

**CUSTER COUNTY SCHOOL DISTRICT C-1
WESTCLIFFE, COLORADO**

FINANCIAL STATEMENTS

June 30, 2014

**CUSTER COUNTY SCHOOL DISTRICT C-1
WESTCLIFFE, COLORADO**

ROSTER OF SCHOOL OFFICIALS

June 30, 2014

BOARD OF EDUCATION

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FINANCIAL SECTION



Board of Education
Custer County School District C-1
Westcliffe, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Custer County School District C-1 as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Custer County School District C-1, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 Custer County School District C-1 as of June 30, 2014, and the respective changes in financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 11 to the financial statements, in the year ended June 30, 2014, the Custer County School District C-1 adopted new accounting guidance as required by Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters (Required Supplementary Information)

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

Other Matters (Other Information)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Custer County School District C-1's basic financial statements. The supplementary information and the auditors integrity report listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare 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 the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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.



December 24, 2014

CUSTER COUNTY SCHOOL DISTRICT C-1
Management's Discussion and Analysis
Fiscal Year Ending June 30, 2014

As management of Custer County School District C-1, we offer readers of the District's basic financial statements this narrative and analysis of the financial activities of Custer County School District C-1 for the year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information provided in the accompanying financial statements.

Financial Highlights

The year ended June 30, 2014 was the second year of service for our superintendent, Mr. Chris Selle. He previously acted as superintendent for Limon School District RE-4J for two years. He has eleven years of experience in education and six years of experience as an engineer in the oil and gas industry.

In fiscal year 2014, the general fund carryover balance reflects an increase of \$199,395 from the prior year. This increase was partially due to a higher than projected amount of specific ownership taxes being collected, the recovery of appealed E-rate reimbursements from previous fiscal years, and coming in under budgeted projected expenses in other areas. All expenditures were approved by the board. The District has at least temporarily discontinued the use of the 3,600 square foot preschool facility located at 118 Jerry Court in Westcliffe, due to current budget constraints and logistical needs. The facility continues to be used by the Custer County Transitions community services organization (which includes the Parents as Teachers and Magic Moments early childhood learning groups). They have been allowed to use the facility in order to better serve multiple needs of the children and parents in our community, as per approval of the board of education. The preschool is currently housed in the elementary building at 709 Main Street and has been since August of 2011. During fiscal year 2014, the District sold the old preschool building located at 702 Main Street in Westcliffe. A new wireless network was installed throughout the school complex and laptop computers were purchased with funds remaining from a donation received in a previous fiscal year which had been allocated for technology needs. New desktop computers were also purchased for all computer labs. Routine facilities maintenance took place throughout the District, including the replenishing of rubber mulch and playground mats for the elementary playground area. Though budget restrictions and increasing costs have made it difficult, the District continued to maintain its benefit package for all eligible employees, albeit at a higher deductible health insurance plan with the same provider as the previous fiscal year. The implementation of a medical reimbursement plan to replace the medical gap insurance plan offered by the District in the 2007-2008 school year has now realized an accumulated savings of \$80,965 to the District over the last seven fiscal years.

The District had three fewer students enrolled than in the 2012-2013 school year; however, funded student count was down by 20.1 students. The official funded count varies from actual funded count students due to the five-year averaging allowed by the state. The operations of the District are funded primarily by tax revenue received under the State School Finance Act. Operating tax revenue for the year from property and specific ownership taxes from the county was approximately \$2,563,432, an increase of \$51,009 from local tax revenue from the previous year. State equalization revenue amounted to an additional \$693,090, reflecting a decrease of \$17,584 from the previous year's state equalization funding and a \$633,852 decrease in state equalization funding from fiscal year 2010. The negative factor in school funding continues to force budget constraints for the District. For fiscal year 2014, the district received \$578,674 less than the program funding established by the School Finance Act of 1994 and the voter approved stipulations of Amendment 23 due to employment of the negative factor.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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

The statement of net position presents information on all the District's assets and liabilities, with the difference between the two being reported as net position. Over time, the increases or decreases in net position 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 position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future periods (for example, salaries and benefits earned but unpaid as of year end).

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District keeps track of these monies to ensure and demonstrate compliance with finance-related legal requirements. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The District has two governmental funds: the General Fund and Bond Redemption Fund.

Enterprise funds are used to present the same functions as the business-type activities presented in the government-wide financial statements. The District uses an enterprise fund to account for its food service operation.

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

Government-wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of the District's financial position. For the year ending June 30, 2014, the District's combined assets exceeded liabilities by \$2,923,834. Of this amount, \$753,049 is unrestricted and is available to meet the District's ongoing financial obligations. \$1,459,610 is the District's net investment in capital assets. \$110,000 is restricted (reserved for emergencies) to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment. In addition, \$601,175 is restricted for debt service.

