

Woodlin School District R-104
Woodrow, Colorado

Financial Statements

For the Year ended June 30, 2010

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Independent Auditors' Report

Board of Education
Woodlin School District R-104
Woodrow, 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 Woodlin School District R-104 (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 opinions.

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and 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 basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and 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 taken as a whole.

Lauer, Szabo & Associates, P.C.

Sterling, Colorado
October 19, 2010

**WOODLIN SCHOOL DISTRICT R-104
Management's Discussion and Analysis
June 30, 2010**

Our discussion and analysis of Woodlin School District R-104 financial performance provides the reader an overview of the Woodlin School District R-104 financial activities for the fiscal year ended June 30, 2010. Please read it in conjunction with the Woodlin School District R-104 financial statements, which begin on page 8.

FINANCIAL HIGHLIGHTS

- The Woodlin School District R-104 net assets decreased by \$47,604 as a result of the recent facility projects. Net assets ended at \$3,931,899. In recent years, insurance proceeds from the fire of January '06 impacted the changes. In addition, renovations to the school's Heating, Ventilation, and Air Conditioning (HVAC), received CDE Capital Construction grant dollars. During the 2007-2008 school year, we completed window, doors, and fire/safety upgrades. Finally, our "West Wing" preschool addition and water treatment project were completed.
- The General Fund ending balance rose this year by \$139,441 from \$775,821 to \$915,262. \$174,093 was due to the release of the 2008 Deferred Revenues held to cover any outstanding fire expenditures as described above. In addition, for the last two years we have been spending down the Capital Reserve Fund, and keeping the transfers we would have made to CR in the General Fund. The combined total of \$55,000 over the last two years is \$110,000. Removing these two additions to our GF (\$110,000 + \$174,093) leaves \$631,169 GF reserves. This is slightly greater than a third of our Total SD expenses of slightly greater than \$1.8 million, and up from the 2008 GF reserves of \$571,267.
- Voters approved a mill levy override in November 2005. The bulk of these funds are being used to provide the district's matching grant dollars in the projects listed above.

Overview of Financial Statements

This discussion is a brief introduction of the different reports covered in this MD&A. The district budget reports utilize a modified accrual system and are broken down into Governmental funds and Proprietary fund financial statements. The first two statements, the Statement of Net Assets and the Statement of Activities are summaries of all financial statements on an accrual basis. These reports provide both long-term and short-term information about the district's overall financial status.

The analysis below breaks down the governmental wide statements into the governmental activities and business type activities. A comparison of these values to last year gives a point in time check of the District's assets.

The lunch program is the only business-type activity at Woodlin.

Woodlin
School
District R-104
Net Assets

	Governmental Activities	Governmental Activities	Business Type Activities	-Business - Type Activities	Total	Total
	2010	2009	2010	2009	2010	2009
Assets						
Current assets	\$1,229,021	\$1,168,811	\$37,062	\$30,266	\$1,272,083	\$1,199,077
Capital assets	\$2,801,402	\$2,918,466	\$10,249	\$11,347	\$2,811,651	\$2,929,813
Total assets	\$4,036,423	\$4,087,277	\$47,311	\$41,613	\$4,083,734	\$4,128,890
Liabilities						
Current liabilities	\$ 151,835	\$149,217	\$0	\$170	\$151,835	\$149,387
Noncurrent liabilities	0	0	\$0		\$0	\$0
Total liabilities	\$ 151,835	\$149,217	\$0	\$170	\$151,835	\$149,387
Net Assets						
Invested in Capital assets, net of related debt	\$2,801,402	\$2,918,466	\$10,249	\$11,347	\$2,811,651	\$2,989,813
Restricted	\$70,000	\$70,000			\$70,000	\$70,000
Unrestricted	\$1,013,186	\$949,594	\$37,062	\$30,096	\$1,050,248	\$979,690
Total net assets	\$3,884,588	\$3,938,060	\$47,311	\$ 41,443	\$3,931,899	\$3,979,503

Government-wide Financial Analysis

The largest portion of Woodlin's net assets (74%) reflects the investment in capital assets (land, buildings, machinery & equipment). The School Board uses these capital assets to provide long term educational services. Last year's percent of capital assets was 75%. This consistency shows the trend of a 3 to 1 ratio of capital assets to expendable current assets. The major contributors of this effect is the renovation of the entries to more handicap accessibility, window and door replacement, fire/safety upgrades, water treatment facility, as well as the fire replacement project covered by insurance proceeds.

