

**HINSDALE COUNTY SCHOOL
DISTRICT RE-1**

PO Box 39, Lake City, CO 81235 ☎ (970) 944-2314

**BASIC
FINANCIAL STATEMENTS
AND
AUDITORS' REPORT**

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**Rosemary Beckwith & Associates, P.C.
Certified Public Accountants**

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INDEPENDENT AUDITORS' REPORT

Board of Education
Hinsdale County School District RE-1
Lake City, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of Hinsdale County School District RE-1, Lake City, Colorado, as of June 30, 2010 and for the year then ended, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Hinsdale County School District RE-1's management. Our responsibility is to express an opinion 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 opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of Hinsdale County School District RE-1, Lake City, Colorado, as of June 30, 2010 and the respective changes in financial position thereof for the year then ended in conformity with auditing standards generally accepted in the United States of America.

The management's discussion and analysis on pages B1 through B5 and the budgetary comparison information on pages E1 through E4 is not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding 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 an opinion on the financial statements taken as a whole. The Colorado School District/BOCES Auditor's Integrity Report, listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Hinsdale County School District RE-1, Lake City, Colorado. 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.

Rosemary Beckwith & Associates, P.C.

Rosemary Beckwith & Associates, P.C.
Grand Junction, Colorado

December 14, 2010

HINSDALE COUNTY SCHOOL DISTRICT RE-1
Management's Discussion and Analysis
For the fiscal year ended June 30, 2010
(UNAUDITED)

Management's Discussion and Analysis

As management of Hinsdale County School District RE-1 (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2010.

Financial Highlights

- The assets of the District's governmental funds exceeded its liabilities at the close of the fiscal years ending June 30, 2010 and 2009 by \$3,175,190 and \$2,699,477 respectively.
- General revenues accounted for \$1,777,175 and \$1,434,340 in 2010 and 2009 respectively and grant funding accounted for \$64,451 and \$54,606 in 2010 and 2009 respectively.
- Net assets in the General Fund increased \$354,160 in 2010 and \$107,151 in 2009.
- At the end of the fiscal years 2010 and 2009 unreserved fund balance in the General fund was \$1,188,562 and \$834,402 respectively.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the 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 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 of the District's assets and liabilities, with the difference between the two reports as *net assets*. Over time, 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 government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*.

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the District include instructional services, pupil services, instructional staff services, general administration services, school administration services, business services, maintenance and capital asset services, transportation services, central, and community services.

The government-wide financial statements include only the District itself, as the District has no component units. The government-wide financial statements can be found on pages C1-C2 of this report.

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(UNAUDITED)

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Funds are divided into three categories: governmental funds, proprietary funds and fiduciary funds. The District uses only governmental funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the *governmental funds* is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Capital Reserve Fund, and the Bond Redemption Debt Service Fund, all of which are considered to be major funds.

The District adopts an annual appropriated budget for all funds. A budgetary comparison statement has been provided for all funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages C3-C6 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages D1-D9 of this report.

District-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceed liabilities by \$3,175,190 and \$2,699,477 at the close of the 2010 and 2009 fiscal years respectively.

By far the largest portion of the District's net assets (56 percent) reflects its investment in capital assets (e.g., land, buildings, improvements and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in 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 themselves cannot be used to liquidate these liabilities. Property taxes are levied specifically to fund debt service on general obligation bonds.

HINSDALE COUNTY SCHOOL DISTRICT RE-1
Management's Discussion and Analysis
For the fiscal year ended June 30, 2010
(UNAUDITED)

HINSDALE COUNTY SCHOOL DISTRICT RE-1 - Net Assets

	Governmental Activities 2010	Governmental Activities 2009
	<u>2010</u>	<u>2009</u>
Assets:		
Current and other assets	\$ 1,527,483	\$ 1,174,344
Capital assets	2,616,184	2,532,166
Total assets	<u>4,143,667</u>	<u>3,706,510</u>
Liabilities:		
Long-term liabilities outstanding	835,000	885,000
Other liabilities	133,477	122,033
Total liabilities	<u>968,477</u>	<u>1,007,033</u>
Net assets:		
Invested in capital assets, net of related debt	1,781,184	1,647,166
Restricted	205,444	217,909
Unrestricted	1,188,562	834,402
Total net assets	<u>\$ 3,175,190</u>	<u>\$ 2,699,477</u>

A portion of the District's net assets represents resources that are subject to external restrictions on how they may be used.

