

**ELBERT COUNTY SCHOOL DISTRICT NO. C-1
ELIZABETH, COLORADO**

FINANCIAL STATEMENTS

June 30, 2008

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Board of Education
Elbert County School District No. C-1
Elizabeth, 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 discretely presented component unit and remaining fund information of the Elbert County School District No. C-1, as of and for the year ended June 30, 2008, which collectively comprise the basic financial statements of the Elbert County School District No. C-1, as listed in the table of contents. These financial statements are the responsibility of the Elbert County School District No. C-1's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the Elbert County School District No. C-1, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and required supplementary information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Elbert County School District No. C-1's basic financial statements. The combining and individual fund financial statements and schedules 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Swanhorst & Company LLC

November 20, 2008

**ELIZABETH SCHOOL DISTRICT NUMBER C-1
ELBERT COUNTY, COLORADO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
as of and for the fiscal year ended June 30, 2008**

As management of the Elizabeth School District No. C-1, Elbert County, Colorado (the District), we offer readers of the District's Audited Financial Statements this narrative and analysis of the financial activities of the District for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with the District's financial statements.

Financial Highlights

- Fund balance of the District's governmental funds increased by \$731,645, resulting in an ending balance of \$4.772 million. The fund balance in governmental funds continues to grow due to the District's continued responsible fiscal stewardship.
- The District's assets for governmental activities exceeded its liabilities at the close of the most recent fiscal year by \$8.8 million (net assets).
- The District's total net assets for the primary government increased \$1,871,338 or 27% in fiscal year 2008.
- Governmental activities has \$2,421,499 in unrestricted net assets. The accounting treatment in the governmental funds of accrued salaries and benefits earned but unpaid and compensated absences payable greatly reduces this number.
- Business-type activities ended the year with an ending fund balance of \$117,249.
- The ending fund balance within the General Fund, as a percentage of expenditures, stood at 10.3%. Conversely, in fiscal years 2007, 2006, 2005, 2004 and 2003, the percentages were 7.0%, 4.9%, 3.1%, (6.1%) and (14.8%), respectively.

Overview of the Financial Statements

Management's discussion and analysis is intended to serve as an introduction to the District's basic financial statements. Comparison to the prior year's activity is provided in this document. The basic financial statements presented on pages 1-21 are comprised of three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader of the District's audited financial statements a broad overview of the financial activities in a manner similar to a private sector business. The government-wide financial statements include the statement of net assets and the statement of activities.

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

The statement of activities presents information showing how the net assets of the District changed during the current fiscal year. Changes in net assets are recorded in the statement of activities when the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement even though the resulting cash flow may be recorded in a future period.

Both of the government-wide financial statements distinguish functions of the District that are supported from taxes and intergovernmental revenues (governmental activities) and other functions that are intended to recover all or most of their costs from user fees and charges (business-type activities). Governmental activities consolidate governmental funds including the General Fund, Debt Service Fund, Special Revenue Funds and the Internal Service Fund. The District has one business-type activity fund, the Food Service Fund.

The government-wide financial statements also include information on component units that are legally separate from the District (known as the primary government). At the close of the current fiscal year, the District has included information for one component unit, the Legacy Academy Charter School. Financial information for the charter school is presented separately from the primary government because the charter school has a separate governing board.

The government-wide financial statements can be found on pages 1-2 of this report.

Fund Financial Statements

Fund financial statements are designed to demonstrate compliance with finance-related requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific objectives. Fund financial statements for the District include three fund types. The fund types presented here are governmental funds, proprietary funds and a fiduciary fund.

Governmental funds account for essentially the same information reported in the governmental activities of the government-wide financial statements. However, unlike the government-wide statements, the governmental fund financial statements focus on near-term financial resources and fund balances. Such information may be useful in evaluating the financing requirements in the near term.

Since the governmental funds and the governmental activities report information using the same functions, it is useful to compare the information presented. Because the focus of each report differs, a reconciliation is provided on the fund financial statements to assist the reader in comparing the near-term requirements with the long-term needs.

The District maintains five different governmental funds. The major funds are the General Fund, Capital Reserve and Bond Redemption Fund, while the nonmajor funds are the Governmental Designated Grants Fund and the Athletics Fund.

The basic governmental fund financial statements can be found on pages 3-5 of this report.

The District adopts an annual appropriated budget for each of the governmental funds. A budgetary comparison schedule for the District's General and Capital Reserve funds are included under required supplemental information on pages 22-25 and supplementary information on pages 29-31, to demonstrate compliance with the adopted budget.

The District maintains two types of proprietary funds. The Enterprise Fund is used to present the same functions as the business-type activities presented in the government-wide financial statements. The fund financial statements of the enterprise fund provides the same information as the government-wide financial statements, only in more detail.

The District's enterprise fund (Food Service Fund) is listed individually, but is not considered a major fund. The District also adopts an annual appropriated budget for the enterprise fund. The enterprise fund budgetary comparison is reported as other supplementary information.

The internal service fund is used to account for the District's self-insurance activity. The premiums paid by employees and the District are presented as revenues, while claims and administrative fees paid are listed as expenditures. The fund is included in governmental activities within the government-wide financial statements.

The basic proprietary fund financial statements are presented on pages 6-8 of this report.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes can be found on pages 10-21 of this report.

Government-wide Financial Analysis

The assets of the District are classified as current assets and capital assets. Cash, investments, receivables, inventories and prepaid expenses are current assets. These assets are available to provide resources for the near-term operations of the District. The majority of the current assets are the result of the property tax collection process; the District receives almost 76% of the annual property tax assessment in March and June.

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

Current and long-term liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable, accrued salaries and benefits, unearned revenues, and current debt obligations. The liquidation of current liabilities is anticipated to be either from currently available resources, current assets or new resources that become available during fiscal 2009. Long-term liabilities such as long-term debt obligations and compensated absences payable will be liquidated from resources that will become available after fiscal 2008.

The assets of the primary government activities exceed liabilities by \$8.8 million with an unrestricted balance of \$2.5 million. Total net assets of the primary government do not include internal balances.

A net investment of \$18,586,197 in buildings, equipment, and vehicles to provide the services to the District's 2,800 public school students represents 69 percent of the District's assets. Net assets of \$2,426,718 accumulated due to voter approved bonded debt mill levy assessments have been restricted to provide resources to liquidate the current general obligation bond principal and related interest payments. The legally required TABOR reserve has also been restricted.

The \$1.882 million of accrued salaries and benefits as of June 30 are payables associated with teacher and other employee contracts for the 2008 school year requiring resources from fiscal 2009 to liquidate.

Elizabeth School District No. C-1						
Net Assets (In thousands)						
As of June 30, 2008						
Government-wide Total Assets as compared to Total Liabilities and Total Net Assets:						
	Governmental Activities		Business-type Activities		Government- Wide	
	2008	2007	2008	2007	2008	2007
Assets:						
Current Assets	\$ 8,209	\$ 7,743	\$ 162	\$ 131	\$ 8,371	\$ 7,874
Capital Assets	18,684	18,842	15	23	18,699	18,865
Total Assets	26,893	26,585	177	154	27,070	26,739
Liabilities:						
Current Liabilities	2,182	2,669	59	64	2,241	2,733
Noncurrent Liabilities	15,907	16,955			15,907	16,955
Total Liabilities	18,089	19,624	59	64	18,148	19,688
Net Assets:						
Invested in capital assets, net of related debt	2,843	1,951	15	23	2,858	1,974
Restricted	3,539	3,452	0	0	3,539	3,452
Unrestricted	2,422	1,557	102	67	2,524	1,624
Total Net Assets	8,804	6,960	117	90	8,921	7,050

Government-wide Activities

Governmental activities increased the net assets of the District by \$1,843,728, which accounts for nearly all of the total growth in the net assets of the District.

Elizabeth School District No. C-1						
Changes in Net Assets (In thousands)						
As of June 30, 2008						
	Governmental Activities		Business-type Activities		Government- Wide	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues	\$ 2,336	\$ 2,276	\$ 777	\$ 755	\$ 3,113	\$ 2,837
General revenues	20,600	20,033	19	59	20,619	20,105
Total Revenues	22,936	22,309	796	814	23,732	23,123
Expenses:						
Governmental activities						
Instruction	12,372	12,247			12,372	12,247
Supporting services	7,944	7,865			7,944	7,865
Interest on long-term debt	776	837			776	837
Business-type activities						
Food service operations			768	771	768	771
Total Expenses	21,092	20,949	768	771	21,860	21,720
Changes in net assets	1,844	1,361	28	43	1,872	1,404
Net assets at beginning of fiscal year	6,961	5,600	89	46	7,050	5,646
Net assets at end of fiscal year	8,804	6,961	117	89	8,921	7,050

Key elements of the increase in net assets for governmental activities are as follows:

- General Fund revenues exceeded expenditures and transfers to other funds by \$655,367. This increase to the ending fund balance also represents a similar increase to the District's net assets.
- In November, 2000, the voters of Colorado passed a statewide ballot issue to amend the State Constitution, Amendment 23. This amendment required that the state fund public education at a minimum of growth plus inflation plus one percent for the next ten years beginning with fiscal year 2001-2002 (or 5.0 percent) and thereafter at growth plus inflation.