The table above provides a summary of the Woodlin School District R-104 net assets, as well as changes in net assets, as of June 30, 2010. This table provides a view of the financial changes one year later. The change in assets rose due to the completion of the water projects and completion of the Window/Safety grant.

Net Assets of the Woodlin School District R-104 governmental activities are \$3,884,588. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements are \$1,050,248, up \$70,558 from the previous year. Again, most of that was the \$55,000 for Capital expenditures within the General Fund referred to earlier. We currently have no long-term debt.

Woodlin R-104 Business-Type Activities: Fund Revenue, Expenditures ,and Change in Net Assets 2010

	June 30, 2010		June 30, 2009		2010 Total	2009 Total
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities		
Revenues						
Program Revenues						
Charges for Services	\$ 17,057	\$ 20,878	\$ 16,711	\$ 21,931	\$ 37,935	\$ 38,642
Operating Grants and Contributions	135,922	31,395	123,736	27,221	167,317	150,957
Capital Grants and Contributions	-	-	217,410	-	-	217,410
General Revenues						
Taxes	686,337	-	620,981	-	686,337	620,981
State Equalization	758,866	-	819,462	-	758,866	819,462
Miscellaneous	102,031	-	463,797	400	102,031	464,197
Investment Earnings	9,284	-	16,546	-	9,284	16,546
Transfers	(47,702)	47,702	(56,275)	56,275	-	-
Total Revenues	1,661,795	99,975	2,222,368	105,827	1,761,770	2,328,195
Expenditures						
Instruction	863,974	-	875,999	-	863,974	875,999
Supporting Services	851,293	94,107	912,301	92,841	945,400	1,005,142
Total Expenditures	1,715,267	94,107	1,788,300	92,841	1,809,374	1,881,141
Change in Net Assets	(53,472)	5,868	434,068	12,986	(47,604)	447,054
Net Assets at Beginning of Year	3,938,060	41,443	3,503,992	28,457	3,979,503	3,532,449
Net Assets at End of Year	\$ 3,884,588	\$ 47,311	\$ 3,938,060	\$ 41,443	\$ 3,931,899	\$ 3,979,503

Our only Proprietary Fund is the Lunch Fund. Within the total net assets \$47,311 of the Proprietary Fund, total current assets are \$37,062. Total Net Assets is up \$5,868 from the previous year. This fund received a transfer from the General Fund of \$47,702. Additional wages, benefits and materials were projected.

To put this Proprietary Fund into perspective, the ending Net Assets of \$47,311 when compared to the General Fund ending Net Assets of \$3,931,899 representing a 1% ratio.

Primary Government Totals and Comparisons

Several explanations for the differences between the budget versus actual amounts will be addressed. Referring to the General Fund Schedule of Revenue, Expenditures and Changes in Fund Balance-Budget and Actual several explanations arise. It is not unusual to have the Revenues Actual higher than the Budgeted amounts. Yet, with the state recessions hard to predict, this year having a higher than actual revenue was an unexpected surprise. Other local revenues include insurance proceeds, mini-grants, Specific Ownership & Delinquent Taxes income, and higher than budgeted amounts in housing rent. \$55,000 was transferred within General Fund to a Capital expenditure line item. The two major savings in expenditures under the budgeted amount was the lower than projected propane and fuel costs.

Economic Factors and Next Year's Budget

For the first time in five years, we are caught up on the grants obtained! Possible litigations from circumstances arising from the hailstorm have yet to reach the expiration date for possible suits. To date, no suits or claims have been filed. In the 2010-2011 year, we will start the safety project that moves the propane tanks and replaces the propane lines.

The District has committed to providing the technology for distance learning to students, staff and community. This project required installing a microwave tower and the new hardware installed in order to bring "Distance Learning" into our school. Students and community members have access to foreign language and college level courses.

In November '05, the voters approved an \$80,000 a year mill levy over-ride in order to provide additional funding. Recently, November of 2009, voters approved to make that over-ride permanent.

The current cuts in the state budget have had a dramatic effect in all K-12 education. Woodlin has been slimming down it's yearly budget over the last four years. Currently, our projected state cuts for the 2010-2011 school year is expected to be nearly \$75,000...around 5% of our total budget.