There was a decrease in long-term liabilities outstanding of \$50,000 in fiscal year 2010, due to payment of debt obligations with no new issuances. The decrease in unrestricted net assets was attributable to the purchase of land.

HINSDALE COUNTY SCHOOL DISTRICT RE-1
Management's Discussion and Analysis
For the fiscal year ended June 30, 2010
(UNAUDITED)

HINSDALE COUNTY SCHOOL DISTRICT RE-1 Change in Net Assets

	Governmental Activities 2010	Governmental Activities 2009
	<u>2010</u>	<u>2009</u>
Revenues:		
Program revenues:		
Operating grants & contributions	\$ 78,085	\$ 67,109
General Revenue:		
Property taxes levied for general purposes	993,865	792,197
Property taxes levied for debt service	99,536	92,119
State equalization not restricted to specific programs	197,211	386,325
Specific ownership taxes	69,419	70,994
Secure Rural Schools	304,633	-
Investment earnings	4,034	8,963
Other unrestricted revenue	108,477	83,742
Total revenues	<u>1,855,260</u>	<u>1,501,449</u>
Expenses:		
Instructional services	790,953	800,138
Pupil services	133,340	73,637
General administration services	206,789	195,415
Business services	49,549	48,093
Maintenance and capital asset services	109,339	116,715
Transportation services	41,965	52,031
Community service	4,994	27,468
Interest on long-term debt	42,618	43,680
Total expenses	<u>1,379,547</u>	<u>1,357,177</u>
Increase (decrease) in net assets	475,713	144,272
Net assets - July 1	2,699,477	2,555,205
Net assets - June 30	<u>\$ 3,175,190</u>	<u>\$ 2,699,477</u>

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its governmental activities as of June 30, 2010 amounts to \$2,616,184 (net of accumulated depreciation). This investment in capital assets includes land and improvements such as parking lots and sidewalks, buildings and improvements, and equipment.

Capital Assets

(net of depreciation)

	2010	2009
Land	\$ 633,903	\$ 633,903
Buildings and building improvements	1,916,325	1,807,985
Transportation Equipment	49,737	20,039
Equipment	16,219	70,239
Total	<u>\$ 2,616,184</u>	<u>\$ 2,532,166</u>

HINSDALE COUNTY SCHOOL DISTRICT RE-1
Management's Discussion and Analysis
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(UNAUDITED)

Long-term debt. At the end of the current fiscal year, the District had total outstanding debt of \$835,000 all of which represents general obligation bonds that are backed by the full faith and credit of the District.

State statutes limit the amount of general obligation debt a governmental entity may issue to 20 percent of its total assessed valuation. The current debt limitation for the District is significantly in excess of the District's outstanding general obligation debt.

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's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Director of Finance
Hinsdale County School District Re-1
Po Box 39,
Lake City, CO 81235

Basic Financial Statements

HINSDALE COUNTY SCHOOL DISTRICT RE-1
STATEMENT OF NET ASSETS
JUNE 30, 2010

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS	
Cash and Equivalents	\$ 1,369,606
Receivables	157,877
Capital Assets:	
Land and improvements not being depreciated	633,903
Buildings and improvements	2,250,923
Equipment	29,514
Transportation equipment	177,542
Less: Accumulated Depreciation	(475,698)
Total Capital Assets being depreciated, net	2,616,184
 Total Assets	 4,143,667
LIABILITIES	
Accounts payable and accrued expenses	133,477
Long-term liabilities:	
Current portion of long-term debt	55,000
Due in more than one year	780,000
 Total liabilities	 968,477
NET ASSETS	
Invested in capital assets, net of related debt	1,781,184
Restricted for:	
Reserved for emergencies	50,000
Capital projects	4,998
Debt Service	150,446
Unrestricted	1,188,562
 Total net assets	 \$ 3,175,190