Business-type activities increased the District's net assets by \$27,610, accounting for a 1 percent addition in the total growth in the District's net assets. Key elements of this increase are as follows:

- The expenses for the food service program decreased slightly by \$3,684, while their revenue from charges for services increased by \$8,694. The program realized additional revenues of \$11,992 from operating grants and contributions over the previous fiscal year.

Financial Analysis of the Government's Funds

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

Governmental Funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government'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 \$4,772,399 an increase of \$731,645 in comparison with the prior year.

The General Fund is the chief operating fund of the District. The fund has \$1,935,496 in the ending fund balance, of which \$622,000 is reserved for the constitutionally mandated TABOR reserve.

The Bond Redemption Debt Service Fund has adequate resources accumulated to make the December 2008 principal and interest payments. The mill levy to accumulate resources for the June and December 2009 principal and interest payments will be certified in December 2008.

The fund balance of the Capital Reserve Fund was minimally reduced due mainly to the re-roofs at Running Creek Elementary and Elizabeth Middle School.

Proprietary Funds. The District's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. However, the internal service is included in governmental activities in the government-wide financial statements.

Factors concerning the finances of the enterprise fund has already been addressed in the discussion of the District's business-type activities.

Self-Insurance Fund – The School District is self-insured for purposes of providing health, dental and vision coverage for their employees. The District pays up to \$75,000 per claim, then stop-loss limit coverage provided by Anthem covers the balance of the claim.

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was limited to the allocation of the operating appropriation to functional activities with just a slight overall increase in the total expenditure (including transfers) appropriation.

General Fund revenues exceeded expenditures by \$655,367. Thereby, increasing the ending fund balance of the fund by 51%.

Capital Assets and Debt Administration

Capital Assets. The District’s investment in capital assets for its governmental and business-type activities as of June 30, 2008, amounts to \$18,586,197 (net of accumulated depreciation). This investment in capital assets includes buildings, equipment, vehicles, fixtures and land. The total decrease in the District’s investment in capital assets for the current fiscal year was \$155,953, or a 0.83% decrease.

Major capital asset events during the current fiscal year included the following:

- Major capital expenditures were the replacement of computers, payment of capital leases, roof repairs and the purchase of transportation vehicles.

Elizabeth District No. C-1
Capital Assets (net of accumulated depreciation, in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Land	\$298	\$298	\$0	\$0	\$298	\$298
Buildings	\$22,947	\$22,526	\$0	\$0	\$22,947	\$22,526
Equipment, vehicles, & fixtures	\$429	\$466	\$222	\$222	\$429	\$688
Transportation equipment	\$2,357	\$2,372	\$0	\$0	\$2,357	\$2,372
Less: Accumulated Depreciation	(\$7,461)	(\$6,943)	(\$207)	(\$199)	(\$7,461)	(\$7,142)
Total capital assets	\$18,571	\$18,719	\$15	\$23	\$18,586	\$18,742

Additional information on the District’s capital assets can be found in Note 3 on pages 16-17.

Long-term Debt. At June 30, 2008, the District had total bonded debt outstanding of \$15,950,000 backed by the full faith and credit of the District. Additionally, the District has long-term debt obligations for compensated absences in the amount of \$66,854 still outstanding at the end of the current fiscal year.

Elizabeth School District No. C-1
 General Obligation Bonds, Capital Leases, and Compensated Absences
 June 30, 2008

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Government- Wide</u>
General obligation bonds	\$ 15,950,000	-	\$ 15,950,000
Capital lease		-	-
Compensated Absences	<u>66,854</u>	<u>-</u>	<u>66,854</u>
Total	<u>\$ 16,016,854</u>	<u>\$ -</u>	<u>\$ 16,016,854</u>

Total long-term debt for the District decreased during the current fiscal year according to the normal schedule of payments.

Additional information on the District's long-term obligations can be found in Note 4 on pages 17-19 of this report.

Economic Factors and Next Year's Budget

The District is committed to an ongoing review of its programs and services for both effectiveness and efficiency. To accomplish this, the District examines how to best provide essential services on a cost-effective basis and to re-direct resources to the schools. The following choices for the 2008-2009 fiscal year are consistent with this philosophy:

- Teacher staffing in support of excellence and enrollment growth will be maintained at the 2007-2008 staffing ratio.
- Student achievement goals and programs designed to increase the level of student achievement throughout the District.
- A well-trained staff is required to provide an excellent level of educational services.
- Cost savings measures implemented in previous years will continue to be adhered to by the District.

For the fiscal year that just ended, the District added another \$655,367 to the ending fund balance of the General Fund, while three of the four traditional schools attained high achieving marks on the State Accountability Report.

Requests For Information

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

Elizabeth School District Number C-1
 Attention: Business Office
 633 Dale Ct. PO Box 610
 Elizabeth, CO 80107

BASIC FINANCIAL STATEMENTS

ELBERT COUNTY SCHOOL DISTRICT NO. C-1

STATEMENT OF NET ASSETS

June 30, 2008

	PRIMARY GOVERNMENT				COMPONENT UNIT CHARTER SCHOOL
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL		
			2008	2007	
ASSETS					
Cash and Investments	\$ 3,747,090	\$ 111,510	\$ 3,858,600	\$ 4,472,462	\$ 750,167
Restricted Cash and Investments	1,681,766	-	1,681,766	2,209,507	765,434
Accounts Receivable	213,696	-	213,696	129,323	-
Taxes Receivable	2,539,880	-	2,539,880	482,605	-
Grants Receivable	27,598	6,668	34,266	546,659	141,619
Inventories	-	43,089	43,089	33,438	-
Debt Issuance Costs, Net of Accumulated Amortization	112,835	-	112,835	122,647	189,013
Capital Assets, Not Being Depreciated	298,022	-	298,022	298,022	347,000
Capital Assets, Net of Accumulated Depreciation	18,272,810	15,365	18,288,175	18,444,128	5,315,347
TOTAL ASSETS	<u>26,893,697</u>	<u>176,632</u>	<u>27,070,329</u>	<u>26,738,791</u>	<u>7,508,580</u>
LIABILITIES					
Accounts Payable	99,093	-	99,093	466,328	19,000
Accrued Salaries and Benefits	1,822,578	59,383	1,881,961	2,020,857	163,602
Deferred Revenues	814	-	814	936	11,330
Accrued Interest Payable	90,388	-	90,388	106,835	143,144
Insurance Claims Payable	169,742	-	169,742	138,553	-
Noncurrent Liabilities					
Due Within One Year	1,035,000	-	1,035,000	1,009,635	70,000
Due in More Than One Year	14,872,135	-	14,872,135	15,945,789	5,749,373
TOTAL LIABILITIES	<u>18,089,750</u>	<u>59,383</u>	<u>18,149,133</u>	<u>19,688,933</u>	<u>6,156,449</u>
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	2,843,386	15,365	2,858,751	1,973,668	31,987
Restricted for Debt Service	2,426,718	-	2,426,718	2,325,215	568,944
Restricted for Repairs and Replacements	-	-	-	-	53,346
Restricted for Capital Purposes	490,344	-	490,344	505,483	-
Restricted for Emergencies	622,000	-	622,000	622,000	86,000
Unrestricted	2,421,499	101,884	2,523,383	1,623,492	611,854
TOTAL NET ASSETS	<u>\$ 8,803,947</u>	<u>\$ 117,249</u>	<u>\$ 8,921,196</u>	<u>\$ 7,049,858</u>	<u>\$ 1,352,131</u>

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

ELBERT COUNTY SCHOOL DISTRICT NO. C-1

STATEMENT OF ACTIVITIES

Year Ended June 30, 2008

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES	
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS
PRIMARY GOVERNMENT			
Governmental Activities			
Instruction	\$ 12,371,240	\$ 698,853	\$ 1,171,308
Supporting Services	7,943,844	32,637	432,804
Interest on Long-Term Debt	775,498	-	-
Total Governmental Activities	<u>21,090,582</u>	<u>731,490</u>	<u>1,604,112</u>
Business-Type Activities			
Food Services	<u>767,727</u>	<u>665,005</u>	<u>111,637</u>
Total Business-Type Activities	<u>767,727</u>	<u>665,005</u>	<u>111,637</u>
TOTAL PRIMARY GOVERNMENT	\$ <u>21,858,309</u>	\$ <u>1,396,495</u>	\$ <u>1,715,749</u>
COMPONENT UNIT			
Legacy Academy	\$ <u>2,974,676</u>	\$ <u>113,110</u>	\$ <u>162,794</u>

