

**CREEDE SCHOOL DISTRICT
CREEDE, COLORADO**

FINANCIAL STATEMENTS

June 30, 2010



CREEDE SCHOOL DISTRICT
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June 30, 2010

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
Creede School District
Creede, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Creede School District (the District), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2010, and the respective changes in financial position and, where applicable, cash flows and the respective budgetary comparison for the General Fund and Major Special Revenue Fund, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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



Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's, basic financial statements as a whole. The schedules and reports listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Wall, Smith, Bateman and Associates, Inc.

Wall, Smith, Bateman and Associates, Inc.
Alamosa, Colorado

October 26, 2010



Creede School District
Management Discussion & Analysis
For the Fiscal Year Ended June 30, 2010

The Creede School District utilizes a financial reporting model as required by the provisions of Governmental Accounting Standards Board (GASB).

Financial Highlights

Fiscal Year Ended June 30, 2009	Fiscal Year Ended June 30, 2010
<ul style="list-style-type: none"> • The District's assets totaled over \$2.34 million. Capital assets reached \$848.7 thousand following adjustment for accumulated depreciation. 	<ul style="list-style-type: none"> • The District's assets totaled over \$2.52 million. Capital assets totaled \$857.1 thousand following adjustment for accumulated depreciation.
<ul style="list-style-type: none"> • Excluding employee sick-day buybacks, the District is unencumbered by long-term liabilities. 	<ul style="list-style-type: none"> • Excluding employee sick-day buybacks, the District is unencumbered by long-term liabilities.
<ul style="list-style-type: none"> • Local Sources of Revenue, including property taxes received, accounted for approximately \$822.9 thousand or approximately 44 percent of all general fund revenues. Local Sources of Revenue received were \$11.6 thousand less than expected. State Equalization monies made up the majority of District revenues. 	<ul style="list-style-type: none"> • Local Sources of Revenue, including property taxes received, account for approximately \$758.1 thousand or approximately 37 percent of all general fund revenues. Local Sources of Revenue received were \$36 thousand more than anticipated. State Equalization Entitlement continued to make up the majority of District revenues despite rescissions made by the state to all school districts during the fiscal year.
<ul style="list-style-type: none"> • The District had \$1.78 million in expenses related to governmental activities. Total revenues were adequate to provide for these activities. 	<ul style="list-style-type: none"> • The District had \$1.91 million in expenses related to governmental activities. Total revenues were adequate to provide for these activities.
<ul style="list-style-type: none"> • Operating Grants and Contributions combined for a total of more than \$125.0 thousand. 	<ul style="list-style-type: none"> • Operating Grants and Contributions combined for a total of more than \$491.4 thousand. The increase is due to monies received by the Secure Rural Schools Act totaling \$337.3 thousand. This Act will terminate following the SY2011-2012.
<ul style="list-style-type: none"> • Food services are the exclusive business-type activity for the District. Revenue realized from charges and operating grants and contributions approximated \$32.6 thousand. Revenue in the food service fund from charges for services and operating grants and contributions was insufficient to cover expenses in the 2009 fiscal year. The District subsidizes this service. 	<ul style="list-style-type: none"> • Food services are the exclusive business-type activity for the District. Revenue realized from charges and operating grants and contributions approximated \$33.2 thousand. Revenue in the food service fund from charges for services and operating grants and contributions was insufficient to cover expenses in the 2010 fiscal year. The District continues to subsidize this service.



Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- The governmental funds statements tell how basic services such as instruction were financed in the short term as well as what remains for future spending.
- Proprietary funds statements offer short-and long-term financial information about the activities the District operates like businesses, such as food service.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide data that are more detailed. The statements are followed by a section of required supplementary information that further explains and supports the financial statements, and includes a comparison to the District's budget for the year.

District-Wide Financial Statements

The district-wide financial statements are designed to provide 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 Creede School District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Creede School District is improving or deteriorating. To assess the District's overall health, one needs to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

The statement of activities presents information showing how the District'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. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and accrued salaries).

Both of the district-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (government 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). Included in governmental activities are most of the District's basic services such as regular and special education, transportation, and administration. The only services accounted for as business-type activities are the District's food services.

The district-wide financial statements can be found on pages 13-14 of this report.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds, not the District as a whole. Funds are accounting devices the District uses to track specific sources of funding and spending on particular programs. The Creede School District, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District's funds are divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) balances remaining at year-end which are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine financial resources that may be available in the near term to finance the District's programs. Because this information does not encompass the long-term focus of the district-wide statements, additional information following governmental funds statements (see pages 16 and 18) explains the relationship (or differences) between them.

Creede School District maintains two 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 (1) general fund and (2) the capital reserve fund.

Proprietary funds: The Creede School District maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the district-wide financial statements. Creede School District uses enterprise funds to account for its food services.

Proprietary funds provide the same type of information as the district-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the food services fund as it is the sole proprietary fund.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government, such as scholarship funds and student activity funds. The district is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. Fiduciary funds are not reflected in the district-wide financial statements because the resources of those funds are not available to support the District's own programs.



Notes to the Financial Statements

The notes provide additional information meaningful to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found in Figure A and on page 9 of this report.

Figure A Major Features of the District-Wide and Fund Financial Statements				
	<i>District-Wide Statements</i>	<i>Fund Financial Statements</i>		
		<i>Governmental Funds</i>	<i>Proprietary Funds</i>	<i>Fiduciary Funds</i>
<i>Scope</i>	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
<i>Required Financial Statements</i>	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of revenues, expenses, and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets
<i>Accounting Basis and Measurement Focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of Asset/Liability Information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
<i>Type of Inflow/Outflow Information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

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District-Wide Financial Analysis

Table 1 provides a comparison summary of the district's net assets at June 30, 2009 with net assets at June 30, 2010.

Table 1						
Condensed Statement of Net Assets (in thousands)						
	Governmental Activities		Business-type Activities		Total School District	
	SY 2009	SY 2010	SY 2009	SY 2010	SY 2009	SY 2010
Current and Other Assets	1,724.7	1,883.9	9.0	33.7	1,733.7	1,917.7
Capital Assets, Net	848.7	857.0	0	0	848.7	857.0
Total assets	2,573.5	2,741.0	9.0	33.7	2,582.5	2,774.8
Long-Term Debt Outstanding	10.2	9.8	0	0	10.2	9.8
Other Liabilities	230.7	240.4	0	0	230.7	240.4
Total Liabilities	240.9	250.3	0	0	240.9	250.3
Net assets						
Invested in Cap Assets, Net of Related Debt	848.7	857.0	0	0	848.7	857.0
TABOR Amendment Reserve	56.0	56.0	0	0	56.0	56.0
Preschool	0	6.1	0	0	0	6.1
Unrestricted	1,427.8	1,571.6	9.0	33.7	1,436.8	1,605.3
Total Net Assets at June 30	2,332.5	2,490.7	9.0	33.7	2,341.5	2,524.4
<i>Note: totals may not equal sum due to rounding and adherence to auditor's financial statements</i>						

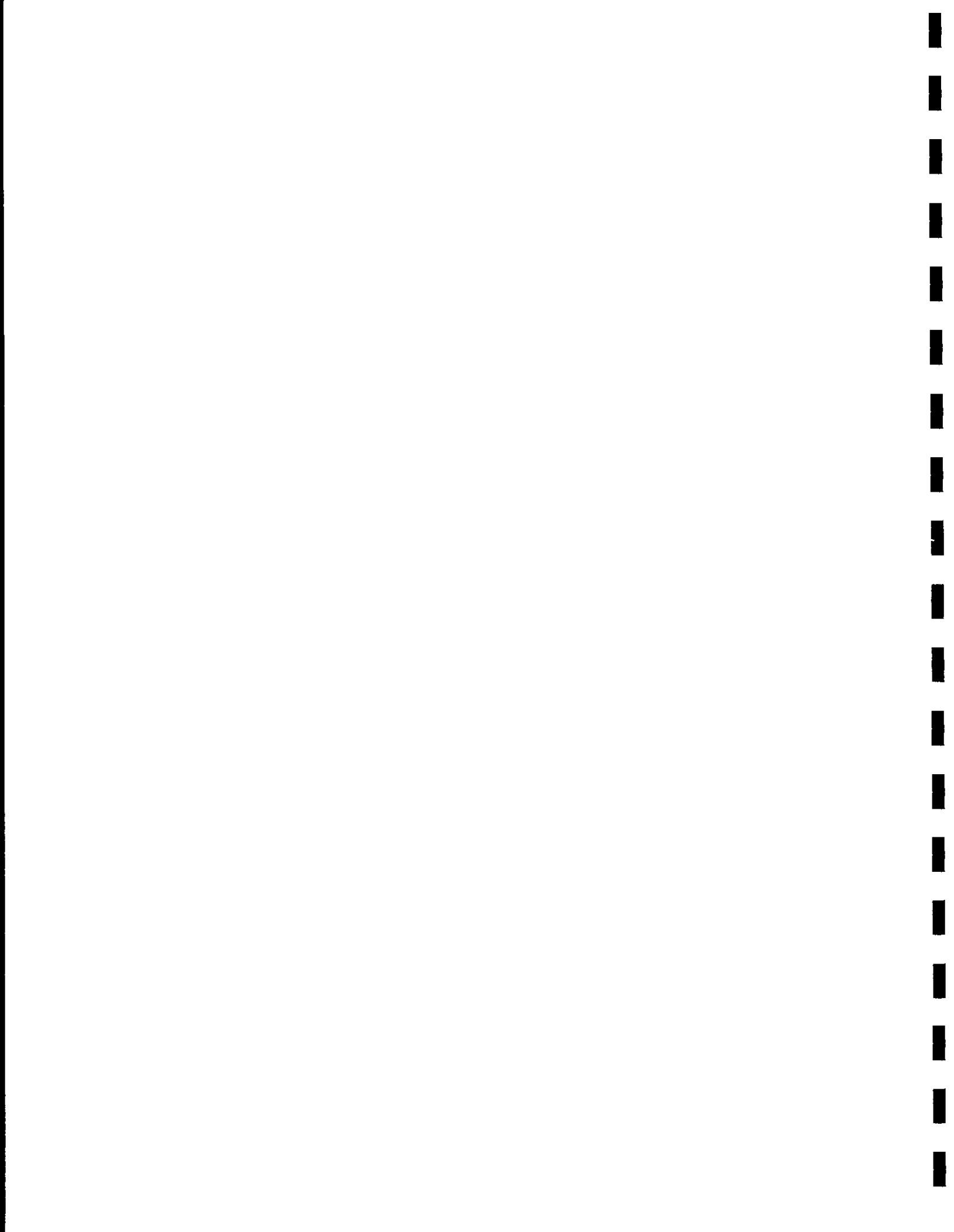


Table 2 provides a summary of the changes in net assets. Following Table 2 is a specific discussion related to overall revenues and expenses.