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

HINSDALE COUNTY SCHOOL DISTRICT RE-1 STATEMENT OF ACTIVITIES

For the fiscal year ended June 30, 2010

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets			
Governmental activities:	Expenses	Operating Grants and Contributions	Governmental Activities	Primary Government Total
Instructional Services	\$ 790,953	\$ 64,451	\$ (726,502)	\$ (726,502)
Support services:				
Pupil services	133,340	-	(133,340)	(133,340)
Business services	49,549	-	(49,549)	(49,549)
General and school administration	206,789	-	(206,789)	(206,789)
Community services	4,994	-	(4,994)	(4,994)
Operations and maintenance	109,339	-	(109,339)	(109,339)
Pupil transportation	41,965	13,634	(28,331)	(28,331)
Interest on long term debt	42,618	-	(42,618)	(42,618)
Total governmental activities	1,379,547	78,085	(1,301,462)	(1,301,462)
Total primary government	\$ 1,379,547	\$ 78,085	\$ (1,301,462)	\$ (1,301,462)
General revenues				
Taxes:				
Property taxes for general purposes			993,865	993,865
Property taxes for debt service			99,536	99,536
State equalization not restricted to specific programs			197,211	197,211
Specific ownership taxes			69,419	69,419
Secure Rural Schools			304,633	304,633
Unrestricted investment earnings			4,034	4,034
Other unrestricted revenues			108,477	108,477
Total general revenues			1,777,175	1,777,175
Change in net assets			475,713	475,713
Net assets-beginning			2,699,477	2,699,477
Net assets-ending			\$ 3,175,190	\$ 3,175,190

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

**HINDALE COUNTY SCHOOL DISTRICT RE-1
BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2010

	General	Capital Reserve	Debt Service	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,214,162	\$ 4,998	\$ 150,446	\$ 1,369,606
Receivables from other governments	116,351	-	-	116,351
Grants receivables	41,526	-	-	41,526
Total assets	<u>1,372,039</u>	<u>4,998</u>	<u>150,446</u>	<u>1,527,483</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Salaries payable	90,808	-	-	90,808
Other payables	42,669	-	-	42,669
Total liabilities	<u>133,477</u>	<u>-</u>	<u>-</u>	<u>133,477</u>
Fund balances:				
Reserved for:				
Emergencies	50,000	-	-	50,000
Capital expenditures	-	4,998	-	4,998
Debt service	-	-	150,446	150,446
Unreserved	1,188,562	-	-	1,188,562
Total fund balance	<u>1,238,562</u>	<u>4,998</u>	<u>150,446</u>	<u>1,394,006</u>
Total liabilities and fund balance	<u>\$ 1,372,039</u>	<u>\$ 4,998</u>	<u>\$ 150,446</u>	<u>\$ 1,527,483</u>

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

HINSDALE COUNTY SCHOOL DISTRICT RE-1
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS

June 30, 2010

Total fund balance, governmental funds	\$ 1,394,006
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.	2,616,184
Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.	(835,000)
Net Assets of Governmental Activities in the Statement of Net Assets	<u>\$ 3,175,190</u>

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

HINSDALE COUNTY SCHOOL DISTRICT RE-1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the year ended June 30, 2010

	General	Capital Reserve	Debt Service	Total Governmental Funds
REVENUES				
Property taxes	\$ 993,865	\$ -	\$ 99,536	\$ 1,093,401
Specific ownership taxes	62,704	-	6,715	69,419
Secure Rural Schools	304,633	-	-	304,633
Equalization	197,211	-	-	197,211
Grant income	64,451	-	-	64,451
Investment earnings	3,032	94	908	4,034
Transportation	13,634	-	-	13,634
Donations	-	-	-	-
Other local revenue	108,477	-	-	108,477
Total revenues	<u>1,748,007</u>	<u>94</u>	<u>107,159</u>	<u>1,855,260</u>
EXPENDITURES				
Current:				
Instructional services	746,294	-	-	746,294
Instructional support	133,340	-	-	133,340
Business services	49,549	-	-	49,549
General and school administration	206,366	-	423	206,789
Transportation	41,965	-	-	41,965
Operations and maintenance	109,339	-	-	109,339
Community service	4,994	-	-	4,994
Debt service:				
Principal	-	-	50,000	50,000
Interest	-	-	42,618	42,618
Capital outlay	-	128,677	-	128,677
Total expenditures	<u>1,291,847</u>	<u>128,677</u>	<u>93,041</u>	<u>1,513,565</u>
Excess (deficiency) of revenues over (under) expenditures	<u>456,160</u>	<u>(128,583)</u>	<u>14,118</u>	<u>341,695</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	102,000	-	102,000
Transfers out	<u>(102,000)</u>	<u>-</u>	<u>-</u>	<u>(102,000)</u>
Total other financing sources (uses)	<u>(102,000)</u>	<u>102,000</u>	<u>-</u>	<u>-</u>
Net change in fund balances	354,160	(26,583)	14,118	341,695
Fund balances - beginning	884,402	31,581	136,328	1,052,311
Fund balances - ending	<u>\$ 1,238,562</u>	<u>\$ 4,998</u>	<u>\$ 150,446</u>	<u>\$ 1,394,006</u>

