

Arickaree School District R-2
Anton, Colorado

Financial Statements

For the Year ended June 30, 2010

Table of Contents

	Page
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-9
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	12
Statement of Activities	14-15
Fund Financial Statements	
Balance Sheet – Governmental Funds	16
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	17
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Statement of Net Assets – Proprietary Funds	20
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	21
Statement of Cash Flows – Proprietary Funds	22
Statement of Fiduciary Net Assets – Fiduciary Funds	23
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	24
Notes to Financial Statements	25-42
Required Supplementary Information	
General Fund	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	44
Capital Reserve Fund	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	45
Pupil Activity Fund	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	46
Notes to the Required Supplementary Information	47

Table of Contents

	<u>Page</u>
Individual Fund Financial Statements and Schedules	
General Fund	
Schedule of Revenues – Budget and Actual	52
Schedule of Expenditures – Budget and Actual	54-56
Nonmajor Proprietary Fund Types	
Food Service Fund – Statement of Revenues, Expenses and Changes in Net Assets – Budget and Actual	58
Fiduciary Fund Types	
Scholarship Trust Fund – Schedule of Additions, Deductions and Changes in Liabilities – Budget and Actual	60
Colorado Department of Education Supplementary Schedule	
Independent Auditors’ Report on Supplementary Schedule	63
Auditors’ Electronic Financial Data Integrity Check Figures	64



Certified Public Accountants

205 Main St. • P.O. Box 1886 • Sterling, CO 80751-7886
Phone 970-522-2216 • FAX 970-522-2220

Independent Auditors' Report

Board of Education
Arickaree School District R-2
Anton, 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 the Arickaree School District R-2 (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 an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the 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 cash flows, where applicable, 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 budgetary comparison information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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 financial statements as a whole. The individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling 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 financial statements as a whole.

Lauer, Szabo & Associates, P.C.

Sterling, Colorado
November 30, 2010

Management Discussion and Analysis

This discussion and analysis of Arickaree School District R-2's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should review the information presented here in conjunction with the notes to the basic financial statements and the financial statements to enhance their understanding of the District's performance.

Financial Highlights – Financial Statements as of June 30, 2010

- The assets of the District exceed its liabilities at the close of June 30, 2010 by \$3,022,660 (net assets) as reported in the government-wide financial statements.
- The District's government-wide total net assets increased by \$72,071 over the prior fiscal year.
- Program revenues of \$136,422 offset expenses from governmental activities of \$1,528,643. General revenues amounted to \$1,474,465.
- Business-type activities (Food Service Fund) assets exceeded liabilities at the close of June 30, 2010 by \$37,162.
- At the close of June 30, 2010, the District reported \$1,785,314 combined fund balances for the Governmental Funds, an increase of \$181,447. Revenues exceeded expenses by \$185,947 before transfers. An additional \$4,500 was transferred to the Proprietary Fund for operations.

Overview of the Financial Statements

Management's Discussion and Analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

The statement of activities presents information showing how the 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. Both of the government-wide financial statements distinguish functions of Arickaree School District R-2 that are principally supported by taxes from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of Arickaree School District R-2 include instruction and support services for the District. The business-type activities of Arickaree School District R-2 comprise of Food Services.

The government-wide financial statements can be found on pages 12-15 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term financial resources and fund balances. Such information may be useful in evaluating the District's near-term financing requirements. The annual budget is provided on the basis of the governmental fund financial statements.

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

Arickaree School District R-2 maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Capital Reserve Fund, because these two funds are considered to be major funds. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining and individual statements in supplementary schedules with this report.

Arickaree School District R-2 adopts an annual appropriated budget for all funds. A budgetary comparison statement has been provided for General, Capital Reserve, and Student Activity Funds to demonstrate compliance with this budget.

Proprietary funds. Arickaree School District R-2 maintains a proprietary/enterprise fund for Food Service. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Arickaree School District R-2 uses an enterprise fund to account for its food services.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The [proprietary fund financial statements provide separate information for the Food Services Fund, which is considered a major fund of Arickaree School District R-2.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support Arickaree School District R-2's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. The combining statements referred to earlier in connection with non-major governmental funds and enterprise funds are presented after the notes to the financial statements. A budget comparison is provided for each non-major fund and enterprise fund.

Government-wide Financial Analysis

The assets of the District are classified as current assets and capital assets. Cash, investments, receivables, inventories and other assets are current assets. These assets are available to provide resources for the near-term operations of the District. A good portion of the current assets result from the property tax collection process; the District receives about 89% of the annual property tax assessment between February and June.

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

Current and long-term liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable, accrued salaries, and benefits and unearned revenues. The liquidation of current liabilities is anticipated to be either from currently available resources, current assets or new resources that become available during the ensuing fiscal year.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The District's assets exceeded liabilities by \$3,022,660 at the close of the most recent fiscal year.

Comparative Summary of Net Assets

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current assets	\$ 1,909,449	\$ 1,767,600	\$ 32,576	\$ 42,369	\$ 1,942,025	\$ 1,809,969
Capital assets	1,250,311	1,306,805	4,586	5,076	1,254,897	1,311,881
Total assets	3,159,760	3,074,405	37,162	47,445	3,196,922	3,121,850
Long term liabilities	56,211	13,910	-	-	56,211	13,910
Other liabilities	118,051	157,241	-	110	118,051	157,351
Total liabilities	174,262	171,151	-	110	174,262	171,261
Invested in capital assets, Restricted	1,250,311	1,306,805	4,586	5,076	1,254,897	1,311,881
Unrestricted	60,000	102,028	-	-	60,000	102,028
	1,675,187	1,494,421	32,576	42,259	1,707,763	1,536,680
Total net assets	\$ 2,985,498	\$ 2,903,254	\$ 37,162	\$ 47,335	\$ 3,022,660	\$ 2,950,589

The District's reported assets consist of current assets of \$1,942,025 and capital assets of \$1,254,897. The ratio of Current Assets to Current Liabilities of 16.45 to 1 indicates the District's ability to meet current obligations.

Comparative Schedule of Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Program revenues						
Charges for services	\$ 4,170	\$ 7,970	\$ 36,655	\$ 35,910	\$ 40,825	\$ 43,880
Operating grants	132,252	126,680	34,540	41,793	166,792	168,476
General revenues						
Taxes	655,160	602,445	-	-	655,160	602,445
State equalization	703,325	788,048	-	-	703,325	788,048
Unrestricted grants	-	-	-	-	-	-
Other	120,480	161,302	-	-	120,480	161,302
Transfers	(4,500)	(20,000)	4,500	20,000	-	-
Total revenues	1,610,887	1,666,445	75,695	97,703	1,686,582	1,764,148
Expenses						
Instruction	850,319	936,128	-	-	850,319	936,128
Supporting services	639,330	635,603	-	-	639,330	635,603
Other	38,994	39,001	85,868	91,892	124,862	130,893
Total expenses	1,528,643	1,610,732	85,868	91,892	1,614,511	1,702,624
Change in net assets	\$ 82,244	\$ 55,713	\$ (10,173)	\$ 5,811	\$ 72,071	\$ 61,524

Governmental activities. Governmental activities increased the District's net assets in 2010 and 2009 by \$82,244 and \$55,713, respectively.