GENERAL REVENUES

Local Property Taxes
 Specific Ownership Taxes
 State Equalization
 Investment Earnings
 Other

TRANSFERS

TOTAL GENERAL REVENUES AND TRANSFERS

CHANGE IN NET ASSETS

NET ASSETS, Beginning

NET ASSETS, Ending

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

NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS

PRIMARY GOVERNMENT

GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL		COMPONENT UNIT
		2008	2007	
\$ (10,501,079)	\$ -	\$ (10,501,079)	\$ (10,496,418)	\$ -
(7,478,403)	-	(7,478,403)	(7,339,191)	-
(775,498)	-	(775,498)	(837,083)	-
(18,754,980)	-	(18,754,980)	(18,672,692)	-
-	8,915	8,915	(15,455)	-
-	8,915	8,915	(15,455)	-
(18,754,980)	8,915	(18,746,065)	(18,688,147)	-
-	-	-	-	(2,698,772)
6,182,835	-	6,182,835	5,773,117	-
1,133,260	-	1,133,260	1,161,335	-
12,831,195	-	12,831,195	12,458,823	-
187,923	-	187,923	212,053	54,378
282,190	-	282,190	486,609	2,723,555
(18,695)	18,695	-	-	-
20,598,708	18,695	20,617,403	20,091,937	2,777,933
1,843,728	27,610	1,871,338	1,403,790	79,161
6,960,219	89,639	7,049,858	5,646,068	1,272,970
\$ 8,803,947	\$ 117,249	\$ 8,921,196	\$ 7,049,858	\$ 1,352,131

ELBERT COUNTY SCHOOL DISTRICT NO. C-1

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

	GENERAL	CAPITAL RESERVE	BOND REDEMPTION	NONMAJOR GOVERNMENTAL FUNDS
ASSETS				
Cash and Investments	\$ 2,159,857	\$ 384,732	\$ -	\$ 91,504
Restricted Cash and Investments	-	-	1,681,766	-
Accounts Receivable	86,596	127,100	-	-
Taxes Receivable	1,794,928	-	744,952	-
Grants Receivable	-	-	-	27,598
Due From Other Funds	-	-	-	-
	\$ 4,041,381	\$ 511,832	\$ 2,426,718	\$ 119,102
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts Payable	\$ 76,732	\$ 21,488	\$ -	\$ 873
Accrued Salaries and Benefits	1,757,851	-	-	64,727
Deferred Property Taxes	271,302	-	132,847	-
Deferred Revenues	-	-	-	814
Due to Other Funds	-	-	-	-
	2,105,885	21,488	132,847	66,414
FUND BALANCE				
Reserved for Emergencies	622,000	-	-	-
Unreserved, Reported in				
General Fund	1,313,496	-	-	-
Special Revenue Funds	-	490,344	-	52,688
Debt Service Fund	-	-	2,293,871	-
	1,935,496	490,344	2,293,871	52,688
TOTAL LIABILITIES AND FUND BALANCE	\$ 4,041,381	\$ 511,832	\$ 2,426,718	\$ 119,102

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Other long-term assets are not available to pay for current year expenditures and therefore are deferred in the funds.

Long-term liabilities, including long term debt (\$15,907,135) accrued interest payable (\$90,388) and bond issuance costs \$112,835 are not due and payable in the current year and therefore are not reported in the funds.

An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included with governmental activities in the statement of net assets.

Net Assets of Governmental Activities

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

TOTAL

	2008		2007
\$	2,636,093	\$	3,495,155
	1,681,766		2,209,507
	213,696		9,824
	2,539,880		482,605
	27,598		546,659
	-		55,032
\$	7,099,033	\$	6,798,782

\$	99,093	\$	465,915
	1,822,578		1,957,010
	404,149		279,135
	814		936
	-		55,032
	2,326,634		2,758,028

622,000	622,000
1,313,496	658,129
543,032	518,755
2,293,871	2,241,870
4,772,399	4,040,754

18,570,832	18,719,110
------------	------------

404,149	279,135
---------	---------

(15,884,688)	(16,939,612)
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941,255	860,832
---------	---------

\$	8,803,947	\$	6,960,219
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ELBERT COUNTY SCHOOL DISTRICT NO. C-1

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
 Year Ended June 30, 2008

	<u>GENERAL</u>	<u>CAPITAL RESERVE</u>	<u>BOND REDEMPTION</u>	<u>NONMAJOR GOVERNMENTAL FUNDS</u>
REVENUES				
Local Sources	\$ 6,784,164	\$ 98,717	\$ 1,805,184	\$ 124,152
State Sources	13,596,436	222,229	-	25,583
Federal Sources	<u>31,553</u>	<u>-</u>	<u>-</u>	<u>126,741</u>
 TOTAL REVENUES	 <u>20,412,153</u>	 <u>320,946</u>	 <u>1,805,184</u>	 <u>276,476</u>
EXPENDITURES				
Current				
Instruction	11,748,995	-	-	619,686
Supporting Services	6,994,629	-	-	143,841
Capital Outlay	-	724,287	-	-
Debt Service				
Principal	-	75,277	985,000	-
Interest and Fiscal Charges	<u>-</u>	<u>4,521</u>	<u>768,183</u>	<u>-</u>
 TOTAL EXPENDITURES	 <u>18,743,624</u>	 <u>804,085</u>	 <u>1,753,183</u>	 <u>763,527</u>
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 <u>1,668,529</u>	 <u>(483,139)</u>	 <u>52,001</u>	 <u>(487,051)</u>
OTHER FINANCING SOURCES (USES)				
Capital Lease	-	-	-	-
Transfers In	-	468,000	-	526,467
Transfers Out	<u>(1,013,162)</u>	<u>-</u>	<u>-</u>	<u>-</u>
 TOTAL OTHER FINANCING SOURCES (USES)	 <u>(1,013,162)</u>	 <u>468,000</u>	 <u>-</u>	 <u>526,467</u>
 NET CHANGE IN FUND BALANCE	 655,367	 (15,139)	 52,001	 39,416
FUND BALANCE, Beginning	<u>1,280,129</u>	<u>505,483</u>	<u>2,241,870</u>	<u>13,272</u>
FUND BALANCE, Ending	<u>\$ 1,935,496</u>	<u>\$ 490,344</u>	<u>\$ 2,293,871</u>	<u>\$ 52,688</u>

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

TOTAL

	2008		2007
\$	8,812,217	\$	8,773,861
	13,844,248		13,388,727
	158,294		187,401
	22,814,759		22,349,989
	12,368,681		12,240,047
	7,138,470		6,847,543
	724,287		1,214,196
	1,060,277		865,000
	772,704		804,024
	22,064,419		21,970,810
	750,340		379,179
	-		75,277
	994,467		865,358
	(1,013,162)		(924,053)
	(18,695)		16,582
	731,645		395,761
	4,040,754		3,644,993
\$	4,772,399	\$	4,040,754

ELBERT COUNTY SCHOOL DISTRICT NO. C-1

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

Year Ended June 30, 2008

	2008	2007
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Net Change in Fund Balances of Governmental Funds	\$ 731,645	\$ 395,761
Capital outlay 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 expense (\$668,458) and loss on disposal (\$80,524) exceeded capital outlay \$600,704 during the current year.	(148,278)	139,390
Revenues that do not provide current financial resources are deferred in the governmental funds. This amount represents the change in deferred property taxes.	125,014	3,969
Repayments of bond principal \$985,000, capital lease \$75,277, and net increases in compensated absences (\$2,559) are expenditures in the governmental funds, but they reduce long-term liabilities in the statement of net assets and do not affect the statement of activities.	1,057,718	857,806
Proceeds from the issuance of bonds are revenues and expenditures in the government funds, but affect long-term assets and liabilities in the statement of net assets and do not affect the statement of activities. This is the net affect of these differences: amortization of bond issuance costs (\$9,812), amortization of bond premium \$35,450, amortization of loss on refunding (\$44,879), and change in accrued interest payable \$16,447.	(2,794)	(108,336)
An internal service fund is used by management to charge the costs of insurance to individual funds. The activity of the internal service fund is reported with governmental activities in the statement of activities.	80,423	71,960
Change in Net Assets of Governmental Activities	\$ 1,843,728	\$ 1,360,550