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

**HINSDALE COUNTY SCHOOL DISTRICT RE-1
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the year ended June 30, 2010

Net changes in fund balance- total governmental funds:	\$	341,695
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

This is the amount by which capital outlays \$128,677 exceeded depreciation \$44,659 in the current period.		84,018
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Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principle as an expenditure, in contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount of repayment of long-term debt.

50,000

Change in net assets of governmental activities	\$	<u>475,713</u>
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The accompanying notes are an integral part of the basic financial statements.

Hinsdale County School District No. RE-1
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Hinsdale County School District RE-1(the District) have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body establishing governmental accounting and financial principles.

The following is a summary of the district’s significant accounting policies:

A. Reporting Entity

The District is governed by a five member Board of Education and is organized and operates in accordance with Colorado statutes. Board of Education members are elected by the citizens of Hinsdale County, not appointed by any other governing body. The board selects the superintendent of schools. The board is solely responsible for the District’s budget adoption process. The District independently issues debt for short and long term financing. The District meets the criteria of a primary government: its board is the publicly elected governing body; it is a legally separate entity; and it is fiscally independent. The district is not included in any other governmental reporting entity, nor is the District financially accountable for any other organizations and does not include any component units.

B. 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 of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *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 District has no business-type activities.

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

If needed, 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 governmental funds are reported as separate columns in the fund financial statements. The District has no funds considered non-major.

C. 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*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Hinsdale County School District No. RE-1
Notes to Financial Statements

measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

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

The *Bond Redemption Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *Capital Projects Fund* is used to account for resources used in the acquisition and construction of capital facilities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Interfund activity is not eliminated in the fund financial statements.

Amounts reported as *program revenues* include: 1) charges to students and customers for tuition, fees, rental, or services provided; 2) operating grants and contributions; and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes.

D. Assets, Liabilities and Net Assets or Equity

1. Cash and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government and the district to invest in obligations of the U.S. Treasury, obligations unconditionally guaranteed by U.S. agencies, certain international agency securities, and certain types of bonds of U.S. local government entities, bankers' acceptances of certain banks, commercial paper, and written repurchase agreements collateralized by certain authorized securities, certain money market funds, and guaranteed investment contracts.

2. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., parking lots, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$3,000 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.

Hinsdale County School District No. RE-1
Notes to Financial Statements

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

Property, plant, and equipment of the district are depreciated using the straight-line method over the following estimated useful lives; Buildings – 75 years, Land Improvements – 15 years, Vehicles – 10 years, Equipment – 5 years.

3. Future Compensated Absences

The District's professional staff generally works on a contract basis that provides for an agreed number of working days each year. There is no specific provision in the personnel policies for paid vacation days.

The personnel policies detail several circumstances requiring leaves of absences including sick leave, personal leave, emergency leave, family illness and termination. The District has no liability for such absences at June 30, 2009.

4. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

In the fund financial statements, governmental fund types recognize debt premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported 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 debt service expenditures.

5. Fund Equity

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. Designations of fund balance represent tentative management plans that are subject to change.

6. Property Taxes

The District's property taxes certified by the Board of Education by December 15 and levied on assessed valuation by the Hinsdale County Commissioners by December 22, are due and payable in the subsequent calendar year. Assessed values are established by the county assessor. Property taxes attach as an enforceable lien on property as of January 1 of the year in which payable. The taxes are payable under two methods: 1) in full on or before April 30; 2) one-half on or before February 28 and the remaining one-half on or before June 15. The Hinsdale County Treasurer collects all property taxes. District taxes are received by the 10th of the month following the month of collection.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted for all funds on a basis consistent with GAAP, with two exceptions. The June 30 accrual for unpaid salaries and severance pay in the General Fund is not budgeted. Property tax revenue received from the County treasurer in July is not budgeted in the General fund.