Business-type activities. Business-type activities decreased and increased the District's net assets in 2010 and 2009 by \$10,173 and \$5,811, respectively.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$1,785,314, an increase of \$181,447.

- Revenues exceeded expenditures and transfers out in the General Fund by \$189,664 increasing fund balance to \$1,595,116.
- The Food Service Fund Service Fund operating loss was \$49,213 before non-operating revenues of \$34,540 and a transfer from the General Fund of \$4,500, resulting in net loss for the fund of \$10,173.

General Fund Budgetary Highlights

The District is required to adopt a budget by June 30 for the following fiscal year. The Board of Education will submit a copy of the budget to CDE by January 31.

Capital Asset and Debit Administration

Capital assets. The District's investment in capital assets for governmental and business type activities as of June 30, 2010 amounts to \$1,254,897 (net of accumulated depreciation). This investment in capital assets included land, buildings, service vehicles, buses and playground, office and instructional equipment.

Comparative Schedule of Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land and sites	\$ 29,645	\$ 29,645	\$ -	\$ -	\$ 29,645	\$ 29,645
Buildings and improvements	1,947,444	1,947,444	-	-	1,947,444	1,947,444
Transportation equipment	480,775	480,775	-	-	480,775	480,775
Other equipment	46,273	46,273	39,324	39,324	85,597	85,597
Subtotal	2,504,137	2,504,137	39,324	39,324	2,543,461	2,543,461
Less accumulated depreciation	1,253,826	1,197,332	34,738	34,248	1,288,564	1,231,580
Total capital assets	\$ 1,250,311	\$ 1,306,805	\$ 4,586	\$ 5,076	\$ 1,254,897	\$ 1,311,881

Additional information on the School District's capital assets can be found in Note E to the basic financial statements.

Long-Term Debt

At year end, the School District's long-term debt consisted of accrued compensated absences and CDE repayment totaling \$56,211. Additional information on the District's long-term debt can be found in Note G to the basic financial statements.

Economic Factors and Next Year's Budget

- The decline in interest rates will make a difference in next years revenue.
- Fuel and utility costs could make a potential impact on budget plans.
- Bus replacements are necessary.
- Enrollment looks to hold steady or possibly drop.
- Educational staffing issues, possibility of increasing staff and salary base will be considered to be competitive with area schools.
- Updating and repairing housing units.
- Purchase of a pickup for vocational programs.

Requests for Information

This financial report is designed to provide a general overview of Arickaree School District R-2's finances for all those with an interest in the District's Finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, 12155 County Road NN, Anton, Colorado 80801-9601.

This page intentionally left blank.

Basic Financial Statements

The basic financial statements of the District include the following:

Government-wide financial statements. The government-wide statements display information about the reporting government as a whole, except for its fiduciary activities.

Fund financial statements. The fund financial statements display information about major funds individually and nonmajor funds in the aggregate for governmental and enterprise funds.

Notes to the financial statements. The notes communicate information essential for fair presentation of the financial statements that is not displayed on the face of the financial statements. As such, the notes are an integral part of the basic financial statements.

ARICKAREE SCHOOL DISTRICT R-2
Statement of Net Assets
June 30, 2010

	Governmental Activities	Business-type Activities	Total
Assets			
Cash	\$ 842,386	\$ 23,062	\$ 865,448
Cash with fiscal agent	4,615		4,615
Investments	1,047,314		1,047,314
Receivables	14,296	5,729	20,025
Due from fiduciary fund	838		838
Inventory		3,785	3,785
Capital assets, net of depreciation	1,250,311	4,586	1,254,897
Total assets	\$ 3,159,760	\$ 37,162	\$ 3,196,922
Liabilities			
Accounts payable	\$ 16,767		\$ 16,767
Accrued salaries and benefits	101,284		101,284
Noncurrent liabilities			
Due in more than one year	56,211		56,211
Total liabilities	174,262	\$ -	174,262
Net assets			
Invested in capital assets	1,250,311	4,586	1,254,897
Restricted for:			
Emergencies	60,000		60,000
Unrestricted	1,675,187	32,576	1,707,763
Total net assets	2,985,498	37,162	3,022,660
Total liabilities and net assets	\$ 3,159,760	\$ 37,162	\$ 3,196,922

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

This page intentionally left blank.

ARICKAREE SCHOOL DISTRICT R-2
Statement of Activities
For the Year Ended June 30, 2010

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
Instruction	\$ 850,319	\$ 4,170	\$ 110,985	
Supporting services				
Students	28,964			
Instructional staff	11,743			
General administration	216,924			
School administration	41,939			
Business services	25,734			
Operations and maintenance	159,435			
Student transportation	115,316		21,267	
Central support services	38,759			
Other support services	516			
Unallocated depreciation *	38,994			
Total governmental activities	1,528,643	4,170	132,252	\$ -
Business-type activities				
Nutrition services	85,868	36,655	34,540	
Total school district	\$ 1,614,511	\$ 40,825	\$ 166,792	\$ -

General revenues
 Taxes
 Property taxes, levied for general purposes
 Specific ownership taxes
 Delinquent taxes and interest
 State categorical aid
 Earnings on investments
 Other
 Transfers

Total general revenues

Change in net assets

Net assets at beginning of year

Net assets at end of year

* This amount excludes depreciation that is included in the direct expenses of the various programs.

