

Eagle County School District

Comprehensive Annual Financial Report



**For the Fiscal Year Ended
June 30, 2010**

**EAGLE COUNTY SCHOOLS
EAGLE, COLORADO**

FINANCIAL STATEMENTS

June 30, 2010

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INTRODUCTORY SECTION



December 16, 2010

Board of Education and Residents
Eagle County Schools
Eagle, Colorado 81631

Colorado Revised Statute 29-1-603 requires that all school districts publish within five months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of Eagle County Schools for the fiscal year ended June 30, 2010.

This report consists of management's representations concerning the finances of Eagle County Schools. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of Eagle County Schools has established a comprehensive internal control framework that is designed both to protect the District's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of Eagle County Schools' financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, Eagle County Schools' comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The District's financial statements have been audited by Swanhorst & Company LLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of Eagle County Schools for the fiscal year ended June 30, 2010, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that Eagle County Schools' financial statements for the fiscal year ended June 30, 2010, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

Single Audit – The independent audit of the financial statements of Eagle County Schools was part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards.

Budgeting Controls – In addition, the District maintains numerous budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget adopted by the Board of Education. A quarterly financial report is prepared and presented to the Board of Education on a regular basis. Activities of all funds are included in this report. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by fund.

The District also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts lapse at year end and are generally re-established in the following year as an obligation against that year’s appropriated budget.

Accounting Policies – Detailed descriptions of the District’s accounting policies are contained in the Notes to the Basic Financial Statements on pages 10-24, and they are an integral part of this report. These policies describe the basis of accounting, fund and accounts used, valuation policies for inventories and investments and other significant accounting information.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. Eagle County Schools’ MD&A can be found immediately following the report of the independent auditors.

As demonstrated by the statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management.

Profile of the District

Eagle County Schools was formed in 1958 when 15 independent districts were consolidated into a countywide district encompassing the 1,694 square miles of Eagle County, Colorado. The District is located in the western Colorado and the in the central Rocky Mountains. Eagle County Schools is empowered to levy a property tax on both real and personal properties located within its boundaries.

The District operates under an elected Board of Education with seven members. Policy-making and legislative authority are vested in the Board of Education. The Board is responsible, among other things, for adopting policies, appointing committees, adopting the budget, and hiring the Superintendent. The Superintendent is responsible for carrying out the policies and regulations of the Board, for overseeing the day-to-day operations of the district, and for hiring principals

and administrators. The Board is elected on a non-partisan basis at large. Board members serve four-year staggered terms, with four or three Board members elected every two years.

The District provides a full range of educational programs and services authorized by Colorado State Statute to approximately 6,000 students. This includes basic K-12 education in elementary, middle and high schools, special education for handicapped students, English language acquisition, preschool and numerous other programs. The Eagle County Charter Academy and New America School function, in essence, as schools within Eagle County Schools and therefore has been included as an integral part of Eagle County Schools' financial statements.

The annual budget serves as the foundation for Eagle County Schools' financial planning and control. The Board of Education begins the budget cycle annually in October by reviewing several five-year projections to evaluate the overall financial health of the district. Based upon this review and current financial policies, the Board establishes the facts and assumptions that will be used in the development of the annual budget. The Administrative Team of the district, which consists of all building principals and district office administrators, discusses and reviews the Board direction. This input is then provided to the Board who finalizes their budget guidelines. The Business Services department then converts these guidelines into broad allocations to each school and department. The school or department determines their staffing and budgets to meet the needs of their customers and input for their respective communities within their allocations. The Business Services department then collects this budget detail and compiles the proposed budget. In May, the Superintendent presents this proposed budget to the Board for review. The Board is required to hold public hearings on the budget and to adopt a final budget by no later than June 30, the close of Eagle County Schools' fiscal year. The appropriated budget is prepared by fund, program and department. Principals and department heads may make transfers of appropriations within a department. Transfers of appropriations between funds, however, require the approval of the Board of Education. Budget-to-actual comparisons are provided in this report for every fund. For the General Fund, this comparison is presented on page 25 as part of the basic financial statements for the governmental funds. For governmental funds, other than the general fund, this comparison is presented in the supplementary information section of this report, which starts on page 28.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which Eagle County Schools operates. The two factors that determine the level of funding for any year for a Colorado school district is the Colorado School Finance Act and individual district enrollment.

The Colorado School Finance Act was developed in 1988 to bring equity to funding of school districts throughout the State. In 1994, the Act was amended. The Act currently determines the amount of per pupil funding for each district in the state based upon four district factors: base, size, at-risk and cost of living. These factors determine a per pupil dollar amount that is then multiplied by the number of students enrolled on October 1 of the current year. Although the Colorado School Finance Act was implemented with the best intentions, tight state revenues have resulted in the Act, and therefore schools, being under funded for over eighteen years.