Net Position

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	2014	2013	2014	2013	2014	2013
Assets						
Current Assets	\$1,822,473	\$1,734,130	\$ 6,389	\$6,726	\$1,828,862	\$1,740,856
Capital Assets-Net	<u>5,107,726</u>	<u>5,346,664</u>	<u>6,952</u>	<u>8,108</u>	<u>5,114,678</u>	<u>5,354,772</u>
Total Assets	<u>\$6,930,199</u>	<u>\$7,080,794</u>	<u>\$13,341</u>	<u>\$14,834</u>	<u>\$6,943,540</u>	<u>\$7,095,628</u>
Deferred Outflows of Resources	205,969	226,566			205,969	226,566
Liabilities						
Current Liabilities	\$ 288,984	\$ 285,144	\$8,152	\$7,723	\$ 297,136	\$ 292,867
Noncurrent Liabilities	<u>3,928,539</u>	<u>4,219,768</u>			<u>3,928,539</u>	<u>4,219,768</u>
Total Liabilities	<u>\$4,217,523</u>	<u>\$4,504,912</u>	<u>\$8,152</u>	<u>\$7,723</u>	<u>\$4,225,675</u>	<u>\$4,512,635</u>
Net Position						
Net Investment in Capital Assets	\$1,452,658	\$1,550,122	\$6,952	\$8,108	\$1,459,610	\$1,558,230
Restricted	711,175	707,666			711,175	707,666
Unrestricted	<u>754,812</u>	<u>544,660</u>	<u>(1,763)</u>	<u>(997)</u>	<u>753,049</u>	<u>543,663</u>
Total Net Position	<u>\$2,918,645</u>	<u>\$2,802,448</u>	<u>\$5,189</u>	<u>\$7,111</u>	<u>\$2,923,834</u>	<u>\$2,809,559</u>
Change in Net Position						
Revenues						
Property Taxes	\$2,633,901	\$2,602,186			\$2,633,901	\$2,602,186
SO Taxes	336,920	286,687			336,920	286,687
Equalization	693,090	710,674			693,090	710,674
Charges for Services	12,060	12,820	\$30,788	\$33,010	42,848	45,830
Operating Grants and Contributions	230,792	228,234	81,108	74,766	311,900	303,000
Other Revenues	<u>278,064</u>	<u>195,734</u>			<u>278,064</u>	<u>195,734</u>
Total Revenue	<u>\$4,184,827</u>	<u>\$4,036,335</u>	<u>\$111,896</u>	<u>\$107,776</u>	<u>\$4,296,723</u>	<u>\$4,144,111</u>
Expenses						
Instruction	\$2,157,285	\$2,165,810			\$2,157,285	\$2,165,810
Support Services	1,585,325	1,533,693			1,585,325	1,533,693
Interest on Long-Term Debt	142,787	152,018			142,787	152,018
Food Service			\$178,018	\$169,010	178,018	169,010
Total Expenses	<u>\$3,885,397</u>	<u>\$3,851,521</u>	<u>\$178,018</u>	<u>\$169,010</u>	<u>\$4,063,415</u>	<u>\$4,020,531</u>
Transfers	<u>\$ (64,200)</u>	<u>\$ (67,650)</u>	<u>\$ 64,200</u>	<u>\$ 67,650</u>		
Increase (Decrease) in Net Position	<u>\$ 235,230</u>	<u>\$ 117,164</u>	<u>\$ (1,922)</u>	<u>\$ 6,416</u>	<u>\$ 233,308</u>	<u>\$ 123,580</u>
<hr/>						
Net Position, June 30, 2009		\$2,455,308		\$ 7,489		\$2,462,797
Net Position, June 30, 2010		\$2,703,680		\$ 7,783		\$2,711,463
Net Position, June 30, 2011		\$2,634,613		\$ 830		\$2,635,433
Net Position, June 30, 2012		\$2,685,284		\$ 695		\$2,685,979
Net Position, June 30, 2013		\$2,683,415		\$ 7,111		\$2,690,526
Net Position, June 30, 2014		\$2,918,645		\$ 5,189		\$2,923,834

Financial Analysis of the District's Funds

Governmental funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of 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 \$1,415,409, an increase of \$193,770 (reflecting slightly higher than budgeted tax revenues and lower than anticipated budgeted expenditures in some areas). Maintaining the facilities was all that the 2014 budget constraints allowed. No capital purchases were made in the transportation department in fiscal years 2011 through 2014, although the district fleet is made up of several aging buses that the district is endeavoring to maintain in good working order. Additional playground mulch was purchased and installed by district staff to meet safety regulations for the elementary playground in 2011 and 2014. Upgrades that included the installation of a district-wide wireless computer network and the purchase of laptop computers for staff and some computers for classroom use were initiated in June of 2013 and were implemented in fiscal year 2014. Used computer equipment in good condition has been purchased to replace equipment that is beyond repair. Any possible safety issues District-wide will continue to be monitored and addressed as the need arises.

The General Fund is the major operating fund of the District. At the end of the current fiscal year, fund balance increased by \$199,395 (from \$632,730 to \$832,125).

The Bond Redemption Fund ending fund balance decreased by \$5,625 (from \$588,909 to \$583,284). The Bond Refunding in April of 2012 resulted in an increased balance in the Fund in 2012. The Board of Education and management lowered the bond mill levy to meet bond redemption obligations with minimal change to the fund balance in the Bond Redemption Fund. The carryover fund balance still reflects an amount which would meet at least one year's obligations for bond redemption, in the event of default by any of the District's significantly large taxpayers.

General Fund Budgetary Highlights

The District budgeted for General Fund expenditures of \$3,741,648 for the year ended June 30, 2014. Expenditures actually made in the General Fund totaled \$3,562,767. Budgeted revenues were projected at \$3,713,818 and actually came in at \$3,826,362. Both revenues and expenditures reflect a slight increase from the previous fiscal year.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets as of June 30, 2014, amounts to \$5,114,678. Current year additions decreased from the previous year due to budgetary restrictions. More information on the District's capital assets can be found in Note 4 to the financial statements.

Long-term debt. As of June 30, 2014, the District had \$1,845,000 bonds payable from the bond issue of 2000 and the related refunding of 2005, which authorized the building of a new high school wing, a remodeled elementary wing, a remodeled middle school wing, new offices, and other facility improvements. Long term debt also includes \$1,955,000 bonds payable from the bond issue of 2004 and the related refunding of 2012, which authorized the building of a new physical education complex that includes a gym, locker rooms, weight room, concession and storage areas, handicap accessible restrooms, and coaches' offices.

Compensated absences of \$67,502 are future liabilities. More information on the District's long-term debt can be found in Note 6 to the financial statements.

Economic Factors and Next Year's Budget

The primary factor driving the budget for the District is student enrollment. Enrollment for 2013-2014 was 411 students in preschool-12th grades with funded count being 406.6. This figure was a decrease in actual enrollment (down from 414) and in funded student count from the previous year (426.7). The enrollment projected for the 2014-2015 school year was decreased to 380 students. This factor was considered in preparing the District's budget for 2014-2015.

The increased size of the District's facilities over the last fourteen years has increased utilities and operational expense. This was taken into consideration in the planning of the budget for 2014-2015. The volatility of fuel prices is of major concern to the District, especially in light of state funding for transportation decreasing at the same time that all other expenses are increasing. Because we are a small, rural school district with the majority of our students living outside of Westcliffe, the operation of our bus routes is imperative to providing our students with a quality education. There has been a reduction in staff in the District due to budget restrictions (primarily achieved by not replacing staff leaving the District at this time and by reassignment of current personnel). The District continues to subsidize the food service program from the General Fund; however, the board and management of the District continue to support the program for the benefit of the District's students. A modest price increase for meals served in the program was put into place in the 2012-2013 school year, within federal guidelines.