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

Net (Expenses) Revenues and
Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (735,164)		\$ (735,164)
(28,964)		(28,964)
(11,743)		(11,743)
(216,924)		(216,924)
(41,939)		(41,939)
(25,734)		(25,734)
(159,435)		(159,435)
(94,049)		(94,049)
(38,759)		(38,759)
(516)		(516)
(38,994)		(38,994)
(1,392,221)	\$ -	(1,392,221)
	(14,673)	(14,673)
(1,392,221)	(14,673)	(1,406,894)
588,345		588,345
65,984		65,984
831		831
703,325		703,325
9,536		9,536
110,944		110,944
(4,500)	4,500	-
1,474,465	4,500	1,478,965
82,244	(10,173)	72,071
2,903,254	47,335	2,950,589
<u>\$ 2,985,498</u>	<u>\$ 37,162</u>	<u>\$ 3,022,660</u>

ARICKAREE SCHOOL DISTRICT R-2
Balance Sheet
Governmental Funds
June 30, 2010

	General Fund	Capital Reserve Fund	Pupil Activity Fund	Total Governmental Funds
Assets				
Cash	\$ 711,088	\$ 75,461	\$ 55,837	\$ 842,386
Cash with fiscal agent	4,615			4,615
Investments	987,819	59,495		1,047,314
Property taxes receivable	12,302			12,302
Due from other funds	1,433			1,433
Grant receivables	1,600			1,600
Other receivables	394			394
Total assets	\$ 1,719,251	\$ 134,956	\$ 55,837	\$ 1,910,044
Liabilities and fund balance				
Liabilities				
Accounts payable	\$ 16,767			\$ 16,767
Due to other funds			\$ 595	595
Accrued salaries and benefits	101,284			101,284
Deferred revenue	6,084			6,084
Total liabilities	124,135	\$ -	595	124,730
Fund balance				
Reserved for emergencies	60,000			60,000
Unreserved, reported in:				
General fund	1,535,116			1,535,116
Special revenue funds		134,956	55,242	190,198
Total fund balance	1,595,116	134,956	55,242	1,785,314
Total liabilities and fund balance	\$ 1,719,251	\$ 134,956	\$ 55,837	\$ 1,910,044

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

ARICKAREE SCHOOL DISTRICT R-2

**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
June 30, 2010**

Amounts reported for governmental activities in the statement
of net assets are different because:

Total fund balance - governmental funds	\$ 1,785,314
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	1,250,311
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	6,084
Long-term liabilities, including capital lease obligations, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	<u>(56,211)</u>
Net assets of the governmental activities	<u><u>\$ 2,985,498</u></u>

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

ARICKAREE SCHOOL DISTRICT R-2
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2010

	General Fund	Capital Reserve Fund	Pupil Activity Fund	Total Governmental Funds
Revenues				
Local sources	\$ 707,016		\$ 73,009	\$ 780,025
Intermediate sources	194			194
State sources	806,081			806,081
Federal sources	58,467			58,467
Total revenues	1,571,758	\$ -	73,009	1,644,767
Expenditures				
Instruction	755,764			755,764
Supporting services	621,830		72,138	693,968
Capital outlay		9,088		9,088
Total expenditures	1,377,594	9,088	72,138	1,458,820
Excess of revenues over (under) expenditures	194,164	(9,088)	871	185,947
Other financing uses				
Transfers (out)	(4,500)			(4,500)
Total other financing uses	(4,500)	-	-	(4,500)
Excess of revenues over (under) expenditures and other uses	189,664	(9,088)	871	181,447
Fund balance at beginning of year	1,405,452	144,044	54,371	1,603,867
Fund balance at end of year	<u>\$ 1,595,116</u>	<u>\$ 134,956</u>	<u>\$ 55,242</u>	<u>\$ 1,785,314</u>

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

ARICKAREE SCHOOL DISTRICT R-2

**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**

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

Net change in fund balances - governmental funds	\$ 181,447
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation exceeded capital outlays in the current period.	(56,493)
Because some property taxes will not be collected for several months after the fiscal year ends, they are not considered as "available" revenues in the governmental funds and are, instead, counted as deferred tax revenues. They are, however, recorded as revenues in the statement of activities.	(408)
In the statement of activities, certain expenses are measured by the amounts incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	(885)
Repayment of principal on general obligation bonds and capital lease obligations are expenditures in the governmental funds, but the repayment reduces the long-term debt liability in the statement of net assets.	<u>(41,417)</u>
Change in net assets of governmental activities	<u>\$ 82,244</u>

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

ARICKAREE SCHOOL DISTRICT R-2
Statement of Net Assets
Proprietary Funds
June 30, 2010

	<u>Business-type Activities</u>
	<u>Nonmajor Proprietary Fund</u>
Assets	
Current assets	
Cash	\$ 23,062
Grants receivable	2,725
Other receivables	3,004
Inventory	<u>3,785</u>
Total current assets	32,576
Capital assets	
Machinery and equipment	39,324
Accumulated depreciation	<u>(34,738)</u>
Total capital assets	<u>4,586</u>
Total assets	<u><u>\$ 37,162</u></u>
Liabilities and net assets	
Net assets	
Invested in capital assets	\$ 4,586
Unrestricted	<u>32,576</u>
Total net assets	<u><u>\$ 37,162</u></u>

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

ARICKAREE SCHOOL DISTRICT R-2
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2010

	Business-type Activities
	Nonmajor Proprietary Fund
Operating revenues	
Charges for services	\$ 36,655
Operating expenses	
Salaries	22,943
Employee benefits	6,179
Purchased services	2,878
Supplies and materials	53,258
Depreciation	490
Other	120
Total operating expenses	<u>85,868</u>
Operating loss	(49,213)
Nonoperating revenues	
Federal and state aid	<u>34,540</u>
Total nonoperating revenues	<u>34,540</u>
Loss before transfers	(14,673)
Transfers in	<u>4,500</u>
Change in net assets	(10,173)
Net assets at beginning of year	<u>47,335</u>
Net assets at end of year	<u><u>\$ 37,162</u></u>

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

ARICKAREE SCHOOL DISTRICT R-2
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2010

	<u>Business-type Activities</u>
	<u>Nonmajor Proprietary Fund</u>
Cash flows from operating activities	
Receipts from customers	\$ 35,984
Payments to suppliers	(54,361)
Payments to employees	(29,122)
	<u>(47,499)</u>
Net cash used by operating activities	(47,499)
Cash flows from noncapital financing activities	
Federal and state aid	44,715
Transfers in	4,500
	<u>49,215</u>
Net cash provided by noncapital financing activities	49,215
Net increase in cash	1,716
Cash at beginning of year	<u>21,346</u>
Cash at end of year	<u>\$ 23,062</u>
Reconciliation of operating loss to net cash used by operating activities	
Operating loss	\$ (49,213)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	490
Commodities	3,111
Changes in assets and liabilities	
Other receivables	(671)
Inventory	(1,106)
Accounts payable	(110)
	<u>(1,187)</u>
Net cash used by operating activities	<u>\$ (47,499)</u>

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

ARICKAREE SCHOOL DISTRICT R-2
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

	<u>Private Purpose Trust Fund</u>
Assets	
Cash	\$ 756
Investments	5,000
Accounts receivable	<u>275</u>
Total assets	<u><u>\$ 6,031</u></u>
Liabilities	
Due to other funds	<u>\$ 838</u>
Total liabilities	838
Net assets	
Held in trust for scholarships	<u>5,193</u>
Total liabilities and net assets	<u><u>\$ 6,031</u></u>