In November 2000, the voters of Colorado passed a statewide ballot issue to amend the State Constitution, Amendment 23. This amendment requires that the state fund public education at a minimum of growth plus inflation plus one percent for the next ten years beginning with fiscal 2001-02 and thereafter at growth plus inflation. This funding model was adjusted for fiscal year 2009-10 due to recessionary pressures and revised to lower funding levels in 2010-11. Funding over the two years decreased over 6% from initial levels.

Major Initiatives

The State of Colorado chose Eagle County Schools, one of six districts, to participate in a pilot program to test strategies and solutions to eliminate achievement gaps, the variation in student achievement between various school populations. “These six districts were selected based on their exceptional leadership capacity their focus on improving student achievement for all students and their commitment to change,” said Colorado Commissioner of Education Dwight D. Jones.

Recent studies show that knowledge of core content is necessary, but no longer sufficient for success in the world today. Even if all students mastered core academic subjects, they would still be woefully under-prepared to succeed in postsecondary institutions and workplaces. In 2009-10 school year, students will enjoy new technologies that will help them develop these essential skills through the installation of interactive electronic white boards in every school, state-of-the-art document cameras, video on-demand services and hand-held student response (Clicker) systems for immediate assessment of student’s understanding of key objectives during a lesson. The district partnered with Edison, an educational consulting group to provide a monthly computerized testing schedule for all students in the district. This real time testing gives teachers an ongoing understanding of a student’s progress through out the year rather than only at the end of the year. Students that are not achieving can be identified early and given additional assistance in the subject area to keep a student on track to reach their educational goals. The district has developed a three year goal for each student based on their current abilities. High achievers are expected to attain a year’s growth in each year and students below grade level are expected to achieve faster growth rates so that they will be at grade level within three years. Test scores for 2009-10 have shown statistically significant improvement across all levels.

The District is working hard to close the achievement gap between Anglo students and Hispanic students. The District believes that this should begin with early education. As a commitment to closing this achievement gap, 2009-10 provided for a full day kindergarten program throughout the District. This program was made available through a community partnership with the Vail Valley Foundation, Eagle County School and parents. Throughout these three funding sources, all kindergarten students in Eagle County can now attend full time. Even though the state does not fund full day kindergarten, the District is committed to providing this service to all students and the District believes strongly that this early childhood will reap student achievement benefits for years to come.

The District completed construction on one new elementary school, June Creek Elementary, a replacement high school for Battle Mountain High School and \$25 million in additions and renovations at Eagle Valley High School, an alternative high school (Red Canyon High School) and several other projects including technology improvements, high efficiency boilers and fire alarms.

Acknowledgments

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Business Services Department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the Superintendent and Board of Education for their unfailing support for maintaining the highest standards of professionalism in the management of Eagle County Schools' finances.

Respectfully submitted,

A handwritten signature in dark ink that reads "Philip Onofrio, CPA". The signature is written in a cursive, flowing style.