With the state's share highly impacted by the slow economy, plus failures of voter initiatives to fix the TABOR and Gallagher effects on the state's fiscal resources, the future of school finance is uncertain. The last few years has seen a decline in property taxes and cutbacks in state and federal funding. Referendum C did not cure the ratcheting effect of the Gallagher Amendment, the requirements of the TABOR Amendment or the lack of funding for Amendment 23. The state, our largest source of funding, is caught between the loss of revenues and the requirement of increased school funding. In addition, the state has enacted a "Mill Equalization" that freezes mills state wide. The impact of this is to limit the state's financial obligation to K-12 education and place the burden back upon the property owners in the form of taxes. The impact is yet to be understood. With the recession upon us, more and more bond election questions are going down in defeat.

Currently, the District's financial stability is sound. All long term debts have been paid. Our enrollment historically changes from a mild decline of 2 to 4 students per year. The '07-'08 year offset last year's loss of 15 students. Our declining enrollment is still less of a factor than other small rural districts in Eastern Colorado. This is largely due to the fact our District has a high-quality reputation academically, and Woodlin is only an hour's drive to Aurora. In addition, the Woodlin Carpool Club now owns and operates a bus that brings students from Morgan County. These factors, plus our small rural population, continue to be a draw for students from the larger surrounding districts.

In closing, I would like to add a brief long-term projection. As can be seen, the Capital Construction Grants and insurance proceeds have added gains in our Net Assets. These projects have been supported by outside the budget financing (grants, insurance proceeds, etc.). Currently we are in a cycle of continuing to update our facility. These improvements will run through the depreciation cycle at their worth. There may indeed come a time where our depreciation will have a reducing effect on our Net Assets. For example, if there is a period of time where limited facility improvements are being made, and the budget is stable, depreciation will have a negative effect on the net assets. These long term effects are hard to translate into a year by year comparison.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finance and to demonstrate the District's accountability for the money it receives. If you would like further information, or have any questions about this report, please contact the Superintendent, Woodlin School District R-104, 15400 CR L #185, Woodrow, CO 80757.

Respectfully submitted,

Rose Cronk, Superintendent

Rose Cronk, Superintendent, Woodlin School

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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.

WOODLIN SCHOOL DISTRICT R-104
Statement of Net Assets
June 30, 2010

	Governmental Activities	Business-type Activities	Total
Assets			
Cash	\$ 983,182	\$ 33,251	\$ 1,016,433
Cash with fiscal agent	5,166		5,166
Investments	215,022		215,022
Receivables	31,651	1,387	33,038
Inventory		2,424	2,424
Capital assets, net of depreciation	2,801,402	10,249	2,811,651
Total assets	\$ 4,036,423	\$ 47,311	\$ 4,083,734
Liabilities			
Accounts payable	\$ 41,697		\$ 41,697
Accrued salaries and benefits	110,138		110,138
Total liabilities	151,835	\$ -	151,835
Net assets			
Invested in capital assets	2,801,402	10,249	2,811,651
Restricted for:			
Emergencies	70,000		70,000
Unrestricted	1,013,186	37,062	1,050,248
Total net assets	3,884,588	47,311	3,931,899
Total liabilities and net assets	\$ 4,036,423	\$ 47,311	\$ 4,083,734

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

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WOODLIN SCHOOL DISTRICT R-104
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	\$ 863,974		\$ 96,205	
Supporting services				
Students	50,349			
Instructional staff	43,623	\$ 17,057	16,983	
General administration	47,318			
School administration	52,673			
Business services	80,502			
Operations and maintenance	281,778			
Student transportation	122,387		22,734	
Other support services	46,569			
Unallocated depreciation *	126,094			
Total governmental activities	1,715,267	17,057	135,922	\$ -
Business-type activities				
Nutrition services	94,107	20,878	31,395	
Total school district	\$ 1,809,374	\$ 37,935	\$ 167,317	\$ -

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

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

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
\$ (767,769)		\$ (767,769)
(50,349)		(50,349)
(9,583)		(9,583)
(47,318)		(47,318)
(52,673)		(52,673)
(80,502)		(80,502)
(281,778)		(281,778)
(99,653)		(99,653)
(46,569)		(46,569)
(126,094)		(126,094)
(1,562,288)	\$ -	(1,562,288)
	(41,834)	(41,834)
(1,562,288)	(41,834)	(1,604,122)
616,452		616,452
68,669		68,669
1,216		1,216
758,866		758,866
9,284		9,284
102,031		102,031
(47,702)	47,702	-
1,508,816	47,702	1,556,518
(53,472)	5,868	(47,604)
3,938,060	41,443	3,979,503
<u>\$ 3,884,588</u>	<u>\$ 47,311</u>	<u>\$ 3,931,899</u>