Table 2						
Net Assets from Operating Results (in thousands)						
	Governmental Activities		Business-type Activities		Total School District	
	SY 2009	SY 2010	SY 2009	SY 2010	SY 2009	SY 2010
Revenues						
Program Revenues						
Charges for Services	-	-	32.6	33.2	32.6	33.2
Operating Grants and Contributions	109.5	495.4	15.5	14.2	125.0	509.6
Capital Grants/Restricted Invest Earnings						
Total Program Revenues	109.5	495.4	48.1	47.4	157.6	542.8
General Revenues						
Property Taxes - Net	685.4	749.8	-	-	685.4	749.8
Other Taxes	95.0	78.8	-	-	95.0	78.8
State Equalization	928.6	790.5	-	-	928.6	790.5
Interest on Investments	21.4	7.7	-	-	21.4	7.7
Other	47.7	19.9	-	-	47.7	19.9
Total General Revenues	1,778.2	1,646.9	34.6	0.0	1,778.2	1,646.9
Total Revenues	1,887.6	2,142.3	82.7	47.4	1,935.8	2,189.7
Expenses						
Instructional Program	1,149.1	1,191.9	-	-	1,149.1	1,191.9
Support Services:						
Student	36.5	42.1	-	-	36.5	42.1
Instructional Staff	30.3	32.6	-	-	30.3	32.6
General Administration	159.7	162.7	-	-	159.7	162.7
School Administration	45.0	33.1	-	-	45.0	33.1
Business	26.0	29.2	-	-	26.0	29.2
Operations and Maintenance of Plant	192.3	185.1	-	-	192.3	185.1
Student Transportation	63.8	77.9	-	-	63.8	77.9
Central	72.2	93.6	-	-	72.2	93.6
Facilities Acquisition & Construction	4.2	65.5	-	-	4.2	65.5
Food Service Operations			92.3	92.6	92.3	92.6
Total Expenses	1,779.1	1,914.1	92.3	92.6	1,871.4	2,006.8
Increase (Decrease) in Revenues	108.5	228.1	(44.2)	(45.2)	64.3	182.9
Transfers Out	(34.6)	(70.0)	34.6	70.0	-	-
Increase (Decrease) in Net Assets	73.9	158.1	(9.6)	24.7	64.3	182.9
Net Assets Ending Balance	2,332.5	2,490.7	9.0	33.7	2,341.5	2,524.4

Note: totals may not add due to rounding, and adherence to auditor's financial statements

Property taxes and per pupil state formula revenue (state equalization) account for most of the District's revenue, contributing about 34 cents and 36 cents respectively for every dollar raised (see Table 3). Another 23 cents came from grants and contributions with the remainder from fees charged for services and miscellaneous sources. A significant increase to Operating Grants prevented a substantial reduction to Net Assets. It is uncertain if Congress will continue the Secure Rural Schools Act that was the main source of Operating Grants. The Secure Rural Schools grant totaled over \$330,000.

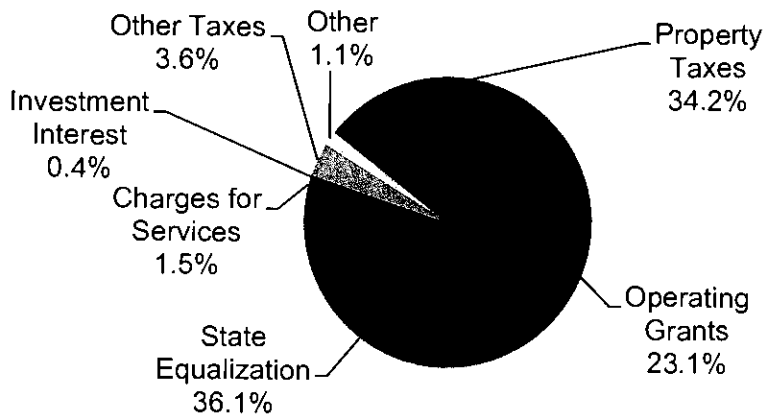
The District expenses predominantly relate to instruction and support services, which includes support for students and instructional staff, administration, operations, and maintenance.



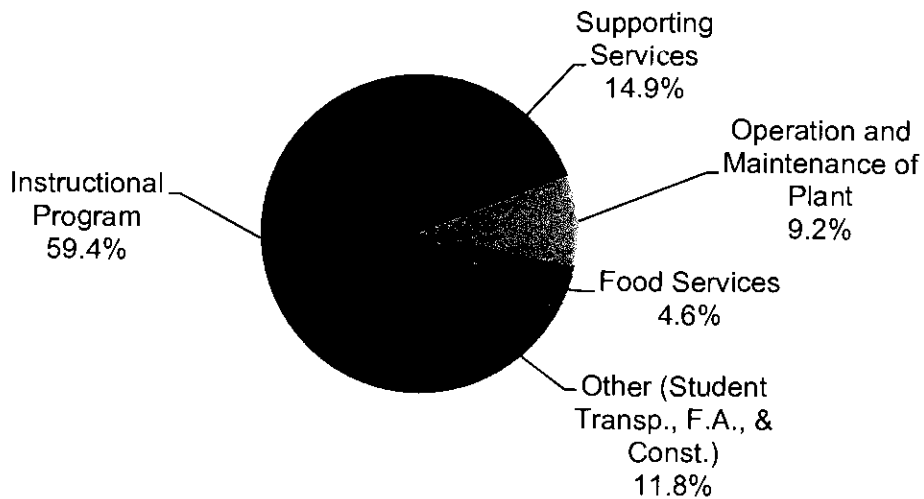
Given that Creede School District is a service organization providing education services to students, the majority of expenses are paid in the form of compensation (salaries and benefits) to the District's employees.

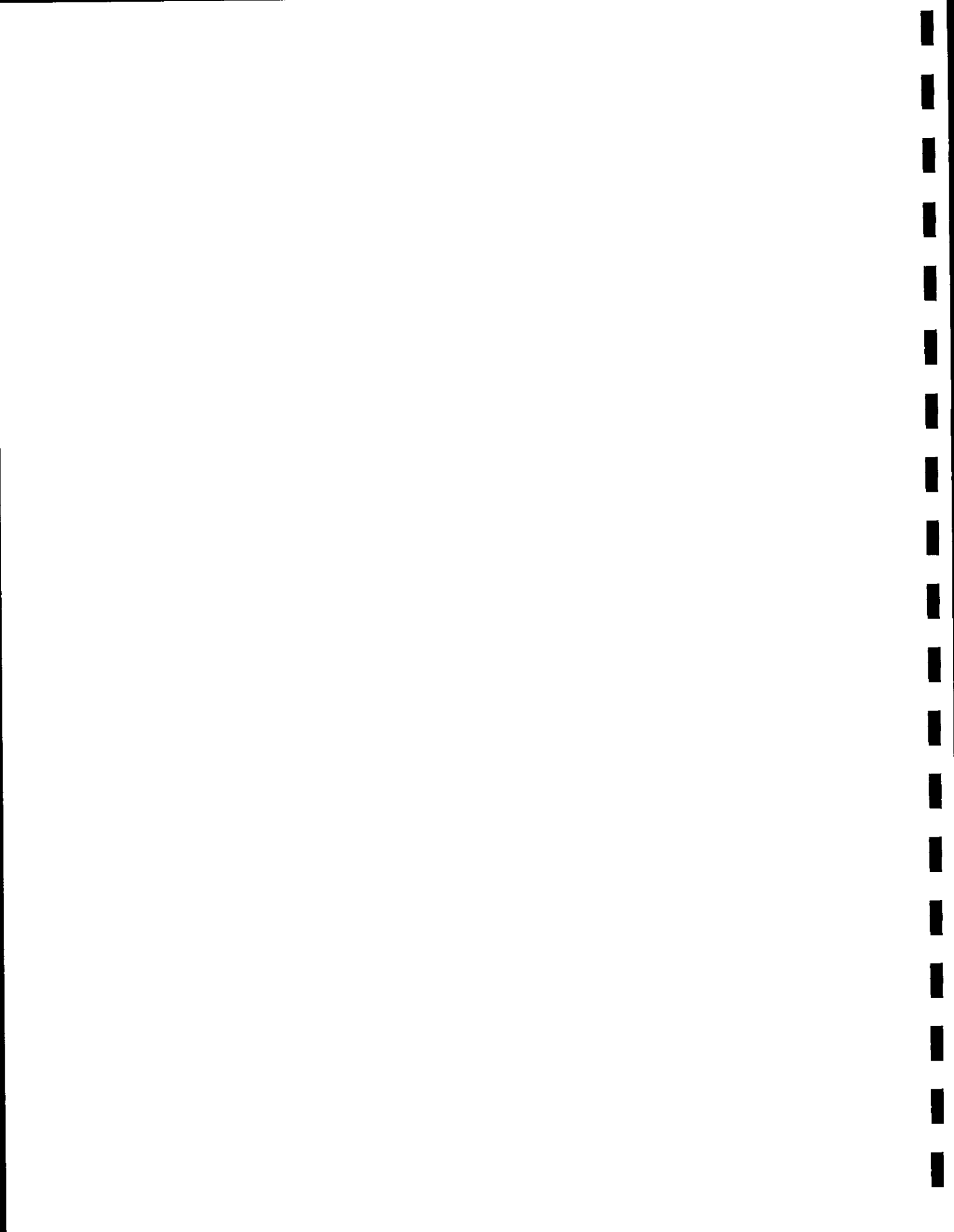
Detailed below in Tables 3 and 4 are charts displaying revenues by source and expenses by program for the total school district.