Hinsdale County School District No. RE-1
Notes to Financial Statements

In June, the Board of Education adopts the budget for the following fiscal year. The District submits its adopted (revised) budget to CDE on or before January 31 in the approved format. The Board may amend or adopt supplemental budgets during the budget year.

B. Budgeted level of expenditures

Expenditures may not legally exceed appropriations at the fund level. Administrative control is maintained through the use of detailed line-item budgets. Budgets must be amended at the fund level by the Board of Education. At year-end, all appropriations lapse in accordance with Colorado statutes.

The Capital Reserve Special Revenue fund expenditures are made pursuant to an annual resolution adopted by the Board of Education. Appropriations for capital expenditures are carried forward until such time as the projects are completed or terminated. At year end, appropriations for any incomplete projects will be carried into the next year and added to the new year's budget. This procedure allows for accurate presentation of budget to actual expenditures.

C. Budget Compliance

The District received Secure Rural School funding in fiscal year 2010. A portion of this funding was appropriated for capital outlay in the Capital Reserve Fund. However, ground improvements of \$128,677 exceeded the total appropriation of \$124,483, which included a supplemental budget of \$99,483.

NOTE 3 – CASH AND INVESTMENTS

Cash consists of the following at June 30, 2010:

Demand accounts	\$ 667,891
COLOTRUST	701,715
Total Cash	<u>\$ 1,369,606</u>

Cash at June 30, 2010 appears in the financial statements as summarized below:

Cash and investments-governmental funds, balance sheet	\$1,369,606
Cash and investments-governmental activities, statement of net assets	\$1,369,606

Deposits

The district's deposits are governed by Colorado statute. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories; eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is 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 the aggregate uninsured deposits. All deposits of the District are insured or collateralized with securities held by or for the entity.

At year-end, the carrying amount of the district's bank accounts were \$667,891 and the bank balances were \$727,596. Of the bank balances, \$400,446 was covered by federal depository insurance. The remaining

Hinsdale County School District No. RE-1
Notes to Financial Statements

\$327,150 was collateralized with securities held in a single financial institution collateral pool, in accordance with Title II, Article 10.5 of the Colorado Revised statutes.

The District is invested in the Colorado Government Liquid asset Trust (COLOTRUST), an investment vehicle established for local government entities in Colorado pursuant to Part 7 of article 75 of the Colorado revised Statutes. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. The fair value of the position in the pool is the same as the value of the pool shares. The designated custodial bank provides safe keeping and depository services in connection with the direct investments and withdrawal functions, substantially all securities owned by the pool are held by the Federal Reserve Bank in the account maintained by the custodial bank. The pool carried a AAA rating from Standard & Poor's.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 was as follows:

	07/01/2009	Increase	Decrease	6/30/2010
Governmental activities				
Capital assets not being depreciated:				
Land and improvements	\$ 633,903	\$ -	\$ -	\$ 633,903
Capital assets being depreciated:				
Buildings and building improvements	2,122,246	128,677	-	2,250,923
Equipment	29,514	-	-	29,514
Transportation equipment	196,070	-	18,528	177,542
Total capital assets being depreciated	2,347,830	128,677	18,528	2,457,979
Less accumulated depreciation for:				
Buildings and building improvements	314,261	20,337	-	334,598
Equipment	9,475	3,820	-	13,295
Transportation equipment	125,831	20,502	18,528	127,805
Total accumulated depreciation	449,567	44,659	18,528	475,698
Total capital assets being depreciated, net	1,898,263			1,982,281
Governmental activities capital assets, net	<u>\$ 2,532,166</u>			<u>\$ 2,616,184</u>

Depreciation expense was charged for the instructional program of the primary government.