WOODLIN SCHOOL DISTRICT R-104
Balance Sheet
Governmental Funds
June 30, 2010

	General Fund	Capital Reserve Fund	Other Governmental Fund	Total Governmental Funds
Assets				
Cash	\$ 853,847	\$ 96,988	\$ 32,347	\$ 983,182
Cash with fiscal agent	5,166			5,166
Investments	189,755	5,267	20,000	215,022
Property taxes receivable	21,805			21,805
Other receivables	9,846			9,846
Total assets	\$ 1,080,419	\$ 102,255	\$ 52,347	\$ 1,235,021
Liabilities and fund balance				
Liabilities				
Accounts payable	\$ 41,697			\$ 41,697
Accrued salaries and benefits	110,138			110,138
Deferred revenue	13,322			13,322
Total liabilities	165,157	\$ -	\$ -	165,157
Fund balance				
Reserved for emergencies	70,000			70,000
Unreserved, reported in:				
General fund	845,262			845,262
Special revenue funds		102,255	52,347	154,602
Total fund balance	915,262	102,255	52,347	1,069,864
Total liabilities and fund balance	\$ 1,080,419	\$ 102,255	\$ 52,347	\$ 1,235,021

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

WOODLIN SCHOOL DISTRICT R-104

**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	\$ 1,069,864
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	2,801,402
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.	<u>13,322</u>
Net assets of the governmental activities	<u>\$ 3,884,588</u>

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

WOODLIN SCHOOL DISTRICT R-104
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2010

	General Fund	Capital Reserve Fund	Other Governmental Fund	Total Governmental Funds
Revenues				
Local sources	\$ 733,218	\$ 640	\$ 85,231	\$ 819,089
Intermediate sources	1,040			1,040
State sources	843,973			843,973
Federal sources	50,816			50,816
Total revenues	1,629,047	640	85,231	1,714,918
Expenditures				
Instruction	768,055		74,845	842,900
Supporting services	673,849			673,849
Capital outlay		81,454		81,454
Total expenditures	1,441,904	81,454	74,845	1,598,203
Excess of revenues over (under) expenditures	187,143	(80,814)	10,386	116,715
Other financing sources uses				
Transfers out	(47,702)			(47,702)
Excess of revenues and other financing sources (uses) over expenditures	139,441	(80,814)	10,386	69,013
Fund balance at beginning of year	775,821	183,069	41,961	1,000,851
Fund balance at end of year	<u>\$ 915,262</u>	<u>\$ 102,255</u>	<u>\$ 52,347</u>	<u>\$ 1,069,864</u>

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

WOODLIN SCHOOL DISTRICT R-104

**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 \$ 69,013

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. (117,064)

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. (5,421)

Change in net assets of governmental activities \$ (53,472)

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

WOODLIN SCHOOL DISTRICT R-104
Statement of Net Assets
Proprietary Funds
June 30, 2010

	Business-type Activities
	Nonmajor Proprietary Fund
Assets	
Current assets	
Cash	\$ 33,251
Grants receivables	593
Other receivables	794
Inventory	2,424
Total current assets	37,062
Capital assets	
Machinery and equipment	44,014
Accumulated depreciation	(33,765)
Total capital assets, net of accumulated depreciation	10,249
Total assets	<u>\$ 47,311</u>
Liabilities and net assets	
Current liabilities	
Accounts payable	\$ -
Total current liabilities/total liabilities	-
Net assets	
Invested in capital assets	10,249
Unrestricted	37,062
Total net assets	47,311
Total liabilities and net assets	<u>\$ 47,311</u>

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

WOODLIN SCHOOL DISTRICT R-104
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	\$ 20,878
Operating expenses	
Salaries and benefits	47,692
Purchased services	1,299
Supplies and materials	44,018
Depreciation	1,098
Total operating expenses	<u>94,107</u>
Operating loss	(73,229)
Nonoperating revenues	
Federal and state aid	<u>31,395</u>
Total nonoperating revenues	<u>31,395</u>
Loss before transfers	(41,834)
Transfers in	<u>47,702</u>
Change in net assets	5,868
Net assets at beginning of year	<u>41,443</u>
Net assets at end of year	<u><u>\$ 47,311</u></u>