Requests for Information

The financial report is designed to provide a general overview of the District's finances for all those with an interest in the District. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Custer County School District C-1
709 Main Street, P.O. Box 730
Westcliffe, CO 81252

BASIC FINANCIAL STATEMENTS

CUSTER COUNTY SCHOOL DISTRICT C-1

STATEMENT OF NET POSITION

June 30, 2014

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and Investments	\$ 1,562,227	\$ -	\$ 1,562,227
Accounts Receivable	4,376	7,568	11,944
Taxes Receivable	253,017	-	253,017
Inventories	-	1,674	1,674
Internal Balances	2,853	(2,853)	-
Capital Assets, Net of Accumulated Depreciation	<u>5,107,726</u>	<u>6,952</u>	<u>5,114,678</u>
TOTAL ASSETS	<u>6,930,199</u>	<u>13,341</u>	<u>6,943,540</u>
DEFERRED OUTFLOWS OF RESOURCES			
Loss on Debt Refunding, Net of Accumulated Amortization	<u>205,969</u>	<u>-</u>	<u>205,969</u>
LIABILITIES			
Accounts Payable	34,403	-	34,403
Accrued Salaries and Benefits	254,581	8,152	262,733
Noncurrent Liabilities			
Due Within One Year	300,514	-	300,514
Due in More Than One Year	<u>3,628,025</u>	<u>-</u>	<u>3,628,025</u>
TOTAL LIABILITIES	<u>4,217,523</u>	<u>8,152</u>	<u>4,225,675</u>
NET POSITION			
Net Investment in Capital Assets	1,452,658	6,952	1,459,610
Restricted for Debt Service	601,175	-	601,175
Restricted for Emergencies	110,000	-	110,000
Unrestricted	<u>754,812</u>	<u>(1,763)</u>	<u>753,049</u>
TOTAL NET POSITION	<u>\$ 2,918,645</u>	<u>\$ 5,189</u>	<u>\$ 2,923,834</u>

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

CUSTER COUNTY SCHOOL DISTRICT C-1

STATEMENT OF ACTIVITIES

Year Ended June 30, 2014

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES	
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS
PRIMARY GOVERNMENT			
Governmental Activities			
Instruction	\$ 2,157,285	\$ 12,060	\$ 133,201
Supporting Services	1,585,325	-	97,591
Interest and Fiscal Charges	142,787	-	-
Total Governmental Activities	3,885,397	12,060	230,792
Business-Type Activities			
Food Service	178,018	30,788	81,108
Total Business-Type Activities	178,018	30,788	81,108
TOTAL PRIMARY GOVERNMENT	\$ 4,063,415	\$ 42,848	\$ 311,900

GENERAL REVENUES

Local Property Taxes
 Specific Ownership Taxes
 State Equalization
 Grants and Contributions not
 Restricted to Specific Programs
 Investment Income
 Gain on Sale of Capital Assets
 Other

TRANSFERS

TOTAL GENERAL REVENUES
 AND TRANSFERS

CHANGE IN NET POSITION

NET POSITION, Beginning

NET POSITION, Ending

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

NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION

<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
\$ (2,012,024)	\$ -	\$ (2,012,024)
(1,487,734)	-	(1,487,734)
<u>(142,787)</u>	<u>-</u>	<u>(142,787)</u>
<u>(3,642,545)</u>	<u>-</u>	<u>(3,642,545)</u>
<u>-</u>	<u>(66,122)</u>	<u>(66,122)</u>
<u>-</u>	<u>(66,122)</u>	<u>(66,122)</u>
<u>(3,642,545)</u>	<u>(66,122)</u>	<u>(3,708,667)</u>
2,633,901	-	2,633,901
336,920	-	336,920
693,090	-	693,090
115,336	-	115,336
2,247	-	2,247
45,711	-	45,711
114,770	-	114,770
<u>(64,200)</u>	<u>64,200</u>	<u>-</u>
<u>3,877,775</u>	<u>64,200</u>	<u>3,941,975</u>
235,230	(1,922)	233,308
<u>2,683,415</u>	<u>7,111</u>	<u>2,690,526</u>
<u>\$ 2,918,645</u>	<u>\$ 5,189</u>	<u>\$ 2,923,834</u>

CUSTER COUNTY SCHOOL DISTRICT C-1

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	GENERAL	BOND REDEMPTION	TOTAL
ASSETS			
Cash and Investments	\$ 995,189	\$ 567,038	\$ 1,562,227
Accounts Receivable	4,376	-	4,376
Taxes Receivable	218,880	34,137	253,017
Interfund Receivables	2,853	-	2,853
TOTAL ASSETS	\$ 1,221,298	\$ 601,175	\$ 1,822,473
LIABILITIES			
Accounts Payable	\$ 34,403	\$ -	\$ 34,403
Accrued Salaries and Benefits	254,581	-	254,581
TOTAL LIABILITIES	288,984	-	288,984
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	100,189	17,891	118,080
FUND BALANCES			
Restricted for Debt Service	-	583,284	583,284
Restricted for Emergencies	110,000	-	110,000
Unrestricted, Unassigned	722,125	-	722,125
TOTAL FUND BALANCES	832,125	583,284	1,415,409
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 1,221,298	\$ 601,175	\$ 1,822,473

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

Total Fund Balances of Governmental Funds	\$ 1,415,409
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	5,107,726
Long-term assets are not available to pay current expenditures and, therefore, are deferred in governmental funds. This amount represents property taxes not available as current financial resources.	118,080
Long-term liabilities and related items, including bonds payable (\$3,800,000), bond premium (\$61,037), compensated absences (\$67,502), and loss on debt refunding \$205,969, are not due and payable in the current year and, therefore, are not reported in governmental funds.	(3,722,570)
Total Net Position of Governmental Activities	\$ 2,918,645