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

ARICKAREE SCHOOL DISTRICT R-2
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

	<u>Private Purpose Trust Fund</u>
Additions	
Contributions and earnings	<u>\$ 362</u>
Total additions	362
Deductions	
Scholarship awards	<u>416</u>
Total deductions	<u>416</u>
Net decrease in net assets	(54)
Net assets at beginning of year	<u>5,247</u>
Net assets at end of year	<u><u>\$ 5,193</u></u>

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

ARICKAREE SCHOOL DISTRICT R-2
Notes to Financial Statements

Note A – Summary of significant accounting policies

This summary of the Arickaree School District R-2's significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. The policies are considered essential and should be read in conjunction with the accompanying financial statements.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

A.1 – Reporting entity

The Arickaree School District R-2 is a school district governed by an elected five-member board of education. The financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The reporting entity's financial statements should present the funds of the primary government (including its blended component units, which are, in substance, part of the primary government) and provide an overview of the discretely presented component units.

The District has examined other entities that could be included as defined in number 2 and 3 above. Based on these criteria, the District has no component units.

A.2 – Fund accounting

The District uses funds to report its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

ARICKAREE SCHOOL DISTRICT R-2
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked funds (special revenue funds), and the servicing of general long-term debt (debt service fund). The following are the District's major governmental funds:

General Fund – The General Fund is the operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include local property taxes, specific ownership taxes, and State of Colorado equalization funding, as determined by the School Finance Act of 1994, as amended.

Expenditures include all costs associated with the daily operation of the schools, except for certain capital outlay expenditures, debt service, food service operations and pupil activities.

Capital Reserve Fund – This fund is a special revenue fund used to account for expenditures that are limited by statute to the acquisition of land, construction of new facilities, alterations and improvements to existing structures where the estimated total cost of labor and materials is in excess of \$2,500 or acquisition of school buses or other equipment where the estimated unit cost is in excess of \$1,000.

Pupil Activity Agency Fund – This fund is special revenue fund used to record transactions related to school-sponsored pupil organizations and activities.

Proprietary funds focus on the determination of the changes in net assets, financial position and cash flows and are classified as either enterprise or internal service. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following is the District's non-major proprietary fund:

Food Service Fund – This fund is an enterprise fund used to account for the financial activities associated with the District's food service operations.

ARICKAREE SCHOOL DISTRICT R-2
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

Fiduciary Funds focus on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The District has the following fiduciary fund:

Scholarship Trust Fund – This fund is a private-purpose trust fund used to account for resources held by the District in a fiduciary capacity for scholarships to be distributed to area students for post-secondary education.

Note A.3 – Basis of presentation

Government-wide financial statements – The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with a brief explanation to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

ARICKAREE SCHOOL DISTRICT R-2
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

Fund financial statements – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources management focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balance, which reports the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the statement of net assets. The statement of revenues, expenses and changes in fund net assets presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Fiduciary funds focus on net assets and changes in net assets and are reported using accounting principles similar to proprietary funds. The District's fiduciary funds are presented in the fiduciary fund financial statements by type. Since by definition these assets are being held for the benefit of a third party and cannot be used to address the activities or obligations of the District, these funds are not incorporated into the government-wide financial statements.

A.4 – Basis of accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

ARICKAREE SCHOOL DISTRICT R-2
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

Revenues – exchange and non-exchange transactions – Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. State equalization monies are recognized as revenues during the period in which they are appropriated. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes collected within sixty days after year-end, interest, tuition, grants and student fees.

Deferred revenue – Deferred revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to meeting eligibility requirements. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed and the revenue is recognized.

Expenses/expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses and changes in fund net assets as an expense with a like amount reported as revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

ARICKAREE SCHOOL DISTRICT R-2
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

A.5 – Encumbrances

Encumbrance accounting is utilized by the District to record purchase orders, contracts and other commitments for the expenditure of monies to assure effective budgetary control and accountability. Encumbrances outstanding at year-end are canceled and reappropriated in the ensuing year's budget.

A.6 – Cash and cash equivalents

For the purposes of the statement of cash flows, the District considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

A.7 – Short-term interfund receivables/payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as internal balances on the government-wide statement of net assets, and are classified as due from other funds or due to other funds on the balance sheet.

A.8 – Inventories

Food Service Fund – purchased inventories are stated at cost as determined by the first-in, first-out method. Commodity inventories are stated at the United States Department of Agriculture's assigned values, which approximate fair value, at the date of receipt. Expenses for food items are recorded when consumed. The federal government donates surplus commodities to the national school lunch program. Commodity distributions used by the District are recorded as nonoperating revenues at the date of their consumption.

A.9 – Capital assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective fund financial statements.

ARICKAREE SCHOOL DISTRICT R-2
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

All capital assets with a unit cost greater than \$3,000 for the governmental activities and \$1,000 for the business-type activities and proprietary funds are capitalized at cost (or estimated historical cost, if actual cost is not available) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair value on the date received. Infrastructure assets, consisting of certain improvements other than buildings (such as parking facilities, sidewalks, landscaping and lighting systems) are capitalized along with other capital assets. Improvements to assets are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not.

All reported capital assets are depreciated with the exception of land costs. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Buildings and improvements	10-40 years	n/a
Other equipment	10 years	10-20 years
Licensed vehicles	7-10 years	n/a

A.10 – Compensated absences

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Compensated absences benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. Accumulated sick leave benefits are paid to employees upon termination of employment.

Certain personnel and full-time employees receive up to ten days of sick leave each year, which can be accumulated up to thirty days maximum. Upon leaving employment with the District, these staff shall be paid for the accumulated days at a rate of \$30 per day.

The entire compensated absence liability is reported on the government-wide financial statements.

ARICKAREE SCHOOL DISTRICT R-2
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account “accrued compensated absences” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of the compensated absences is reported as a fund liability.

The amount recorded as liabilities for all applicable compensated absences include salary-related payments associated with the payment of compensated absences, using the rates in effect at the balance sheet date.

A.11 – Accrued liabilities and long-term obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the noncurrent portion of compensated absences that will be paid from governmental funds is reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. Bonds payable and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

A.12 – Fund balance reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods.

A.13 – Net assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are liabilities imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

ARICKAREE SCHOOL DISTRICT R-2
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

A.14 – Operating revenues and expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

A.15 – Interfund transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. In general, the effect of interfund activity has been eliminated from the government-wide financial statements.

A.16 – Extraordinary and special items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the board of education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the year.