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

WOODLIN SCHOOL DISTRICT R-104
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2010

	Business-type Activities
	Nonmajor Proprietary Fund
Cash flows from operating activities	
Receipts from customers	\$ 20,752
Interfund activity - receipts from other funds	12,000
Payments to suppliers	(43,905)
Payments to employees	(47,692)
	<hr/>
Net cash used by operating activities	(58,845)
Cash flows from noncapital financing activities	
Federal and state aid	28,288
Transfers in	47,702
	<hr/>
Net cash provided by noncapital financing activities	75,990
	<hr/>
Net increase in cash	17,145
Cash at beginning of year	16,106
	<hr/>
Cash at end of year	<u>\$ 33,251</u>
Reconciliation of operating loss to net cash used by operating activities	
Operating loss	\$ (73,229)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	1,098
Commodities	2,514
Changes in assets and liabilities	
Due from other funds	12,000
Other receivables	(126)
Inventory	(932)
Accounts payable	(170)
	<hr/>
Net cash used by operating activities	<u>\$ (58,845)</u>

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

WOODLIN SCHOOL DISTRICT R-104
Notes to Financial Statements

Note A – Summary of significant accounting policies

This summary of the Woodlin School District R-104'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 Woodlin School District R-104 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."

WOODLIN SCHOOL DISTRICT R-104
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.

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.

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.

The following is the District's nonmajor governmental fund:

Pupil Activity Fund – This fund is a 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 nonmajor 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.

WOODLIN SCHOOL DISTRICT R-104
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 does not have any fiduciary funds.

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.

WOODLIN SCHOOL DISTRICT R-104
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.

WOODLIN SCHOOL DISTRICT R-104
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.

WOODLIN SCHOOL DISTRICT R-104
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.

WOODLIN SCHOOL DISTRICT R-104
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

All capital assets with a unit cost greater than \$5,000 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	5-50 years	n/a
Furniture and equipment	5-20 years	10-15 years
Licensed vehicles	5-15 years	n/a

A.10 – Compensated absences

It is the District’s policy to permit employees to accumulate a limited number of temporary leave days each year. Twelve-month employees will earn 12 days of temporary leave per year, while 9 month employees will earn 10 days per year. Upon termination of employment for reasons other than retirement, an employee shall be paid for a maximum of 12 days of accrued temporary leave not taken based upon the current substitute rate of pay.

No liability is shown in the financial statements due to the immateriality of the amount involved.

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

WOODLIN SCHOOL DISTRICT R-104
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

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.

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.

WOODLIN SCHOOL DISTRICT R-104
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

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.

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 \$1,128,045, of which \$475,964 was insured and \$652,081 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

WOODLIN SCHOOL DISTRICT R-104
Notes to Financial Statements

Note B – Cash and investments (Continued)

At year-end, the District had investments in Colotrust (a local government investment pool) and in certificates of deposits. The investments in Colotrust (a local government investment pool) and certificate of deposits are maintained in the General Fund, Capital Reserve Fund and Pupil Activity Fund.

<u>Type of investment</u>	<u>Maturity</u>	<u>Fair Value</u>
Investment in Colotrust	Weighted average not to exceed 60 days	<u>\$ 120,290</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.

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

Cash on hand	\$ 1,000
Cash in bank	1,015,433
Cash with fiscal agent	5,166
Investments in Colotrust	120,290
Certificates of deposit	<u>94,732</u>
Total	<u>\$ 1,236,621</u>
 <u>Statement of net assets</u>	
Cash	\$ 1,016,433
Cash with fiscal agent	5,166
Investments	<u>215,022</u>
Total	<u>\$ 1,236,621</u>

WOODLIN SCHOOL DISTRICT R-104
Notes to Financial Statements

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	\$ 21,805	\$ -	\$ 21,805
Grants receivables	-	593	593
Other receivables	<u>9,846</u>	<u>794</u>	<u>10,640</u>
Total	<u>\$ 31,651</u>	<u>\$ 1,387</u>	<u>\$ 33,038</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.

Note D – Interfund transactions

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Governmental funds</u>		
General Fund	\$ -	\$ 47,702
<u>Proprietary funds</u>		
Nonmajor proprietary fund	<u>47,702</u>	<u>-</u>
Total	<u>\$ 47,702</u>	<u>\$ 47,702</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 \$47,702 from the General Fund to the Food Service Fund to subsidize the costs of maintaining the District's food service operations.