Philip Onofrio, CPA
Chief Financial Officer

**Eagle County Schools
Eagle, Colorado**

PRINCIPAL OFFICIALS

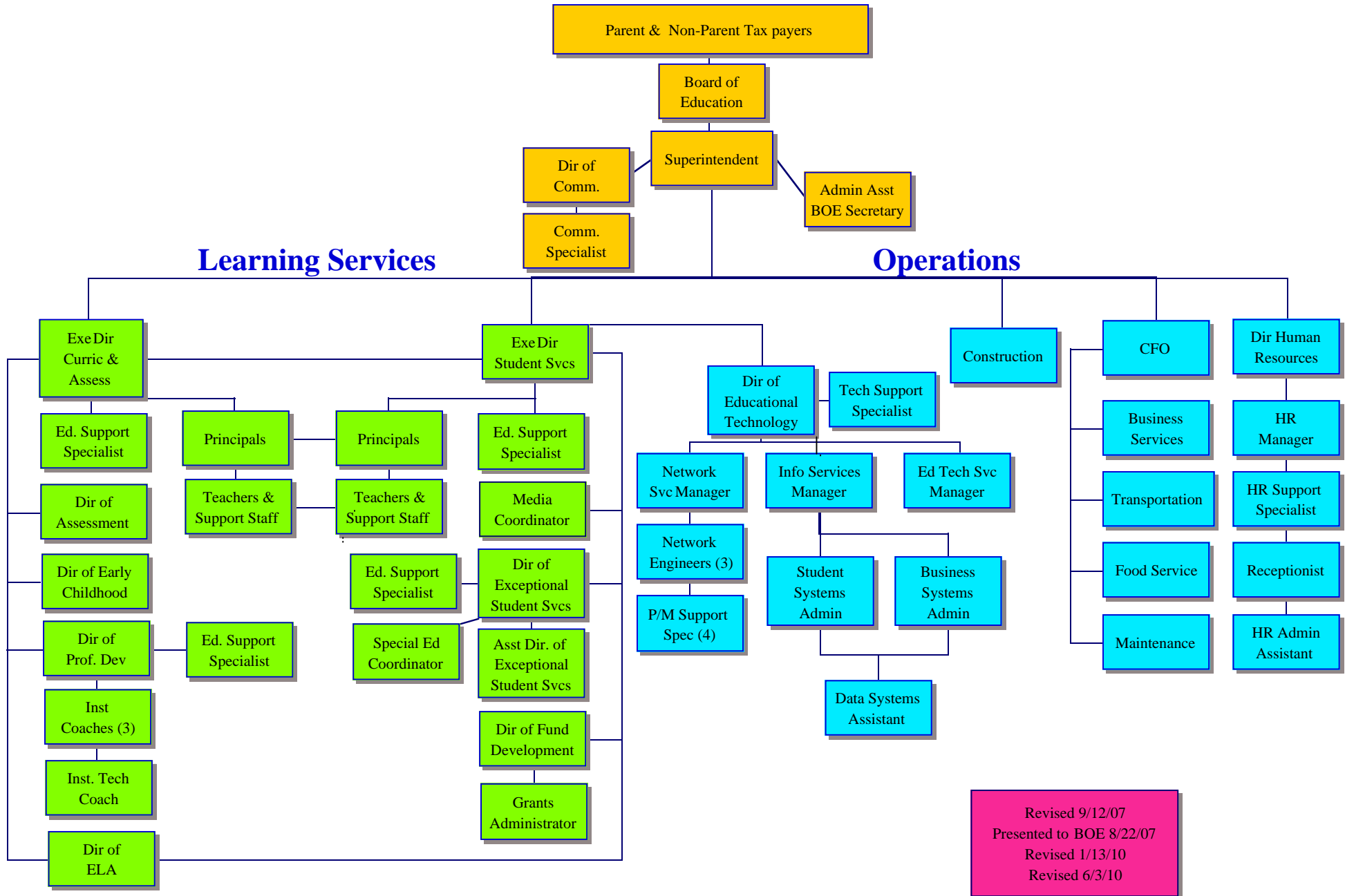
Board of Education

Connie Kincaid-Strahan.....President
Jeanne McQueeney.....Vice President
Brian Nolan.....Secretary/Treasurer
Kate Cocchiarella.....Director
Ross Morgan.....Director
Carrie Benway.....Director
TJ Johnson.....Director

District Administration

Dr. Sandra Smyser.....Superintendent
Phil Onofrio.....Chief Financial Officer
Heather Eberts..... Executive Director of Curriculum, Instruction & Assessment
Mike Gass.....Executive Director of Student Services/Innovative programs
Teresa Bandel-Schott.....Director of Special Education
Jason Glass.....Director of Human Resources

Eagle County Schools Organizational Chart



Revised 9/12/07
 Presented to BOE 8/22/07
 Revised 1/13/10
 Revised 6/3/10

FINANCIAL SECTION



Board of Education
Eagle County Schools
Eagle, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Eagle County Schools as of and for the year ended June 30, 2010, which collectively comprise the basic financial statements of the Eagle County Schools, as listed in the table of contents. These financial statements are the responsibility of the Eagle County Schools' management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the New America School, which represent 10 percent and 38 percent, respectively, of the assets and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to amounts included for the New America School, is based solely upon the report of the other auditors.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

The financial statements of the Eagle County Charter Academy Education Foundation have not been included in the Eagle County Schools' basic financial statements. The Eagle County Charter Academy Education Foundation is a component unit of the Eagle County Charter Academy, a discretely presented component unit of the Eagle County Schools.

In our opinion, based on our audit and the report of the other auditors, except for the exclusion of the financial statements of the Eagle County Charter Academy Education Foundation as described in the preceding paragraph, the financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of the aggregate discretely presented component units of the Eagle County Schools as of June 30, 2010, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The report of the other auditors of the New America School indicated that the financials statements were prepared assuming that the New America School would continue as a going concern. However, the New America School ceased operations on June 30, 2010.

In addition, 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 Eagle County Schools as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2010, on our consideration of the Eagle County Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Eagle County Schools' basic financial statements. The 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Swanlund & Company LLC

December 16, 2010

Eagle County Schools
Management's Discussion and Analysis
As of and for the fiscal year ended June 30, 2010

As management of Eagle County Schools (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-v of this report.

Financial Highlights

- ❖ The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$46,310,460
- ❖ The district's total net assets decreased by \$3,002,890. As of the close of the current fiscal year, the Eagle County School District's governmental activities reported combined ending fund balances of \$45,326,627, a decrease of \$2,963,998 in comparison with the prior year. The majority of this is a result of expenditures in excess of revenues. \$10,972,742 is available for spending at the District's discretion.
- ❖ At the end of the current fiscal year, unreserved fund balance for the General Fund was \$10,996,103 or 20% percent of total General Fund expenditures.
- ❖ The Eagle County School District general obligation debt decreased by \$2,100,000 to a balance of \$169,300,000. The district currently has three outstanding general obligation bonds from 2005 and 2007 and 2009.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) district-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

District-wide Financial Statements: The district-wide financial statements are designed to provide readers with a broad overview of the District's finances, using accounting methods similar to those used by a private-sector business.

