

Washington County School District R-3
Otis, Colorado

Financial Statements

For the Year ended June 30, 2013

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Independent Auditors' Report

Board of Education
Washington County School District R-3
Otis, 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 Washington County School District R-3 (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Lauer, Szabo & Associates, P.C.

Sterling, Colorado
November 7, 2013

WASHINGTON COUNTY SCHOOL DISTRICT R-3
Management Discussion and Analysis
For Fiscal Year Ended June 30, 2013

This section of Washington County School District R-3's annual financial report presents its discussion and analysis of the District's financial performance during the year ended June 30, 2013.

Financial Highlights

- The assets of Otis School District R-3 exceeded its liabilities at the close of the most recent fiscal year by \$3,714,993 (net position).
- The district's total net position increased by \$824,755.
- General revenues accounted for \$2,352,517 or 75% of the \$3,152,739 in total revenues. Program specific revenues in the form of charges for services, sales, and grants accounted for \$800,222 or 25% of revenues.
- The general fund ending fund balance reached \$569,881, an increase of \$76,180 from last year.

Overview of Financial Statements

The discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. A comparison to the prior year's activity is normally provided in the document. The basic financial statements consist of four components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements and, (4) required supplementary information. This report also contains required supplementary information in addition to the basic financial statements.

Government-wide Statements

The Government-wide financial statements are designed to provide readers with information about the School District as a whole using accounting methods similar to those used by private-sector businesses.

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

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and retiree's early retirement bonuses). In the government-wide financial statements, the School District's activities are divided into two categories.

- **Governmental activities:** Most of the School District's basic services are included here, such as instruction, transportation, maintenance and operations, and administration. Taxes and intergovernmental revenues principally support these activities.
- **Business-type activities:** The food service program is intended to recover all or a significant portion of their costs through fees, charges and governmental reimbursements.

The government-wide financial statements consolidate the governmental and business type activities.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The fund financial statements provide more detailed information about the School District's operations, focusing on the most significant or "major" funds, not the School District as a whole. The School District has three kinds of funds: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Most of the District's basic services are included in the governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine the status of financial resources that can be spent in the near future to finance the School District's program.

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

The School District maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures and change in fund balances for the general fund and the building fund, which are considered to be major funds. Individual fund data for the nonmajor, other governmental fund is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 16-19 of this report.

Proprietary Funds

The School District maintains enterprise funds to report the same functions presented as business-type activities in its food service fund. Proprietary funds provide the same type of information as government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 20-23 of this report.

Fiduciary Funds

Fiduciary funds are used to count for resources held for the benefit of parties outside the school district. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on page 24 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements may be found on pages 25-43 of this report.

Other information

In addition to the basic financial statements, this report also presents other supplementary information concerning the School District's annual appropriated budgets with comparison statements that demonstrate compliance with budgets. Budgeted amounts may be found on pages 46-67.

Financial Analysis of the School District as a Whole

As noted earlier, net position may serve over time as a useful indicator of the School District's financial position.

43% of the School District's assets are investment in capital assets (e.g., land, buildings and equipment). The school District uses these assets to provide instruction and related services to its students.

The following table provides a summary of the district's net position (liabilities) as of June 30, 2013.

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 3,997,166	\$ 806,411	\$ 7,341	\$ 13,943	\$ 4,004,507	\$ 820,354
Capital assets	2,977,816	2,423,724	10,557	12,378	2,988,373	2,436,102
Total assets	\$ 6,974,982	\$ 3,230,135	\$ 17,898	\$ 26,321	\$ 6,992,880	\$ 3,256,456
Long term liabilities	\$ 2,926,495	\$ 125,000	\$ -	\$ -	\$ 2,926,495	\$ 175,000
Other liabilities	348,383	241,358	3,009	4,860	351,392	191,218
Total liabilities	\$ 3,274,878	\$ 361,358	\$ 3,009	\$ 4,860	\$ 3,277,887	\$ 366,218
Net position						
Net Investment in capital						
assets	\$ 51,321	\$ 2,248,724	\$ 10,557	\$ 12,378	\$ 61,878	\$ 2,261,102
Restricted	3,176,315	182,073	-	-	3,176,315	182,073
Unrestricted	472,468	437,980	4,332	9,083	476,800	447,063
Total net position	\$ 3,700,104	\$ 2,868,777	\$ 14,889	\$ 21,461	\$ 3,714,993	\$ 2,890,238

Following is a summary of the School District's change in net position.

Revenues	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2012-2013
	2013	2012	2013	2012	2013	2012	
Program Revenues							
Charges for services	\$ 0	\$ 0	\$ 25,549	\$ 21,542	\$ 25,549	\$ 21,542	18.60%
Operating Grants & Contributions	142,596	198,995	33,341	44,925	175,937	243,920	-27.87%
Capital Grants & Contributions	657,626	0	0	0	657,626	0	657%
General Revenue	0	0	0	0	0	0	0%
Property taxes	752,464	529,454	0	0	752,464	529,454	42.12%
State equalization	1,516,383	1,511,519	0	0	1,516,383	1,511,519	0.32%
Other	60,668	57,087	23,002	22,062	83,670	79,149	5.71%
Total Revenue	\$3,129,737	\$2,297,055	\$ 81,892	\$88,529	\$3,211,629	\$2,385,584	34.62%
Expenses							
Instruction	\$1,299,475	\$1,260,280	\$ 0	\$ 0	\$1,299,475	\$1,260,280	3.11%
Pupil & Instructional Services	153,351	183,931	0	0	153,351	183,931	-16.62%
Administration & Business	266,844	279,140	0	0	266,844	279,140	-4.40%
Maintenance & Operations	248,129	259,130	0	0	248,129	259,130	-4.24%
Transportation	115,737	114,560	0	0	115,737	114,560	1.02%
Other	214,874	161,739	88,464	84,115	303,338	245,854	23.38%
Total Expenses	\$2,298,410	\$2,258,780	\$ 88,464	\$ 84,115	\$2,386,874	\$2,342,895	1.87%
Increase/(Decrease) in net position	831,327	38,275	(6,572)	4,414	824,755	42,689	1,832.0%

Governmental Activities

The primary source of operating revenue for school districts comes from the School Finance Act of 1994, as amended (SFA). Under the SFA the School District received \$10,611 per funded student. In fiscal year 2012-13 the funded pupil count was 186.0. Funding for the SFA comes from property taxes, specific ownership tax and state equalization. The School District receives approximately 77 percent of this funding from state equalization while the remaining amount comes from property taxes and specific ownership tax. The School District's assessed valuation generated \$413,608 in property taxes for fiscal year 2012-2013.