WOODLIN SCHOOL DISTRICT R-104
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/ Transfers</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 30,745	\$ -	\$ -	\$ 30,745
Total capital assets, not being depreciated	30,745	-	-	30,745
Capital assets, being depreciated:				
Buildings and improvements	5,167,143	-	-	5,167,143
Furniture and equipment	137,655	63,251	-	200,906
Licensed vehicles	408,155	-	-	408,155
Total capital assets, being depreciated	<u>5,712,953</u>	<u>63,251</u>	<u>-</u>	<u>5,776,204</u>
Total capital assets	5,743,698	63,251	-	5,806,949
Less accumulated depreciation for:				
Buildings and improvements	(2,439,769)	(140,240)	-	(2,580,009)
Furniture and equipment	(107,943)	(10,293)	-	(118,236)
Licensed vehicles	(277,520)	(29,782)	-	(307,302)
Total accumulated depreciation	<u>(2,825,232)</u>	<u>(180,315)</u>	<u>-</u>	<u>(3,005,547)</u>
Governmental activities capital assets, net	<u>\$ 2,918,466</u>	<u>\$ (117,064)</u>	<u>\$ -</u>	<u>\$ 2,801,402</u>

WOODLIN SCHOOL DISTRICT R-104
Notes to Financial Statements

Note E - Capital assets (Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Ending Balance</u>
Business-type activities				
Machinery and equipment	\$ 44,014	\$ -	\$ -	\$ 44,014
Less accumulated depreciation	<u>(32,667)</u>	<u>(1,098)</u>	<u>-</u>	<u>(33,765)</u>
Business-type activities capital assets, net	<u>\$ 11,858</u>	<u>\$ (1,098)</u>	<u>\$ -</u>	<u>\$ 10,249</u>

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

Governmental activities	
Instruction	\$ 21,074
Operation and maintenance	11,635
Student transportation	21,512
Unallocated	<u>126,094</u>
Subtotal	180,315
Business-type activities	<u>1,098</u>
Total depreciation expense	<u>\$ 181,413</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 \$110,138. Accordingly, this accrued compensation is reflected as a liability in the accompanying financial statements.

Note G - 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).

WOODLIN SCHOOL DISTRICT R-104
Notes to Financial Statements

Note G – Defined benefit pension plan (Continued)

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 \$93,777, \$89,207, and \$82,647, respectively, equal to their required contributions for each year.

Note H – 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 \$7,136, \$7,281, and \$7,237, respectively, equal to their required contributions for each year.

WOODLIN SCHOOL DISTRICT R-104
Notes to Financial Statements

Note I – 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 \$20,528.

Note J – 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 \$27,995. 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.

WOODLIN SCHOOL DISTRICT R-104
Notes to Financial Statements

Note K - 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, 1997, 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 \$70,000 for the emergency reserve.

WOODLIN SCHOOL DISTRICT R-104
Notes to Financial Statements

Note L – 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 \$29,991.

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Required Supplementary Information

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

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 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.

WOODLIN SCHOOL DISTRICT R-104
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	\$ 564,337	\$ 721,175	\$ 733,218	\$ 12,043
Intermediate sources			1,040	1,040
State sources	982,995	804,389	843,973	39,584
Federal sources	93,316	69,750	50,816	(18,934)
Total revenues	1,640,648	1,595,314	1,629,047	33,733
Expenditures				
Instruction	778,951	789,129	768,055	21,074
Supporting services	736,628	772,170	673,849	98,321
Appropriated reserves	434,386	762,630		762,630
Total expenditures	1,949,965	2,323,929	1,441,904	882,025
Excess of revenues over (under) expenditures	(309,317)	(728,615)	187,143	915,758
Other financing uses				
Transfers out	(131,186)	(47,206)	(47,702)	(496)
Excess of revenues over (under) expenditures and other financing uses	\$ (440,503)	\$ (775,821)	139,441	\$ 915,262
Fund balance at beginning of year			775,821	
Fund balance at end of year			\$ 915,262	