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

The Statement of Activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. 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 changes in long-term compensated absences).

Both of the district-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities). The two categories reported in the District-wide financial statements are as follows:

- **Governmental activities:** Most of the District's basic services are included here, such as instructional services, support services and student activities. Such services include activities relating to building maintenance, technology and administration.
- **Business-type activities:** The food service program and district housing is included under this heading.

The district-wide financial statement includes not only the District itself, but also the legally separate Eagle County Public Education Foundation and the Eagle County Charter Academy. The Eagle County Public Education Foundation solely benefits the District and the Eagle County Charter Academy functions for all practical purposes as a school of the District, and therefore these organizations been included as an integral part of the District's financial statements.

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

Fund Financial Statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The fund financial statements provide more detailed information about the operations of the District by fund instead of the District as a whole. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the district-wide financial statements. However, unlike the district-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the district-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the district-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Eagle County Schools maintains six individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the general fund, grants fund, building fund and debt service fund, which are considered to be major funds. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The District adopts an annual appropriated budget for all of its funds. Budgetary comparison statements have been provided to demonstrate compliance with state budget statutes.

The governmental fund financial statements can be found on pages 3-5.

Proprietary Funds: The District maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the district-wide financial statements. The District uses enterprise funds to account for its food service and employee housing operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses an internal service fund to account for its employee health and dental benefits. Because this service predominately benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

Proprietary Funds provide the same type of information as the district-wide financial statements, only in more detail. The proprietary fund financial statements provide financial reports for the District's food service fund and the district housing fund, both are which considered major funds of the District.

The proprietary fund financial statements can be found on pages 6-8 of this report.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the district-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The fiduciary fund used by the District accounts for student clubs and other organizations which exist with the explicit approval of, and are subject to revocation by, the District's Board of Education.

The basic fiduciary fund financial statements can be found on page 9 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 district-wide and fund financial statements. The notes to the financial statements can be found on pages 10-24 of this report.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents supplementary information. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes. Combining fund statements and schedules can be found on pages 30-31 of this report.

Immediately following the combining statements and schedules are the statements reporting the District's annual appropriated budgets for the non-major funds. These budget reports can be found on pages 31-36.

District-wide Financial Analysis:

As noted earlier, net assets may serve over time as a useful indicator of a district's financial position. In the case of the District, assets exceed liabilities by \$46,310,460 at the close of the most recent fiscal year.

Net assets invested in capital assets, net of related debt is currently \$21,940,340. The district uses these capital assets to provide services to its students and the community; consequently, these assets are not available for further spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from property taxes, since the capital assets themselves cannot be used to liquidate these liabilities.

Eagle County Schools Summary of Net Assets:

	Governmental Activities		Business-type Activities		Total	
	FY 2010	FY 2009	FY 2010	FY 2009	FY 2010	FY 2009
Assets:						
Current and other assets	44,625,537	68,133,215	200,302	279,398	44,825,839	68,412,613
Deferred charges	1,060,726	1,014,977	-	-		
Capital assets	187,784,402	182,877,488	797,478	809,505	188,581,880	183,686,993
Total Assets	<u>233,470,665</u>	<u>252,025,680</u>	<u>997,780</u>	<u>1,088,903</u>	<u>234,468,445</u>	<u>253,114,583</u>
Liabilities:						
Other liabilities	7,784,922	18,379,183	6,768	55,858	7,791,690	18,435,041
Long-term liabilities	180,359,116	185,355,873	7,179	10,319	180,366,295	185,366,192
Total Liabilities	<u>188,144,038</u>	<u>203,735,056</u>	<u>13,947</u>	<u>66,177</u>	<u>188,157,985</u>	<u>203,801,233</u>
Net Assets (Liabilities):						
Invested in capital assets, net of related debt	21,142,826	31,051,569	797,478	809,505	21,940,304	31,861,074
Restricted	13,211,059	11,680,649			13,211,059	11,680,649
Unrestricted	10,972,742	5,558,406	186,355	213,221	11,159,097	5,771,627
Total Net Assets	<u>45,326,627</u>	<u>48,290,624</u>	<u>983,833</u>	<u>1,022,726</u>	<u>46,310,460</u>	<u>49,313,350</u>

A portion of the District's governmental activities net assets (76%) represents resources that are subject to restrictions on how they may be used. The remaining balance of unrestricted net assets \$10,972,742 or (24%) may be used to meet the District's ongoing obligations to its students and creditors.