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

ELBERT COUNTY SCHOOL DISTRICT NO. C-1

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2008

	<u>2008</u>		<u>2007</u>	
	<u>BUSINESS-TYPE</u>	<u>GOVERNMENTAL</u>	<u>BUSINESS-TYPE</u>	<u>GOVERNMENTAL</u>
	<u>ACTIVITIES</u>	<u>ACTIVITIES</u>	<u>ACTIVITIES</u>	<u>ACTIVITIES</u>
	<u>ENTERPRISE</u>	<u>INTERNAL</u> <u>SERVICE</u>	<u>ENTERPRISE</u>	<u>INTERNAL</u> <u>SERVICE</u>
ASSETS				
Current Assets				
Cash and Investments	\$ 111,510	\$ 1,110,997	\$ 97,421	\$ 879,886
Accounts Receivable	-	-	-	119,499
Grants Receivable	6,668	-	-	-
Inventories	43,089	-	33,438	-
Total Current Assets	161,267	1,110,997	130,859	999,385
Noncurrent Assets				
Capital Assets, Net of Accumulated Depreciation	15,365	-	23,040	-
TOTAL ASSETS	<u>176,632</u>	<u>1,110,997</u>	<u>153,899</u>	<u>999,385</u>
LIABILITIES				
Current Liabilities				
Accounts Payable	-	-	413	-
Accrued Salaries and Benefits	59,383	-	63,847	-
Insurance Claims Payable	-	169,742	-	138,553
TOTAL LIABILITIES	<u>59,383</u>	<u>169,742</u>	<u>64,260</u>	<u>138,553</u>
NET ASSETS				
Invested in Capital Assets	15,365	-	23,040	-
Unrestricted	101,884	941,255	66,599	860,832
TOTAL NET ASSETS	<u>\$ 117,249</u>	<u>\$ 941,255</u>	<u>\$ 89,639</u>	<u>\$ 860,832</u>

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

ELBERT COUNTY SCHOOL DISTRICT NO. C-1

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
 Year Ended June 30, 2008

	2008		2007	
	<u>BUSINESS-TYPE</u>	<u>GOVERNMENTAL</u>	<u>BUSINESS-TYPE</u>	<u>GOVERNMENTAL</u>
	<u>ACTIVITIES</u>	<u>ACTIVITIES</u>	<u>ACTIVITIES</u>	<u>ACTIVITIES</u>
	<u>ENTERPRISE</u>	<u>INTERNAL</u> <u>SERVICE</u>	<u>ENTERPRISE</u>	<u>INTERNAL</u> <u>SERVICE</u>
OPERATING REVENUES				
Charges for Services	\$ 665,005	\$ 1,433,264	\$ 656,311	\$ 1,308,366
TOTAL OPERATING REVENUES	<u>665,005</u>	<u>1,433,264</u>	<u>656,311</u>	<u>1,308,366</u>
OPERATING EXPENSES				
Salaries	280,091	-	299,970	-
Benefits	89,885	-	95,659	-
Purchased Services	6,006	-	1,558	-
Commodities	28,328	-	22,134	-
Supplies and Materials	355,742	-	340,213	-
Depreciation	7,675	-	11,877	-
Insurance Premiums and Claims	-	1,366,073	-	1,250,514
TOTAL OPERATING EXPENSES	<u>767,727</u>	<u>1,366,073</u>	<u>771,411</u>	<u>1,250,514</u>
OPERATING INCOME (LOSS)	<u>(102,722)</u>	<u>67,191</u>	<u>(115,100)</u>	<u>57,852</u>
NONOPERATING REVENUES				
Federal Sources				
School Lunch Program	78,598	-	72,604	-
Donated Commodities	28,328	-	22,134	-
State Match	4,711	-	4,907	-
Investment Earnings	-	13,232	-	14,108
TOTAL NONOPERATING REVENUES	<u>111,637</u>	<u>13,232</u>	<u>99,645</u>	<u>14,108</u>
NET INCOME (LOSS) BEFORE TRANSFERS	<u>8,915</u>	<u>80,423</u>	<u>(15,455)</u>	<u>71,960</u>
TRANSFERS				
Transfers In	18,695	-	58,695	-
CHANGE IN NET ASSETS	<u>27,610</u>	<u>80,423</u>	<u>43,240</u>	<u>71,960</u>
NET ASSETS, Beginning	<u>89,639</u>	<u>860,832</u>	<u>46,399</u>	<u>788,872</u>
NET ASSETS, Ending	<u>\$ 117,249</u>	<u>\$ 941,255</u>	<u>\$ 89,639</u>	<u>\$ 860,832</u>

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

ELBERT COUNTY SCHOOL DISTRICT NO. C-1

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Increase (Decrease) in Cash

Year Ended June 30, 2008

	2008		2007	
	<u>BUSINESS-TYPE</u>	<u>GOVERNMENTAL</u>	<u>BUSINESS-TYPE</u>	<u>GOVERNMENTAL</u>
	<u>ACTIVITIES</u>	<u>ACTIVITIES</u>	<u>ACTIVITIES</u>	<u>ACTIVITIES</u>
	<u>ENTERPRISE</u>	<u>INTERNAL SERVICE</u>	<u>ENTERPRISE</u>	<u>INTERNAL SERVICE</u>
Cash Flows From Operating Activities				
Cash Received from Customers	\$ 665,005	\$ 1,552,763	\$ 656,311	\$ 1,306,618
Cash Paid to Suppliers	(371,812)	(1,334,884)	(341,553)	(1,277,684)
Cash Paid to Employees	(374,440)	-	(390,770)	-
Net Cash Provided (Used) by Operating Activities	<u>(81,247)</u>	<u>217,879</u>	<u>(76,012)</u>	<u>28,934</u>
Cash Flows From Noncapital Financing Activities				
Cash Received from Federal Programs	71,930	-	79,715	-
Cash Received from State Program	4,711	-	4,907	-
Cash Received from Other Funds	18,695	-	58,695	-
Net Cash Provided by Noncapital Financing Activities	<u>95,336</u>	<u>-</u>	<u>143,317</u>	<u>-</u>
Cash Flows From Capital and Related Financing Activities				
Purchases of Equipment	-	-	(15,000)	-
Cash Flows From Investing Activities				
Interest Received	-	13,232	-	14,108
NET INCREASE IN CASH	14,089	231,111	52,305	43,042
CASH, Beginning	<u>97,421</u>	<u>879,886</u>	<u>45,116</u>	<u>836,844</u>
CASH, Ending	<u>\$ 111,510</u>	<u>\$ 1,110,997</u>	<u>\$ 97,421</u>	<u>\$ 879,886</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income (Loss)	\$ (102,722)	\$ 67,191	\$ (115,100)	\$ 57,852
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Depreciation	7,675	-	11,877	-
Donated Commodities	28,328	-	22,134	-
Changes in Assets and Liabilities				
Accounts Receivable	-	119,499	-	(1,748)
Inventories	(9,651)	-	-	-
Accounts Payable	(413)	-	218	-
Accrued Salaries and Benefits	(4,464)	-	4,859	-
Insurance Claims Payable	-	31,189	-	(27,170)
Net Cash Provided (Used) by Operating Activities	<u>\$ (81,247)</u>	<u>\$ 217,879</u>	<u>\$ (76,012)</u>	<u>\$ 28,934</u>
SCHEDULE OF NON-CASH TRANSACTIONS				
Commodities Received	<u>\$ 28,328</u>	<u>\$ -</u>	<u>\$ 22,134</u>	<u>\$ -</u>

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

ELBERT COUNTY SCHOOL DISTRICT NO. C-1

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUND

June 30, 2008

	<u>STUDENT ACTIVITY</u>	
	<u>2008</u>	<u>2007</u>
ASSETS		
Cash and Investments	\$ <u>197,263</u>	\$ <u>169,770</u>
 TOTAL ASSETS	 \$ <u><u>197,263</u></u>	 \$ <u><u>169,770</u></u>
LIABILITIES		
Accrued Liabilities		
Due to Student Groups	\$ <u>197,263</u>	\$ <u>169,770</u>
 TOTAL LIABILITIES	 \$ <u><u>197,263</u></u>	 \$ <u><u>169,770</u></u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Elbert County School District No. 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 and financial reporting principles. Following is a summary of the more significant policies.

Reporting Entity

The financial reporting entity consists of the District and organizations for which the District is financially accountable. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the District. In addition, any 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.

The District includes the Legacy Academy Charter School (the “School”) within its reporting entity because the School is fiscally dependent on the District and its exclusion would render the District’s financial statements incomplete. Since the School has a separately elected board, the balances and transactions of the School are discretely presented in the financial statements. Separate financial statements for the School may be obtained by contacting the School at 1975 Legacy Circle, Elizabeth, Colorado 80107.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all nonfiduciary activities of the District and its component unit. 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 reasonable 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. Likewise, the *primary government* is reported separately from the legally separate *component unit* for which the District is financially accountable.

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*.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements (Continued)

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

The *Capital Reserve Fund* is funded by a required transfer from the General Fund. It is used to fund ongoing capital needs such as site acquisition, building additions and equipment purchases.