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

CUSTER COUNTY SCHOOL DISTRICT C-1

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
 Year Ended June 30, 2014

	<u>GENERAL</u>	<u>BOND REDEMPTION</u>	<u>TOTAL</u>
REVENUES			
Local Sources	\$ 2,900,320	\$ 397,669	\$ 3,297,989
State Sources	774,175	-	774,175
Federal Sources	<u>151,867</u>	<u>-</u>	<u>151,867</u>
 TOTAL REVENUES	 <u>3,826,362</u>	 <u>397,669</u>	 <u>4,224,031</u>
EXPENDITURES			
Instruction	2,008,495	-	2,008,495
Supporting Services	1,554,272	-	1,554,272
Debt Service			
Principal	-	275,000	275,000
Interest and Fiscal Charges	<u>-</u>	<u>128,294</u>	<u>128,294</u>
 TOTAL EXPENDITURES	 <u>3,562,767</u>	 <u>403,294</u>	 <u>3,966,061</u>
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 263,595	 (5,625)	 257,970
OTHER FINANCING SOURCES (USES)			
Transfers Out	<u>(64,200)</u>	<u>-</u>	<u>(64,200)</u>
 NET CHANGE IN FUND BALANCES	 199,395	 (5,625)	 193,770
FUND BALANCES, Beginning	<u>632,730</u>	<u>588,909</u>	<u>1,221,639</u>
FUND BALANCES, Ending	<u>\$ 832,125</u>	<u>\$ 583,284</u>	<u>\$ 1,415,409</u>

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

CUSTER COUNTY SCHOOL DISTRICT C-1

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2014

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

Net Change in Fund Balances of Governmental Funds	\$ 193,770
Capital outlays to purchase or construct capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized in the statement of net position and are allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This amount represents depreciation expense (\$189,968) and disposals (\$48,970) in the current year.	(238,938)
Revenues in the statement of activities that do not provide current financial resources are deferred in the governmental funds. This amount represents the change in property tax revenues not available as current financial resources.	9,766
Repayments of bond principal are expenditures in the governmental funds, but they reduce long-term liabilities in the statement of net position and do not affect the statement of activities.	275,000
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. This amount represents amortization of bond premium \$6,104, amortization of loss on debt refunding (\$20,597), change in compensated absences (\$903), and change in early retirement \$11,028.	<u>(4,368)</u>
Change in Net Position of Governmental Activities	<u>\$ 235,230</u>

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

CUSTER COUNTY SCHOOL DISTRICT C-1

STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2014

	<u>FOOD SERVICE</u>
ASSETS	
Current Assets	
Accounts Receivable	\$ 7,568
Inventories	<u>1,674</u>
Total Current Assets	9,242
Noncurrent Assets	
Capital Assets, Net of Accumulated Depreciation	<u>6,952</u>
TOTAL ASSETS	<u>16,194</u>
LIABILITIES	
Current Liabilities	
Interfund Payables	2,853
Accrued Salaries and Benefits	<u>8,152</u>
TOTAL LIABILITIES	<u>11,005</u>
NET POSITION	
Net Investment in Capital Assets	6,952
Unrestricted	<u>(1,763)</u>
TOTAL NET POSITION	<u>\$ 5,189</u>

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

CUSTER COUNTY SCHOOL DISTRICT C-1

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUND
 Year Ended June 30, 2014

	<u>FOOD SERVICE</u>
OPERATING REVENUES	
Local Sources	
Charges for Services	\$ <u>30,788</u>
OPERATING EXPENSES	
Salaries	61,431
Employee Benefits	30,027
Purchased Services	575
Commodities	7,716
Supplies and Materials	77,113
Depreciation	<u>1,156</u>
TOTAL OPERATING EXPENSES	<u>178,018</u>
NET OPERATING LOSS	<u>(147,230)</u>
NONOPERATING REVENUES	
State Sources	2,234
Federal Sources	
School Lunch and Breakfast Program	71,158
Donated Commodities	<u>7,716</u>
TOTAL NONOPERATING REVENUES	<u>81,108</u>
NET LOSS BEFORE TRANSFERS	(66,122)
Transfers In	<u>64,200</u>
CHANGE IN NET POSITION	(1,922)
NET POSITION, Beginning	<u>7,111</u>
NET POSITION, Ending	<u>\$ <u>5,189</u></u>

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

CUSTER COUNTY SCHOOL DISTRICT C-1

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

Increase (Decrease) in Cash
Year Ended June 30, 2014

	<u>FOOD SERVICE</u>
Cash Flows From Operating Activities	
Cash Received from Sale of Meals	\$ 31,039
Cash Paid to Employees	(61,002)
Cash Paid to Suppliers	<u>(105,837)</u>
Net Cash Used by Operating Activities	<u>(135,800)</u>
Cash Flows From Noncapital Financing Activities	
Cash Received from State Sources	2,197
Cash Received from Federal Sources	70,362
Subsidies from Other Funds	<u>63,241</u>
Net Cash Provided by Noncapital Financing Activities	<u>135,800</u>
NET CHANGE IN CASH	-
CASH, Beginning	<u>-</u>
CASH, Ending	<u><u>\$ -</u></u>
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Net Operating Loss	\$ (147,230)
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities	
Donated Commodities	7,716
Depreciation Expense	1,156
Changes in Assets and Liabilities	
Accounts Receivable	251
Inventories	1,878
Accrued Salaries and Benefits	<u>429</u>
Net Cash Used by Operating Activities	<u><u>\$ (135,800)</u></u>
NON-CASH TRANSACTIONS	
Donated Commodities	<u><u>\$ 7,716</u></u>

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

CUSTER COUNTY SCHOOL DISTRICT C-1

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUND

June 30, 2014

	<u>AGENCY</u>
ASSETS	
Cash and Investments	\$ <u>154,812</u>
LIABILITIES	
Due to Student Groups	\$ 142,349
Due to Scholarship Fund	12,087
Due to Teachers' Support Fund	<u>376</u>
 TOTAL LIABILITIES	 \$ <u>154,812</u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Custer County School District C-1 (the “District”) conform to generally accepted accounting principles as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting standards and principles. Following is a summary of the more significant policies.