Note B – Cash and investments

Cash and deposits

Colorado State statutes govern the District's deposit of cash. The Public Deposit Protection Acts (PDPA) for banks and savings and loans require state regulators to certify eligible depositories for public deposits. The PDPA require eligible depositories with public deposits in excess of federal insurance levels to create a single institution collateral pool of defined eligible assets. Eligible collateral includes obligations of the United States, obligations of the State of Colorado or Colorado local governments and obligations secured by first lien mortgages on real property located in the state. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group and not held in any individual government's name. The fair value of the assets in the pool must be at least equal to 102% of the aggregate uninsured deposits.

ARICKAREE SCHOOL DISTRICT R-2
Notes to Financial Statements

Note B – Cash and investments (Continued)

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 deposit policy for custodial credit risk. As of year-end, the District had total deposits of \$958,899, of which \$255,000 was insured and \$703,899 was collateralized with securities held by the pledging institution’s trust department or agent in the District’s name.

Investments

Authorized Investments – Investment policies are governed by Colorado State Statutes and the District’s own investment policies and procedures. Investments of the District may include:

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

At year-end, the District had investments in Colotrust (a local government investment pool) and in certificates of deposits. The investments in Colotrust are maintained in the General Fund, while the investments in the certificates of deposits are maintained in the Scholarship Trust Fund.

<u>Type of investment</u>	<u>Maturity</u>	<u>Fair Value</u>
Investment in Colotrust	Weighted average not to exceed 60 days	<u>\$ 986,495</u>

Credit risk – State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the highest rating from at least one nationally recognized rating agency at the time of purchase. The District has no investment policy that would further limit its investment choices. At year-end, the District’s investment in Colotrust was rated AAA by Standard and Poor’s.

ARICKAREE SCHOOL DISTRICT R-2
Notes to Financial Statements

Note B – Cash and investments (Continued)

The following table provides a reconciliation of cash and investments on the statement of net assets:

Cash in bank	\$ 866,204
Cash with fiscal agent	4,615
Investments	<u>1,052,314</u>
Total	<u>\$ 1,923,133</u>
<u>Statement of net assets</u>	
Cash	\$ 865,448
Cash with fiscal agent	4,615
Investments in certificates of deposit	60,819
Investments in Colotrust	<u>986,495</u>
Subtotal	1,917,377
<u>Statement of fiduciary net assets</u>	
Cash	756
Investments in certificates of deposit	<u>5,000</u>
Subtotal	<u>5,756</u>
Total	<u>\$ 1,923,133</u>

Note C - Receivables

Receivables at year-end consist of the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Receivables</u>
Property taxes receivable	\$ 12,302	\$ -	\$ 12,302
Grants receivable	1,600	2,725	4,325
Other receivables	<u>394</u>	<u>3,004</u>	<u>3,398</u>
Total	<u>\$ 14,296</u>	<u>\$ 5,729</u>	<u>\$ 20,025</u>

Property taxes are levied on December 15th and attach as a lien on property the following January 1st. They are payable in full by April 30th or are due in two equal installments on February 28th and June 15th. Washington County bills and collects property taxes for all taxing entities within the counties. The tax receipts collected by the counties are remitted to the District in the subsequent month.

ARICKAREE SCHOOL DISTRICT R-2
Notes to Financial Statements

Note D – Interfund transactions

The following is a summary of interfund transactions for the year as presented in the fund financial statements:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<u>Governmental funds</u>		
General fund	\$ 1,433	\$ -
Pupil activity fund	-	595
Private-purpose trust fund	-	838
Total	<u>\$ 1,433</u>	<u>\$ 1,433</u>

All balances resulted from the lag time between the dates that (1) interfund reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Interfund receivables and payables are eliminated through the transfer of funds from one fund to another.

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Governmental funds</u>		
General fund	\$ -	\$ 4,500
Subtotal	-	4,500
<u>Proprietary funds</u>		
Nonmajor proprietary fund	4,500	-
Total	<u>\$ 4,500</u>	<u>\$ 4,500</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. The District transferred funds in the amount of \$4,500 from the General Fund to the Food Service Fund to subsidize the costs of maintaining the District's food service operations.

ARICKAREE SCHOOL DISTRICT R-2
Notes to Financial Statements

Note E – Capital assets

Capital asset activity for the year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 29,645	\$ -	\$ -	\$ 29,645
Total capital assets, not being depreciated	29,645	-	-	29,645
Capital assets, being depreciated:				
Buildings and improvements	1,947,444	-	-	1,947,444
Other equipment	46,273	-	-	46,273
Licensed vehicles	480,775	-	-	480,775
Total capital assets, being depreciated	<u>2,474,292</u>	-	-	<u>2,474,492</u>
Total capital assets	2,504,137	-	-	2,504,137
Less accumulated depreciation for:				
Buildings and improvements	(764,111)	(38,993)	-	(803,104)
Other equipment	(40,711)	(830)	-	(41,541)
Licensed vehicles	<u>(392,511)</u>	<u>(16,670)</u>	-	<u>(409,181)</u>
Total accumulated depreciation	<u>(1,197,333)</u>	<u>(56,493)</u>	-	<u>(1,253,826)</u>
Governmental activities capital assets, net	<u>\$ 1,306,804</u>	<u>\$ (56,493)</u>	<u>\$ -</u>	<u>\$ 1,250,311</u>
Business-type activities				
Machinery and equipment	\$ 39,324	\$ -	\$ -	\$ 39,324
Less accumulated depreciation	<u>(34,248)</u>	<u>(490)</u>	-	<u>(34,738)</u>
Business-type activities capital assets, net	<u>\$ 5,076</u>	<u>\$ (490)</u>	<u>\$ -</u>	<u>\$ 4,586</u>

ARICKAREE SCHOOL DISTRICT R-2
Notes to Financial Statements

Note E – Capital assets (Continued)

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

Governmental activities	
Operations and maintenance	\$ 14,231
Student transportation	3,269
Unallocated	<u>38,993</u>
Subtotal	56,493
Business-type activities	
Food service operations	<u>490</u>
Total depreciation expense	<u>\$ 56,983</u>

Note F – Accrued salaries and benefits

Salaries and benefits of certain contractually employed personnel are paid over a twelve-month period from September to August, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned but not paid at year-end are estimated to be \$101,284. Accordingly, this accrued compensation is reflected as a liability in the accompanying financial statements.

Note G – Long-term debt

The following is a summary of the changes in long-term debt for the year:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Due within one year</u>
Governmental Activities					
CDE repayment	\$ -	\$ 61,416	\$ (20,000)	\$ 41,416	\$ -
Compensated absences	<u>13,910</u>	<u>885</u>	<u>-</u>	<u>14,795</u>	<u>-</u>
Total	<u>\$ 13,910</u>	<u>\$ 62,301</u>	<u>\$ (20,000)</u>	<u>\$ 56,211</u>	<u>\$ -</u>

Payments on the compensated absences attributable to the governmental activities will be liquidated primarily by the General Fund. The District believes that the current portion of compensated absences is negligible and is therefore not reported.