Business-Type Activities

Business-type activities are made up of the food services fund. This program had total revenues of \$81,892 and expenses of \$88,464. Business type activities receive no support from tax revenue.

Governmental Funds

The focus of the School 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 School district's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the School District's net resources available for spending at the end of the fiscal year.

As the end of the fiscal year, the School District's governmental funds reported combined ending fund balances of \$3,640,453, an increase of \$3,039,679. The general, building, and other governmental funds had fund balance increases of \$76,180, \$2,806,495, and \$157,004, respectively.

General Fund Budget Highlights

The District's budget is prepared according to Colorado law and is based on accounting for transactions under generally accepted accounting principles. The most significant budgeted fund is the General Fund.

The District is continuing its planning process to reduce expenditures and to get monthly bills and payrolls between \$150,000 and \$160,000 levels per month. The Superintendent is devising a plan under which the District will possibly look at a reduction in staff. The District in trying to keep costs down has moved from four bus routes to three routes and has also recently moved from a five day week to a four day week.

The District over the course of the last year has kept purchase orders to a minimum and has begun to rebuild the beginning fund balance. We have moved the beginning fund balance from a low of two months reserve to five months. It is the District's intention to continue to keep expenditures reasonable and to continue building the beginning fund balance.

Prices for school lunches were one of the lowest in the state so the board voted to increase prices by \$.50 for students and \$.75 for adult lunches. This small increase should generate enough income to help keep the general fund from subsidizing as much as it has been for the lunch fund. New regulations could be part of the reason the general fund must subsidize the lunch program more than it has in past years.

Capital Assets and Debt Administration

Capital Assets

The School Districts investment in capital assets for its governmental and business type activities as of June 30, 2013 amounts to \$2,988,373 (net of accumulated depreciation). This investment in capital assets includes land, buildings, and improvements, equipment, construction in progress, and capital leases all with an original cost greater than \$5,000.

There were no capital asset additions during the current fiscal year.

The School District’s total capital assets at June 30, 2013 net of accumulated depreciation were as follows

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Land	\$23,856	\$0	\$23,856
Building Improvements	\$2,177,692	\$0	\$2,177,692
Construction in progress	\$657,625	\$0	\$657,625
Equipment & Furniture	\$89,312	\$10,557	\$99,869
Vehicles	\$29,331	\$0	\$29,331
Total Capital Assets	\$2,977,816	\$10,557	\$2,988,373

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

Long-Term Debt

At year-end, the School District’s long-term debt of \$2,926,495 represented its general obligation bonds.

Economic Factors

- Health insurance premiums continue to remain uncertain and unpredictable for the FY13 period.
- Energy costs were anticipated to increase at an undesignated percentage due to the national economy and war issues.
- The state economic forecast for FY13 is slowing according to CDE representatives but is stronger than the national economic trend. Due to increased revenue in FY12 and less than expected expenditures state legislation is looking at funding for inflation and growth which has not been practiced in the past few years.
- Enrollment has remained steady.

Contacting the Districts Financial Management

This financial report is designed to provide the District's citizens, taxpayers, parents, investors and creditors with a general overview of the District's finances and to demonstrate the district's accountability for the money it receives. If you have any questions about this report or need additional information, contact Washington County School District R-3, 518 Dungan Street, Otis, CO 80743.

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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.

WASHINGTON COUNTY SCHOOL DISTRICT R-3
Statement of Net Position
June 30, 2013

	Governmental Activities	Business-type Activities	Total
Assets			
Cash	\$ 737,406	\$ 636	\$ 738,042
Cash with fiscal agent	3,073,360		3,073,360
Receivables	179,158	3,004	182,162
Internal balances	(211)	211	-
Inventory		3,490	3,490
Bond issuance costs, net of amortization	7,453		7,453
Capital assets, net of depreciation	2,977,816	10,557	2,988,373
Total assets	\$ 6,974,982	\$ 17,898	\$ 6,992,880
Liabilities			
Accounts payable	\$ 169,242		\$ 169,242
Accrued salaries and benefits	172,111	\$ 3,009	175,120
Accrued interest payable	7,030		7,030
Noncurrent liabilities			
Due within one year	165,478		165,478
Due in more than one year	2,761,017		2,761,017
Total liabilities	3,274,878	3,009	3,277,887
Net position			
Net investment in capital assets	51,321	10,557	61,878
Restricted for:			
Emergencies	87,000		87,000
Debt service	264,077		264,077
Colorado preschool program	18,743		18,743
Capital expenditures	2,806,495		2,806,495
Unrestricted	472,468	4,332	476,800
Total net position	3,700,104	14,889	3,714,993
Total liabilities and net position	\$ 6,974,982	\$ 17,898	\$ 6,992,880

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

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WASHINGTON COUNTY SCHOOL DISTRICT R-3
Statement of Activities
For the Year Ended June 30, 2013

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
Instruction	\$ 1,299,475		\$ 87,925	
Supporting services				
Students	98,269			
Instructional staff	55,082		20,288	
General administration	136,488			
School administration	78,676			
Business services	51,680			
Operations and maintenance	248,129			
Student transportation	115,737		34,383	
Central support services	61,288			
Facilities acquisition	9,970			\$ 657,626
Unallocated depreciation *	87,285			
Interest and fiscal charges	56,331			
Total governmental activities	2,298,410	\$ -	142,596	\$ 657,626
Business-type activities				
Nutrition services	88,464	25,549	33,341	
Total school district	\$ 2,386,874	\$ 25,549	\$ 175,937	\$ 657,626