WOODLIN SCHOOL DISTRICT R-104
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	\$ 4,000	\$ 4,000	\$ 640	\$ (3,360)
Miscellaneous revenues	1,000	1,000		(1,000)
Total revenues	5,000	5,000	640	(4,360)
Expenditures				
Capital outlay				
Purchased services	10,000	21,400	14,503	6,897
Equipment	67,733	69,333	66,951	2,382
Appropriated reserves	106,580	97,336		97,336
Total expenditures	184,313	188,069	81,454	106,615
Excess of revenues over (under) expenditures	(179,313)	(183,069)	(80,814)	102,255
Other financing sources				
Transfers in	55,000			-
Excess of revenues and other financing sources over (under) expenditures	\$ (124,313)	\$ (183,069)	(80,814)	\$ 102,255
Fund balance at beginning of year			183,069	
Fund balance at end of year			\$ 102,255	

WOODLIN SCHOOL DISTRICT R-104
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. Prior to January 31, the board of education submits its adopted annual budget to the department of education.
5. 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.
6. Budgets for all funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
7. Budgeted amounts reported in the accompanying financial statements are as originally adopted and as amended by the board of education throughout the year. After budget approval, the District board of education may approve supplemental appropriations if an occurrence, condition, or need exists which was not known at the time the budget was adopted. Supplemental appropriations were made during the year.
8. Appropriations lapse at year-end.

Combining and 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.

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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.

WOODLIN SCHOOL DISTRICT R-104
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	\$ 469,265	\$ 626,103	\$ 621,873	\$ (4,230)
Specific ownership taxes	59,072	59,072	68,669	9,597
Delinquent taxes and interest			1,216	1,216
Earnings on investments	10,000	10,000	8,644	(1,356)
Other local revenue	26,000	26,000	32,816	6,816
Total local sources	564,337	721,175	733,218	12,043
Intermediate sources			1,040	1,040
State sources				
Equalization	866,363	687,757	758,866	71,109
Vocational education	1,500	1,500	9,926	8,426
Transportation	25,587	25,587	22,734	(2,853)
Exceptional children	7,592	7,592		(7,592)
Gifted and talented	5,000	5,000		(5,000)
Hold harmless	76,953	76,953	28,980	(47,973)
Services within the BOCES			23,467	23,467
Total state sources	982,995	804,389	843,973	39,584
Federal sources				
REAP	16,662	16,662	16,983	321
Services within the BOCES	76,654	53,088	33,833	(19,255)
Total federal sources	93,316	69,750	50,816	(18,934)
Total revenues	\$ 1,640,648	\$ 1,595,314	\$ 1,629,047	\$ 33,733

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WOODLIN SCHOOL DISTRICT R-104
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	\$ 475,090	\$ 484,150	\$ 476,365	\$ 7,785
Employee benefits	167,655	170,340	164,423	5,917
Purchased services	50,629	47,029	43,588	3,441
Supplies and materials	49,972	52,005	47,699	4,306
Property	5,450	5,450	6,255	(805)
Other	30,155	30,155	29,725	430
Total instruction	778,951	789,129	768,055	21,074
Supporting services				
Students				
Salaries	19,440	19,940	20,558	(618)
Employee benefits	9,298	9,376	8,423	953
Purchased services	33,727	35,195	21,028	14,167
Supplies and materials		200	340	(140)
Total students	62,465	64,711	50,349	14,362
Instructional staff				
Salaries	14,105	13,110	13,573	(463)
Employee benefits	5,701	8,395	9,973	(1,578)
Purchased services	26,650	21,450	14,908	6,542
Supplies and materials	5,400	5,400	4,160	1,240
Property	2,500	2,500	1,009	1,491
Total instructional staff	54,356	50,855	43,623	7,232

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
General administration				
Salaries	25,439	17,200	16,900	300
Employee benefits	560	5,991	5,311	680
Purchased services	21,100	22,394	21,870	524
Property	250	250	38	212
Other	3,600	3,600	3,199	401
Total general administration	50,949	49,435	47,318	2,117
School administration				
Salaries	43,464	43,664	43,458	206
Employee benefits	8,410	8,443	9,162	(719)
Purchased services	250	250	53	197
Total school administration	52,124	52,357	52,673	(316)
Business services				
Salaries	37,424	46,245	45,386	859
Employee benefits	14,549	18,812	17,639	1,173
Purchased services	8,250	8,250	13,777	(5,527)
Supplies and materials	5,200	5,200	3,079	2,121
Property	500	500		500
Other	200	200	621	(421)
Total business services	66,123	79,207	80,502	(1,295)

(continued)