**Table 3
Sources of Revenue
Fiscal Year 2010**



**Table 4
Expenses
Fiscal Year 2010**





Governmental Activities

The primary source of operating revenue for school districts comes from the School Finance Act of 1994. Under this act, the District received \$13,481.97 per funded student. In fiscal year 2009-2010, the averaged funded pupil count was 113.9 – based on a five-year average. Funding for the school finance act comes from property taxes, specific ownership taxes, and state equalization. The district receives approximately 36 percent of this funding from state equalization while the remaining amounts come from property taxes and specific ownership tax. State law allows school districts to obtain an additional 34 percent of funding from local property taxes. This is accomplished by successfully passing a mill levy override ballot question. The voters of Mineral County passed the required mill levy override.

The statement of activities provides the cost of program services and the related charges for services and grants offsetting those costs. Table 5 reflects each program's net cost (total cost less fees generated by the programs and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these programs.

	Total Cost of Services		Net Cost of Services	
	SY 2009	SY 2010	SY 2009	SY 2010
Instructional Program	1,149.1	1,191.9	1,067.1	745.2
Students	36.5	42.1	36.5	42.1
Instructional Supporting Services	30.3	32.7	30.3	32.7
General Administration	159.7	162.7	159.7	162.7
School Administration	45.0	33.1	45.0	33.1
Business Supporting Services	26.0	29.2	26.0	29.2
Operations and Maintenance	192.3	185.2	192.3	185.2
Student Transportation	63.8	77.9	36.2	47.5
Central Support Services	72.2	93.6	72.2	93.6
Facilities Acquisition / Construction	4.2	65.5	4.2	65.5
Total	1,779.1	1,914.2	1,669.7	1,437.0

Note: totals may not add due to rounding and adherence to auditor's financial statements

- The net cost of all governmental activities this year was \$1,437.0.
- Federal and State governments subsidized certain programs with grants and contributions amounting to \$491,402 for Year Ended June 30, 2010, compared to \$124,989 for Year Ended June 30, 2009.
- Most of the District's costs (\$1,914.1 thousand), however, were financed by District and State taxpayers.
- This portion of governmental activities was financed with \$749.8 thousand in property taxes, \$790.5 thousand in state aid (equalization) based on the statewide formula for per pupil funding, and \$7.7 thousand in investment earnings and other miscellaneous revenues not pertaining specifically to a program. By comparison, for Year Ended June 30, 2009, governmental activities were financed with \$685.4 thousand in property taxes,



\$928.6 thousand in state aid and \$21.4 thousand in investment earnings and other miscellaneous revenues not pertaining specifically to a program.

Business-type Activities

For Year Ended June 30, 2010, Business-type activities increased the District's net assets by \$24.7 thousand. The previous year's Business-type activities decreased the District's net assets by \$9.6 thousand. Business-type activities receive no support from tax revenue.

Financial Analysis of the District's Funds

District's funds are accounted for using the modified accrual basis of accounting. All governmental funds, for the Year Ended June 30, 2010, had total revenues of \$2,142.3 thousand and expenditures of \$1,922.8 thousand. By comparison, for the Year Ended June 30, 2009, governmental funds had total revenues of \$1,887.6 thousand and expenditures of \$1,768.9 thousand.

General Fund Budgetary Highlights

The District approves a budget in June based on enrollment projections for the following school year.

The fund balance as of June 30, 2009 (budgetary basis) was \$1,419.1 thousand, compared to \$1,592.3 thousand as of June 30, 2010, including \$56.0 thousand for TABOR Amendment emergency reserves. The budgetary basis differs from Generally Accepted Accounting Principles (GAAP) in the treatment of accrued salaries, benefits, and related liabilities. According to state statutes, the accrued salaries and related benefits do not need to be "funded" and, therefore, are not subtracted from budgetary basis fund balance.

Total local sources of revenue exceeded budget expectations by \$18,086, although state sources were \$44,496 less than anticipated. The largest unexpected change to revenues was the grant money received from the Secure Rural Schools Act that increased federal sources by \$337,284 more than had been budgeted for FY2009-10. This grant allowed the District to meet all expenditures.

Cost saving measures throughout most expenditure categories allowed the District to decrease budgeted expenditures by \$224,115.

The combination of increased revenues and decreased expenditures resulted in an excess of revenues over expenditures of \$561,397. This increase provided an ending fund balance of \$1,131,621; exceeding the recommended minimum three months of operating expenses. This beginning fund balance may prove pivotal in maintaining the quality of education provided by the Creede School District with the current state budget problems.



Capital Assets

By the end of the fiscal year 2010, the District had invested \$857.1 thousand in a broad range of capital assets, including land, buildings, site improvements, vehicles, and other equipment. (See Table 6)

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2009	2010	2009	2010	2009	2010	
Land	366.8	366.8	-	-	366.8	366.8	0.0%
CIP*	14.3	-	-	-	14.3	-	(100.0%)
Buildings	413.8	384.0	-	-	413.8	384.0	(7.2%)
Vehicles	40.7	81.7	-	-	40.7	81.7	100.7%
Equipment	13.1	24.6	-	-	13.1	24.6	87.8%
Total	848.7	857.1	-	-	848.7	857.1	1.0%

*CIP = Construction In Progress

Long-Term Debt

At year-end, the District had no long-term debt.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could affect its financial health in the future.

- Information from the 2009-2010 student enrollment "October count" shows that the Creede School District had 13.3 fewer averaged funded pupil count FTE's (Full-Time Equivalent) than the prior year, resulting in a reduction in revenue from the funded pupil count of approximately \$133 thousand.
- State Rescission: During the course of the school year, the state rescinded 6.35% of original expected revenue to all school districts as a 'State Budget Stabilization Factor.' This resulted in more than \$92,000 being deducted from the Creede School District budget. This deduction added to the reduction in revenue from student enrollment accounted for a decrease in revenues, from the prior year, of more than \$225,000.
- Secure Rural Schools Act: The Secure Rural Schools and Community Self-Determination Act (SRS) provides funding to districts to offset some of the loss of timber revenues in counties with national forests. First authorized in 2000, the Secure Rural Schools Act was an attempt to help counties and schools adjust to dramatic decreases in funding resulting from restrictions on timbering in National Forests located in their jurisdictions. The Act was renewed in 2008. About \$419 million in SRS funding was allocated in 2010 to 729 rural counties, parishes, and boroughs in 41 states. The federal legislation that provides the funding is set to expire in 2011. Whether or not it will be



renewed is uncertain.¹ Creede School District received \$337,284 from the Act during SY2009-2010.

- Students attending the Creede schools from outside the district accounted for 29% of the total enrollment. This is up 5% from the previous year. Lamb Elementary had 31% of its enrollment from outside the district and Creede Junior and Senior High Schools had 27%. Beginning the second semester of SY2010-2011, the sixth grade will transfer to the secondary building. At that time, 'Creede Junior High' will be renamed 'Creede Middle School' and will include grades six through eight.
- The District has two part-time and seventeen full-time teachers. It also employees one full-time administrator, two part-time administrators, six full time support staff, three part-time support staff, one teacher's aide, and one part-time special needs driver. The average teacher's salary in the district is \$39,701 compared to the state average of \$48,487² and a national average of \$48,638³.

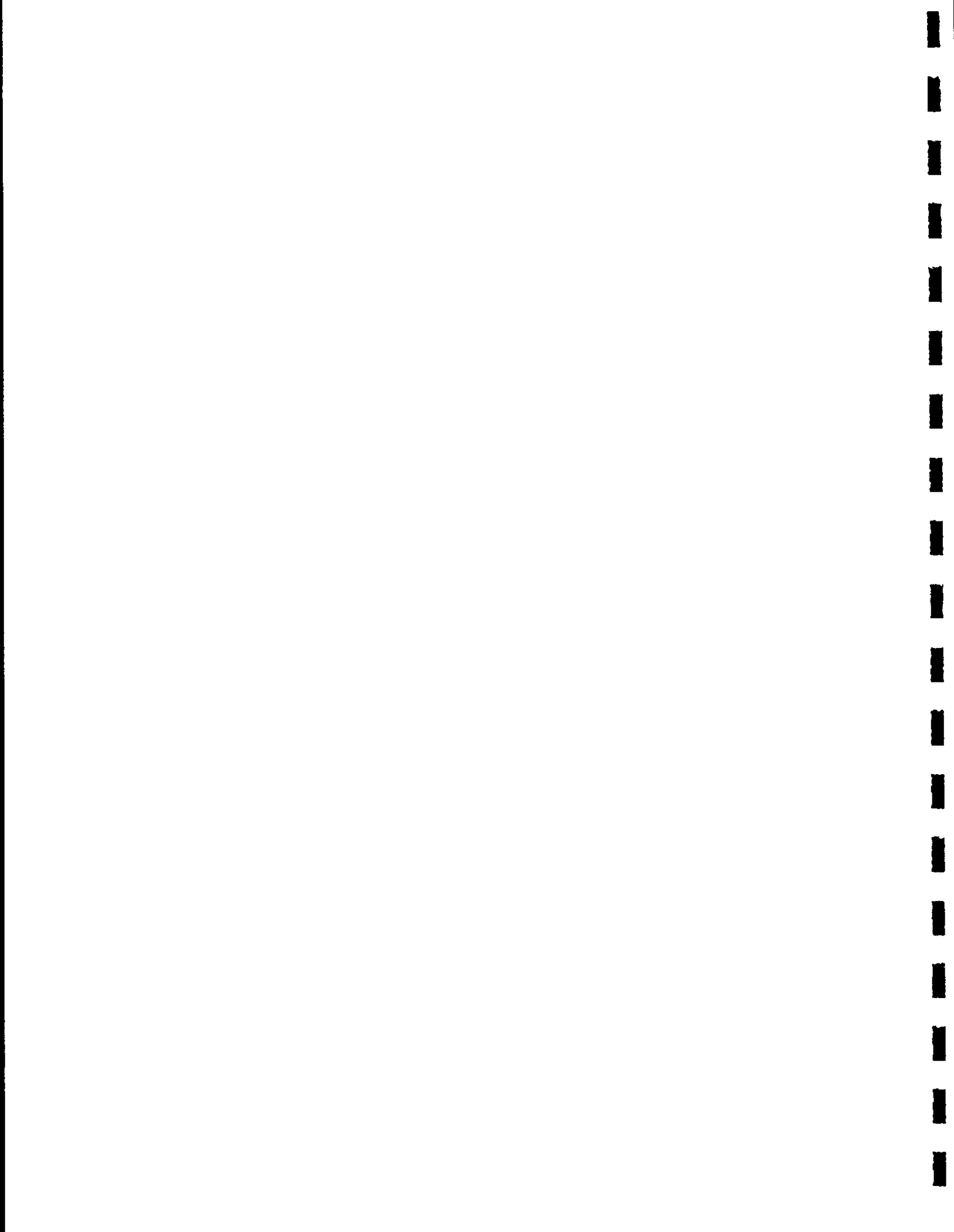
Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Superintendent, Creede School District, PO Box 429, Creede, Colorado 81130.