ARICKAREE SCHOOL DISTRICT R-2
Notes to Financial Statements

Note G – Long-term debt (Continued)

Colorado Department of Education repayment

On August 18, 2009 the District received the results of an audit for fiscal years 2006 through 2009, which resulted in an amount due and payable to the Colorado Department of Education of \$61,417. In accordance with Colorado Revised Statutes 22-2-113(II)(A)&(B), audits that begin on or after July 1, 2007 shall not recover an interest fee for the period that is equal to the number of years and any fraction of a year between the settlement date of the current audit and the settlement date of the proceeding audit. The District paid \$20,000 in the current year and intends to make full payment in satisfaction of the audit no later than fiscal year 2013 as allowed by the statute.

Note H – Defined benefit pension plan

Plan description

The District contributes to the Combined State and School District Trust Fund (CSSDTF), a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). The CSSDTF provides retirement and disability, annual increases, and death benefits for members or their beneficiaries. All employees of the District are members of the CSSDTF. Title 24, Article 51 of the Colorado Revised Statutes (CRS), as amended, assigns the authority to establish benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the CSSDTF. That report may be obtained by writing to Colorado PERA, 1300 Logan Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

Funding policy

Plan members and the District are required to contribute to the CSSDTF at a rate set by statute. The contribution requirements of plan members and the District are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members is 8.0% and for the District 12.95% of covered salary between July 1 and December 31, 2009 and 13.85% of covered salary between January 1 and June 30, 2010. Also, a portion of the District's contribution (1.02% of covered salary) is allocated for the Health Care Trust Fund (see below). The District's contributions to the CSSDTF for the years ended June 30, 2010, 2009, and 2008 were \$107,360, \$103,337, and \$93,188, respectively, equal to their required contributions for each year.

ARICKAREE SCHOOL DISTRICT R-2
Notes to Financial Statements

Note I – Postemployment healthcare benefits

Plan description

The District contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple employer postemployment healthcare plan administered by PERA. The HCTF provides a health care premium subsidy to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the CRS, as amended, assigns the authority to establish the HCTF benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the HCTF. That report may be obtained by writing to PERA of Colorado, 1300 Logan Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

Funding policy

The District is required to contribute at a rate of 1.02% of covered salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contribution to the HCTF is established under Title 24, Article 51, Section 208 of the CRS, as amended. The District's contribution to the HCTF for the years ended June 30, 2010, 2009, and 2008 were \$8,170, \$8,445, and \$8,189, respectively, equal to their required contributions for each year.

Note J – Defined contribution plan

Plan description

The (CSSDTF) members of the District 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.

Funding policy

The 401(k) Plan is funded by voluntary member contributions of up to a maximum limit set by the IRS (\$16,500 in 2010). The contribution requirements for the District are established under Title 24, Article 51, Section 1402 of the CRS, as amended. The 401(k) Plan member contributions from the District for the year ended June 30, 2010 were \$10,188.

ARICKAREE SCHOOL DISTRICT R-2
Notes to Financial Statements

Note K – 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. The District participates in the Colorado School Districts Self-Insurance Pool (the Pool). The Pool's objectives are to provide member school districts defined property and liability coverages through self-insurance and excess insurance purchased from commercial companies. The District pays an annual contribution to the Pool for its insurance coverages. The District's contribution for the year was \$26,218. The District continues to carry commercial insurance for all other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage or the deductible in any of the past three fiscal years. There has been no significant reduction in insurance coverage from the prior year in any of the major categories of risk.

Note L – Commitments and contingencies

Federal and state funding

The District receives revenues from various federal and state grant programs which are subject to final review and approval by the grantor agencies. The amount, if any, of expenditures 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.

TABOR Amendment

In November 1992, Colorado voters passed an amendment, commonly known as the Taxpayer's Bill of Rights (TABOR), to the State Constitution (Article X, Section 20) which limits the revenue raising and spending abilities of state and local governments. The limits on property taxes, revenue, and "fiscal year spending" include allowable annual increases tied to inflation and local growth in student enrollment. Fiscal year spending as defined by the amendment excludes spending from certain revenue and financing sources such as federal funds, gifts, property sales, fund transfers, damage awards, and fund reserves (balances). The amendment requires voter approval for any increase in mill levy or tax rates, new taxes, or creation of multi-year debt. Revenue earned in excess of the "spending limit" must be refunded or approved to be retained by the District under specified voting requirements by the entire electorate. During the year ended June 30, 2002, the voters of the District approved a ballot initiative permitting the District to retain, appropriate, and utilize, by retention for reserve, carryover fund balance, or expenditure, the full proceeds and revenues received from every source whatsoever, without limitation, in this fiscal year and all subsequent fiscal years notwithstanding any limitation of Article X, Section 20 of the Colorado Constitution. TABOR is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of TABOR. However, the District has made certain interpretations of TABOR's language in order to determine its compliance. The District has reserved funds in the General Fund in the amount of \$60,000 for the emergency reserve.

ARICKAREE SCHOOL DISTRICT R-2
Notes to Financial Statements

Note M - Joint venture

The District participates in the East Central Board of Cooperative Educational Services (BOCES). This joint venture does not meet the criteria for inclusion within the reporting entity because the BOCES:

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

The District has one member on the board. The board has final authority for all budgeting and financing of the joint venture.

Separate financial statements of the East Central Board of Cooperative Educational Services are available by contacting their administrative office in Limon, Colorado.

For the year, the District's contribution was \$58,992.

Required Supplementary Information

Budgetary comparison schedules are required to be presented for the General Fund and each major Special Revenue Fund. The District has two major Special Revenue Funds.

General Fund – The General Fund accounts for all transactions of the District not required to be accounted for in other funds. This fund represents an accounting of the District's ordinary operations financed primarily from property and specific ownership taxes and state aid. It is the most significant fund in relation to the District's overall operations.

Capital Reserve Fund – This fund is used to account for expenditures that are limited by statute to the acquisition of land, construction of new facilities, alterations and improvements to existing structures where the estimated total cost of labor and materials is in excess of \$2,500 or acquisition of school buses or other equipment where the estimated unit cost is in excess of \$1,000.

Pupil Activity Fund – This fund is used to record transactions related to school-sponsored pupil organizations and activities.