WOODLIN SCHOOL DISTRICT R-104
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		
Operations and maintenance				
Salaries	73,536	74,905	66,055	8,850
Employee benefits	22,893	22,982	22,423	559
Purchased services	26,100	27,100	28,163	(1,063)
Supplies and materials	147,850	164,150	131,707	32,443
Property	21,500	21,500	3,569	17,931
Other	250	250	23	227
Total operations and maintenance	292,129	310,887	251,940	58,947
Student transportation				
Salaries	50,941	50,521	45,196	5,325
Employee benefits	11,976	12,935	11,385	1,550
Purchased services	24,800	26,300	12,695	13,605
Supplies and materials	28,400	28,400	31,599	(3,199)
Property	500	500		500
Total student transportation	116,617	118,656	100,875	17,781
Central support services				
Purchased services	41,171	45,368	46,107	(739)
Total central support services	41,171	45,368	46,107	(739)

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Other uses				
Matching federal funds	694	694	462	232
Total other uses	694	694	462	232
Total supporting services	736,628	772,170	673,849	98,321
Appropriated reserves	434,386	762,630		762,630
Total expenditures	<u>\$ 1,949,965</u>	<u>\$ 2,323,929</u>	<u>\$ 1,441,904</u>	<u>\$ 882,025</u>

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Nonmajor Governmental Funds

The District reports the following nonmajor governmental fund:

Special Revenue Funds – These funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

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

WOODLIN SCHOOL DISTRICT R-104
Pupil Activity Fund
Schedule of Additions, Deductions and Changes in Fund Liabilities
Budget and Actual
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Pupil activities	\$ 200,000	\$ 200,000	\$ 85,231	\$ (114,769)
Total revenues	200,000	200,000	85,231	(114,769)
Expenditures				
Pupil activities	200,000	200,000	74,845	125,155
Appropriated reserves	41,691	41,691		41,691
Total expenditures	241,691	241,691	74,845	166,846
Excess or revenues over (under) expenditures	\$ (41,691)	\$ (41,691)	10,386	\$ 52,077
Fund balance at beginning of year			41,961	
Fund balance at end of year			\$ 52,347	

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.

WOODLIN SCHOOL DISTRICT R-104
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	\$ 14,000	\$ 14,000	\$ 20,878	\$ 6,878
Operating expenses				
Salaries and benefits	49,841	50,036	47,692	2,344
Purchased services	1,000	1,000	1,299	(299)
Supplies and materials	47,500	47,500	44,018	3,482
Property	12,700			-
Depreciation			1,098	(1,098)
Appropriated reserves	420	12,444		12,444
Total operating expenses	111,461	110,980	94,107	16,873
Operating loss	(97,461)	(96,980)	(73,229)	23,751
Nonoperating revenues				
Federal aid				
Nutrition reimbursements	20,000	20,000	23,739	3,739
Commodity revenue	1,000	1,000	2,514	1,514
State aid			5,142	5,142
Total nonoperating revenues	21,000	21,000	31,395	10,395
Loss before transfers	(76,461)	(75,980)	(41,834)	34,146
Transfers in	76,186	47,206	47,702	496
Change in net assets	\$ (275)	\$ (28,774)	5,868	\$ 34,642
Net assets at beginning of year			41,443	
Net assets at end of year			\$ 47,311	

**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.

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Independent Auditors' Report on Supplementary Schedule

Board of Education
Woodlin School District R-104
Woodrow, Colorado

We have audited the basic financial statements of the Woodlin School District R-104 (the District) as of and for the year ended June 30, 2010, and have issued our report thereon dated October 19, 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
October 19, 2010

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

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	775,821	1,525,599	1,386,157	915,262
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	0	55,747	55,747	0
Subtotal	775,821	1,581,346	1,441,904	915,262
11 Charter School Fund	0	0	0	0
20,26-29 Special Revenue Fund	0	0	0	0
21 Capital Reserve Spec Revenue Fund	183,069	641	81,455	102,255
22 Govt Designated-Purpose Grants Fund	0	0	0	0
23 Pupil Activity Special Revenue Fund	41,961	85,231	74,845	52,347
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	1,000,851	1,667,217	1,598,204	1,069,864
Proprietary				
51 Food Service Fund	41,443	99,975	94,108	47,311
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	41,443	99,975	94,108	47,311
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	0	0	0	0
79 CASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
TOTALS	0	0	0	0

*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.