¹ *The Rural School and Community Trust*. <<http://www.ruraledu.org/articles.php?id=2554>>, last updated September 28, 2010.

² *Rankings of the States 2009 and Estimates of School Statistics 2010*, p. 19, <<http://www.nea.org/assets/docs/010rankings.pdf>>, accessed on October 21, 2010.

³ Ibid.



CREEDE SCHOOL DISTRICT
BASIC FINANCIAL STATEMENTS

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CREEDE SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2010

	<u>Primary Government</u>		<u>TOTAL</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 1,804,321	\$ 31,580	\$ 1,835,901
Property Taxes Receivable	14,032	-	14,032
Due from Other Governments	65,636	-	65,636
Inventories	-	2,176	2,176
Total Current Assets	<u>1,883,989</u>	<u>33,756</u>	<u>1,917,745</u>
Noncurrent Assets			
Capital Assets:			
Land	366,838	-	366,838
Buildings	2,346,546	-	2,346,546
Machinery and Equipment	218,224	28,616	246,840
Less: Accumulated Depreciation	(2,074,522)	(28,616)	(2,103,138)
Total Noncurrent Assets	<u>857,086</u>	<u>-</u>	<u>857,086</u>
TOTAL ASSETS	<u>2,741,075</u>	<u>33,756</u>	<u>2,774,831</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	63,053	-	63,053
Accrued Salaries and Benefits	163,402	-	163,402
Deferred Tax Revenue	14,032	-	14,032
Total Current Liabilities	<u>240,487</u>	<u>-</u>	<u>240,487</u>
Noncurrent Liabilities			
Compensated Absences	9,882	-	9,882
TOTAL LIABILITIES	<u>250,369</u>	<u>-</u>	<u>250,369</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	857,086	-	857,086
Restricted for:			
TABOR	56,000	-	56,000
Preschool	6,058	-	6,058
Unrestricted	1,571,562	33,756	1,605,318
TOTAL NET ASSETS	<u>\$ 2,490,706</u>	<u>\$ 33,756</u>	<u>\$ 2,524,462</u>

**CREEDE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Fiscal Year Ended June 30, 2010**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	TOTAL
Primary Government:							
Governmental Activities:							
Instructional Program	\$ 1,191,964	\$ -	\$ 464,938	\$ -	\$ (727,026)	\$ -	\$ (727,026)
Student Supporting Services	42,141	-	-	-	(42,141)	-	(42,141)
Instructional Staff Supporting Services	32,659	-	-	-	(32,659)	-	(32,659)
General Administration Supporting Services	162,739	-	-	-	(162,739)	-	(162,739)
School Administration Supporting Services	33,152	-	-	-	(33,152)	-	(33,152)
Business Supporting Services	29,238	-	-	-	(29,238)	-	(29,238)
Operations & Maintenance of Plant Services	185,187	-	-	-	(185,187)	-	(185,187)
Student Transportation Services	77,943	-	30,466	-	(47,477)	-	(47,477)
Central Support Services	93,612	-	-	-	(93,612)	-	(93,612)
Facilities Acquisition and Construction Services	65,533	-	-	-	(65,533)	-	(65,533)
Total Governmental Activities	1,914,168	-	495,404	-	(1,418,764)	-	(1,418,764)
Business-Type Activities:							
Food services	92,687	33,230	14,223	-	-	(45,234)	(45,234)
Total Business-Type Activities	92,687	33,230	14,223	-	-	(45,234)	(45,234)
Total Primary Government	\$ 2,006,855	\$ 33,230	\$ 509,627	\$ -	(1,418,764)	(45,234)	(1,463,998)
General Revenues:							
Taxes:							
General Property Taxes - Net					749,847	-	749,847
Other Taxes					78,812	-	78,812
State Equalization					790,551	-	790,551
Interest on Investments					7,794	-	7,794
Miscellaneous					19,916	-	19,916
Transfers					(70,000)	70,000	-
Total General Revenues					1,576,920	70,000	1,646,920
Change in Net Assets					158,156	24,766	182,922
Net Assets - Beginning					2,332,550	8,990	2,341,540
Net Assets - Ending					\$ 2,490,706	\$ 33,756	\$ 2,524,462

See Notes to the Basic Financial Statements

**CREEDE SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2010**

	<u>GENERAL FUND</u>	<u>CAPITAL RESERVE FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS			
Cash and Cash Equivalents	\$ 1,716,695	\$ 87,626	\$ 1,804,321
Property Taxes Receivable	14,032	-	14,032
Due from Other Governments	65,636	-	65,636
TOTAL ASSETS	<u>\$ 1,796,363</u>	<u>\$ 87,626</u>	<u>\$ 1,883,989</u>
LIABILITIES AND FUND EQUITY			
Liabilities			
Accounts Payable	\$ 26,606	\$ 36,447	\$ 63,053
Accrued Salaries and Benefits	163,402	-	163,402
Deferred Property Tax Revenue	14,032	-	14,032
TOTAL LIABILITIES	<u>204,040</u>	<u>36,447</u>	<u>240,487</u>
Fund Balance			
Reserved for:			
TABOR	56,000	-	56,000
Preschool	6,058	-	6,058
Unreserved:			
Designated for Subsequent Years	93,408	35,000	128,408
Undesignated:			
General Fund	1,436,857	-	1,436,857
Special Revenue Fund	-	16,179	16,179
Total Fund Balance	<u>1,592,323</u>	<u>51,179</u>	<u>1,643,502</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,796,363</u>	<u>\$ 87,626</u>	<u>\$ 1,883,989</u>

CREEDE SCHOOL DISTRICT
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO THE STATEMENT OF NET ASSETS
June 30, 2010

Total governmental fund balances	\$	1,643,502
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		857,086
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Compensated Absences	\$	(9,882)
		(9,882)
Net assets of governmental activities	\$	2,490,706

**CREEDE SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES
For the Year Ended June 30, 2010**

	<u>GENERAL FUND</u>	<u>CAPITAL RESERVE FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES			
Local Sources	\$ 739,930	\$ 116,438	\$ 856,368
State Sources	845,114	-	845,114
Federal Sources	440,841	-	440,841
TOTAL REVENUES	<u>2,025,885</u>	<u>116,438</u>	<u>2,142,323</u>
EXPENDITURES			
Instructional Program	1,167,130	-	1,167,130
Student Supporting Services	42,141	-	42,141
Instructional Staff Supporting Services	28,259	-	28,259
General Administration Supporting Services	161,134	-	161,134
School Administration Supporting Services	31,765	1,387	33,152
Business Supporting Services	29,238	-	29,238
Operations and Maintenance of Plant Services	179,468	6,742	186,210
Student Transportation Services	52,421	66,492	118,913
Central Support Services	91,134	-	91,134
Facilities Acquisition and Construction Services	-	65,533	65,533
TOTAL EXPENDITURES	<u>1,782,690</u>	<u>140,154</u>	<u>1,922,844</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>243,195</u>	<u>(23,716)</u>	<u>219,479</u>
OTHER FINANCING SOURCES (USES)			
Transfers Out	<u>(70,000)</u>	<u>-</u>	<u>(70,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(70,000)</u>	<u>-</u>	<u>(70,000)</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	173,195	(23,716)	149,479
Fund Balance at Beginning of Year	<u>1,419,128</u>	<u>74,895</u>	<u>1,494,023</u>
Fund Balance at End of Year	<u>\$ 1,592,323</u>	<u>\$ 51,179</u>	<u>\$ 1,643,502</u>

**CREEDE SCHOOL DISTRICT
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 change in fund balances - total governmental funds \$ 149,479

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

Governmental funds report capital outlays as expenditures. However, in the statements of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Fixed Asset Additions	\$	85,071	
Depreciation expense		(53,993)	
Fixed asset deletions net of accumulated depreciation		(22,739)	
Excess of capital outlay over depreciation			8,339

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences			338
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Change in net assets of governmental funds \$ 158,156

CREEDE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2010

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
				<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
REVENUES				
Local Sources				
Property Taxes, Net	\$ 613,241	\$ 643,027	\$ 749,847	\$ 106,820
Property Taxes Allocation	(58,163)	(75,105)	(116,439)	(41,334)
Specific Ownership Taxes	86,902	86,902	77,488	(9,414)
Delinquent Taxes and Interest	1,000	1,000	1,324	324
Earnings on Investments	57,020	57,020	7,794	(49,226)
Pupil Activities	6,500	6,500	5,364	(1,136)
Other Taxes from Local Sources	2,500	2,500	-	(2,500)
Other Revenue from Local Sources	-	-	14,552	14,552
Total Local Sources	<u>709,000</u>	<u>721,844</u>	<u>739,930</u>	<u>18,086</u>
State Sources				
State Equalization Entitlement	860,878	860,878	790,551	(70,327)
Transportation	23,000	23,000	30,466	7,466
Vocational Education	-	-	18,225	18,225
Gifted and Talented	6,522	5,732	5,872	140
Total State Sources	<u>890,400</u>	<u>889,610</u>	<u>845,114</u>	<u>(44,496)</u>
Federal Sources	34,435	77,149	440,841	363,692
TOTAL REVENUES	<u>1,633,835</u>	<u>1,688,603</u>	<u>2,025,885</u>	<u>337,282</u>
EXPENDITURES				
Instructional Program	1,161,108	1,308,026	1,167,130	140,896
Student Supporting Services	42,351	45,016	42,141	2,875
Instructional Staff Supporting Services	39,070	37,470	28,259	9,211
General Administration Supporting Services	159,519	173,539	161,134	12,405
School Administration Support Services	14,546	36,494	31,765	4,729
Business Supporting Services	22,051	28,950	29,238	(288)
Operations and Maintenance of Plant Services	122,755	200,755	179,468	21,287
Student Transportation Services	65,168	71,000	52,421	18,579
Central Supporting Services	67,105	105,555	91,134	14,421
TOTAL EXPENDITURES	<u>1,693,673</u>	<u>2,006,805</u>	<u>1,782,690</u>	<u>224,115</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(59,838)</u>	<u>(318,202)</u>	<u>243,195</u>	<u>561,397</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(58,642)</u>	<u>(60,642)</u>	<u>(70,000)</u>	<u>(9,358)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(58,642)</u>	<u>(60,642)</u>	<u>(70,000)</u>	<u>(9,358)</u>