The *Bond Redemption Fund* accounts for resources accumulated for, and payments made on, long-term debt obligations of the District.

Additionally, the District reports the following fund types:

The *Food Services Enterprise Fund* accounts for the financial activities associated with the District's school lunch program.

The *Insurance Reserve Internal Service Fund* accounts for the resources accumulated for the District's employee health and dental insurance plan.

The *Agency Fund* is used to account for resources used to support each school's student activities. 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Property taxes, specific ownership taxes, 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.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds and internal service 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 use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, Liabilities and Fund Balance/Net Assets

Cash and Investments - The District utilizes the pooled cash concept whereby cash balances of each of the District's funds are pooled and invested by the District. Investments are reported at fair value.

For purposes of the statement of cash flows, the District considers all highly liquid investments with maturities of three months or less from date of purchase to be cash equivalents.

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 identified as property taxes receivable and are presented net of an allowance for uncollectible taxes. Any taxes not collected within sixty days after year end are recorded as deferred revenue in the fund financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Balance/Net Assets (Continued)

Interfund Receivables and Payables - During the course of operations, numerous transactions occur between individual funds. The resulting receivables and payables are classified on the balance sheet as *due from other funds* and *due to other funds* because they are short-term in nature.

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

Inventories - Materials and supplies inventories are stated at average cost. Food Services Fund inventories consist of purchased and donated commodities. Purchased inventories are stated at average cost. Donated inventories, received at no cost under a program supported by the federal government, are valued based upon the cost furnished by the federal government.

Inventory is recorded as an asset when individual items are purchased and as an expenditure when consumed.

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 funds in the fund financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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.

Property and equipment of the District is depreciated using the straight-line method over the following estimated useful lives.

Buildings	30 - 50 years
Equipment	10 years
Transportation Vehicles	8 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 to ten months. The salaries and benefits earned, but unpaid, are reported as a liability of the General, Grants, Athletics and Food Services Funds.

Deferred Revenues - Deferred revenues include grant funds that have been collected but the corresponding expenditures have not been incurred. Property taxes earned but not available are also reported as deferred revenue in the fund financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Balance/Net Assets (Continued)

Long-Term Debt - In the government-wide financial statements, and the proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary funds. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds 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 on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenditures.

Compensated Absences - Employees are allowed to accumulate unused vacation time for 12 months from the anniversary date at which it was granted. Accrued vacation time is paid to those eligible employees upon termination of employment.

These compensated absences are recognized as current salary costs when earned in the proprietary funds and when paid in the governmental funds. A long-term liability has been reported in the government-wide financial statements for the accrued compensated absences.

Net Assets/Fund Balance - In the government-wide financial statements and the proprietary funds in the fund financial statements, net assets are restricted when constraints placed on the net assets are externally imposed. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Property Taxes

Property taxes attach as an enforceable lien on property on January 1, and are levied the following January 1. Taxes are payable in full on April 30, or in two installments on February 28 and June 15. When taxes become delinquent, the property is sold on the tax sale date.

Comparative Information

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. However, complete comparative data in accordance with generally accepted accounting principles has not been presented since its inclusion would make the financial statements unduly complex and difficult to read.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 2: CASH AND INVESTMENTS

At June 30, 2008, the District had the following cash and investments:

Petty Cash	\$ 976
Deposits	3,042,923
Investments	<u>2,693,730</u>
 Total	 <u><u>\$ 5,737,629</u></u>

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

Primary Government Cash and Investments	\$ 3,858,600
Primary Government Restricted Cash and Investments	1,681,766
Fiduciary Fund Cash and Investments	<u>197,263</u>
 Total	 <u><u>\$ 5,737,629</u></u>

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all local government entities deposit cash in eligible public depositories. Eligibility is determined by State regulations. State regulatory commissioners regulate financial institutions holding deposits for eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. 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, 2008, the District had bank deposits of \$3,116,967 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

ELBERT COUNTY SCHOOL DISTRICT NO. C-1

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments (Continued)

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.

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 Rule 2a-7, and either have assets of one billion dollars or the highest rating issued by one or more nationally recognized statistical rating organizations (“NRSROs”). At June 30, 2008, the District had \$1,586,941 invested in a money market fund that was rated Aaa by Moody’s Investors Service.

Local Government Investment Pool - At June 30, 2008, the District had \$1,106,789 invested in the Colorado Local Government Liquid Asset Trust (Colotrust). Colotrust is an investment vehicle established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating Colotrust. Colotrust operates similarly to a money market fund with each share equal in value to \$1.00. Colotrust is rated AAAM by Standard and Poor’s. Investments of Colotrust are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian’s internal records identify the investments owned by the participating governments.

Restricted Cash and Investments

Cash and investments of \$1,681,766 have been restricted for future debt service in the Bond Redemption Fund.

NOTE 3: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008, is summarized below:

	Balances 6/30/07	Additions	Deletions	Balances 6/30/08
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 298,022	\$ -	\$ -	\$ 298,022
Total Capital Assets, Not Being Depreciated	<u>298,022</u>	<u>-</u>	<u>-</u>	<u>298,022</u>
Capital Assets, Being Depreciated				
Buildings	22,526,236	530,946	110,000	22,947,182
Equipment	466,084	14,780	51,776	429,088
Transportation Vehicles	<u>2,371,765</u>	<u>54,978</u>	<u>69,523</u>	<u>2,357,220</u>
Total Capital Assets, Being Depreciated	<u>25,364,085</u>	<u>600,704</u>	<u>231,299</u>	<u>25,733,490</u>

ELBERT COUNTY SCHOOL DISTRICT NO. C-1

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 3: CAPITAL ASSETS (Continued)

	Balances 6/30/07	Additions	Deletions	Balances 6/30/08
Less Accumulated Depreciation				
Buildings	(4,656,671)	(514,138)	(36,668)	(5,134,141)
Equipment	(340,051)	(42,910)	(44,489)	(338,472)
Transportation Vehicles	(1,946,275)	(111,410)	(69,618)	(1,988,067)
Total Accumulated Depreciation	<u>(6,942,997)</u>	<u>(668,458)</u>	<u>(150,775)</u>	<u>(7,460,680)</u>
Total Capital Assets, Being Depreciated, Net	<u>18,421,088</u>	<u>(67,754)</u>	<u>80,524</u>	<u>18,272,810</u>
Governmental Activities Capital Assets, Net	<u>\$ 18,719,110</u>	<u>\$ (67,754)</u>	<u>\$ 80,524</u>	<u>\$ 18,570,832</u>
Business-Type Activities				
Capital Assets, Being Depreciated				
Equipment	\$ 222,439	\$ -	\$ -	\$ 222,439
Less Accumulated Depreciation				
Equipment	<u>(199,399)</u>	<u>(7,675)</u>	<u>-</u>	<u>(207,074)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 23,040</u>	<u>\$ (7,675)</u>	<u>\$ -</u>	<u>\$ 15,365</u>

Depreciation expense of the governmental activities was charged to the supporting services program of the District.

NOTE 4: LONG-TERM DEBT

Following is a summary of long-term debt transactions of the District for the year ended June 30, 2008.

	Balances 6/30/07	Additions	Payments	Balances 6/30/08	Due Within One Year
Governmental Activities					
1998 GO Bonds	\$ 3,515,000	\$ -	\$ 5,000	\$ 3,510,000	\$ 70,000
1999 GO Bonds	275,000	-	20,000	255,000	20,000
2000 GO Bonds	4,050,000	-	940,000	3,110,000	925,000
2005 GO Bonds	9,095,000	-	20,000	9,075,000	20,000
2005 Bond Premium	443,128	-	35,450	407,678	-
2005 Loss on Refunding	(562,276)	-	(44,879)	(517,397)	-
Capital Lease	75,277	-	75,277	-	-
Compensated Absences	<u>64,295</u>	<u>71,096</u>	<u>68,537</u>	<u>66,854</u>	<u>-</u>
Total	<u>\$16,955,424</u>	<u>\$ 71,096</u>	<u>\$ 1,119,385</u>	<u>\$15,907,135</u>	<u>\$ 1,035,000</u>

Compensated absences of the governmental activities are expected to be liquidated with revenues of the General Fund.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 4: LONG-TERM DEBT (Continued)

General Obligation Bonds

\$10,000,000 General Obligation Bonds, Series 1998, were issued for the purpose of constructing, furnishing and equipping a new high school building. Principal payments are due annually on December 1, through 2012. Interest payments are due semi-annually on June 1 and December 1, with interest accruing at rates ranging from 3.65% to 4.8%.

\$2,550,000 General Obligation Refunding and Building Bonds, Series 1999, were issued for the purpose of refunding certain existing bond obligations, and to continue the building and equipping of the high school building. Principal payments are due annually on December 1, through 2016. Interest payments are due semi-annually on June 1 and December 1. Interest accrues at rates ranging from 3.3% to 5.2%.