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

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

Total general revenues and transfers

Change in net position

Net position at beginning of year

Net position at end of year

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

Net (Expenses) Revenues and
Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (1,211,550)		\$ (1,211,550)
(98,269)		(98,269)
(34,794)		(34,794)
(136,488)		(136,488)
(78,676)		(78,676)
(51,680)		(51,680)
(248,129)		(248,129)
(81,354)		(81,354)
(61,288)		(61,288)
647,656		647,656
(87,285)		(87,285)
(56,331)		(56,331)
(1,498,188)	\$ -	(1,498,188)
	(29,574)	(29,574)
(1,498,188)	(29,574)	(1,527,762)
413,608		413,608
262,647		262,647
74,737		74,737
1,472		1,472
1,516,383		1,516,383
1,411	2	1,413
82,257		82,257
(23,000)	23,000	-
2,329,515	23,002	2,352,517
831,327	(6,572)	824,755
2,868,777	21,461	2,890,238
\$ 3,700,104	\$ 14,889	\$ 3,714,993

WASHINGTON COUNTY SCHOOL DISTRICT R-3
Balance Sheet
Governmental Funds
June 30, 2013

	General Fund	Building Fund	Bond Redemption Fund	Total Governmental Funds
Assets				
Cash	\$ 737,406			\$ 737,406
Cash with fiscal agent	9,249	\$ 2,806,495	\$ 257,616	3,073,360
Property taxes receivable	14,646		9,298	23,944
Grants receivable	1,700	153,174		154,874
Other receivables			340	340
Total assets	\$ 763,001	\$ 2,959,669	\$ 267,254	\$ 3,989,924
Liabilities and fund balance				
Liabilities				
Accounts payable	\$ 16,068	\$ 153,174		\$ 169,242
Due to other funds	211			211
Accrued salaries and benefits	172,111			172,111
Deferred revenue	4,730		\$ 3,177	7,907
Total liabilities	193,120	153,174	3,177	349,471
Fund balance				
Restricted for emergencies	87,000			87,000
Restricted for Colorado preschool program	18,743			18,743
Restricted for debt service			264,077	264,077
Restricted for capital expenditures		2,806,495		2,806,495
Assigned to capital projects	103,560			103,560
Assigned to risk management	10,909			10,909
Unassigned	349,669			349,669
Total fund balance	569,881	2,806,495	264,077	3,640,453
Total liabilities and fund balance	\$ 763,001	\$ 2,959,669	\$ 267,254	\$ 3,989,924

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

WASHINGTON COUNTY SCHOOL DISTRICT R-3
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2013

Amounts reported for governmental activities in the statement of net position is different because:

Total fund balance - governmental funds	\$ 3,640,453
Capital and other assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	2,985,269
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	7,907
Accrued interest on long-term debt is not due and payable in the current period and therefore is not reported as a liability in the funds.	(7,030)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	<u>(2,926,495)</u>
Net position of the governmental activities	<u><u>\$ 3,700,104</u></u>

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

WASHINGTON COUNTY SCHOOL DISTRICT R-3
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2013

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Local sources	\$ 576,814		\$ 261,305	\$ 838,119
Intermediate sources	245			245
State sources	1,613,235	\$ 657,626		2,270,861
Federal sources	45,744			45,744
Total revenues	2,236,038	657,626	261,305	3,154,969
Expenditures				
Instruction	1,299,475			1,299,475
Supporting services	837,383	657,626		1,495,009
Debt service				
Principal retirement			55,000	55,000
Interest and fiscal charges			49,301	49,301
Total expenditures	2,136,858	657,626	104,301	2,898,785
Excess of revenues over expenditures	99,180	-	157,004	256,184
Other financing source (uses)				
Proceeds from bond issuance		2,806,495		2,806,495
Transfers out	(23,000)			(23,000)
Total other financing sources (uses)	(23,000)	2,806,495	-	2,783,495
Excess of revenues over expenditures and other financing sources (uses)	76,180	2,806,495	157,004	3,039,679
Fund balance at beginning of year	493,701	-	107,073	600,774
Fund balance at end of year	<u>\$ 569,881</u>	<u>\$ 2,806,495</u>	<u>\$ 264,077</u>	<u>\$ 3,640,453</u>

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

WASHINGTON COUNTY SCHOOL DISTRICT R-3
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, 2013

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

Net change in fund balances - governmental funds	\$ 3,039,679
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 position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlays exceeded depreciation in the current period.	552,405
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(2,232)
Accrued interest on long-term debt is not due and payable in the current period and therefore is not reported as a liability in the funds.	(7,030)
Repayment of principal on general obligation bonds is an expenditure in the governmental funds, but the repayment reduces the long-term debt liability in the statement of net position.	<u>(2,751,495)</u>
Change in net position of governmental activities	<u>\$ 831,327</u>

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

WASHINGTON COUNTY SCHOOL DISTRICT R-3
Statement of Net Position
Proprietary Funds
June 30, 2013

	Business-type Activities
	Nonmajor Proprietary Fund
Assets	
Current assets	
Cash	\$ 636
Due from other funds	211
Grants receivable	3,004
Inventory	3,490
	7,341
Total current assets	7,341
Capital assets	
Machinery and equipment	37,564
Less accumulated depreciation	(27,007)
	10,557
Total capital assets, net	10,557
Total assets	\$ 17,898
Current liabilities	
Accrued salaries and benefits	\$ 3,009
Total current liabilities/total liabilities	3,009
Net position	
Net investment in capital assets	10,557
Unrestricted	4,332
	14,889
Total net position	14,889
Total liabilities and net position	\$ 17,898

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

WASHINGTON COUNTY SCHOOL DISTRICT R-3
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2013