CREEDE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2010

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	(118,480)	(378,844)	173,195	552,039
Fund Balance at Beginning of Year	<u>650,000</u>	<u>839,546</u>	<u>1,419,128</u>	<u>579,582</u>
Fund Balance at End of Year	<u>\$ 531,520</u>	<u>\$ 460,702</u>	<u>\$ 1,592,323</u>	<u>\$ 1,131,621</u>

CREEDE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
CAPITAL RESERVE FUND
For the Year Ended June 30, 2010

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Local Sources				
Property Taxes	\$ 58,163	\$ 75,105	\$ 116,438	\$ 41,333
TOTAL REVENUES	<u>58,163</u>	<u>75,105</u>	<u>116,438</u>	<u>41,333</u>
EXPENDITURES				
School Administration Supporting Services	-	-	1,387	(1,387)
Operations and Maintenance of Plant Services	58,163	13,000	6,742	6,258
Transportation	-	70,000	66,492	3,508
Facilities Acquisition and Construction Services	-	67,000	65,533	1,467
TOTAL EXPENDITURES	<u>58,163</u>	<u>150,000</u>	<u>140,154</u>	<u>9,846</u>
Excess (Deficiency) of Revenues Over Expenditures	-	(74,895)	(23,716)	51,179
Fund Balance at Beginning of Year	<u>-</u>	<u>74,895</u>	<u>74,895</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,179</u>	<u>\$ 51,179</u>

**CREEDE SCHOOL DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 June 30, 2010**

ASSETS

Current Assets

Cash and Cash Equivalents	\$	31,580
Inventories		2,176
Capital Assets:		
Machinery and Equipment		28,616
Less Accumulated Depreciation		<u>(28,616)</u>

TOTAL ASSETS

33,756

TOTAL LIABILITIES

-

NET ASSETS

Unrestricted		<u>33,756</u>
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TOTAL NET ASSETS

\$ 33,756

**CREEDE SCHOOL DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 For the Year Ended June 30, 2010**

OPERATING REVENUE	
Food Sales	\$ 33,230
Total Operating Revenue	<u>33,230</u>
OPERATING EXPENSES	
Salaries	37,163
Fringe Benefits	17,217
Purchased Services	351
Food and Commodities	33,439
Other Operating	4,517
Total Operating Expenses	<u>92,687</u>
Operating Income (Loss)	<u>(59,457)</u>
NONOPERATING REVENUE (EXPENSE)	
National School Lunch Program	10,942
State Match	787
USDA Donated Food	2,494
Total Nonoperating Revenue (Expense)	<u>14,223</u>
Net Income (Loss) Before Operating Transfers	<u>(45,234)</u>
OPERATING TRANSFERS	
Transfer from General Fund	70,000
Total Operating Transfers	<u>70,000</u>
Net Income (Loss)	24,766
Net Assets at Beginning of Year	<u>8,990</u>
Net Assets at End of Year	<u><u>\$ 33,756</u></u>

**CREEDE SCHOOL DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 For the Year Ended June 30, 2010**

	Food Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 33,604
Cash payments to suppliers for goods and services	(34,824)
Cash payments to employees for services	(54,380)
	(55,600)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash received for food reimbursements	11,729
Operating transfers from other funds	70,000
	81,729
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	-
CASH FLOWS FROM INVESTING ACTIVITIES	-
Net Increase (Decrease) in Cash and Cash Equivalents	26,129
Cash and Cash Equivalents, Beginning of Year	5,451
Cash and Cash Equivalents, End of Year	\$ 31,580
 Reconciliation of income from operations to net cash provided (used) by operating activities:	
Income from operations	\$ (59,457)
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:	
USDA Commodities	2,494
(Increase) decrease in A/R	374
(Increase) decrease in inventory	989
	(55,600)
Net Cash provided (used) by operating activities	\$ (55,600)
 NONCASH NONCAPITAL FINANCING ACTIVITIES:	
USDA Donated Commodities	\$ 2,494

**CREEDE SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2010**

	<u>STUDENT ACTIVITY AGENCY FUND</u>
ASSETS	
Cash	\$ <u>27,874</u>
Total Assets	<u>\$ 27,874</u>
LIABILITIES	
Pupil Activities Deposits	\$ <u>27,874</u>
Total Liabilities	<u>\$ 27,874</u>

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CREEDE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the District reflected in the accompanying financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments are those promulgated by the Governmental Accounting Standards Board (GASB) in *Governmental Accounting and Financial Reporting Standards*.

REPORTING ENTITY

Primary Government

Creede School District was organized under the School District Act of 1965. The District is declared to be a corporate body with perpetual existence and in its name may hold property, sue and be sued, and be a party to contracts for any purpose authorized by law. Members of the school board are voted on at large by the registered, qualified electors of the District. Taxes are levied upon all taxable property within the District's boundaries by the County Commissioners. The County Treasurer collects the taxes and remits them to the school system. The school also receives State and Federal funds. The school board has the authority to issue bonds up to 20% of the latest assessed valuation of the taxable property in the district. The board also has authority to select the depository of school funds and acquire short term loans.

Component Units

The District's combined financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- The organization is legally separate (can sue and be sued in their own name)
- The District holds the corporate powers of the organization
- The District appoints a voting majority of the organization's board
- The District is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the District
- There is fiscal dependency by the organization on the District
- The organization is financially accountable to the District
- The organization receives or holds funds that are for the benefit of the District; and the District has access to a majority of the funds held; and the funds that are accessible are also significant to the District.

Based on the aforementioned criteria, the Creede School District has no component units.

CREEDE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements include the statement of net assets and the statement of activities. Government-wide statements report information on all of the activities of the District, except for District fiduciary activity. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. Mainly taxes and intergovernmental revenues support governmental activities.

The statement of activities reflects the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include:

- Charges to customers or applicants who purchase, use, or directly benefit from services, or privileges provided by a given function or segment and
- 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 in program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. The emphasis of fund financial statements is on major governmental funds and enterprise funds, each reported as a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

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. This measurement is also used for 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 are recognized as revenue when all applicable eligibility requirements imposed by the provider are 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 measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally 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.

CREEDE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

The District reports the following major governmental funds:

- The *General Fund* is the general operating fund of the District. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Capital Reserve Fund* is used to account for the purposes and limitations specified by Section 22-045-103(1), C.R.S., including the acquisition of sites, buildings, equipment, and vehicles.

Proprietary fund financial statements are used to account for activities, which are similar to those often found in the private sector. The measurement focus is based upon determination of net income, financial position, and cash flows. The District's only proprietary fund is the Food Service Fund, which is used to account for the District's food service program. Revenues are derived from District contributions and student and adult charges. Expenses include the cost of sales and services, administrative expenses and depreciation on capital assets.

The proprietary fund is accounted for using the accrual basis of accounting as follows:

- Revenues are recognized when earned, and expenses are recognized when the liabilities are incurred.
- Current-year contributions, administrative expenses, and premium payments, which are not received or paid until the subsequent year, are accrued.

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. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Fiduciary fund financial statements consist of the Trust and Agency Fund established to record transactions relating to assets held by the District in a trustee capacity or as an agent for student organizations. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables, and receivables. All internal balances in the Statement of Net Assets have been eliminated. All interfund transfers in the Statement of Activities have been eliminated.

CREEDE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Cash

The District's cash and cash equivalents are considered to be cash in bank, certificates of deposit and liquid investments with a maturity of three months or less.

Investments

All investments, if any, are recorded at fair market value.

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1 each year. The taxes are payable in two installments on February 28 and June 15 or in full on April 30. The School District's property taxes are collected by the County Treasurer who remits monthly receipts to the District. Property tax revenue is recognized when received by the County Treasurer.

Uncollected property taxes that became an enforceable lien January 1, 2010 has been recorded in the financial statements as an asset and a corresponding deferred revenue.

Receivables/Payables From Other District Funds

Balances that originate from current lending/borrowing arrangements between funds are referred to as "Due To/From Other Funds."

Inventories

Purchased inventories are stated at cost and consist of supplies and food to be used within one year. Donated inventory is priced at the U.S. Department of Agriculture established values.

USDA Commodities

The School Lund Fund receives donated commodities to use in meal preparation from the U.S. Department of Agriculture. The value of these commodities received during the year is shown as income, and the value of commodities used is shown as expense.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital Assets, which include land, buildings and improvements, equipment, vehicles, and construction in progress, are reported in the applicable governmental activities columns in the Government-wide Financial Statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000. Capital 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 assets lives are not capitalized.

CREEDE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

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

Assets	Years
Buildings	25-50
Equipment	5-20
Vehicles	5-15

GASB No. 34 requires the District to report and depreciate new infrastructure assets. Infrastructure assets include parking lots, sidewalks, etc. Neither their historical cost nor related depreciation has historically been reported in the financial statements. There have been no additions to infrastructure assets, since the implementation of GASB No. 34.

Long-Term Obligations

Long-term debt and other long-term obligations are recorded as liabilities in the Government-wide financial statements. In the fund financial statements for governmental fund types, debt proceeds are reported as an other financing source and debt payments are reported as an other financing use.

Compensated Absences

Teachers and administrative staff of the District receive nine days each contract year for sick leave. Sick leave may accumulate up to 120 days; any days earned over 30 days are paid upon retirement from the District at \$25 a day. If an employee resigns or is terminated, any accumulated sick pay is lost. A liability for accrued personal leave is recorded in the government-wide financial statements.