Reporting Entity

The financial reporting entity consists of the District, organizations for which the District is financially accountable, and organizations that raise and hold economic resources for the direct benefit of the District. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the District. Legally separate organizations for which the District is financially accountable are considered part of the reporting entity. Financial accountability exists if the District appoints a voting majority of the organization’s governing board and is able to impose its will on the organization, or if the organization provides benefits to, or imposes financial burdens on, the District.

Based on the application of this criteria, the District does not include additional organizations in its reporting entity.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges for interfund services that are reasonably equivalent to the services provided. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to students or other customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. Internally dedicated resources are reported as general revenues rather than as program revenues.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

General Fund - This fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Bond Redemption Fund - This fund accounts for a dedicated property tax restricted for payment of the District's general obligation debt.

Additionally, the District reports the following fund types:

The *Food Service Enterprise Fund* accounts for the financial activities of the District's student breakfast and lunch program.

The *Agency Fund* accounts for funds held by the District for student organizations, student scholarships and the teachers' support fund. The District holds all resources in a purely custodial capacity.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The fiduciary fund financial statements are reported using the accrual basis of accounting.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current year. Taxes, intergovernmental revenues, grants, and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered to be measurable and available only when cash is received by the District. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

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 fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for a specific use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Balances/Net Position

Cash and Investments - Investments are reported at fair value.

Receivables - All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Property taxes levied in the current year but not received at year end are reported as property taxes receivable and are presented net of an allowance for uncollectible taxes.

Inventories - Inventories of the proprietary fund are valued at the lower of cost or market, using the first in, first out method. Donated commodities, received at no cost under a program supported by the federal government, are valued based upon the cost furnished by the federal government.

Interfund Receivables/Payables - During the course of operations, certain transactions occur between individual funds. The resulting receivables and payables are classified in the fund financial statements as *interfund receivables* and *interfund payables*.

Any residual balances outstanding between governmental and business-type activities are reported in the government-wide financial statements as *internal balances*.

Capital Assets - Capital assets, which include property and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary fund in the fund financial statements. Capital assets are defined by the District as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

Buildings and Improvements	20 - 50 years
Transportation Vehicles	5 - 10 years
Equipment	5 - 10 years

Accrued Salaries and Benefits - Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve month period from September to August, but are earned during a school year of approximately nine months. The accrued salaries and benefits earned, but unpaid, are reported as a liability in the financial statements.

Deferred Inflows of Resources - Property taxes earned but not available as current financial resources are reported as deferred inflows of resources in the governmental fund financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Assets, Liabilities and Fund Balances/Net Position (Continued)**

Compensated Absences - District employees are allowed one day of leave for each month of duty or contract time. Employees are compensated for 25% of accrued leave upon leaving the District at the employees' regular base rate provided they have five years prior service in the District. These compensated absences are recognized when paid in the governmental funds. A long-term liability has been reported in the government-wide financial statements for the accrued compensated absences.

Early Retirement - Certain District employees were eligible to receive early retirement benefits. Early retirement payments were deferred and paid over three years from the retirement date. A long-term liability was reported in the government-wide financial statements when the early retirement benefits were accepted by the employee and approved by the Board of Education. The early retirement program has been discontinued.

Long-Term Debt - In the government-wide financial statements, and the proprietary fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Debt premiums, discounts, and refunding losses are deferred and amortized over the life of the debt using the straight-line method. In the fund financial statements, governmental funds recognize the face amount of debt issued as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the debt proceeds, are reported as current expenses or expenditures.

Net Position/Fund Balances - In the government-wide and fund financial statements, net position and fund balance are restricted when constraints placed on the use of resources are externally imposed. The Board of Education is authorized to establish a fund balance commitment through passage of a resolution, and may assign fund balances to a specific purpose through an informal action.

The District has not established a formal policy for its use of restricted and unrestricted fund balances. However, if both restricted and unrestricted fund balances are available for a specific purpose, the District uses restricted fund balance first, followed by committed, assigned, and unassigned balances.

Property Tax Revenues

Property taxes attach as an enforceable lien on property on January 1, and are levied the following December. Taxes are payable in full the following April 30 or in two installments on February 28 and June 15. The County Treasurer's Office collects property taxes and remits to the District on a monthly basis.

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The District carries commercial insurance for these risks of loss.

CUSTER COUNTY SCHOOL DISTRICT C-1

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 2: CASH AND INVESTMENTS

At June 30, 2014, the District had the following cash and investments.

Cash on Hand	\$ 200
Deposits	1,149,801
Investments	<u>567,038</u>
Total	<u>\$ 1,717,039</u>

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

Governmental Activities	\$ 1,562,227
Agency Fund	<u>154,812</u>
Total	<u>\$ 1,717,039</u>

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2014, the District had bank deposits of \$988,434 collateralized with securities held by the financial institution's agent but not in the District's name.

Investments

The District is required to comply with State statutes which specify investment instruments meeting defined rating, maturity and concentration risk criteria in which local governments may invest, which include the following. State statutes do not address custodial risk.

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

Interest Rate Risk - State statutes generally limit investments to an original maturity of five years unless the governing board authorizes the investment for a period in excess of five years.

CUSTER COUNTY SCHOOL DISTRICT C-1

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments (Continued)

Credit Risk - State statutes limit investments in money market funds to those that maintain a constant share price, with a maximum remaining maturity in accordance with the Securities and Exchange Commission's Rule 2a-7, and either have assets of one billion dollars or the highest rating issued by one or more nationally recognized statistical rating organization. At June 30, 2014, the District had \$567,038 invested in a money market fund that was rated AAAM by Standard and Poor's and Aaa by Moody's Investors Service.

Concentration of Credit Risk - State statutes do not limit the amount the District may invest in a single issuer, except for corporate securities.

NOTE 3: INTERFUND BALANCES AND TRANSACTIONS

At June, 30, 2014, the General Fund had temporarily subsidized the negative cash balance of the Food Service Fund in the amount of \$2,853. During the year ended June 30, 2014, the General Fund subsidized the operations of the Food Service Fund through a transfer of \$64,200.