\$7,075,000 General Obligation Refunding and Building Bonds, Series 2000, were issued for the purpose of refunding certain existing bond obligations and to complete the high school building. Principal payments are due annually on December 1, through 2019. Interest accrues at rates ranging from 4.65% to 5.70%. Additionally, \$390,000 detachable registered coupons were issued, which are due on December 1 in the years 2006 through 2010.

\$9,030,000 General Obligation Refunding Bonds, Series 2005, were issued to refund certain existing bond obligations. Principal payments are due annually on December 1, through 2019. Interest accrues at rates ranging from 3.63% to 5%. Additionally, \$295,000 detachable registered coupons were issued, which are due on December 1 in the years 2005 through 2010.

Bond payments, to maturity, are as follows.

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 1,035,000	\$ 716,635	\$ 1,751,635
2010	1,080,000	667,120	1,747,120
2011	1,120,000	617,830	1,737,830
2012	1,180,000	566,503	1,746,503
2013	1,235,000	513,023	1,748,023
2014 - 2018	7,025,000	1,674,836	8,699,836
2019 - 2020	<u>3,275,000</u>	<u>175,392</u>	<u>3,450,392</u>
Total	<u>\$ 15,950,000</u>	<u>\$ 4,931,339</u>	<u>\$ 20,881,339</u>

Capital Lease

During 2007, the District entered into a 3-year capital lease agreement to finance the acquisition of transportation vehicles. Annual payments of \$27,936, including principal and interest accruing at 5.5%, were due through July, 2009. The lease was paid in full during the year ended June 30, 2008.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 4: LONG-TERM DEBT (Continued)

Defeased Debt

In April, 2005, the District issued \$9,030,000 General Obligation Refunding Bonds, Series 2005, to advance refund a portion of the General Obligation Bonds, Series 1998 and Series 2000. Bond proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments. 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 debt at June 30, 2008, was \$9,030,000.

NOTE 5: INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2008, consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Capital Reserve Fund	General Fund	\$ 468,000
Grants Fund	General Fund	74,817
Athletics Fund	General Fund	451,650
Food Services Fund	General Fund	<u>18,695</u>
Total		<u>\$ 1,013,162</u>

The General Fund is required by State statute to allocate \$292 per funded pupil for capital purchases or insurance expenditures. The General Fund transfers certain amounts to the Capital Reserve Fund to comply with this statute. The General Fund routinely subsidizes the programs of the Grants, Athletics, and Food Services Funds through interfund transfers.

NOTE 6: 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; natural disasters; and health and dental claims of its employees. The District accounts for and finances its risk activities in the General and Insurance Internal Service Funds.

The District purchases commercial insurance for property, liability, and workers compensation risks of loss. Under the District's employee health and dental plan, the District provides coverage for up to a maximum of \$75,000 per employee for each calendar year. The aggregate stop-loss limit for the District is 120% of expected claims, or \$1,581,368 for the year ended June 30, 2008.

Claims liabilities are reported in the government-wide financial statements and the internal service fund if information available prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

ELBERT COUNTY SCHOOL DISTRICT NO. C-1

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 6: RISK MANAGEMENT (Continued)

Changes in claims payable for the employee health and dental plan were as follows:

Claims Payable, June 30, 2006	\$ 165,723
Claims Incurred and Adjustments	1,250,514
Payments	<u>(1,277,684)</u>
Claims Payable, June 30, 2007	138,553
Claims Incurred and Adjustments	1,366,073
Payments	<u>(1,334,884)</u>
Claims Payable, June 30, 2008	<u>\$ 169,742</u>

NOTE 7: 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, 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, 1300 Logan Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

Funding Policy - Plan members and the District are required to contribute 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 was 8% of covered salary and for the District was 11.15% of covered salary from January 1, 2007, through December 31, 2007, and 12.05% thereafter. A portion of the District's contribution (1.02% of covered salary) is allocated for the Health Care Trust Fund (See Note 8). The District's contributions to the SDTF for the years ended June 30, 2008, 2007, and 2006 were \$1,237,959, \$1,159,636 and \$1,092,505, respectively, equal to the required contributions for each year.

NOTE 8: 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 by contacting Colorado PERA as described previously.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 8: POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

Funding Policy - The District was 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 contributions of the HCTF is established under Title 24, Article 51, Section 208 of the CRS, as amended. The District's contributions to the HCTF for the years ended June 30, 2008, 2007, and 2006 were \$106,562, \$105,153 and \$105,729, respectively, equal to the required contributions for each year.

NOTE 9: 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, 2008, significant amounts of grant expenditures have not been audited but the District 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 Article X, Section 20 (the "Amendment") to the State Constitution which limits state and local government tax powers and imposes spending limitations. The District is subject to the Amendment. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment.

In November, 1996, voters within the District authorized the District to collect and to expend the full revenues received by the District from any source in the current fiscal year and in each fiscal 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.

The Amendment requires the District to establish a reserve for emergencies, representing 3% of qualifying expenditures. At June 30, 2008, the District's emergency reserve, of \$622,000, was reported as a reservation of fund balance in the General Fund.

Litigation

The District is involved in various litigation. The outcome of the litigation cannot be predicted at this time.

REQUIRED SUPPLEMENTARY INFORMATION

ELBERT COUNTY SCHOOL DISTRICT NO. C-1

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2008

	BUDGET		ACTUAL	VARIANCE
	ORIGINAL	FINAL		Positive (Negative)
REVENUES				
Local Sources				
Property Taxes	\$ 4,160,000	\$ 4,257,393	\$ 4,304,478	\$ 47,085
Specific Ownership Taxes	1,250,000	1,250,000	1,133,260	(116,740)
Delinquent Taxes, Penalties and Interest	-	-	5,940	5,940
Tuition from Individuals	575,000	575,000	500,560	(74,440)
Transportation from Individuals	-	-	19,653	19,653
Investment Earnings	110,000	110,000	116,910	6,910
Pupil Activities	50,000	50,000	-	(50,000)
Rentals/Leases	60,000	60,000	60,765	765
BOCES Reimbursement	433,000	580,000	420,603	(159,397)
Other	27,000	22,000	221,995	199,995
Total Local Sources	<u>6,665,000</u>	<u>6,904,393</u>	<u>6,784,164</u>	<u>(120,229)</u>
State Sources				
State Equalization	13,147,570	12,932,565	12,831,195	(101,370)
Vocational Education	2,000	2,000	114,360	112,360
ECEA Exceptional Children	415,000	415,000	440,306	25,306
Transportation	190,000	190,000	210,575	20,575
Total State Sources	<u>13,754,570</u>	<u>13,539,565</u>	<u>13,596,436</u>	<u>56,871</u>
Federal Sources				
Grants	60,000	60,000	31,553	(28,447)
Total Federal Sources	<u>60,000</u>	<u>60,000</u>	<u>31,553</u>	<u>(28,447)</u>
TOTAL REVENUES	<u>20,479,570</u>	<u>20,503,958</u>	<u>20,412,153</u>	<u>(91,805)</u>
EXPENDITURES				
Instruction				
Salaries	6,794,566	6,709,913	6,156,030	553,883
Employee Benefits	1,720,518	1,718,839	1,748,181	(29,342)
Purchased Services	3,261,738	3,429,243	3,377,106	52,137
Supplies and Materials	337,019	359,967	412,502	(52,535)
Property	-	-	55,176	(55,176)
Total Instruction	<u>12,113,841</u>	<u>12,217,962</u>	<u>11,748,995</u>	<u>468,967</u>
Supporting Services				
Students and Instructional Staff				
Salaries	751,761	756,720	834,145	(77,425)
Employee Benefits	177,206	180,891	210,808	(29,917)
Purchased Services	7,619	7,619	5,043	2,576
Supplies and Materials	22,330	22,942	19,180	3,762
Total Students	<u>958,916</u>	<u>968,172</u>	<u>1,069,176</u>	<u>(101,004)</u>

(Continued)

See the accompanying Independent Auditors' Report.