Deferred Revenue

Revenues on grants, which are restricted by the grant document for specific purposes, are recognized as revenue only after eligible grant costs have been incurred. Grant funds received in excess of grant expenditures are recorded as deferred revenues.

Fund Equity

In the fund financial statements, reserved fund balances indicate that a portion of fund equity is not available for appropriation or is legally restricted for use by outside parties for a specific purpose. Fund reservations include inventories, and TABOR (discussed later). Designated fund balances indicate tentative plans for future use. Undesignated fund balances indicate that a portion of fund equity is available for budgeting in future periods.

Encumbrances

The District does not record purchase orders in the accounting system until invoices are ready for payment. Unfulfilled purchase commitments outstanding at the end of the budget year are rebudgeted in the succeeding year. End of the year fund balance intended to be used in the succeeding year is reported as designated fund balance.

Use of Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

CREEDE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets and Budgetary Accounting

Creede School District follows the procedures set forth in the Colorado School District Budget Law when preparing annual budgets for each fund. Budget procedures include:

- 1) Preparation of budget documents by administrative staff which shall be submitted to the Board no later than June 1 of each year.
- 2) Publication of a notice stating that the budget is available for public inspection.
- 3) Discussion of the budget in a meeting open to the public.
- 4) Adoption of the budget in a public meeting by appropriate resolution.

Formal budgetary integration is employed as a management control device for all funds of the District. All fund budgets are adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP).

The total expenditures for each fund cannot exceed the budgeted amount unless a supplemental appropriation is adopted. The Board of Education did adopt a supplemental appropriation during fiscal year 2010.

All budget amounts presented in the accompanying supplementary information reflect the original budget and the final amended budget if applicable.

NOTE 3 CASH, DEPOSITS AND INVESTMENTS

A summary of Cash and Investments for the District are as follows:

Cash Deposited with Banks	\$ 920,134
Investments	943,641
Less: amounts related to Trust & Agency Funds	<u>(27,874)</u>
Total cash, deposits, and investments on the Statement of Net Assets	<u>\$ 1,835,901</u>

Colorado State Statutes govern the District's deposits of cash. The statutes specify eligible depositories for public cash deposits, which must be Colorado institutions and must maintain federal insurance (FDIC) on deposits held. The Colorado Public Deposit Protection Act (PDPA), requires that all units of local government deposit cash in eligible public depositories, determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized in accordance with the PDPA. PDPA allows the institution to create a single collateral pool for all public funds to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least 102% to the aggregate uninsured deposits.

CREEDE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the district's deposits may not be returned to it. The district does not have a deposit policy for custodial credit risk. As of year-end \$621,198 of the district's bank balance of \$926,622 was exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institution through PDPA.

INVESTMENTS

The types of investments which are authorized to be made with District funds are controlled by state statute and the investment policies of the District. Colorado statutes and the District's investment policies specify investment instruments meeting defined rating and risk criteria in which the District may invest:

- Obligations of the United States and certain U.S. government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Local government investment pools
- Repurchase agreements
- Money market funds
- Guaranteed investment contracts
- Corporate or bank debt issued by eligible corporations or banks.

Credit Risk

The District's investment policy calls for investment diversification within the portfolio to avoid unreasonable risks inherent in over investing in specific instruments, individual financial institutions or maturities. The District's investment policy allows for the District to invest in local government investment pools. As of June 30, 2010, the local government investment pool (COLOTRUST) in which the District had invested, were rated AAA by Standard & Poor's. All of the District's investments in US Agencies were rate AAA by Standard & Poor's or Moody's respectively.

<u>Investment Type</u>		<u>Fair Value</u>	<u>Up To 120 Days</u>	<u>121 Days To 5 Years</u>	<u>More Than 5 Years</u>
Instrumentality					
Federal Home Loan Mortgage Corp	100%	\$ 47,554	\$ -	\$ 47,544	\$ -
Total Investments Controlled by the City		47,554	\$ -	\$ 47,544	\$ -
Percent of Total			0.00%	100%	0.00%
Cash on Hand and in Banks		920,134			
Money Market Funds	\$ 74,422				
ColoTrust	821,665				
Cash and Investments in Custody of Others		896,087			
Cash Held by Agency Fund		(27,874)			
Total Deposits and Investments		<u>\$ 1,835,901</u>			

CREEDE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

Interest Rate Risk

Colorado Revised Statutes and the District's investment policy limit investment maturities to five years or less from the date of purchase. This limit on investment maturities is a means of limiting exposure to fair values arising from increasing interest rates.

The Colorado Government Liquid Asset Trust (COLOTRUST), is an investment vehicle established for local government entities in Colorado pursuant to Part 7 of Article 75 of Title 24 of the Colorado Revised Statutes, to pool surplus funds for investment purposes. 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 safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned by the pool are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the pool. Investments of the pool consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury Notes.

NOTE 4 PROPERTY TAXES RECEIVABLE

At June 30, 2010, the District had an estimated property tax receivable of approximately \$14,032.

NOTE 5 DUE FROM OTHER GOVERNMENTS

Intergovernmental receivables include amounts due from grants for specific program grants. Program grants are recorded as receivable and revenues at the time reimbursable project costs are incurred.

As of June 30, 2010, the District had \$65,636 due from Federal, State, and Local governments, reflected as intergovernmental receivables in the accompanying basic financial statements.

NOTE 6 TRANSFERS

Interfund Transfers

Interfund transfers for the year ended June 30, 2010, were as follows:

Transfer in	Transfer Out	Amount
Food Service	General Fund	\$ 70,000
Total		\$ 70,000

This transfer was made to subsidize the Food Service Fund.

CREEDE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 7 CAPITAL ASSETS

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

	<u>BALANCE</u> <u>6/30/2009</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>6/30/2010</u>
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 366,838	\$ -	\$ -	\$ 366,838
Construction in Progress	14,339	-	14,339	-
Total capital assets not being depreciated	<u>381,177</u>	<u>-</u>	<u>14,339</u>	<u>366,838</u>
Capital assets being depreciated				
Buildings	2,346,546	-	-	2,346,546
Equipment	20,422	18,579	-	39,001
Vehicles	133,731	66,492	21,000	179,223
Total capital assets being depreciated	<u>2,500,699</u>	<u>85,071</u>	<u>21,000</u>	<u>2,564,770</u>
Less accumulated depreciation for:				
Buildings	1,932,721	29,776	-	1,962,497
Equipment	7,342	7,095	-	14,437
Vehicles	93,066	17,122	12,600	97,588
Total accumulated depreciation	<u>2,033,129</u>	<u>53,993</u>	<u>12,600</u>	<u>2,074,522</u>
Total Capital Assets being depreciated, net	<u>467,570</u>	<u>31,078</u>	<u>8,400</u>	<u>490,248</u>
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET	<u>\$ 848,747</u>	<u>\$ 31,078</u>	<u>\$ 22,739</u>	<u>\$ 857,086</u>
BUSINESS-TYPE ACTIVITIES				
Equipment	\$ 28,616	\$ -	\$ -	\$ 28,616
Accumulated Depreciation	<u>(28,616)</u>	<u>-</u>	<u>-</u>	<u>(28,616)</u>
BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS, NET	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Instructional Program	\$ 27,220
Instructional Staff Supporting Services	4,400
General Administration Supporting Services	1,603
Operations & Maintenance of Plant Services	1,169
Student Transportation Services	17,122
Central Support Services	<u>2,479</u>
Total depreciation expense - governmental activities	<u>\$ 53,993</u>

CREEDE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 8 ACCRUED SALARIES AND BENEFITS

The teachers, administrators, and the administrative staff are employed under nine, ten and eleven month contracts. All District employees are paid on a twelve-month basis; therefore, a difference exists between the actual amount of salaries earned under the contract and the amount paid. The difference between salaries earned and paid, including the District's share of benefits, has been accrued in the financial statements in the amount of \$163,402.

NOTE 9 OPERATING LEASES

The District is committed under an operating lease for office equipment. This lease is considered for accounting purposes as an operating lease. Lease expenses for the year totaled \$6,703.

NOTE 10 LONG-TERM DEBT

Changes in Long-Term Debt

Long-term liability balances for the year ended June 30, 2010 were as follows:

	Balance 6/30/2009	Additions	Deletions	Balance 6/30/2010	Due Within One Year
Compensated Absences	\$ 10,220	\$ -	\$ 338	\$ 9,882	\$ -
Total	<u>\$ 10,220</u>	<u>\$ -</u>	<u>\$ 338</u>	<u>\$ 9,882</u>	<u>\$ -</u>

NOTE 11 DEFINED BENEFIT PENSION PLAN

Plan Description

The Creede School District contributes to the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). The SDTF provides retirement and disability, post retirement annual increases, and death benefits for members or their beneficiaries. All employees of Creede School 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 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).

CREEDE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

Funding Policy

The Creede School 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 Creede School 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 Creede School District it is 10.15% of covered salary. A portion of the Creede School District's contribution (1.02% of covered salary) is allocated to the Health Care Trust Fund (See Note 12). The Creede School District is also required to pay an amortization equalization disbursement (AED) equal to 2.20% of the total payroll for calendar year 2010, (1.70% of total payroll for the calendar year 2009, and 1.40% of total payroll of the calendar year 2008.) Additionally, the Creede School District is required to pay a supplemental amortization equalization disbursement (SAED) equal to 1.50% of the total payroll for the calendar year 2010 (1.00% of total payroll for calendar year 2009, and .50% of total payroll for calendar year 2008). If the Creede School District rehires a PERA retiree as an employee or under any other work arrangement, it is required to report and pay employer contributions (including the AED and SAED) on the amounts paid for the retiree; however no member contributions are required. For the years ending June 30, 2010, 2009, and 2008, the Creede School District's employer contributions to the SDTF were \$140,735, \$134,538, and \$130,663, respectively, equal to their required contributions for each year.

NOTE 12 POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description

The Creede School District contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer healthcare trust administered by 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 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 Creede School 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 Creede School District are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contribution to the HCTF from the defined benefit plan (see Note 11) is established under Title 24, Article 51, Section 208 of the Colorado Revised Statutes, as amended. For the years ending June 30, 2010, 2009, and 2008, the Creede School District's employer contributions for the HCTF were \$10,703, \$10,979, and \$11,473, respectively, equal to their required contributions for each year.