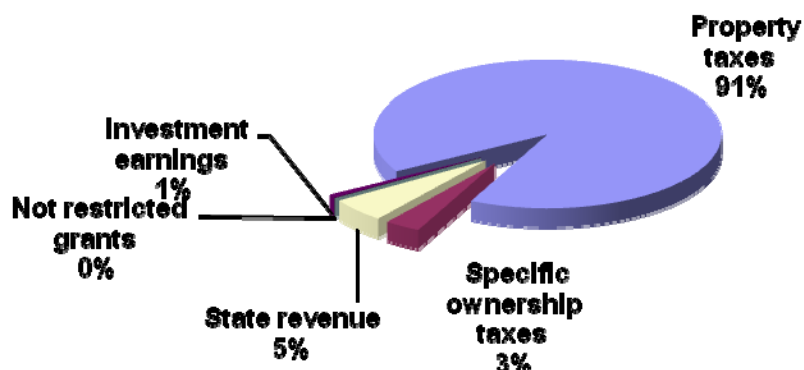
Governmental Activities: Net assets for governmental activities decreased \$2,963,998. Capital asset activity accounted for a majority of this increase. The following table summarizes the District's change in net assets:

Eagle County Schools Changes in Net Assets:

	Governmental Activities		Business-type Activities		Total	
	FY 2010	FY 2009	FY 2010	FY 2009	FY 2010	FY 2009
Revenues:						
Program revenues						
Charges for services	\$ 1,242,220	\$ 1,032,204	\$ 878,676	\$ 977,988	\$ 2,120,896	\$ 2,010,192
Operating grants and contributions	6,552,789	5,197,724	906,166	735,171	7,458,955	5,932,895
Capital grants and contributions	-	-	-	-	-	-
General revenues						
Property taxes	62,493,060	55,843,506	-	-	62,493,060	55,843,506
Specific ownership taxes	2,310,004	2,679,333	-	-	2,310,004	2,679,333
State revenue	3,662,810	4,385,923	-	-	3,662,810	4,385,923
Not restricted grants	-	217,871	-	500,000	-	717,871
Investment earnings	553,378	1,968,306	-	-	553,378	1,968,306
Other	1,368,079	(71,252)	-	-	1,368,079	(71,252)
Total revenues	<u>78,182,340</u>	<u>71,253,615</u>	<u>1,784,842</u>	<u>2,213,159</u>	<u>79,967,182</u>	<u>73,466,774</u>
Expenditures:						
Direct Instruction	42,826,781	38,245,670	-	-	42,826,781	38,245,670
Supporting Services	30,830,181	24,101,064	-	-	30,830,181	24,101,064
Interest	7,434,997	7,217,294	-	-	7,434,997	7,217,294
Food services	-	-	1,744,765	1,602,255	1,744,765	1,602,255
Employee housing	-	-	133,348	126,281	133,348	126,281
	<u>81,091,959</u>	<u>69,564,028</u>	<u>1,878,113</u>	<u>1,728,536</u>	<u>82,970,072</u>	<u>71,292,564</u>
Changes in net assets before transfers	(2,909,619)	1,689,587	(93,271)	484,623	(3,002,890)	2,174,210
Transfers	(54,379)	(67,038)	54,379	67,038	-	-
Total Changes in net assets after transfers	(2,963,998)	1,689,587	(38,892)	551,661	(3,002,890)	2,241,248
Net assets - July 1	48,290,625	46,601,039	1,022,725	471,065	49,313,350	47,072,104
Net assets - June 30	<u>\$45,326,627</u>	<u>\$48,290,626</u>	<u>\$ 983,833</u>	<u>\$1,022,726</u>	<u>\$46,310,460</u>	<u>\$49,313,352</u>

Most school districts operating revenues comes from the School Finance Act of 1994 ("SFA"). Under this act, the District received \$7,373 per funded pupil in fiscal year ended June 30, 2010, and the funded pupil count was 5,880. Originally the SFA provided \$7,547 per student the state reduced that amount by \$174 per student or \$1,024,137 due to pressures on state revenues due to the recession. SFA funding comes from general fund property taxes, specific ownership taxes, and state equalization. The District received 88% of SFA funding from property taxes and 4% from specific ownership tax and 8% from the state. Below is a graph that summarizes total revenues by source for governmental activities:

District Governmental Revenues



Business-Type Activities: Business-type activities changed the District's net assets by \$38,892. Key elements of this increase are as follows:

- The food service fund's net assets decreased by \$51,331 as a result of operating losses contributions from the building fund for new kitchens.
- The district housing fund's net assets increased by \$12,439. The increase was a result of a operations in which rental revenue is exceeding direct expenses.