ELBERT COUNTY SCHOOL DISTRICT NO. C-1

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2008

	BUDGET		ACTUAL	VARIANCE
	ORIGINAL	FINAL		Positive (Negative)
EXPENDITURES (Continued)				
Supporting Services (Continued)				
General Administration				
Salaries	280,690	280,671	281,494	(823)
Employee Benefits	56,959	53,290	57,625	(4,335)
Purchased Services	167,200	132,500	75,441	57,059
Supplies and Materials	15,000	49,950	3,289	46,661
Other	-	-	15,774	(15,774)
Total General Administration	<u>519,849</u>	<u>516,411</u>	<u>433,623</u>	<u>82,788</u>
School Administration				
Salaries	839,921	815,965	775,105	40,860
Employee Benefits	214,359	195,851	181,552	14,299
Purchased Services	16,433	16,433	13,133	3,300
Supplies and Materials	15,167	15,167	13,086	2,081
Total School Administration	<u>1,085,880</u>	<u>1,043,416</u>	<u>982,876</u>	<u>60,540</u>
Business Services				
Salaries	286,979	287,925	271,067	16,858
Employee Benefits	65,442	68,946	51,419	17,527
Purchased Services	37,750	62,000	20,425	41,575
Supplies and Materials	20,000	6,000	22,753	(16,753)
Total Business Services	<u>410,171</u>	<u>424,871</u>	<u>365,664</u>	<u>59,207</u>
Operations and Maintenance				
Salaries	939,082	934,352	888,383	45,969
Employee Benefits	265,586	250,427	253,947	(3,520)
Purchased Services	359,200	368,000	452,429	(84,429)
Supplies and Materials	864,535	858,685	608,008	250,677
Total Operations and Maintenance	<u>2,428,403</u>	<u>2,411,464</u>	<u>2,202,767</u>	<u>208,697</u>
Student Transportation				
Salaries	579,830	598,369	570,338	28,031
Employee Benefits	167,970	157,105	156,867	238
Purchased Services	22,000	22,000	15,888	6,112
Supplies and Materials	227,000	227,000	241,914	(14,914)
Property	4,000	6,000	1,632	4,368
Total Student Transportation	<u>1,000,800</u>	<u>1,010,474</u>	<u>986,639</u>	<u>23,835</u>

(Continued)

See the accompanying Independent Auditors' Report.

ELBERT COUNTY SCHOOL DISTRICT NO. C-1

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
 Year Ended June 30, 2008

	BUDGET		ACTUAL	VARIANCE
	ORIGINAL	FINAL		Positive (Negative)
EXPENDITURES (Continued)				
Supporting Services (Continued)				
Central Support				
Salaries	180,013	187,053	142,200	44,853
Employee Benefits	31,165	32,745	29,604	3,141
Purchased Services	389,000	377,000	348,469	28,531
Supplies and Materials	34,900	38,500	54,235	(15,735)
Total Central Support	<u>635,078</u>	<u>635,298</u>	<u>574,508</u>	<u>60,790</u>
Community Services				
Salaries	398,716	391,862	266,606	125,256
Employee Benefits	120,053	119,389	72,544	46,845
Purchased Services	-	3,000	954	2,046
Supplies and Materials	64,598	52,000	39,272	12,728
Total Community Services	<u>583,367</u>	<u>566,251</u>	<u>379,376</u>	<u>186,875</u>
Total Supporting Services	<u>7,622,464</u>	<u>7,576,357</u>	<u>6,994,629</u>	<u>581,728</u>
TOTAL EXPENDITURES	<u>19,736,305</u>	<u>19,794,319</u>	<u>18,743,624</u>	<u>1,050,695</u>
EXCESS OF REVENUES OVER EXPENDITURES	743,265	709,639	1,668,529	958,890
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(1,027,085)</u>	<u>(999,585)</u>	<u>(1,013,162)</u>	<u>(13,577)</u>
NET CHANGE IN FUND BALANCE	(283,820)	(289,946)	655,367	945,313
FUND BALANCE, Beginning	<u>997,752</u>	<u>1,050,000</u>	<u>1,280,129</u>	<u>230,129</u>
FUND BALANCE, Ending	<u>\$ 713,932</u>	<u>\$ 760,054</u>	<u>\$ 1,935,496</u>	<u>\$ 1,175,442</u>

See the accompanying Independent Auditors' Report.

ELBERT COUNTY SCHOOL DISTRICT NO. C-1

BUDGETARY COMPARISON SCHEDULE
CAPITAL RESERVE FUND
 Year Ended June 30, 2008

	BUDGET		ACTUAL	VARIANCE
	ORIGINAL	FINAL		Positive (Negative)
REVENUE				
Local Sources	\$ 130,000	\$ 130,000	\$ 98,717	\$ (31,283)
State Sources	-	314,464	222,229	(92,235)
 TOTAL REVENUES	 <u>130,000</u>	 <u>444,464</u>	 <u>320,946</u>	 <u>(123,518)</u>
EXPENDITURES				
Capital Outlay	645,800	989,190	724,287	264,903
Debt Service				
Principal	-	-	75,277	(75,277)
Interest and Fiscal Charges	-	-	4,521	(4,521)
Reserves	70,000	70,000	-	70,000
 TOTAL EXPENDITURES	 <u>715,800</u>	 <u>1,059,190</u>	 <u>804,085</u>	 <u>255,105</u>
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 (585,800)	 (614,726)	 (483,139)	 131,587
OTHER FINANCING SOURCES				
Transfers In	468,800	468,800	468,000	(800)
 NET CHANGE IN FUND BALANCE	 (117,000)	 (145,926)	 (15,139)	 130,787
FUND BALANCE, Beginning	429,828	470,000	505,483	35,483
FUND BALANCE, Ending	<u>\$ 312,828</u>	<u>\$ 324,074</u>	<u>\$ 490,344</u>	<u>\$ 166,270</u>

See the accompanying Independent Auditors' Report.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2008

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Budgets are adopted on a basis consistent with generally accepted accounting principles, except for the proprietary funds which budget on a non-GAAP basis. Annual appropriated budgets are adopted for all funds. All annual appropriations lapse at fiscal year end. The District adheres to the following procedures in establishing the budgetary data reflected in the financial statements.

- The Superintendent 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. Authorization to transfer budget amounts between programs and/or departments within any fund and the reallocation of budget line items within any program and/or department rests with the Superintendent. Revisions that alter the total expenditures of any fund must be approved by the Board of Education.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

ELBERT COUNTY SCHOOL DISTRICT NO. C-1

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2008

	SPECIAL REVENUE		TOTAL
	GRANTS	ATHLETICS	
ASSETS			
Cash and Investments	\$ 6,673	\$ 84,831	\$ 91,504
Grants Receivable	27,598	-	27,598
TOTAL ASSETS	\$ 34,271	\$ 84,831	\$ 119,102
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts Payable	\$ 873	\$ -	\$ 873
Accrued Salaries and Benefits	32,584	32,143	64,727
Deferred Revenues	814	-	814
TOTAL LIABILITIES	34,271	32,143	66,414
FUND BALANCE			
Unreserved, Reported in Special Revenue Funds	-	52,688	52,688
TOTAL FUND BALANCE	-	52,688	52,688
TOTAL LIABILITIES AND FUND BALANCE	\$ 34,271	\$ 84,831	\$ 119,102

See the accompanying Independent Auditors' Report.

ELBERT COUNTY SCHOOL DISTRICT NO. C-1

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2008

	SPECIAL REVENUE		TOTAL
	GRANTS	ATHLETICS	
REVENUES			
Local Sources	\$ 12,162	\$ 111,990	\$ 124,152
State Sources	25,583	-	25,583
Federal Sources	126,741	-	126,741
 TOTAL REVENUES	 <u>164,486</u>	 <u>111,990</u>	 <u>276,476</u>
EXPENDITURES			
Instruction	239,303	380,383	619,686
Supporting Services	-	143,841	143,841
 TOTAL EXPENDITURES	 <u>239,303</u>	 <u>524,224</u>	 <u>763,527</u>
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 (74,817)	 (412,234)	 (487,051)
OTHER FINANCING SOURCES			
Transfers In	74,817	451,650	526,467
 NET CHANGE IN FUND BALANCE	 -	 39,416	 39,416
FUND BALANCE, Beginning	-	13,272	13,272
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ 52,688</u>	<u>\$ 52,688</u>

See the accompanying Independent Auditors' Report.

ELBERT COUNTY SCHOOL DISTRICT NO. C-1

BUDGETARY COMPARISON SCHEDULE

GRANTS FUND

Year Ended June 30, 2008

	BUDGET		ACTUAL	VARIANCE Positive (Negative)
	ORIGINAL	FINAL		
REVENUES				
Local Sources	\$ -	\$ -	\$ 12,162	\$ 12,162
State Sources	24,000	24,000	25,583	1,583
Federal Sources	146,000	163,000	126,741	(36,259)
TOTAL REVENUES	170,000	187,000	164,486	(22,514)
EXPENDITURES				
Current				
Instruction	231,240	248,240	239,303	8,937
TOTAL EXPENDITURES	231,240	248,240	239,303	8,937
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(61,240)	(61,240)	(74,817)	(13,577)
OTHER FINANCING SOURCES				
Transfers In	61,240	61,240	74,817	13,577
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE, Beginning	-	-	-	-
FUND BALANCE, Ending	\$ -	\$ -	\$ -	\$ -

See the accompanying Independent Auditors' Report.