CREEDE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 13 DEFINED CONTRIBUTION PENSION PLAN

Plan Description

Employees of Creede School District who are members of the SDTF (see Note 11) 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 provisions to the State Legislature. PERA issues a publicly available annual report for Colorado PERA's 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). In addition, catch-up contributions, up to \$5,500 for the calendar year 2009 and 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 §414 (v). The contribution requirements for the Creede School District are established under Title 24, Article 51, Section 1402 of the CRS, as amended. For the years ended June 30, 2010 and 2009, the 401(k) Plan member contributions from the Creede School District were \$83,271 and \$82,520, respectively.

NOTE 14 JOINT VENTURES AND RELATED PARTIES

The District participates in the following entities. These joint ventures and related parties do not meet the criteria for inclusion within the reporting entity because the following entities:

- are financially independent and responsible for its own financing deficits and entitled to its own surpluses,
- have a separate governing board from that of the District,
- have a separate management which is responsible for day-to-day operations and is accountable to the separate governing board,
- have governing boards and management with the ability to significantly influence operations by approving budgetary requests and adjustments, signing contracts, hiring personnel, exercising control over facilities and determining the outcome for disposition of matters affecting the recipients of services provided, and
- have absolute authority over all funds and fiscal responsibility including budgetary responsibility and reporting to state agencies and controls fiscal management.

San Luis Valley Board of Cooperative Educational Services (BOCES)

The BOCES is an organization that provides member districts educational services at a shared lower cost per district. The Board of the BOCES is selected from the elected members of the District Boards. The District has one member on the Board. This Board has final authority for all budgeting and financing of the joint venture. The District's share of the joint venture is approximately 7% at June 30, 2010. Complete separate financial statements may be obtained from BOCES.

CREEDE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

San Luis Valley Combined Educator's Health Plan

The San Luis Valley Combined Educator's Health Plan was established to provide group health insurance coverage for employees of the member school districts. The District has one member on the Board. The Board has final authority for all budgeting and financing of the plan. The District's share of the plan is contingent upon employee participation. Complete separate financial statements may be obtained from San Luis Valley Combined Educator's Health Plan.

Colorado School Districts' Self-Insurance Pool

The District belongs to the Colorado School Districts' Self-Insurance Pool. The Pool was established by the Colorado Association of School Boards (CASB) to provide insurance coverage to participants in the areas of General Liability, Errors and Omissions, Automobile Liability, Auto Physical Damage, Auto Personal Injury Protection, Real and Personal Property, Crime, Workers' Compensation and other coverage. The Board of Directors is composed of eight persons, several of whom are appointed by the Board of Directors of CASB and the Executive Director of CASB. The pool is managed by an independent manager chosen by the Board of Directors. Each member's initial contribution and subsequent contributions are determined by the Pool based on factors including, but not limited to, the aggregate Pool claims, the cost of administrative and other operating expenses, the number of participants, the adequacy of both Operating and Reserve Funds and other factors touching on the status of the Pool or an individual participant, and as approved by the Colorado Insurance Commissioner.

As the District did not exercise oversight responsibility nor have sufficient control over Pool activities, the Pool is not a component unit of the District and only the District's share of contributions to the Pool is recorded as expenditures in the Insurance Reserve Fund.

The District's share in the Pool is not determinable from current information, but is estimated to be less than 1%. The District's share, if calculated, would not be material to the Pool's financial information at June 30, 2010. Complete separate financial statements may be obtained from the Colorado School Districts' Self-Insurance Pool.

Creede Schools Endowment Foundation

The Creede Schools Endowment Foundation was established to supplement or fund any program or educational activity of Creede School District. This is done primarily through scholarships to the students of the school. The District has one member on the Board. The Board has final authority for all budgeting and financing of the Endowment Foundation, which is a related party and not a joint venture. Complete separate financial statements may be obtained from the Foundation.

Whitney Newton Trust

The Whitney Newton Trust was established in 1969 to supplement or fund any program or educational activity of Creede School District. The custodian of the trust is Mineral County. As of January 1, 2010, two of the three Mineral County Commissioners are also Creede School District Board Members. As Commissioners, they have authority over the Whitney Newton Trust Funds. Complete separate financial statements may be obtained from Mineral County.

CREEDE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 15 COMMITMENTS AND CONTINGENCIES

The District participates in federal grant programs which are subject to program compliance audits by the grantors or their representatives. The amount, if any, of expenses which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

NOTE 16 TABOR EMERGENCY RESERVE

Colorado voters passed an amendment to the State constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the amendment.

Fiscal year spending and revenue limits are determined based on the prior year's spending adjusted for inflation and local growth. Revenue in excess of the limit must be refunded unless the voters approve retention of such revenue.

On November 6, 2001 voters approved a ballot question which stated that the District is authorized to collect, retain and expend all revenues including grants and other funds collected during 2000-01 budget year and each subsequent year from any source, notwithstanding the limitations of Article X, Section 20 of the Colorado constitution, provided, however, that no property tax mill levy be increased at any time nor shall any new tax be imposed without the prior approval of the voters.

The amendment also requires that Emergency Reserves be established. These reserves must be at least 3% of fiscal year spending. This Emergency Reserve has been presented as a reservation of fund balance in the General Fund. The entity is not allowed to use the Emergency Reserve to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

NOTE 17 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. There have been no significant reductions in insurance coverage. Settled claims from these risks have not exceeded commercial insurance coverage for the current year or the three prior years.

CREEDE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 18 PUPIL ACTIVITY AGENCY FUND BUDGET AND ACTUAL

The District is required by the Colorado School District Budget Law to budget for the District's Pupil Activity Agency Fund. In accordance with GAAP, however, there is not a statement of revenues and expenditures and changes in fund balance for agency funds to report the budget information, because agency funds do not recognize revenues, expenditures or fund balance in accordance with GAAP. Therefore, the budget and actual amounts for agency funds received and disbursed for the year ended June 30, 2009 are presented below:

	BUDGET	ACTUAL	VARIANCE
Agency Fund Receipts	\$ 28,000	\$ 31,128	\$ 3,128
Agency Fund Disbursements	(58,000)	(28,460)	29,540
Increase (Decrease) in Student Activities Deposits	(30,000)	2,668	32,668
Beginning Balance of Student Activities Deposits	30,000	25,206	(4,794)
Ending Balance of Student Activities Deposits	\$ -	\$ 27,874	\$ 27,874

The District did not have a supplemental budget for the Pupil Activity Agency Fund for fiscal year 2010.

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CREEDE SCHOOL DISTRICT
OTHER SUPPLEMENTARY INFORMATION

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**CREEDE SCHOOL DISTRICT
BUSINESS-TYPE ACTIVITIES
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS - BUDGET AND ACTUAL
FOOD SERVICE FUND
For the Year Ended June 30, 2010**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
OPERATING REVENUE				
Food Sales	\$ 44,000	\$ 44,000	\$ 33,230	\$ (10,770)
Total Operating Revenue	<u>44,000</u>	<u>44,000</u>	<u>33,230</u>	<u>(10,770)</u>
OPERATING EXPENSES				
Salaries	44,177	44,177	37,163	7,014
Fringe Benefits	17,065	17,065	17,217	(152)
Purchased Services	1,500	3,500	351	3,149
Food and Commodities	42,000	42,000	33,439	8,561
Other Operating	2,550	2,550	4,517	(1,967)
Total Operating Expenses	<u>107,292</u>	<u>109,292</u>	<u>92,687</u>	<u>16,605</u>
Operating Income (Loss)	<u>(63,292)</u>	<u>(65,292)</u>	<u>(59,457)</u>	<u>5,835</u>
NONOPERATING REVENUE (EXPENSE)				
National School Lunch Program	4,000	4,000	10,942	6,942
State Match	650	650	787	137
USDA Donated Food	-	-	2,494	2,494
Total Nonoperating Revenue (Expense)	<u>4,650</u>	<u>4,650</u>	<u>14,223</u>	<u>9,573</u>
Net Income (Loss) Before Operating Transfers	<u>(58,642)</u>	<u>(60,642)</u>	<u>(45,234)</u>	<u>15,408</u>
OPERATING TRANSFERS				
Transfer from General Fund	58,642	60,642	70,000	9,358
Total Operating Transfers	<u>58,642</u>	<u>60,642</u>	<u>70,000</u>	<u>9,358</u>
Net Income (Loss)	-	-	24,766	
Net Assets at Beginning of Year	-	-	8,990	
Net Assets at End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,756</u>	

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Fax (719) 589-5492

Wall, Smith, Bateman & Associates, Inc.

Certified Public Accountants

15 Washington St., Suite 207
P.O. Box 591
Monte Vista, CO 81144
(719) 852-5103
Fax (719) 852-3965

REPORT ON COMPLIANCE WITH CDE-FINANCIAL POLICIES AND PROCEDURES MANUAL

To the Board of Education
Creede School District
Creede, Colorado 81130

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Creede School District (the District), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents and have issued our report thereon dated October 26, 2010.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the Colorado Department of Education Financial Policies and Procedures Manual insofar as it relates to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

This report is intended solely for the information and use of the board of directors and management of the District and is not intended to be and should not be used by anyone other than these specified parties.

Wall, Smith, Bateman and Associates, Inc.