NOTE 5 – LONG-TERM DEBT AND LOAN PAYABLE

Long-term liability activity for the year ended June 30, 2010 was as follows:

	Balance 7/1/2009	Increase	Decrease	Balance 6/30/2010	Due Within One Year
Governmental activities:					
General Obligation Bonds	\$ 885,000	\$ -	\$ 50,000	\$ 835,000	\$ 55,000
Total long-term liabilities	<u>\$ 885,000</u>	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ 835,000</u>	<u>\$ 55,000</u>

General Obligation Bonds, Series 2001

In 2001 the District issued \$1,166,982 of General Obligation Series 2001 Bonds. The proceeds of the bond issue were used to improve and equip the existing school buildings. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

Hinsdale County School District No. RE-1
Notes to Financial Statements

Debt service for the 2001 bonds is accounted for in the Bond Redemption fund. In March 2010 the District switched from American National Bank to UMB Corporate Trust Services as the bond registrar and paying agent for the 2001 Bonds.

Debt service requirements to maturity for general obligation bonds are as follows:

Year	Principal	Interest	Total	Interest Rate
2010	55,000	41,555	96,555	4.40%
2011	55,000	39,135	94,135	4.55%
2012	60,000	36,633	96,633	4.65%
2013	60,000	33,842	93,842	4.80%
2014	65,000	30,963	95,963	4.90%
2015-2019	365,000	103,817	468,817	4.90%-5.20%
2020-2021	175,000	13,780	188,780	5.20%
Total	<u>\$ 835,000</u>	<u>\$ 299,725</u>	<u>\$ 1,134,725</u>	

NOTE 6 – FUND BALANCES

General Fund – Budgetary

At June 30, 2010, the District’s General Fund had a stated liability for accrued salaries and fringe benefits in the amount of \$90,808. This liability, occurs when teachers and certain other district employees work nine months of the year, but are paid over a full twelve months. Therefore, for each month these employees work, they earn more than they are paid.

Colorado statutes do not require the liability to be funded or budgeted for until the year in which it is paid. The liability will be paid in the months of July and August, 2010 with property taxes and state funds received in fiscal year 2011.

Colorado school districts’ fiscal years are July through June and teachers’ contract years are September through August. Because of the overlapping periods and Colorado’s unique statutory requirements, a difference exists between the GAAP fund balance and the amount of budgetary fund balance available for carryover and appropriation. In addition, the district does not budget for the property tax revenue accrued at June 30 and received from the County treasurer in July.

NOTE 7 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund transfers as of June 30, 2010 were as follows:

	Transfer In	Transfer Out
General Fund	\$ -	\$ 102,000
Capital Reserve Fund	102,000	-
	<u>\$ 102,000</u>	<u>\$ 102,000</u>

Hinsdale County School District No. RE-1
Notes to Financial Statements

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 Employee's 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 provision to the State Legislature. PERA issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplementary information for the SDTF. That report may be obtained online at www.copera.org or 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).

Funding Policy

The District is required to contribute member and employer contributions to PERA at a rate set by statute. 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 is 8.0% and for the District it is 10.15% of covered salary. A portion of the District's contribution (1.02 percent of covered salary) is allocated for the Health Care Trust Fund (See Note 9). The District is also required to pay an amortization equalization disbursement (AED) equal to 2.20 percent of the total payroll for the calendar year 2010 (1.8 percent of total payroll for the calendar year 2009, and 1.4 percent of total payroll for the calendar year 2008). Additionally, the District is required to pay a supplemental amortization equalization disbursement (SAED) equal to 1.5 percent of the total payroll for the calendar year 2009 (1.0 percent of total payroll for the calendar year 2008, and 0.50 percent of total payroll for the calendar year ended 2008). If the District rehires a PERA retiree as an employee or under any other work arrangement, it is required to report and pay employer contributions (including AED and SAED) on the amounts paid for the retiree, however no member contributions are required. The District's contribution to the SDTF for the fiscal years ended June 30, 2008, 2009 and 2010 were \$70,369, \$83,147 and \$92,646 respectively, equal to the required contributions for each year.

NOTE 9 – POST EMPLOYMENT HEALTH CARE BENEFITS

Plan Description

The District contributes to the Health Care Trust Fund (HCTF), a cost sharing multiple-employer post employment health care trust 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 Comprehensive Annual Financial Report that includes financial statements and required supplementary information for the HCTF. That report may be obtained on line at www.copera.org or 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).