Financial Analysis of the District's Funds

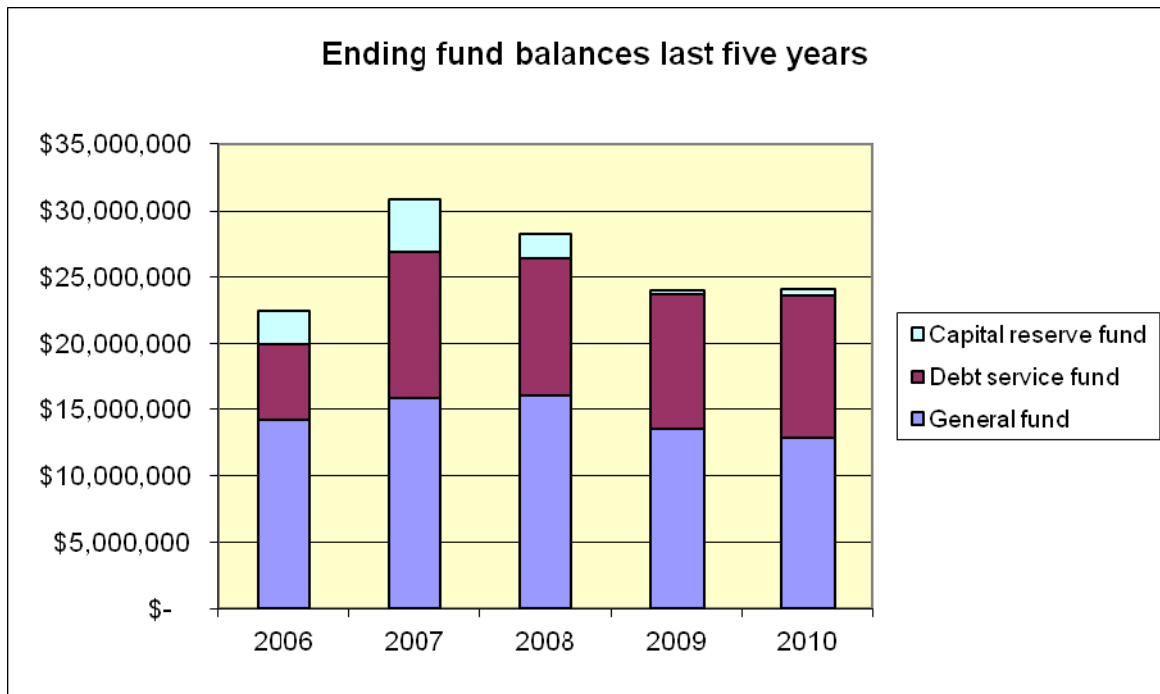
As mentioned earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$ 33,894,215 a decrease of \$14,904,460. \$14,926,405 was due to the use of cash in the construction of buildings, from the prior year ending fund balances. The fund balance in the General Fund decreased \$682,569 due to maintaining educational programs while the revenues were affected by the recession. The Debt Fund increased by \$604,514 and other governmental funds increased by \$100,000.

Proprietary Funds: The District's proprietary funds provide the same type of information found in the district-wide financial statements, but in more detail. As of June 30, 2010, the food service fund had net assets of \$77,717 and the district housing fund had net assets of \$906,116.

The following graph provides a view of the District's ending fund balances for the last five fiscal years:



Budget Variances in the General Fund: The District's budget is prepared according to Colorado law and is based on accounting for certain transactions on a basis of cash receipts and disbursements. The most significant budgeted fund is the general fund.

One of the most important variances to discuss is budgeted vs. actual revenues and expenditures in the general fund. Actual revenues were favorable to the final budget by \$1,243,249. Actual expenditures and other financing uses before transfers were \$4,073,383 less than budgeted. The major reasons for the reduction in expenditures compared to budget are Savings on reserves.

Capital Assets: The District's capital assets, net of accumulated depreciation, totaled \$ 187,784,402 as of June 30, 2010. The District capitalizes assets, including land, buildings and improvements, equipment, and construction in progress, with an original cost greater than \$5,000 and useful life of more than two years. The District completed a high school construction project, a high school remodel and several small capital projects throughout the fiscal year ended 2010. The costs associated with these projects were funded through the Building and Capital Reserve Funds

Additional information as well as a detailed classification of the District's net capital assets can be found in the Notes to the Financial Statement on pages 17-18 of this report.

Long-Term Debt: As of the end of the current fiscal year, the District's long-term liabilities totaled \$177,547,485, representing a net change of \$7,185,327. This decrease is result of principal payments and refunding existing debt made during the fiscal year.

Colorado School law limits the amount of bonded indebtedness to the greater of 20% of the most current valuation for assessment of the taxable property in the District as certified by the County Assessors Office, or 5.2% of the most recent actual valuation of the taxable property in the District, as certified by the County Assessors Office. The District's legal bonded debt limit as of June 30, 2010 is \$484,368,590.

Additional information, as well as a detailed classification of the District's total long-term liabilities, can be found in the Notes to the Financial Statements on pages 19-20 of this report.