	Business-type Activities
	Nonmajor Proprietary Fund
Operating revenues	
Charges for services	\$ 25,549
Operating expenses	
Salaries and benefits	45,370
Purchased services	1,444
Supplies and materials	39,829
Depreciation	1,821
Total operating expenses	<u>88,464</u>
Operating loss	(62,915)
Nonoperating revenues	
Federal and state aid	33,341
Earnings on investments	<u>2</u>
Total nonoperating revenues	<u>33,343</u>
Loss before transfers	(29,572)
Transfers in	<u>23,000</u>
Net loss	(6,572)
Net position at beginning of year	<u>21,461</u>
Net position at end of year	<u>\$ 14,889</u>

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

WASHINGTON COUNTY SCHOOL DISTRICT R-3
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2013

	Business-type Activities
	Nonmajor Proprietary Fund
Cash flows from operating activities	
Receipts from customers	\$ 27,585
Payments to suppliers	(36,444)
Payments to employees	(47,164)
	<hr/>
Net cash used by operating activities	(56,023)
Cash flows from noncapital financing activities	
Federal and state aid	28,585
Transfers in	23,000
	<hr/>
Net cash provided by noncapital financing activities	51,585
Cash flows from investing activities	
Earnings on investments	2
	<hr/>
Net cash provided by investing activities	2
Net decrease in cash	(4,436)
Cash at beginning of year	5,072
	<hr/>
Cash at end of year	\$ 636
	<hr/> <hr/>

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

	<u>Business-type Activities</u>
	<u>Nonmajor Proprietary Fund</u>
Reconciliation of operating loss to net cash used by operating activities	
Operating loss	\$ (62,915)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	1,821
Commodities	4,756
Changes in assets and liabilities	
Accounts receivable	2,036
Inventory	130
Accounts payable	(57)
Accrued salaries and benefits	(1,794)
	<u> </u>
Net cash used by operating activities	<u>\$ (56,023)</u>

WASHINGTON COUNTY SCHOOL DISTRICT R-3
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	<u>Agency Funds</u>
Assets	
Cash	\$ 184,434
Total assets	<u>\$ 184,434</u>
Liabilities	
Due to scholarship recipients	\$ 145,071
Due to student groups	39,363
Total liabilities	<u>\$ 184,434</u>

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

WASHINGTON COUNTY SCHOOL DISTRICT R-3
Notes to Financial Statements

Note A – Summary of significant accounting policies

This summary of the Washington County School District R-3'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 more significant of the District's accounting policies are described below.

A.1 – Reporting entity

The Washington County School District R-3 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."

WASHINGTON COUNTY SCHOOL DISTRICT R-3
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

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

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

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

Building Fund – This fund is a capital projects fund used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds). Revenues and other financing sources are primarily derived from the issuance of debt or transfers from other funds.

Bond Redemption Fund – This fund is a debt service fund used to account for the revenues from a specific tax levy for the purpose of the repayment of debt principal, interest and other fiscal charges.

Proprietary funds focus on the determination of the changes in net position, 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.

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

WASHINGTON COUNTY SCHOOL DISTRICT R-3
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

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

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

Note A.3 – Basis of presentation

Government-wide financial statements – The statement of net position 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.

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.

WASHINGTON COUNTY SCHOOL DISTRICT R-3
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

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 position. The statement of revenues, expenses and changes in fund net position 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 position and changes in net position 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 (private-purpose trust and agency). 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.

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.

WASHINGTON COUNTY SCHOOL DISTRICT R-3
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

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 position 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.

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.

WASHINGTON COUNTY SCHOOL DISTRICT R-3
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

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 position, 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 position, 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 position and in the respective fund financial statements.

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.

WASHINGTON COUNTY SCHOOL DISTRICT R-3
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

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	20-50 years	n/a
Furniture and equipment	5-25 years	5-25 years
Licensed vehicles	7-10 years	n/a

A.10 – Compensated absences

Certain personnel and full-time employees receive seven or ten days sick leave each year, which can be accumulated as long as the employee is with the District. After twenty years of service and upon retirement, the District will pay the certified personnel for thirty unused sick days at the current substitute rate.

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 are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. Bonds payable and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

WASHINGTON COUNTY SCHOOL DISTRICT R-3
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

A.12 – Fund balance

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below.

Nonspendable, such as fund balance associated with inventories, prepaid expenditures, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned),

Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the board of education (the District's highest level of decision-making authority),

Assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and

Unassigned fund balance is the residual classification for the District's general fund and includes all spendable amounts not contained in the other classifications.

Committed fund balance is established by a formal passage of a resolution. This is typically done through the adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the board of education through adoption or amendment of the budget as intended for specific purpose (such as purchase of fixed assets, construction, debt service or for other purposes).

When both restricted and unrestricted resources are available in governmental funds, the District applies expenditures against restricted fund balance first, and followed by committed fund balance, assigned fund balance and unassigned fund balance.

WASHINGTON COUNTY SCHOOL DISTRICT R-3
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

A.13 – Net position

Net position represent the difference between assets and liabilities. Net investment in capital assets consists 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 position is 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 position is available.

A.14 – Operating revenues and expenses

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

A.15 – Interfund transactions

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

A.16 – Extraordinary and special items

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

WASHINGTON COUNTY SCHOOL DISTRICT R-3
Notes to Financial Statements

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 a deposit policy for custodial credit risk. As of year-end, the District had total deposits of \$957,297, of which \$293,123 was insured and \$664,174 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 United States 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

Interest rate risk – The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing rates.

WASHINGTON COUNTY SCHOOL DISTRICT R-3
Notes to Financial Statements

Note B – Cash and investments (Continued)

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 treasury bonds are rated AAA by Standard and Poor’s.

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

Cash in bank	\$ 922,476
Cash with fiscal agent	<u>3,073,360</u>
Total	<u>\$ 3,995,836</u>
 <u>Statement of net position</u>	
Cash	\$ 738,042
Cash with fiscal agent	<u>3,073,360</u>
Subtotal	3,811,402
 <u>Statement of fiduciary net position</u>	
Cash	<u>184,434</u>
Total	<u>\$ 3,995,836</u>

Note C – Receivables

Receivables at year-end consist of the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Receivables</u>
Property taxes receivable	\$ 23,944	\$ -	\$ 23,944
Grants receivable	154,874	3,004	157,878
Other receivables	<u>340</u>	<u>-</u>	<u>340</u>
Total	<u>\$ 179,158</u>	<u>\$ 3,004</u>	<u>\$ 182,162</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 April 15th. Washington County bills and collects property taxes for all taxing entities within the County. The tax receipts collected by the county are remitted to the District in the subsequent month.