ELBERT COUNTY SCHOOL DISTRICT NO. C-1

BUDGETARY COMPARISON SCHEDULE
ATHLETICS FUND
 Year Ended June 30, 2008

	BUDGET		ACTUAL	VARIANCE
	ORIGINAL	FINAL		Positive (Negative)
REVENUES				
Local Sources	\$ 98,200	\$ 98,200	\$ 111,990	\$ 13,790
TOTAL REVENUES	98,200	98,200	111,990	13,790
EXPENDITURES				
Current				
Instruction	537,350	549,850	380,383	169,467
Supporting Services	-	-	143,841	(143,841)
TOTAL EXPENDITURES	537,350	549,850	524,224	25,626
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(439,150)	(451,650)	(412,234)	39,416
OTHER FINANCING SOURCES				
Transfers In	439,150	451,650	451,650	-
NET CHANGE IN FUND BALANCE	-	-	39,416	39,416
FUND BALANCE, Beginning	5,316	5,316	13,272	7,956
FUND BALANCE, Ending	\$ 5,316	\$ 5,316	\$ 52,688	\$ 47,372

See the accompanying Independent Auditors' Report.

ELBERT COUNTY SCHOOL DISTRICT NO. C-1

BUDGETARY COMPARISON SCHEDULE
BOND REDEMPTION FUND
 Year Ended June 30, 2008

	BUDGET		ACTUAL	VARIANCE
	ORIGINAL	FINAL		Positive (Negative)
REVENUES				
Local Sources				
Property Taxes	\$ 1,750,000	\$ 1,750,000	\$ 1,747,403	\$ (2,597)
Investment Earnings	-	-	57,781	57,781
TOTAL REVENUES	<u>1,750,000</u>	<u>1,750,000</u>	<u>1,805,184</u>	<u>55,184</u>
EXPENDITURES				
Debt Service				
Principal	970,000	970,000	985,000	(15,000)
Interest and Fiscal Charges	<u>793,000</u>	<u>793,000</u>	<u>768,183</u>	<u>24,817</u>
TOTAL EXPENDITURES	<u>1,763,000</u>	<u>1,763,000</u>	<u>1,753,183</u>	<u>9,817</u>
NET CHANGE IN FUND BALANCE	(13,000)	(13,000)	52,001	65,001
FUND BALANCE, Beginning	<u>1,989,752</u>	<u>1,989,752</u>	<u>2,241,870</u>	<u>252,118</u>
FUND BALANCE, Ending	<u>\$ 1,976,752</u>	<u>\$ 1,976,752</u>	<u>\$ 2,293,871</u>	<u>\$ 317,119</u>

See the accompanying Independent Auditors' Report.

ELBERT COUNTY SCHOOL DISTRICT NO. C-1

BUDGETARY COMPARISON SCHEDULE

FOOD SERVICES FUND

Year Ended June 30, 2008

	BUDGET		ACTUAL	VARIANCE Positive (Negative)
	ORIGINAL	FINAL		
REVENUES				
Charges for Services				
Student Lunches	\$ 662,000	\$ 662,000	\$ 665,005	\$ 3,005
Federal Sources				
School Lunch Program	50,000	50,000	78,598	28,598
State Match	5,000	5,000	4,711	(289)
Transfer from General Fund	58,695	18,695	18,695	-
TOTAL REVENUES	<u>775,695</u>	<u>735,695</u>	<u>767,009</u>	<u>31,314</u>
EXPENDITURES				
Salaries	303,300	293,161	280,091	13,070
Benefits	91,395	96,534	89,885	6,649
Purchased Services	3,000	3,000	6,006	(3,006)
Supplies and Materials	360,000	360,000	355,742	4,258
Depreciation	14,000	14,000	7,675	6,325
Reserves	21,000	39,000	-	39,000
TOTAL EXPENDITURES	<u>792,695</u>	<u>805,695</u>	<u>739,399</u>	<u>66,296</u>
CHANGE IN NET ASSETS, Budgetary Basis	\$ <u>(17,000)</u>	\$ <u>(70,000)</u>	27,610	\$ <u>97,610</u>
ADJUSTMENTS TO GAAP BASIS				
Donated Commodities Received			28,328	
Donated Commodities Used			<u>(28,328)</u>	
CHANGE IN NET ASSETS, GAAP Basis			27,610	
NET ASSETS, Beginning			<u>89,639</u>	
NET ASSETS, Ending			\$ <u>117,249</u>	

See the accompanying Independent Auditors' Report.

ELBERT COUNTY SCHOOL DISTRICT NO. C-1

BUDGETARY COMPARISON SCHEDULE
INSURANCE RESERVE FUND
 Year Ended June 30, 2008

	BUDGET		ACTUAL	VARIANCE
	ORIGINAL	FINAL		Positive (Negative)
REVENUES				
Charges for Services	\$ 1,510,000	\$ 1,500,000	\$ 1,433,264	\$ (66,736)
Investment Earnings	10,000	10,000	13,232	3,232
TOTAL REVENUES	1,520,000	1,510,000	1,446,496	(63,504)
EXPENDITURES				
Insurance Premiums and Claims	1,505,000	1,505,000	1,366,073	138,927
Reserves	200,000	200,000	-	200,000
TOTAL EXPENDITURES	1,705,000	1,705,000	1,366,073	338,927
CHANGE IN NET ASSETS	(185,000)	(195,000)	80,423	275,423
NET ASSETS, Beginning	827,872	827,872	860,832	32,960
NET ASSETS, Ending	\$ 642,872	\$ 632,872	\$ 941,255	\$ 308,383

See the accompanying Independent Auditors' Report.

ELBERT COUNTY SCHOOL DISTRICT NO. C-1

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUND

Year Ended June 30, 2008

	<u>BALANCE</u> 6/30/07	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> 6/30/08
Student Activity Fund				
ASSETS				
Cash and Investments	\$ <u>169,770</u>	\$ <u>473,827</u>	\$ <u>446,334</u>	\$ <u>197,263</u>
LIABILITIES				
Accrued Liabilities				
Due to Student Groups	\$ <u>169,770</u>	\$ <u>473,827</u>	\$ <u>446,334</u>	\$ <u>197,263</u>

See the accompanying Independent Auditors' Report.

COMPLIANCE SECTION

STATE COMPLIANCE



Board of Education
Elbert County School District No. C-1
Elizabeth, Colorado

**INDEPENDENT AUDITORS' REPORT ON
AUDITOR'S INTEGRITY REPORT**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the Elbert County School District No. C-1, as of and for the year ended June 30, 2008, which collectively comprise the basic financial statements of the Elbert County School District No. C-1, and have issued our report thereon dated November 20, 2008. These financial statements are the responsibility of the Elbert County School District No. C-1's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Elbert County School District No. C-1's basic financial statements. The accompanying auditor's integrity report is presented for purposes of additional analysis as required by State of Colorado statutes and is not a required part of the basic financial statements. 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 stated in all material respects in relation to the basic financial statements taken as a whole.

Swanhorst & Company LLC

November 20, 2008

12/30/2008
09:55 AM

Colorado Department of Education
Fiscal Year 2007-2008
Colorado School District/BOCES
Auditor's Integrity Report

ELBERT ELIZABETH C-1
District Code: 0920

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	+	1000 - 5999 Total Revenues & Other Sources	-	0001 - 0999 Total Expenditures & Other Uses	=	6700 - 6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental							
10 General Fund	1,280,129		16,726,733		16,071,365		1,935,497
18 Risk Mgmt Sub-Fund of General Fund	0		0		0		0
19 Colorado Preschool Program Fund	0		46,557		46,557		0
Subtotal	1,280,129		16,773,290		16,117,922		1,935,497
11 Charter School Fund	1,272,971		3,552,862		3,473,699		1,352,133
20,26-29 Special Revenue Fund	0		0		0		0
21 Capital Reserve Spec Revenue Fund	505,483		788,945		804,085		490,343
22 Govt Designated-Purpose Grants Fund	1		239,303		239,304		0
23 Pupil Activity Special Revenue Fund	13,272		563,640		524,224		52,687
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	2,241,869		1,805,195		1,753,183		2,293,872
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	5,313,725		23,723,225		22,912,417		6,124,532
Proprietary							
51 Food Service Fund	89,639		795,336		767,727		117,249
50 Other Enterprise Funds	0		0		0		0
64 (63) Risk-Related Activity Fund	860,832		1,446,497		1,366,073		941,255
60,65-69 Other Internal Service Funds	0		0		0		0
TOTALS	950,471		2,241,833		2,133,800		1,058,504
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	169,770		473,827		446,335		197,263
79 GASB 34: Permanent Fund	0		0		0		0
85 Foundations	0		0		0		0
TOTALS	169,770		473,827		446,335		197,263

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

From submitted data file: fd0920.56a

Program: fdrdh.sqr

File: fd0920.dba

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