ARICKAREE SCHOOL DISTRICT R-2
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources	\$ 675,752	\$ 675,752	\$ 707,016	\$ 31,264
Intermediate sources	200	200	194	(6)
State sources	800,584	800,584	806,081	5,497
Federal sources	55,385	55,385	58,467	3,082
Total revenues	1,531,921	1,531,921	1,571,758	39,837
Expenditures				
Instruction	1,025,635	1,025,635	755,764	269,871
Supporting services	885,186	885,186	621,830	263,356
Appropriated reserves	751,500	1,010,613		1,010,613
Total expenditures	2,662,321	2,921,434	1,377,594	1,543,840
Excess of revenues over (under) expenditures	(1,130,400)	(1,389,513)	194,164	1,583,677
Other financing uses				
Transfers out	(20,000)	(20,000)	(4,500)	15,500
Excess of revenues over (under) expenditures and other financing uses	<u>\$ (1,150,400)</u>	<u>\$ (1,409,513)</u>	189,664	<u>\$ 1,599,177</u>
Fund balance at beginning of year			1,405,452	
Fund balance at end of year			<u>\$ 1,595,116</u>	

ARICKAREE SCHOOL DISTRICT R-2
Capital Reserve Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources				
Earnings on investments	\$ 1,000	\$ 1,000	\$ -	\$ (1,000)
Total revenues	1,000	1,000	-	(1,000)
Expenditures				
Capital outlay	48,500	48,500	9,088	39,412
Appropriated reserves	41,880	106,544		106,544
Total expenditures	90,380	155,044	9,088	145,956
Excess of revenues over (under) expenditures	(89,380)	(154,044)	(9,088)	144,956
Other financing sources				
Transfers in	27,000	27,000		(27,000)
Excess of revenues and other financing sources over (under) expenditures	\$ (62,380)	\$ (127,044)	(9,088)	\$ 117,956
Fund balance at beginning of year			144,044	
Fund balance at end of year			\$ 134,956	

ARICKAREE SCHOOL DISTRICT R-2
Pupil Activity Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Earnings on investments			\$ 119	\$ 119
Pupil activities	\$ 100,000	\$ 100,000	72,890	(27,110)
Total revenues	100,000	100,000	73,009	(26,991)
Expenditures				
Pupil activities	100,000	100,000	72,138	27,862
Total expenditures	100,000	100,000	72,138	27,862
Excess or revenues over (under) expenditures	\$ -	\$ -	871	\$ 871
Fund balance at beginning of year			54,371	
Fund balance at end of year			\$ 55,242	

ARICKAREE SCHOOL DISTRICT R-2
Notes to the Required Supplementary Information

Note A – Budgetary data

The District adheres to the following procedures in compliance with Colorado Revised Statutes, establishing the budgetary data in the financial statements:

1. Budgets are required by state law for all funds. Prior to May 31, the superintendent of schools submits to the board of education a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted by the board of education to obtain taxpayer comments.
3. Prior to June 30, the budget is adopted by formal resolution.
4. Expenditures may not legally exceed appropriations at the fund level. Authorization to transfer budgeted amounts between departments within any fund and reallocation of budget line items within any department in the General Fund rests with the superintendent of schools. Revisions that alter the total expenditures of any fund must be approved by the board of education.
5. Budgets for all funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
6. Budgeted amounts reported in the accompanying financial statements are as originally adopted and as amended by the board of education throughout the year.
7. Appropriations lapse at year-end.

This page intentionally left blank

Individual Fund Statements and Schedules

The combining and individual fund statements and schedules present a summary of the financial position of all funds of a given segment and the operating results of the same funds. The individual fund statements and schedules present information when only one fund exists.

This page intentionally left blank

General Fund

The General Fund accounts for all transactions of the District not required to be accounted for in other funds. This fund represents an accounting of the District's ordinary operations financed primarily from property and specific ownership taxes and state aid. It is the most significant fund in relation to the District's overall operations. The schedules of revenues and expenditures are included to provide a greater level of detail to the reader of the financial statements.

ARICKAREE SCHOOL DISTRICT R-2
General Fund
Schedule of Revenues
Budget and Actual
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources				
Property taxes	\$ 580,568	\$ 580,568	\$ 588,753	\$ 8,185
Specific ownership taxes	71,584	71,584	65,984	(5,600)
Delinquent taxes and interest			831	831
Earnings on investments	8,600	8,600	9,417	817
Other local revenue	15,000	15,000	42,031	27,031
Total local sources	675,752	675,752	707,016	31,264
Intermediate sources	200	200	194	(6)
State sources				
Equalization	774,584	774,584	732,297	(42,287)
Vocational education			26,111	26,111
Transportation	20,000	20,000	21,267	1,267
Services within the BOCES	6,000	6,000	26,406	20,406
Total state sources	800,584	800,584	806,081	5,497
Federal sources				
REAP	17,592	17,592	19,376	1,784
Services within the BOCES	37,793	37,793	39,091	1,298
Total federal sources	55,385	55,385	58,467	3,082
Total revenues	\$ 1,531,921	\$ 1,531,921	\$ 1,571,758	\$ 39,837

This page intentionally left blank.

ARICKAREE SCHOOL DISTRICT R-2
Schedule of Expenditures
General Fund
Budget and Actual
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Expenditures				
Instruction				
Salaries	\$ 640,459	\$ 640,459	\$ 515,157	\$ 125,302
Employee benefits	198,805	198,805	140,422	58,383
Purchased services	73,615	73,615	34,333	39,282
Supplies and materials	73,800	73,800	40,654	33,146
Property	15,800	15,800	1,402	14,398
Other	23,156	23,156	23,796	(640)
Total instruction	1,025,635	1,025,635	755,764	269,871
Supporting services				
Students				
Salaries	19,501	19,501	19,501	-
Employee benefits	7,400	7,400	7,590	(190)
Purchased services	5,750	5,750	1,721	4,029
Supplies and materials	600	600	71	529
Property	400	400		400
Other	300	300	81	219
Total students	33,951	33,951	28,964	4,987
Instructional staff				
Salaries	6,800	6,800	6,589	211
Employee benefits	2,500	2,500	1,244	1,256
Purchased services	500	500		500
Supplies and materials	4,000	4,000	3,910	90
Property	500	500		500
Total instructional staff	14,300	14,300	11,743	2,557
General administration				
Salaries	93,800	93,800	92,850	950
Employee benefits	28,400	28,400	14,361	14,039
Purchased services	95,650	95,650	88,407	7,243
Supplies and materials	6,500	6,500	4,387	2,113
Other	23,750	23,750	16,919	6,831
Total general administration	248,100	248,100	216,924	31,176