WASHINGTON COUNTY SCHOOL DISTRICT R-3
Notes to Financial Statements

Note D - Interfund transactions

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

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<u>Governmental funds</u>		
General fund	\$ 211	\$ -
<u>Proprietary funds</u>		
Nonmajor proprietary funds	-	211
Total	<u>\$ 211</u>	<u>\$ 211</u>

All balances resulted from the time lag between the dates that (1) interfund reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Governmental funds</u>		
General fund	\$ -	\$ 23,000
<u>Proprietary funds</u>		
Nonmajor proprietary funds	23,000	-
Total	<u>\$ 23,000</u>	<u>\$ 23,000</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. During the year, the District transferred funds in the amount of 23,000 from the General Fund to the Food Service Fund to subsidize the costs of maintaining the District's food service operations.

WASHINGTON COUNTY SCHOOL DISTRICT R-3
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:				
Construction in progress	\$ -	\$ 657,625	\$ -	\$ 657,625
Land	<u>23,856</u>	<u>-</u>	<u>-</u>	<u>23,856</u>
Total capital assets, not being depreciated	23,856	657,625	-	681,481
Capital assets, being depreciated:				
Buildings and improvements	3,805,336	-	-	3,805,336
Furniture and equipment	217,452	11,475	-	228,927
Licensed vehicles	<u>468,294</u>	<u>-</u>	<u>-</u>	<u>468,294</u>
Total capital assets, being depreciated	<u>4,491,082</u>	<u>11,475</u>	<u>-</u>	<u>4,502,557</u>
Total capital assets	4,514,938	669,100	-	5,184,038
Less accumulated depreciation for:				
Buildings and improvements	(1,546,699)	(80,945)	-	(1,627,644)
Furniture and equipment	(128,863)	(10,752)	-	(139,615)
Licensed vehicles	<u>(415,652)</u>	<u>(23,311)</u>	<u>-</u>	<u>(438,963)</u>
Total accumulated depreciation	<u>(2,091,214)</u>	<u>(115,008)</u>	<u>-</u>	<u>(2,206,222)</u>
Governmental activities capital assets, net	<u>\$ 2,423,724</u>	<u>\$ 554,092</u>	<u>\$ -</u>	<u>\$ 2,977,816</u>
Business-type activities				
Capital assets, being depreciated:				
Equipment	\$ 37,564	\$ -	\$ -	\$ 37,564
Less accumulated depreciation for:				
Equipment	<u>(25,186)</u>	<u>(1,821)</u>	<u>-</u>	<u>(27,007)</u>
Business-type activities, capital assets, net	<u>\$ 12,378</u>	<u>\$ (1,821)</u>	<u>\$ -</u>	<u>\$ 10,557</u>

WASHINGTON COUNTY SCHOOL DISTRICT R-3
Notes to Financial Statements

Note E – Capital assets (Continued)

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

Governmental activities	
Unallocated	\$ 85,597
Business services	5,504
Operations and maintenance	3,610
Student transportation	<u>20,297</u>
Total	115,008
Business-type activities	<u>1,821</u>
Total depreciation expense	<u>\$ 116,829</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 \$175,120. Accordingly, this accrued compensation is reflected as a liability in the accompanying financial statements.

Note G – Long-term debt

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

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Due within one year</u>
Governmental activities					
General obligation bonds	\$ 175,000	\$ 2,806,495	\$ (55,000)	\$ 2,926,495	\$ 165,478

Payments on the general obligation bonds are made in the debt service fund.

Bonds Payable

\$900,000 general obligation bonds, dated December 30, 1997, due in annual installments beginning in fiscal year 1998 ranging from \$30,000 to \$70,000; annual interest ranging from 4.00% to 5.20% payable semi-annually on June 1st and December 1st.

\$ 120,000

WASHINGTON COUNTY SCHOOL DISTRICT R-3
Notes to Financial Statements

Note G – Long-term debt (Continued)

\$2,806,495 general obligation bonds, dated November 27, 2012, due in annual installments beginning in fiscal year 2014 ranging from \$105,478 to \$183,161; fixed annual interest rate of 3.01% payable semi-annually on June 1st and December 1st. 2,806,495

Total general obligation bonds \$ 2,926,495

The following schedule represents the District's debt service requirements to maturity for the outstanding bonded debt at year-end:

<u>Year ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 165,478	\$ 97,855	\$ 263,333
2015	167,477	91,534	259,011
2016	110,708	76,295	187,003
2017	114,036	72,918	186,954
2018	117,464	69,438	186,902
2019-2023	642,450	291,229	933,679
2024-2028	744,989	187,149	932,138
2025-2033	<u>863,893</u>	<u>66,457</u>	<u>930,350</u>
Totals	<u>\$ 2,926,495</u>	<u>\$ 952,875</u>	<u>\$ 3,879,370</u>

Note H – Defined benefit pension plan

Plan description

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

WASHINGTON COUNTY SCHOOL DISTRICT R-3
Notes to Financial Statements

Note H – 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 15.65% of covered salary between July 1 and December 31, 2012 and 16.55% of covered salary between January 1 and June 30, 2013. 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, 2013, 2012 and 2011 were \$188,984, \$189,685, and \$192,210, respectively, equal to their required contributions for each year.

Note I – Postemployment healthcare benefits

Plan description

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

Funding policy

The District is required to contribute at a rate of 1.02% of covered salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contribution to the HCTF is established under Title 24, Article 51, Section 208 of the CRS, as amended. The District's contribution to the HCTF for the years ended June 30, 2013, 2012, and 2011 were \$11,960, \$12,735, and \$13,697, respectively, equal to their required contributions for each year.