Economic Factors

The Public School Finance Act of 1994 is the largest source of revenue for the District's operating funds. The School Finance Act calculates per-pupil funding by school district based upon a formula that takes in to account cost of living, number of students, district size, personnel vs. non-personnel costs, number of at-risk students, amongst other factors. The purpose of this act was to establish a financial base of support for public education, to move towards a uniform mill levy tax state-wide for all districts, and to limit future growth of and reliance upon property tax to support public education. Funding sources for the School Finance Act is derived by the following formula:

Total Program Funding = local property taxes + general specific ownership taxes +
state equalization

School district finance is also significantly affected by Amendment 23, which was approved by the voters in November, 2000. This state constitutional amendment requires that statewide base per pupil funding and state categorical program funding increase by inflation plus one percent for ten years beginning with the fiscal year ended June 30, 2002. After that ten-year window has expired, the state must increase funding at the rate of inflation. This funding calculation attempts to align Colorado districts to inflation-adjusted funding levels of 1988. The formula will also increase the District's reliance upon the state and decrease the District's reliance upon local funding over time.

The District's total program per pupil funding increased from \$7,216 to \$7,373 for fiscal years June 30, 2009 and June 30, 2010 respectively, representing a 2.2% increase between years. This increase was less than required under Amendment 23 by \$174 due to recessionary pressures on state revenue. This amendment requires an increase of the inflation rate plus 1%. The state relied on a legal opinion that allowed the reduction. The District's funded pupil count increased from 5,637 to 5,880 from June 30, 2009 and June 30, 2010, representing a 4.3% increase between years.

Next Year's Budget and Rates: The District's General Fund balance at the end of fiscal year 2010 totaled \$12,866,103. The fiscal year 2011 budget anticipates decrease of this balance by up to \$795,384 due to possible reductions in funding at the state level, a result of significantly reduced revenue during the recession.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Eagle County Schools, Business Services Department, PO Box 740, Eagle, Colorado 81631.

BASIC FINANCIAL STATEMENTS

EAGLE COUNTY SCHOOLS

STATEMENT OF NET ASSETS

June 30, 2010

	PRIMARY GOVERNMENT			COMPONENT UNITS	
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	EAGLE COUNTY CHARTER ACADEMY	NEW AMERICA SCHOOL
ASSETS					
Cash and Investments	\$ 37,572,334	\$ 277,534	\$ 37,849,868	\$ 237,608	\$ 63,384
Accounts Receivable	796,093	-	796,093	421,307	-
Taxes Receivable	4,328,575	-	4,328,575	-	-
Grants Receivable	1,685,932	105,598	1,791,530	-	-
Inventories	-	59,773	59,773	-	-
Prepaid Expenses	-	-	-	-	1,150
Internal Balances	242,603	(242,603)	-	-	-
Debt Issuance Costs, Net of Accumulated Amortization	1,060,726	-	1,060,726	-	-
Capital Assets, Not Being Depreciated	11,317,836	11,776	11,329,612	-	-
Capital Assets, Net of Accumulated Depreciation	176,466,566	785,702	177,252,268	-	7,070
TOTAL ASSETS	233,470,665	997,780	234,468,445	658,915	71,604
LIABILITIES					
Accounts Payable	1,269,693	-	1,269,693	165,984	44,005
Accrued Liabilities	337,850	-	337,850	-	-
Accrued Salaries and Benefits	4,705,224	-	4,705,224	300,336	32,083
Insurance Claims Payable	605,826	-	605,826	-	-
Deferred Revenues	190,452	-	190,452	-	-
Accrued Interest Payable	675,876	-	675,876	-	-
Security Deposits	-	6,768	6,768	-	-
Noncurrent Liabilities				-	-
Due Within One Year	6,935,756	1,108	6,936,864	-	14,106
Due in More Than One Year	173,423,361	6,071	173,429,432	-	-
TOTAL LIABILITIES	188,144,038	13,947	188,157,985	466,320	90,194
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	21,142,826	797,478	21,940,304	-	-
Restricted for Debt Service	11,341,059	-	11,341,059	-	-
Restricted for Emergencies	1,870,000	-	1,870,000	75,742	26,000
Unrestricted	10,972,742	186,355	11,159,097	116,853	(44,590)
TOTAL NET ASSETS	\$ 45,326,627	\$ 983,833	\$ 46,310,460	\$ 192,595	\$ (18,590)

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

EAGLE COUNTY SCHOOLS

STATEMENT OF ACTIVITIES

Year Ended June 30, 2010

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES	
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS
PRIMARY GOVERNMENT			
Governmental Activities			
Instruction	\$ 42,826,781	\$ 990,060	\$ 5,927,613
Supporting Services	30,830,181	252,160	625,176
Interest on Long-Term Debt	7,434,997	-	-
Total Governmental Activities	81,091,959	1,242,220	6,552,789
Business-Type Activities			
Food Service	1,744,765	732,889	906,166
District Housing	133,348	145,787	-
Total Business-Type Activities	1,878,113	878,676	906,166
TOTAL PRIMARY GOVERNMENT	\$ 82,970,072	\$ 2,120,896	\$ 7,458,955
COMPONENT UNITS			
Eagle County Charter Academy	2,703,672	-	424,461
New America School	1,142,402	-	951,092
	\$ 3,846,074	\$ -	\$ 1,375,553
GENERAL REVENUES			
Local Property Taxes			
Specific Ownership Taxes			
State Equalization			
Grants not Restricted to Specific Programs			
Per Pupil Revenue			
Investment Income			
Other			
TRANSFERS			
TOTAL GENERAL REVENUES AND TRANSFERS			
CHANGE IN NET ASSETS			
NET ASSETS, Beginning			
NET ASSETS, Ending			

