET ASSETS, Ending			\$ <u>143,273</u>	

See the accompanying Independent Auditors' Report.



ELBERT COUNTY SCHOOL DISTRICT NO. C-1

BUDGETARY COMPARISON SCHEDULE  
INSURANCE RESERVE FUND  
 Year Ended June 30, 2012

	BUDGET		ACTUAL	VARIANCE
	ORIGINAL	FINAL		Positive (Negative)
REVENUES				
Charges for Services	\$ 1,792,000	\$ 1,792,000	\$ 1,554,511	\$ (237,489)
Investment Income	3,500	3,500	8	(3,492)
TOTAL REVENUES	<u>1,795,500</u>	<u>1,795,500</u>	<u>1,554,519</u>	<u>(240,981)</u>
EXPENSES				
Insurance Claims	1,792,000	1,792,000	1,637,088	154,912
Reserves	50,000	50,000	-	50,000
TOTAL EXPENSES	<u>1,842,000</u>	<u>1,842,000</u>	<u>1,637,088</u>	<u>204,912</u>
CHANGE IN NET ASSETS	(46,500)	(46,500)	(82,569)	(36,069)
NET ASSETS, Beginning	<u>866,759</u>	<u>824,325</u>	<u>824,325</u>	<u>-</u>
NET ASSETS, Ending	<u>\$ 820,259</u>	<u>\$ 777,825</u>	<u>\$ 741,756</u>	<u>\$ (36,069)</u>

See the accompanying Independent Auditors' Report.

ELBERT COUNTY SCHOOL DISTRICT NO. C-1

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUND

Year Ended June 30, 2012

	<u>BALANCE</u> 6/30/11	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> 6/30/12
<b>Student Activity Fund</b>				
<b>ASSETS</b>				
Cash and Investments	\$ <u>206,544</u>	\$ <u>481,416</u>	\$ <u>463,230</u>	\$ <u>224,730</u>
<b>LIABILITIES</b>				
Accrued Liabilities				
Due to Student Groups	199,454	454,916	433,933	220,437
Due to Other Entities	<u>7,090</u>	<u>26,500</u>	<u>29,297</u>	<u>4,293</u>
<b>TOTAL LIABILITIES</b>	\$ <u>206,544</u>	\$ <u>481,416</u>	\$ <u>463,230</u>	\$ <u>224,730</u>

See the accompanying Independent Auditors' Report.

## **COMPLIANCE SECTION**

## **STATE COMPLIANCE**



Board of Education  
Elbert County School District No. C-1  
Elizabeth, 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 discretely presented component unit and remaining fund information of the Elbert County School District No. C-1 as of and for the year ended June 30, 2012, which collectively comprise the basic financial statements of the Elbert County School District No. C-1, and have issued our report thereon dated December 6, 2012, which contained an unqualified opinion on those financial statements. The financial statements are the responsibility of the Elbert County School District No. C-1's management. Our responsibility is to express opinions on the 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 Elbert County School District No. C-1's financial statements as a whole. 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling the information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the auditor's integrity report is fairly stated in all material respects in relation to the financial statements as a whole.

*Swanhorst & Company LLC*

December 6, 2012

12/12/2012  
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Colorado Department of Education  
Fiscal Year 2011-2012  
Colorado School District/BOCES  
Auditor's Integrity Report

ELBERT ELIZABETH C-1  
District Code: 0920

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 =	& Prior Per Adj (6880*) Ending Fund Balance
<b>Governmental</b>				
10 General Fund	4,240,760	15,883,548	16,610,915	3,513,393
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	4,240,760	15,883,548	16,610,915	3,513,393
Subtotal	861,385	4,389,809	4,348,153	903,040
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	76,081	234,988	234,988	0
23 Pupil Activity Special Revenue Fund	0	527,371	515,108	88,344
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	2,279,011	4,462,234	4,496,558	2,244,688
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	7,457,238	25,497,950	26,205,723	6,749,465
<b>Proprietary</b>				
51 Food Service Fund	151,400	738,202	746,329	143,273
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	824,325	1,554,519	1,637,088	741,756
60,65-69 Other Internal Service Funds	0	0	0	0
TOTALS	975,725	2,292,721	2,383,417	885,029
<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	206,544	481,416	463,230	224,730
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
TOTALS	206,544	481,416	463,230	224,730

\*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.

From submitted data file: fd0920.24a

Program: fdrdh.sqr

File: fd0920.dha

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