WASHINGTON COUNTY SCHOOL DISTRICT R-3
Notes to Financial Statements

Note J – Defined contribution plan

Plan description

The (CSSDTF) members of the District may voluntarily contribute to the Voluntary Investment Program (401(k) Plan), an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Plan participation is voluntary, and contributions are separate from others made to PERA. Title 24, Article 51, Part 14 of the CRS, as amended, assigns the authority to establish the 401(k) Plan provisions to the State Legislature.

Funding policy

The 401(k) Plan is funded by voluntary member contributions of up to a maximum limit set by the IRS (\$17,500 in 2013). 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, 2013 were \$6,684. The employer contributions to the 401(k) Plan for the District for the year ended June 30, 2013 were \$2,700.

Note K – Risk management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participates in the Colorado School Districts Self-Insurance Pool (the Pool). The Pool's objectives are to provide member school districts defined property and liability coverages through self-insurance and excess insurance purchased from commercial companies. The District pays an annual contribution to the Pool for its insurance coverages. The District's contribution for the year was \$35,924. 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.

WASHINGTON COUNTY SCHOOL DISTRICT R-3
Notes to Financial Statements

Note L – Commitments and contingencies

Federal and state funding

The District receives revenues from various federal and state grant programs which are subject to final review and approval by the grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

TABOR Amendment

In November 1992, Colorado voters passed an amendment, commonly known as the Taxpayer's Bill of Rights (TABOR), to the State Constitution (Article X, Section 20) which limits the revenue raising and spending abilities of state and local governments. The limits on property taxes, revenue, and "fiscal year spending" include allowable annual increases tied to inflation and local growth in student enrollment. Fiscal year spending as defined by the amendment excludes spending from certain revenue and financing sources such as federal funds, gifts, property sales, fund transfers, damage awards, and fund reserves (balances). The amendment requires voter approval for any increase in mill levy or tax rates, new taxes, or creation of multi-year debt. Revenue earned in excess of the "spending limit" must be refunded or approved to be retained by the District under specified voting requirements by the entire electorate. On November 1, 1998, 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 \$87,000 for the emergency reserve.

Local Government Budget Law

Expenditures in the Building Fund exceeded appropriations by \$657,626 and may be in violation of Colorado Local Government Budget Laws.

WASHINGTON COUNTY SCHOOL DISTRICT R-3
Notes to Financial Statements

Note M – Joint Venture

The District participates in the Northeast Colorado 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 of 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. This board has final authority for all budgeting and financing of the joint venture.

Separate financial statements of the Northeast Colorado Board of Educational Services are available by contacting their administrative office in Haxtun, Colorado.

For the year, the District's financial contribution was \$75,595.

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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 no major Special Revenue Funds.

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

WASHINGTON COUNTY SCHOOL DISTRICT R-3
General Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources	\$ 451,050	\$ 451,050	\$ 576,814	\$ 125,764
Intermediate sources	350	350	245	(105)
State sources	1,655,500	1,655,500	1,613,235	(42,265)
Federal sources	55,115	55,115	45,744	(9,371)
Total revenues	2,162,015	2,162,015	2,236,038	74,023
Expenditures				
Instruction	1,254,216	1,254,216	1,299,475	(45,259)
Supporting services	908,943	908,943	837,383	71,560
Appropriated reserves	645,706	645,706		645,706
Total expenditures	2,808,865	2,808,865	2,136,858	672,007
Excess of revenues over (under) expenditures	(646,850)	(646,850)	99,180	746,030
Other financing uses				
Transfers out	(12,000)	(12,000)	(23,000)	(11,000)
Excess of revenues over (under) expenditures and other financing uses	<u>\$ (658,850)</u>	<u>\$ (658,850)</u>	76,180	<u>\$ 735,030</u>
Fund balance at beginning			<u>493,701</u>	
Fund balance at end of year			<u>\$ 569,881</u>	

WASHINGTON COUNTY SCHOOL DISTRICT R-3
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.

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Other Supplementary Information

Other supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

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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.

WASHINGTON COUNTY SCHOOL DISTRICT R-3
General Fund
Budgetary Comparison Schedule - Revenues
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources				
Property taxes	\$ 372,000	\$ 372,000	\$ 417,577	\$ 45,577
Specific ownership taxes	45,000	45,000	74,737	29,737
Delinquent taxes and interest	2,000	2,000	1,198	(802)
Earnings on investments	3,050	3,050	1,290	(1,760)
Other local revenue	29,000	29,000	82,012	53,012
Total local sources	451,050	451,050	576,814	125,764
Intermediate sources	350	350	245	(105)
State sources				
Equalization	1,569,500	1,569,500	1,516,383	(53,117)
Vocational education	20,000	20,000	15,663	(4,337)
Transportation	25,000	25,000	34,383	9,383
Best capital construction			7,470	7,470
Revenue from other agencies	26,000	26,000		(26,000)
Services within the BOCES	15,000	15,000	39,336	24,336
Total state sources	1,655,500	1,655,500	1,613,235	(42,265)
Federal sources				
REAP	26,000	26,000	20,288	(5,712)
Education jobs funds			2,031	2,031
Services within the BOCES	29,115	29,115	23,425	(5,690)
Total federal sources	55,115	55,115	45,744	(9,371)
Total revenues	\$ 2,162,015	\$ 2,162,015	\$ 2,236,038	\$ 74,023