NOTE 4: CAPITAL ASSETS

Activity for capital assets during the year ended June 30, 2014, is summarized below:

	Balances <u>6/30/13</u>	Additions	Deletions	Balances <u>6/30/14</u>
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 176,400	\$ -	\$ 25,000	\$ 151,400
Total Capital Assets, Not Being Depreciated	<u>176,400</u>	<u>-</u>	<u>25,000</u>	<u>151,400</u>
Capital Assets, Being Depreciated				
Buildings and Improvements	7,876,252	-	47,000	7,829,252
Transportation Vehicles	725,844	-	-	725,844
Equipment	<u>23,342</u>	<u>-</u>	<u>-</u>	<u>23,342</u>
Total Capital Assets, Being Depreciated	<u>8,625,438</u>	<u>-</u>	<u>47,000</u>	<u>8,578,438</u>
Less Accumulated Depreciation				
Buildings and Improvements	(2,790,070)	(164,693)	(23,030)	(2,931,733)
Transportation Vehicles	(644,314)	(24,000)	-	(668,314)
Equipment	<u>(20,790)</u>	<u>(1,275)</u>	<u>-</u>	<u>(22,065)</u>
Total Accumulated Depreciation	<u>(3,455,174)</u>	<u>(189,968)</u>	<u>(23,030)</u>	<u>(3,622,112)</u>
Capital Assets, Being Depreciated, Net	<u>5,170,264</u>	<u>(189,968)</u>	<u>23,970</u>	<u>4,956,326</u>
Governmental Activities Capital Assets, Net	<u>\$ 5,346,664</u>	<u>\$ (189,968)</u>	<u>\$ 48,970</u>	<u>\$ 5,107,726</u>

CUSTER COUNTY SCHOOL DISTRICT C-1

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 4: CAPITAL ASSETS (Continued)

	<u>Balances</u> 6/30/13	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> 6/30/14
Business-Type Activities				
Capital Assets, Being Depreciated				
Equipment	\$ 24,438	\$ -	\$ -	\$ 24,438
Less Accumulated Depreciation				
Equipment	<u>(16,330)</u>	<u>(1,156)</u>	<u>-</u>	<u>(17,486)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 8,108</u>	<u>\$ (1,156)</u>	<u>\$ -</u>	<u>\$ 6,952</u>

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

Governmental Activities		
Instruction		\$ 158,915
Supporting Services		<u>31,053</u>
Total		<u>\$ 189,968</u>

NOTE 5: SHORT-TERM DEBT

During the year ended June 30, 2014, the District borrowed \$511,674 from the State-sponsored interest-free loan program to provide cash flow throughout the fiscal year. The loan was paid in full in April, 2014, from property taxes received from February through April.

NOTE 6: LONG-TERM DEBT

Following is a summary of long-term debt transactions for the year ended June 30, 2014.

	<u>Balances</u> 6/30/13	<u>Additions</u>	<u>Payments</u>	<u>Balances</u> 6/30/14	<u>Due Within</u> <u>One Year</u>
Governmental Activities					
General Obligation Bonds					
Series 2004	\$ 55,000	\$ -	\$ 25,000	\$ 30,000	\$ 30,000
Series 2005	2,070,000	-	225,000	1,845,000	235,000
Series 2012	1,950,000	-	25,000	1,925,000	25,000
Bond Premium	67,141	-	6,104	61,037	-
Compensated Absences	66,599	903	-	67,502	10,514
Early Retirement	<u>11,028</u>	<u>-</u>	<u>11,028</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,219,768</u>	<u>\$ 903</u>	<u>\$ 292,132</u>	<u>\$ 3,928,539</u>	<u>\$ 300,514</u>

CUSTER COUNTY SCHOOL DISTRICT C-1

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 6: LONG-TERM DEBT (Continued)

General Obligation Bonds

In December, 2004, the District issued \$1,990,000 General Obligation Bonds and \$30,000 of registered coupons to construct a physical education complex. During the year ended June 30, 2012, a portion of the bonds were refunded. Interest payments on the remaining bonds are due semi-annually on June 1 and December 1, at rates ranging from 3.5% to 3.7% per annum. Principal payments are due annually on December 1, through 2014.

In June, 2005, the District issued \$2,610,000 General Obligation Refunding Bonds to partially refund the existing General Obligation Bonds, Series 2000, originally issued to construct high school classrooms and other facility renovations. Interest payments are due semi-annually on June 1 and December 1, at rates ranging from 2.9% to 3.875% per annum. Principal payments are due annually on December 1, through 2020.

In April, 2012, the District issued \$1,900,000 General Obligation Refunding Bonds and \$110,000 of registered coupons to refund \$1,755,000 of the existing General Obligation Bonds, Series 2004. Interest payments are due semi-annually on June 1 and December 1, at rates ranging from .75% to 3% per annum. Principal payments are due annually on December 1, through 2024.

Future debt service requirements for the bonds are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 290,000	\$ 117,464	\$ 407,464
2016	295,000	107,465	402,465
2017	305,000	97,103	402,103
2018	320,000	86,188	406,188
2019	330,000	74,717	404,717
2020 - 2024	1,855,000	193,893	2,048,893
2025	<u>405,000</u>	<u>5,569</u>	<u>410,569</u>
Total	<u>\$ 3,800,000</u>	<u>\$ 682,399</u>	<u>\$ 4,482,399</u>

Defeased Debt

In April, 2012, the District deposited bond proceeds in an irrevocable trust with an escrow agent to provide for all future debt service requirements for \$1,755,000 of the General Obligation Bonds, Series 2004. As a result, the refunded bonds are considered defeased and the liability has been removed from the financial statements. The outstanding balance of the defeased bonds at June 30, 2014, was \$1,755,000.

Compensated Absences

Accrued compensated absences are expected to be liquidated with revenues of the General Fund.

CUSTER COUNTY SCHOOL DISTRICT C-1

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 7: JOINTLY GOVERNED ORGANIZATION

The District, in conjunction with other surrounding districts, created the South Central 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 BOCES board is comprised of one member from each participating district. The District paid \$64,333 to the BOCES during the year ended June 30, 2014. The BOCES' financial statements can be obtained by writing to South Central BOCES, 323 South Purcell Boulevard, Pueblo West, Colorado 81007, or by calling 719-647-0023.