Hinsdale County School District No. RE-1
Notes to Financial Statements

Funding Policy

The District is required to contribute at a rate of 1.02% of covered salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contribution to the HCTF is established under Title 24, Article 51, Section 208 of the Colorado Revised Statutes, as amended. The District's contributions to HCTF for the years ended June 30, 2008, 2009 and 2010 were \$6,774, \$7,385 and \$7,676 respectively, equal to the required contributions for each year.

NOTE 10 – DEFINED CONTRIBUTION PENSION PLAN

Plan Description

Employees of District who are members of the SDTF (see Note 8) may voluntarily contribute to the Voluntary Investment Program (401(k) Plan), an Internal Revenue code Section 401(k) defined contribution plan administered by PERA. Plan participation is voluntary, and contributions are separate from others made to PERA. Title 24, Article 51, Part 14 of the CRS, as amended, assigns the authority to establish the 401(k) Plan to the State Legislature. PERA issues a publicly available Annual Report for Colorado 401(k) and DC Plans. That report may be obtained online at www.copera.org or 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).

Funding Policy

The 401(k) Plan is funded by voluntary member contributions of up to a maximum limit set by the IRS (\$16,500 for the calendar year 2009 and calendar year 2010). Catch-up contributions up to \$5,500 for the calendar year 2009 and the calendar year 2010 were allowed for participants who had attained age 50 before the close of the plan year, subject to the limitations of IRC Sec. 414(v). The contribution requirements for the District are established under Title 24, Article 51, Section 1402 of the Colorado Revised Statutes, as amended. The 401(k) Plan member contributions from the District for the years ended June 30, 2008, 2009 and 2010 were \$13,482, \$4,579 and \$2,280 respectively.

NOTE 11 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; errors and omissions; violation of civil rights; theft of, damage to, and destruction of assets; and natural disasters. These risks are covered by the District's participation as a member of the Colorado School District Self-Insurance Pool, which operates as a risk-sharing public entity risk pool comprised of various school districts and other related public educational entities within the State of Colorado. The Pool provides the District with general, property and vehicle liability insurance. For the fiscal year ended June 30, 2010 the District paid premiums of \$10,853. In the event of the impairment or insolvency of the Pool, the District may be assessed such amounts as may be necessary to ensure the solvency of the Pool. The likelihood of an event of this type occurring is remote.

Hinsdale County School District No. RE-1
Notes to Financial Statements

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Grants – The District receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the District’s independent auditors and other governmental auditors. If expenditures are disallowed due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. Based on prior experience, the District administration believes such disallowance, if any, would be immaterial.

Litigation – The District was not involved in litigations at June 30, 2010.

Tabor Amendment – Colorado voters passed an amendment to the State Constitution, Article X, Section 20, known as the Tabor Amendment, which has several limitations including revenue raising, spending abilities, and other specific requirements of state and local governments. In a general election, voters approved a ballot issue which allows the school district to exceed the revenue limitations.

Required Supplementary Information

HINSDALE COUNTY SCHOOL DISTRICT RE-1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL
GENERAL FUND

For the fiscal year ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Local sources:				
Property taxes	\$ 828,500	\$ 828,500	\$ 986,212	\$ 157,712
Specific ownership tax	68,000	68,000	62,704	(5,296)
Interest and penalties on delinquent taxes	5,500	5,500	7,653	2,153
Investment income	25,000	25,000	3,032	(21,968)
Other local revenue	41,200	41,200	108,477	67,277
Total local sources	<u>968,200</u>	<u>968,200</u>	<u>1,168,078</u>	<u>199,878</u>
State sources:				
State equalization	316,100	316,100	197,211	(118,889)
Transportation	16,500	16,500	13,634	(2,866)
Other state sources	16,200	16,200	6,519	(9,681)
Total state sources	<u>348,800</u>	<u>348,800</u>	<u>217,364</u>	<u>(131,436)</u>
Federal sources:				
Title I	36,000	36,000	24,537	(11,463)
Title II	-	-	5,177	5,177
REAP	14,000	14,000	16,406	2,406
ARRA	-	-	11,238	11,238
Secure Rural Schools	-	-	304,633	304,633
Other federal sources	-	-	574	574
Total federal sources	<u>50,000</u>	<u>50,000</u>	<u>362,565</u>	<u>312,565</u>
Total revenues	<u>1,367,000</u>	<u>1,367,000</u>	<u>1,748,007</u>	<u>381,007</u>
EXPENDITURES				
Current:				
Instructional services:				
Elementary	236,242	236,242	250,260	(14,018)
Middle school	173,830	173,830	163,285	10,545
High school	199,366	199,366	193,814	5,552
Preschool	59,471	59,471	59,570	(99)
Special education	81,653	81,653	79,365	2,288
Total instructional services	<u>750,562</u>	<u>750,562</u>	<u>746,294</u>	<u>4,268</u>