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WASHINGTON COUNTY SCHOOL DISTRICT R-3
General Fund
Budgetary Comparison Schedule - Expenditures
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Expenditures				
Instruction				
Salaries	\$ 782,594	\$ 782,594	\$ 782,039	\$ 555
Employee benefits	244,638	244,638	241,536	3,102
Purchased services	139,175	139,175	177,682	(38,507)
Supplies and materials	64,700	64,700	65,492	(792)
Property	13,609	13,609	20,038	(6,429)
Other	9,500	9,500	12,688	(3,188)
Total instruction	1,254,216	1,254,216	1,299,475	(45,259)
Supporting services				
Students				
Salaries	69,546	69,546	75,425	(5,879)
Employee benefits	20,363	20,363	22,648	(2,285)
Supplies and materials	1,500	1,500	196	1,304
Total students	91,409	91,409	98,269	(6,860)
Instructional staff				
Salaries	50,108	50,108	37,108	13,000
Employee benefits	12,432	12,432	7,747	4,685
Purchased services	6,700	6,700	4,819	1,881
Supplies and materials	9,100	9,100	5,408	3,692
Total instructional staff	78,340	78,340	55,082	23,258
General administration				
Salaries	74,000	74,000	75,542	(1,542)
Employee benefits	18,915	18,915	13,927	4,988
Purchased services	28,200	28,200	39,446	(11,246)
Supplies and materials	800	800	2,007	(1,207)
Other	2,150	2,150	5,566	(3,416)
Total general administration	124,065	124,065	136,488	(12,423)

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
School administration				
Salaries	59,150	59,150	56,650	2,500
Employee benefits	17,620	17,620	18,819	(1,199)
Purchased services	2,750	2,750	2,724	26
Supplies and materials			3	(3)
Other	700	700	480	220
Total school administration	80,220	80,220	78,676	1,544
Business services				
Salaries	30,584	30,584	30,694	(110)
Employee benefits	10,562	10,562	10,721	(159)
Purchased services	900	900	1,047	(147)
Property	38,495	38,495		38,495
Other			3,714	(3,714)
Total business services	80,541	80,541	46,176	34,365
Operations and maintenance				
Salaries	80,000	80,000	65,681	14,319
Employee benefits	22,398	22,398	18,142	4,256
Purchased services	71,500	71,500	60,767	10,733
Supplies and materials	105,508	105,508	111,404	(5,896)
Total operations and maintenance	279,406	279,406	255,994	23,412
Student transportation				
Salaries	43,000	43,000	37,048	5,952
Employee benefits	15,087	15,087	7,542	7,545
Purchased services	17,350	17,350	16,641	709
Supplies and materials	33,000	33,000	34,209	(1,209)
Total student transportation	108,437	108,437	95,440	12,997

(continued)

WASHINGTON COUNTY SCHOOL DISTRICT R-3
General Fund
Budgetary Comparison Schedule - Expenditures
For the Year Ended June 30, 2013

(continued)

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Central support services				
Salaries	45,619	45,619	45,619	-
Employee benefits	14,024	14,024	13,211	813
Purchased services	5,482	5,482	2,010	3,472
Supplies and materials	1,400	1,400	448	952
Total central support services	66,525	66,525	61,288	5,237
Facilities acquisition				
Purchased services			9,970	(9,970)
Total facilities acquisition	-	-	9,970	(9,970)
Total supporting services	908,943	908,943	837,383	71,560
Appropriated reserves	645,706	645,706		645,706
Total expenditures	<u>\$ 2,808,865</u>	<u>\$ 2,808,865</u>	<u>\$ 2,136,858</u>	<u>\$ 672,007</u>

Budgetary Comparison Schedule – Debt Service Fund

The District reports the following debt service fund:

Debt Service Fund – These funds account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

- Bond Redemption Fund – This fund is a debt service fund used to account for the revenues from a specific tax levy for the purpose of the repayment of debt principal, interest and other fiscal charges.

WASHINGTON COUNTY SCHOOL DISTRICT R-3
Bond Redemption Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Property taxes	\$ 100,000	\$ 100,000	\$ 260,910	\$ 160,910
Delinquent taxes and interest	500	500	274	(226)
Earnings on investments	2,000	2,000	121	(1,879)
Total revenues	102,500	102,500	261,305	158,805
Expenditures				
Debt service				
Principal retirement	50,000	50,000	55,000	(5,000)
Interest and fiscal charges	14,500	14,500	49,301	(34,801)
Appropriated reserves	105,500	105,500		105,500
Total expenditures	170,000	170,000	104,301	65,699
Excess of revenues over (under) expenditures	<u>\$ (67,500)</u>	<u>\$ (67,500)</u>	157,004	<u>\$ 224,504</u>
Fund balance at beginning of year			<u>107,073</u>	
Fund balance at end of year			<u>\$ 264,077</u>	

Budgetary Comparison Schedule – Capital Projects Fund

The District reports the following major capital projects fund:

- Building Fund – This fund is used to account for the proceeds of bond sales, revenues from other sources and expenditures for capital outlay for land or existing buildings, improvements of grounds, construction of buildings, additions to buildings, remodeling of buildings, or initial, additional and replacement of equipment as authorized by the local board of education, as specified in the related bond issue.

WASHINGTON COUNTY SCHOOL DISTRICT R-3
Building Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
State sources			\$ 657,626	\$ 657,626
Total revenues	\$ -	\$ -	657,626	657,626
Expenditures				
Capital outlay				
Property			657,626	(657,626)
Total expenditures	-	-	657,626	(657,626)
Excess of revenues over (under) expenditures	-	-	-	-
Other financing sources				
Proceeds from bond issuance			2,806,495	2,806,495
Total other financing sources	-	-	2,806,495	2,806,495
Excess of revenues and other financing sources over (under) expenditures	\$ -	\$ -	2,806,495	\$ 2,806,495
Fund balance at beginning of year			-	
Fund balance at end of year			\$ 2,806,495	

Budgetary Comparison Schedule – Enterprise Fund

The District reports the following nonmajor proprietary fund:

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.