NOTE 8: DEFINED BENEFIT PENSION PLAN

Plan Description - The District contributes to the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). The SDTF provides retirement and disability, post-retirement annual increases, and death benefits for members or their beneficiaries. All employees of the District are members of the SDTF. Title 24, Article 51 of the Colorado Revised Statutes (CRS), as amended, assigns the authority to establish benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the SDTF. That report may be obtained by writing to Colorado PERA, 1301 Pennsylvania Street, Denver, Colorado 80203, or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

Funding Policy - The contribution requirements of members and the District are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members was 8% of covered salaries. The District's contribution rate for calendar years 2012, 2013 and 2014 was 15.65%, 16.55% and 17.45% of covered salaries, respectively. Also, a portion of the District's contribution (1.02% of covered salaries) was allocated to the Health Care Trust Fund (See Note 9). The District's contributions to the SDTF for the years ended June 30, 2014, 2013 and 2012 were \$327,129, \$325,924 and \$326,825, respectively, equal to the required contributions for each year.

NOTE 9: POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description - The District contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer postemployment healthcare plan administered by the PERA. The HCTF provides a health care premium subsidy to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the CRS, as amended, assigns the authority to establish the HCTF benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the HCTF. That report may be obtained as described previously.

Funding Policy - The District is required to contribute at a rate of 1.02% of covered salaries for all PERA members as set by statute. No member contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208 of the CRS, as amended. The District's apportionment to the HCTF for the years ended June 30, 2014, 2013 and 2012 was \$19,618, \$20,639 and \$21,924, respectively, equal to the required amounts for each year.

CUSTER COUNTY SCHOOL DISTRICT C-1

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 10: COMMITMENTS AND CONTINGENCIES

Claims and Judgments

The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental entities. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. At June 30, 2014, significant amounts of grant expenditures have not been audited but management believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the District.

Tabor Amendment

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution which limits state and local government taxing powers and imposes spending limitations. In November 1997, electors within the District authorized the District to collect, retain and expend all revenues collected or received by the District effective for the 1996-97 fiscal year and each subsequent year thereafter, notwithstanding the limitations of the Amendment. The Amendment is subject to many interpretations, but the District believes it is in substantial compliance with the Amendment.

As required by the Amendment, the District has established a reserve for emergencies, representing 3% of qualifying expenditures. This reserve, in the amount of \$110,000, is reported as restricted fund balance in the General Fund.

NOTE 11: CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2014, the District adopted the standards of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. As a result, net position was restated to remove debt issuance costs capitalized in previous years, as follows.

	<u>Governmental Activities</u>
Net Position, June 30, 2013, as Originally Stated	\$ 2,802,448
Debt Issuance Costs, Net of Accumulated Amortization	<u>(119,033)</u>
Net Position, June 30, 2013, as Restated	<u>\$ 2,683,415</u>

NOTE 12: SUBSEQUENT EVENT

In September, 2014, the District issued \$1,640,000 General Obligation Refunding Bonds, Series 2014, to partially refund the existing General Obligation Refunding Bonds, Series 2005.

REQUIRED SUPPLEMENTARY INFORMATION

CUSTER COUNTY SCHOOL DISTRICT C-1

BUGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2014

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Local Sources				
Property Taxes	\$ 2,267,317	\$ 2,267,317	\$ 2,218,085	\$ (49,232)
Specific Ownership Taxes	251,000	251,000	336,920	85,920
Delinquent Taxes, Penalties and Interest	8,700	8,700	8,427	(273)
Tuition	-	-	12,060	12,060
Donations	-	-	14,964	14,964
Investment Income	1,100	1,660	2,201	541
Payments in Lieu of Taxes	89,015	89,015	90,312	1,297
BOCES Reimbursement	5,900	7,703	7,900	197
Sale of Capital Assets	-	93,189	94,681	1,492
Other	61,000	61,000	114,770	53,770
Total Local Sources	<u>2,684,032</u>	<u>2,779,584</u>	<u>2,900,320</u>	<u>120,736</u>
State Sources				
State Equalization	644,374	658,268	693,090	34,822
Transportation	60,000	60,000	58,592	(1,408)
Grants	7,382	11,353	22,493	11,140
Total State Sources	<u>711,756</u>	<u>729,621</u>	<u>774,175</u>	<u>44,554</u>
Federal Sources				
Grants	208,405	204,613	151,867	(52,746)
TOTAL REVENUES	<u>3,604,193</u>	<u>3,713,818</u>	<u>3,826,362</u>	<u>112,544</u>
EXPENDITURES				
Instruction	1,920,318	1,939,976	2,008,495	(68,519)
Supporting Services				
Students	191,793	192,842	89,865	102,977
Instructional Staff	12,966	13,016	17,579	(4,563)
General Administration	333,856	332,302	346,932	(14,630)
School Administration	228,714	232,098	247,899	(15,801)
Business Services	73,733	74,742	64,943	9,799
Operations and Maintenance	461,850	477,925	433,027	44,898
Student Transportation	210,181	259,641	231,519	28,122
Central Support	104,657	130,606	47,880	82,726
Other Support	10,000	43,500	35,049	8,451
Facilities	45,000	45,000	39,579	5,421
Total Supporting Services	<u>1,672,750</u>	<u>1,801,672</u>	<u>1,554,272</u>	<u>247,400</u>
TOTAL EXPENDITURES	<u>3,593,068</u>	<u>3,741,648</u>	<u>3,562,767</u>	<u>178,881</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	11,125	(27,830)	263,595	291,425
OTHER FINANCING SOURCES (USES)				
Transfers Out	(55,000)	(55,000)	(64,200)	(9,200)
NET CHANGE IN FUND BALANCE	<u>(43,875)</u>	<u>(82,830)</u>	<u>199,395</u>	<u>282,225</u>
FUND BALANCE, Beginning	540,925	632,730	632,730	-
FUND BALANCE, Ending	\$ <u>497,050</u>	\$ <u>549,900</u>	\$ <u>832,125</u>	\$ <u>282,225</u>

See the accompanying Independent Auditors' Report.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2014

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Budgets are adopted for all funds on a basis consistent with generally accepted accounting principles, except the Food Service Fund which utilizes a non-GAAP budgetary basis. Capital outlay is budgeted as an expenditure and depreciation is not budgeted. In addition, donated commodities are not budgeted. The District adheres to the following procedures in establishing the budgetary information reflected in the financial statements.