Wall, Smith, Bateman and Associates, Inc.
Alamosa, Colorado

October 26, 2010

11/01/2010
01:37 PM

Colorado Department of Education
Fiscal Year 2009-2010
Colorado School District/BOCES
Auditor's Integrity Report

MINERAL CREEDE SCHOOL DISTRICT
District Code: 2010

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & (6880*)	1000 - 5999	0001 - 0999	6700 - 6799
Number	Total Revenues &	Total Expenditures &	& Prior Per Adj
-----	Beg Fund Balance &	Other Sources -	Ending Fund Balance
-----	Prior Per Adj (6880*) +	-----	-----
Governmental			
10 General Fund	1,419,127	1,955,886	1,782,690
18 Risk Mgmt Sub-Fund of General Fund	0	0	0
19 Colorado Preschool Program Fund	0	0	0
Subtotal	1,419,127	1,955,886	1,782,690
11 Charter School Fund	0	0	0
20,26-29 Special Revenue Fund	0	0	0
21 Capital Reserve Spec Revenue Fund	74,895	116,439	140,154
22 Govt Designated-Purpose Grants Fund	0	0	0
23 Pupil Activity Special Revenue Fund	0	0	0
24 Full Day Kindergarten Mill Levy Override	0	0	0
25 Transportation Fund	0	0	0
30 Debt Service Fund	0	0	0
31 Bond Redemption Fund	0	0	0
41 Building Fund	0	0	0
42 Special Building Fund	0	0	0
43 Capital Reserve Capital Projects Fund	0	0	0
TOTALS	1,494,022	2,072,324	1,922,844
Proprietary			
51 Food Service Fund	8,988	117,453	92,686
50 Other Enterprise Funds	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0
60,65-69 Other Internal Service Funds	0	0	0
TOTALS	8,988	117,453	92,686
Fiduciary			
70 Other Trust and Agency Funds	0	0	0
72 Private Purpose Trust Fund	0	0	0
73 Agency Fund	0	0	0
74 Pupil Activity Agency Fund	25,206	31,128	28,460
79 GASB 34: Permanent Fund	0	0	0
85 Foundations	0	0	0
TOTALS	25,206	31,128	28,460

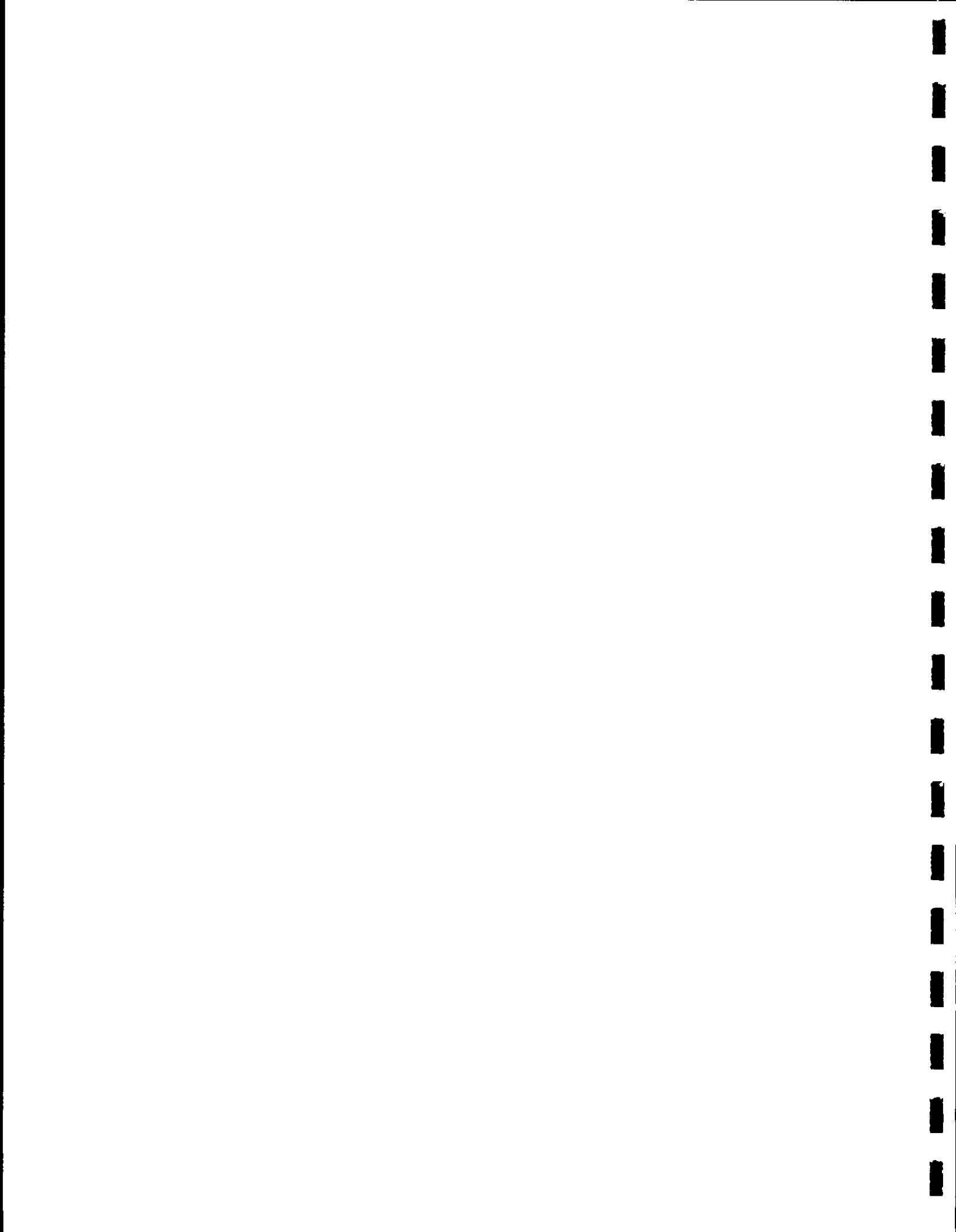
*If you have a prior period adjustment in any fund (Balance Sheet 6880), the amount of your prior period adjustment is added into both your ending and beginning fund balances on this report.

From submitted data file: fd2010.09a

Program: fdrdh.sqr

File: fd2010.dha

FINAL



October 26, 2010

To the Board of Education
Creede School District
Creede, Colorado

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Creede School District for the year ended June 30, 2010. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 6, 2010. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

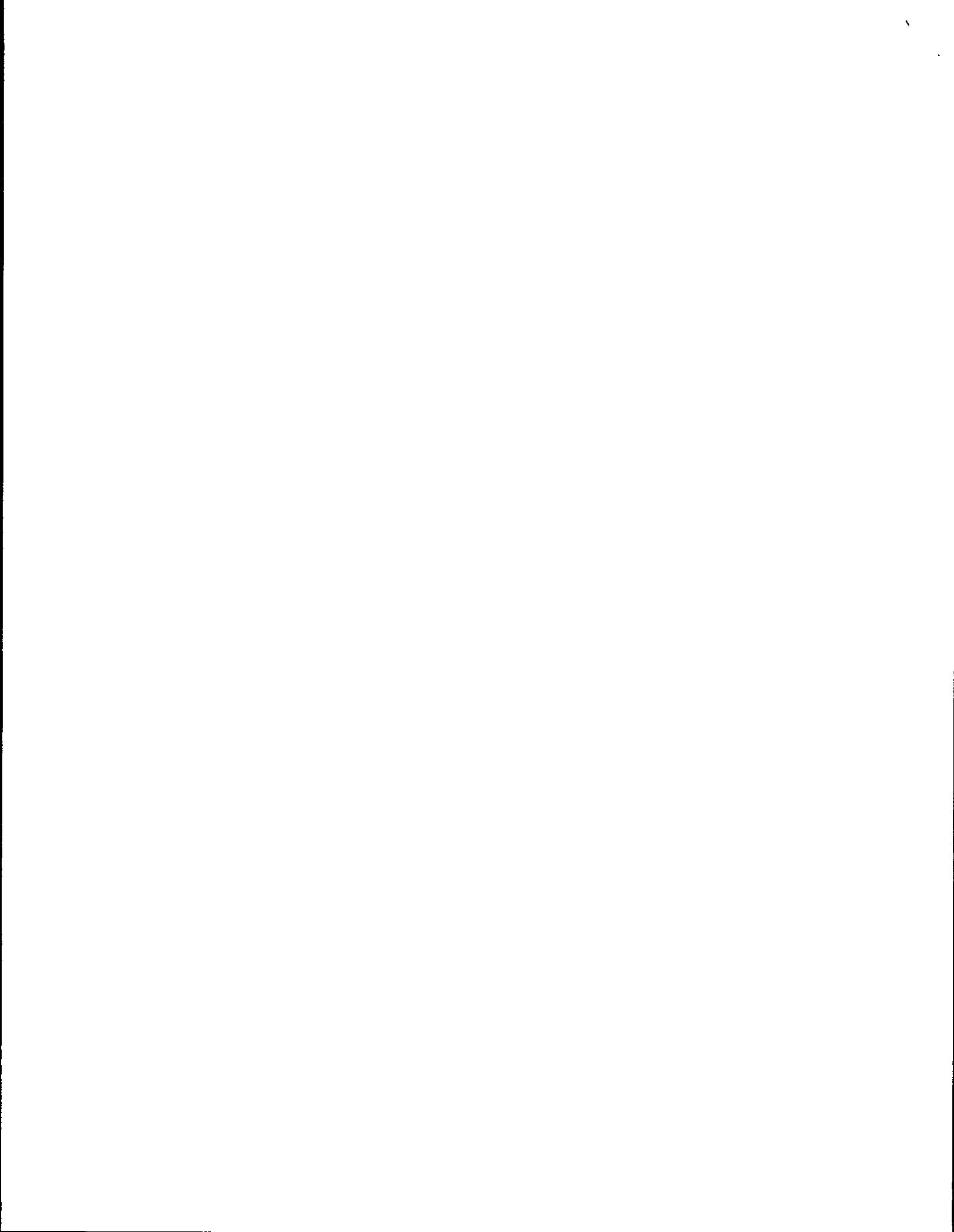
Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2010. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the School District's financial statements were:

Management's estimate of depreciation expense and compensated absences were based on the straight-line method of depreciation, as referred to in Note 1 to the financial statements. We evaluated the key factors and assumptions used to develop depreciation expense balances in determining that it was reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.



Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

- General Fund revenues over expenditures increased \$16,198 in order to record property tax accrual entries.
- Lunch Fund revenues over expenditures decreased \$988 in order to record change in inventory.

We also presented management with two passed adjustments that had a total net effect to the government-wide financial statements of \$9,084.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 26, 2010.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

GASB No. 54

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement established new categories for reporting fund balance and revised the definitions for governmental fund types. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2010.



Board of Education
Creede School District
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This information is intended solely for the use of Board of Education and management of District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Wall, Smith, Bateman and Associates, Inc.

Wall, Smith, Bateman and Associates, Inc.
Alamosa, Colorado