WASHINGTON COUNTY SCHOOL DISTRICT R-3
Food Service Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Operating revenues				
Charges for services	\$ 24,100	\$ 24,100	\$ 25,549	\$ 1,449
Operating expenses				
Salaries and benefits	43,375	43,375	45,370	(1,995)
Purchased services	1,050	1,050	1,444	(394)
Supplies and materials	27,700	27,700	39,829	(12,129)
Depreciation	651	651	1,821	(1,170)
Appropriated reserves	25,874	25,874		25,874
Total operating expenses	98,650	98,650	88,464	10,186
Operating loss	(74,550)	(74,550)	(62,915)	11,635
Nonoperating revenues				
Federal aid				
Nutrition reimbursements	30,500	30,500	27,478	(3,022)
Commodity revenue	6,000	6,000	4,756	(1,244)
State aid	1,000	1,000	1,107	107
Earnings on investments	50	50	2	(48)
Total nonoperating revenues	37,550	37,550	33,343	(4,207)
Loss before transfers	(37,000)	(37,000)	(29,572)	7,428
Transfers in	12,000	12,000	23,000	11,000
Change in net position	\$ (25,000)	\$ (25,000)	(6,572)	\$ 18,428
Net position at beginning of year			21,461	
Net position at end of year			\$ 14,889	

Budgetary Comparison Schedule – Fiduciary Funds

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

Agency funds – These funds are used to report resources held by the District in a purely custodial capacity (assets equal liabilities). These funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

- Scholarship Agency Fund – This fund is an agency fund used to account for resources held by the District in a fiduciary capacity for scholarships to be distributed to area students for post-secondary education.
- Pupil Activity Agency Fund – This fund is an agency fund used to record transactions related to school-sponsored pupil organizations and activities.

WASHINGTON COUNTY SCHOOL DISTRICT R-3
Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2013

	<u>Scholarship Agency Fund</u>	<u>Pupil Activity Agency Fund</u>	<u>Total</u>
Assets			
Cash	\$ 145,071	\$ 39,363	\$ 184,434
Total assets	<u>\$ 145,071</u>	<u>\$ 39,363</u>	<u>\$ 184,434</u>
Liabilities			
Due to scholarship recipients	\$ 145,071		\$ 145,071
Due to student groups		\$ 39,363	39,363
Total liabilities	<u>\$ 145,071</u>	<u>\$ 39,363</u>	<u>\$ 184,434</u>

WASHINGTON COUNTY SCHOOL DISTRICT R-3
Combining Schedule of Additions, Deductions and Changes in Fund Liabilities
Agency Funds
For the Year Ended June 30, 2013

	Scholarship Agency Fund	Pupil Activity Agency Fund	Total
Additions			
Contributions	\$ 29,545		\$ 29,545
Fundraising and other events		\$ 93,587	93,587
Earnings on investments	4,165		4,165
Total additions	33,710	93,587	127,297
Deductions			
Scholarship payments	11,400		11,400
Pupil activity expenditures		95,486	95,486
Total deductions	11,400	95,486	106,886
Excess of additions over deductions	22,310	(1,899)	20,411
Due to scholarship recipients/ student groups at beginning of year	122,761	41,262	164,023
Due to scholarship recipients/ student groups at end of year	\$ 145,071	\$ 39,363	\$ 184,434

WASHINGTON COUNTY SCHOOL DISTRICT R-3
Scholarship Agency Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Additions				
Contributions	\$ 4,200	\$ 4,200	\$ 29,545	\$ 25,345
Earnings on investments	850	850	4,165	3,315
Total additions	5,050	5,050	33,710	28,660
Deductions				
Scholarship payments	7,800	7,800	11,400	(3,600)
Appropriated reserves	117,250	117,250		117,250
Total deductions	125,050	125,050	11,400	113,650
Excess of additions over (under) deductions	\$ (120,000)	\$ (120,000)	22,310	\$ 142,310
Due to scholarship recipients at beginning of year			122,761	
Due to scholarship recipients at end of year			\$ 145,071	

WASHINGTON COUNTY SCHOOL DISTRICT R-3
Pupil Activity Agency Fund
Budget Comparison Schedule
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Additions				
Fundraising and other events	\$ 150,200	\$ 150,200	\$ 93,587	\$ (56,613)
Deductions				
Pupil activity expenditures	150,000	150,000	95,486	54,514
Appropriated reserves	46,700	46,700		46,700
Total deductions	196,700	196,700	95,486	101,214
Excess of additions over (under) deductions	\$ (46,500)	\$ (46,500)	(1,899)	\$ 44,601
Due to student groups at beginning of year			41,262	
Due to student groups at end of year			\$ 39,363	

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**Colorado Department of Education
Supplementary Schedule**

Auditors' integrity 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 Auditors' Integrity Report

Board of Education
Washington County School District R-3
Otis, Colorado

We have audited the financial statements of the Washington County School District R-3 (the District) as of and for the year ended June 30, 2013, and our report thereon dated November 7, 2013, which expressed an unmodified opinion on those financial statements, appears on pages 1-2. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Auditors' Integrity Report is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Lauer, Szabo & Associates, P.C.

Sterling, Colorado
November 7, 2013

Colorado Department of Education
Auditors Integrity Report
 District: 3050 - OTIS R-3
 Fiscal Year 2012-13
 Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental				
30 General Fund	486,318	3,173,032	2,100,779	558,571
14 Risk Mgmt Sub-Fund of General Fund	7,363	40,006	34,440	10,909
13 Colorado Procurement Program Fund	0	0	0	0
Sub-Total	493,701	3,213,038	2,135,219	569,480
11 Charter School Fund	0	0	0	0
20-24-29 Special Revenue Fund	0	0	0	0
21 Capital Reserve Set-Aside Revenue Fund	0	0	0	0
22 Grant Designated/Proposed Grants Fund	0	0	0	0
23 Popul Activity Special Revenue Fund	0	0	0	0
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	107,073	281,305	104,381	284,077
39 Non-Voter Approved Debt Service Fund	0	0	0	0
41 Building Fund	0	3,464,121	617,636	2,846,485
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	0	0	0	0
Totals	600,774	5,938,464	3,899,795	3,646,033
Proprietary				
51 Food Services Fund	21,481	81,392	86,465	14,308
56 Other Enterprise Funds	0	0	0	0
64 ISP Risk-Related Activity Fund	0	0	0	0
65-67-69 Other Industrial Services Funds	0	0	0	0
Totals	21,481	81,392	86,465	14,308
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	112,361	33,709	11,400	145,971
74 Popul Activity Agency Fund	41,362	93,587	95,486	39,583
79 GASB Statement Fund	0	0	0	0
85 Foundations	0	0	0	0
Totals	154,023	127,296	106,886	184,033

FINAL

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