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
School administration				
Salaries	31,300	31,300	29,638	1,662
Employee benefits	10,000	10,000	10,714	(714)
Purchased services	500	500		500
Supplies and materials	1,500	1,500	1,587	(87)
Property	1,500	1,500		1,500
Other	200	200		200
Total school administration	45,000	45,000	41,939	3,061
Business services				
Salaries	20,000	20,000	18,963	1,037
Employee benefits	5,500	5,500	5,275	225
Purchased services	1,000	1,000	832	168
Supplies and materials	1,000	1,000	634	366
Property	500	500	30	470
Other	350	350		350
Total business services	28,350	28,350	25,734	2,616
Operations and maintenance				
Salaries	50,350	50,350	28,960	21,390
Employee benefits	19,500	19,500	11,213	8,287
Purchased services	20,500	20,500	24,078	(3,578)
Supplies and materials	108,000	108,000	80,953	27,047
Property	2,000	2,000		2,000
Total operations and maintenance	200,350	200,350	145,204	55,146
Student transportation				
Salaries	83,705	83,705	43,021	40,684
Employee benefits	36,580	36,580	23,829	12,751
Purchased services	10,250	10,250	6,146	4,104
Supplies and materials	75,000	75,000	39,051	35,949
Property	2,000	2,000		2,000
Other	100	100		100
Total student transportation	207,635	207,635	112,047	95,588

(continued)

ARICKAREE SCHOOL DISTRICT R-2
Schedule of Expenditures
General Fund
Budget and Actual
For the Year Ended June 30, 2010

(continued)	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Central support services				
Purchased services	53,000	53,000	38,759	14,241
Total central support services	53,000	53,000	38,759	14,241
Other uses				
Matching federal funds	54,500	54,500	516	53,984
Total other uses	54,500	54,500	516	53,984
Total supporting services	885,186	885,186	621,830	263,356
Appropriated reserves	751,500	1,010,613		1,010,613
Total expenditures	<u>\$ 2,662,321</u>	<u>\$ 2,921,434</u>	<u>\$ 1,377,594</u>	<u>\$ 1,543,840</u>

Nonmajor Proprietary Funds

The District reports the following nonmajor proprietary funds:

Enterprise Funds – These funds are used to account for operations that provide services that are financed primarily by user charges, or activities where periodic measurement of income is appropriate for capital maintenance, public policy, management control or other purposes.

- Food Service Fund – This fund is used to record financial transactions related to the District's food service operations.

ARICKAREE SCHOOL DISTRICT R-2
Food Service Fund
Statement of Revenues, Expenses and Changes in Net Assets
Budget and Actual
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Operating revenues				
Charges for services	\$ 25,000	\$ 25,000	\$ 36,655	\$ 11,655
Operating expenses				
Salaries	24,517	24,517	22,943	1,574
Employee benefits	6,218	6,218	6,179	39
Purchased services	17,500	17,500	2,878	14,622
Supplies and materials	58,332	53,500	53,258	242
Depreciation	1,300	1,300	490	810
Other			120	(120)
Total operating expenses	107,867	103,035	85,868	17,167
Operating loss	(82,867)	(78,035)	(49,213)	28,822
Nonoperating revenues				
Federal aid				
Nutrition reimbursements	26,000	26,000	29,907	3,907
Commodity revenue	200	200	3,111	2,911
State aid			1,522	1,522
Total nonoperating revenues	26,200	26,200	34,540	8,340
Loss before transfers	(56,667)	(51,835)	(14,673)	37,162
Transfers in	20,000	20,000	4,500	(15,500)
Change in net assets	\$ (36,667)	\$ (31,835)	(10,173)	\$ 21,662
Net assets at beginning of year			47,335	
Net assets at end of year			\$ 37,162	

Fiduciary Funds

These funds focus on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds.

Private-purpose trust funds – These funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

- Scholarship Trust Fund – This fund is used to record the financial transactions related to the administration of a scholarship trust that is used to award scholarships to area students.

ARICKAREE SCHOOL DISTRICT R-2
Scholarship Trust Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Contributions and earnings	\$ 600	\$ 600	\$ 362	\$ (238)
Total revenues	600	600	362	(238)
Expenditures				
Scholarship awards	600	600	416	184
Total expenditures	600	600	416	184
Excess of revenues over (under) expenditures	\$ -	\$ -	(54)	\$ (54)
Net assets at beginning of year			5,247	
Net assets at end of year			\$ 5,193	

**Colorado Department of Education
Supplementary Schedule**

Auditors' electronic financial data integrity check figures report - This fiscal-year report is required by the Colorado Department of Education to maintain statewide consistency in financial reporting. This report is also used to gather financial data that could affect future state funding.

This page intentionally left blank.



**LAUER, SZABO &
ASSOCIATES, PC**

Certified Public Accountants

205 Main St. • P.O. Box 1886 • Sterling, CO 80751-7886

Phone 970-522-2218 • FAX 970-522-2220

Independent Auditors' Report on Supplementary Schedule

Board of Education
Arickaree School District R-2
Anton, Colorado

We have audited the basic financial statements of the Arickaree School District R-2 (the District) as of and for the year ended June 30, 2010, and have issued our report thereon dated November 30, 2010. The basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Auditors' Electronic Financial Data Integrity Check Figures Report is presented for purposes of additional analysis and is not a required part of the basic financial statements of the District. Such information is presented in accordance with the requirements of the Colorado Department of Education. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Lauer, Szabo & Associates, P.C.

Sterling, Colorado
November 30, 2010

11/29/2010
11:46 AM

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

WASHINGTON ARICKAREE R-2
District Code: 3040

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*) +	1000 - 5999 Total Revenues & Other Sources -	0001 - 0999 Total Expenditures & Other Uses =	6700 - 6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental				
10 General Fund	1,363,424	1,517,923	1,314,829	1,566,519
18 Risk Mgmt Sub-Fund of General Fund	32,357	35,000	38,759	28,598
19 Colorado Preschool Program Fund	9,671	14,335	24,006	0
Subtotal	1,405,452	1,567,258	1,377,594	1,595,116
11 Charter School Fund	0	0	0	0
20,26-29 Special Revenue Fund	0	0	0	0
21 Capital Reserve Spec Revenue Fund	144,044	0	9,088	134,956
22 Govt Designated-Purpose Grants Fund	0	0	0	0
23 Pupil Activity Special Revenue Fund	54,371	73,009	72,138	55,242
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
30 Debt Service Fund	0	0	0	0
31 Bond Redemption Fund	0	0	0	0
41 Building Fund	0	0	0	0
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	0	0	0	0
TOTALS	1,603,867	1,640,267	1,458,819	1,785,315
Proprietary				
51 Food Service Fund	47,335	75,695	85,868	37,162
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	0	0	0	0
TOTALS	47,335	75,695	85,868	37,162
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	5,247	362	416	5,193
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	0	0	0	0
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
TOTALS	5,247	362	416	5,193

*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.