(continued)

HINSDALE COUNTY SCHOOL DISTRICT RE-1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL
GENERAL FUND

For the fiscal year ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Instructional support:				
Student support	47,941	47,941	50,348	(2,407)
Media services	74,474	74,474	82,992	(8,518)
General administration	211,102	211,102	206,366	4,736
Business support	50,206	50,206	49,549	657
Operations and maintenance	121,959	121,959	109,339	12,620
Student transportation	62,962	62,962	41,965	20,997
Community services	8,300	8,300	4,994	3,306
Total support services	<u>576,944</u>	<u>576,944</u>	<u>545,553</u>	<u>31,391</u>
Capital Outlay	-	-	-	-
Total expenditures	<u>1,327,506</u>	<u>1,327,506</u>	<u>1,291,847</u>	<u>35,659</u>
Excess (deficiency) of revenues over (under) expenditures	<u>39,494</u>	<u>39,494</u>	<u>456,160</u>	<u>416,666</u>
OTHER FINANCING SOURCES (USES)				
Transfers	(25,000)	(102,000)	(102,000)	-
Net change in fund balances	14,494	(62,506)	354,160	416,666
Fund balances - beginning	884,402	884,402	884,402	-
Fund balances - ending	<u>\$ 898,896</u>	<u>\$ 821,896</u>	<u>\$ 1,238,562</u>	<u>\$ 416,666</u>

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

HINSDALE COUNTY SCHOOL DISTRICT RE-1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL
CAPITAL RESERVE FUND

For the fiscal year ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Local sources:				
Investment income	\$ -	\$ -	\$ 94	\$ 94
Miscellaneous	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>94</u>	<u>94</u>
EXPENDITURES				
Capital Outlay	<u>25,000</u>	<u>124,483</u>	<u>128,677</u>	<u>(4,194)</u>
Total expenditures	<u>25,000</u>	<u>124,483</u>	<u>128,677</u>	<u>(4,194)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(25,000)</u>	<u>(124,483)</u>	<u>(128,583)</u>	<u>(4,100)</u>
OTHER FINANCING USES				
Transfers In	<u>25,000</u>	<u>102,000</u>	<u>102,000</u>	<u>-</u>
Net change in fund balances	-	(22,483)	(26,583)	(4,100)
Fund balances - beginning	<u>31,581</u>	<u>31,581</u>	<u>31,581</u>	<u>-</u>
Fund balances - ending	<u>\$ 31,581</u>	<u>\$ 9,098</u>	<u>\$ 4,998</u>	<u>\$ (4,100)</u>

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

HINSDALE COUNTY SCHOOL DISTRICT RE-1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
DEBT SERVICE FUND
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual	
REVENUES				
Local sources:				
Property taxes	\$ 96,633	\$ 96,633	\$ 99,536	\$ 2,903
Specific ownership taxes	-	-	6,715	6,715
Investment income	-	-	908	908
Total revenues	96,633	96,633	107,159	10,526
EXPENDITURES				
Current:				
Debt Service				
Principle	50,000	50,000	50,000	-
Interest	46,633	46,633	42,618	4,015
Fees	-	-	423	(423)
Total debt services	96,633	96,633	93,041	3,592
Excess (deficiency) of revenues over (under) expenditures	-	-	14,118	14,118
OTHER FINANCING USES				
Transfers out	-	-	-	-
Net change in fund balances	-	-	14,118	14,118
Fund balances - beginning	136,328	136,328	136,328	-
Fund balances - ending	\$ 136,328	\$ 136,328	\$ 150,446	\$ 14,118

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

Other Supplementary Information