- By May 31, management submits to the Board of Education a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted by the Board of Education to obtain taxpayer comments.
- Prior to June 30, the budget is adopted by formal resolution.
- Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures of any fund must be approved by the Board of Education.
- All appropriations lapse at fiscal year end.

SUPPLEMENTARY INFORMATION

CUSTER COUNTY SCHOOL DISTRICT C-1

BUGETARY COMPARISON SCHEDULE

BOND REDEMPTION FUND

Year Ended June 30, 2014

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	VARIANCE Positive (Negative)
REVENUES				
Local Sources				
Property Taxes	\$ 394,693	\$ 397,977	\$ 397,623	\$ (354)
Investment Income	<u>10,000</u>	<u>10,000</u>	<u>46</u>	<u>(9,954)</u>
TOTAL REVENUES	<u>404,693</u>	<u>407,977</u>	<u>397,669</u>	<u>(10,308)</u>
EXPENDITURES				
Debt Service				
Principal	305,000	310,000	275,000	35,000
Interest and Fiscal Charges	<u>146,325</u>	<u>160,534</u>	<u>128,294</u>	<u>32,240</u>
TOTAL EXPENDITURES	<u>451,325</u>	<u>470,534</u>	<u>403,294</u>	<u>67,240</u>
NET CHANGE IN FUND BALANCE	(46,632)	(62,557)	(5,625)	56,932
FUND BALANCE, Beginning	<u>632,975</u>	<u>588,909</u>	<u>588,909</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ 586,343</u>	<u>\$ 526,352</u>	<u>\$ 583,284</u>	<u>\$ 56,932</u>

See the accompanying Independent Auditors' Report.

CUSTER COUNTY SCHOOL DISTRICT C-1

BUGETARY COMPARISON SCHEDULE

FOOD SERVICE FUND

Year Ended June 30, 2014

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE Positive (Negative)</u>
REVENUES				
Local Sources				
Charges for Services	\$ 55,000	\$ 33,661	\$ 30,788	\$ (2,873)
State Sources	1,700	2,175	2,234	59
Federal Sources				
School Lunch and Breakfast Program	64,000	65,576	71,158	5,582
Transfers In	<u>55,152</u>	<u>77,024</u>	<u>64,200</u>	<u>(12,824)</u>
TOTAL REVENUES	<u>175,852</u>	<u>178,436</u>	<u>168,380</u>	<u>(10,056)</u>
EXPENDITURES				
Salaries	60,494	62,659	61,431	1,228
Employee Benefits	30,808	31,227	30,027	1,200
Purchased Services	1,050	1,050	575	475
Supplies and Materials	78,500	78,500	77,113	1,387
Capital Outlay	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
TOTAL EXPENDITURES	<u>175,852</u>	<u>178,436</u>	<u>169,146</u>	<u>9,290</u>
CHANGE IN NET POSITION, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	(766)	<u>\$ (766)</u>
ADJUSTMENTS TO GAAP BASIS				
Depreciation			(1,156)	
Donated Commodities Received			7,716	
Donated Commodities Used			<u>(7,716)</u>	
CHANGE IN NET POSITION, GAAP Basis			<u>\$ (1,922)</u>	

See the accompanying Independent Auditors' Report.

CUSTER COUNTY SCHOOL DISTRICT C-1

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUND

Year Ended June 30, 2014

	<u>BALANCES</u> 6/30/13	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCES</u> 6/30/14
ASSETS				
Cash and Investments	\$ <u>186,765</u>	\$ <u>180,486</u>	\$ <u>212,439</u>	\$ <u>154,812</u>
LIABILITIES				
Due to Student Groups	\$ 162,614	\$ 180,411	\$ 200,676	\$ 142,349
Due to Scholarship Fund	13,013	74	1,000	12,087
Due to Teachers' Support Fund	<u>11,138</u>	<u>1</u>	<u>10,763</u>	<u>376</u>
TOTAL LIABILITIES	\$ <u>186,765</u>	\$ <u>180,486</u>	\$ <u>212,439</u>	\$ <u>154,812</u>

See the accompanying Independent Auditors' Report.

COMPLIANCE SECTION



Colorado Department of Education
Auditors Integrity Report
 District: 0860 - CUSTER COUNTY SCHOOL DISTRICT C-1
 Fiscal Year 2013-14
 Colorado School District/BOCES

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	546,121		3,719,923	3,514,884		751,160
18 Risk Mgmt Sub-Fund of General Fund	86,606		42,239	47,879		80,965
19 Colorado Preschool Program Fund	0		0	0		0
Sub-Total	632,726		3,762,162	3,562,763		832,125
11 Charter School Fund	0		0	0		0
20.26-29 Special Revenue Fund	0		0	0		0
21 Capital Reserve Spec Revenue Fund	0		0	0		0
22 Govt Designated-Purpose Grants Fund	0		0	0		0
23 Pupil Activity Special Revenue Fund	0		0	0		0
24 Full Day Kindergarten Mill Levy Override	0		0	0		0
25 Transportation Fund	0		0	0		0
31 Bond Redemption Fund	588,908		397,670	403,294		583,285
39 Non-Voter Approved Debt Service Fund	0		0	0		0
41 Building Fund	0		0	0		0
42 Special Building Fund	0		0	0		0
43 Capital Reserve Capital Projects Fund	0		0	0		0
Totals	1,221,635		4,159,832	3,966,057		1,415,410
Proprietary						
51 Food Service Fund	7,110		176,096	178,018		5,188
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	7,110		176,096	178,018		5,188
Fiduciary						
70 Other Trust and Agency Funds	0		0	0		0
72 Private Purpose Trust Fund	0		0	0		0
73 Agency Fund	0		0	0		0
74 Pupil Activity Agency Fund	186,765		180,486	212,439		154,812
79 GASB 34 Permanent Fund	0		0	0		0
85 Foundations	0		0	0		0
Totals	186,765		180,486	212,439		154,812

FINAL

*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.