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

NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS				
PRIMARY GOVERNMENT			COMPONENT UNITS	
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	EAGLE COUNTY CHARTER ACADEMY	NEW AMERICA SCHOOL
\$ (35,909,108)	\$ -	\$ (35,909,108)	\$ -	\$ -
(29,952,845)	-	(29,952,845)	-	-
(7,434,997)	-	(7,434,997)	-	-
(73,296,950)	-	(73,296,950)	-	-
-	(105,710)	(105,710)	-	-
-	12,439	12,439	-	-
-	(93,271)	(93,271)	-	-
(73,296,950)	(93,271)	(73,390,221)	-	-
-	-	-	(2,279,211)	-
-	-	-	-	(191,310)
-	-	-	(2,279,211)	(191,310)
62,493,060	-	62,493,060	383,277	126,131
2,310,004	-	2,310,004	-	-
3,662,810	-	3,662,810	-	-
-	-	-	27,280	8,976
-	-	-	2,061,249	678,333
553,378	-	553,378	-	24
1,368,079	-	1,368,079	-	44,390
(54,379)	54,379	-	-	-
70,332,952	54,379	70,387,331	2,471,806	857,854
(2,963,998)	(38,892)	(3,002,890)	192,595	666,544
48,290,625	1,022,725	49,313,350	-	(685,134)
\$ 45,326,627	\$ 983,833	\$ 46,310,460	\$ 192,595	\$ (18,590)

EAGLE COUNTY SCHOOLS

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

	<u>GENERAL</u>	<u>GRANTS</u>	<u>BOND REDEMPTION</u>
ASSETS			
Cash and Investments	\$ 14,698,195	\$ -	\$ 10,318,642
Accounts Receivable	796,093	-	-
Taxes Receivable	3,237,911	-	1,022,417
Grants Receivable	-	1,685,932	-
Interfund Receivables	1,495,214	-	-
TOTAL ASSETS	<u>\$ 20,227,413</u>	<u>\$ 1,685,932</u>	<u>\$ 11,341,059</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 819,018	675	\$ -
Accrued Salaries and Benefits	4,430,926	274,298	-
Interfund Payables	-	1,220,507	-
Deferred Revenues	418,481	190,452	-
Deferred Property Taxes	1,692,885	-	563,896
TOTAL LIABILITIES	<u>7,361,310</u>	<u>1,685,932</u>	<u>563,896</u>
FUND BALANCES			
Reserved for Emergencies	1,870,000	-	-
Unreserved, Reported in			
General Fund	10,996,103	-	-
Debt Service Fund	-	-	10,777,163
Capital Projects Funds	-	-	-
TOTAL FUND BALANCES	<u>12,866,103</u>	<u>-</u>	<u>10,777,163</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 20,227,413</u>	<u>\$ 1,685,932</u>	<u>\$ 11,341,059</u>

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

Total Fund Balances of Governmental Funds

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

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

Long-term liabilities and related items, including bonds payable (\$177,547,485), arbitrage (\$2,242,902), compensated absences (\$568,730), debt issuance costs \$1,060,726, accrued interest payable (\$675,876), are not due and payable in the current year and, therefore, are not reported in the funds.

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

Total Net Assets of Governmental Activities

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

	BUILDING	NONMAJOR GOVERNMENTAL FUNDS	TOTAL
\$	10,295,183	\$ 405,766	\$ 35,717,786
	-	-	796,093
	-	68,247	4,328,575
	-	-	1,685,932
	-	-	1,495,214
\$	<u>10,295,183</u>	<u>474,013</u>	<u>44,023,600</u>

\$	450,000	\$ -	\$ 1,269,693
	-	-	4,705,224
	-	32,104	1,252,611
	-	-	608,933
	-	36,143	2,292,924
	<u>450,000</u>	<u>68,247</u>	<u>10,129,385</u>

	-	-	1,870,000
	-	-	10,996,103
	-	-	10,777,163
	<u>9,845,183</u>	<u>405,766</u>	<u>10,250,949</u>
	<u>9,845,183</u>	<u>405,766</u>	<u>33,894,215</u>
\$	<u>10,295,183</u>	<u>474,013</u>	<u>44,023,600</u>

\$ 33,894,215

187,784,402

2,711,405

(179,974,267)

910,872

\$ 45,326,627

EAGLE COUNTY SCHOOLS

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2010

	<u>GENERAL</u>	<u>GRANTS</u>	<u>BOND REDEMPTION</u>
REVENUES			
Local Sources	\$ 51,040,937	\$ 49,155	\$ 15,381,739
State Sources	4,675,461	615,493	-
Federal Sources	-	4,250,314	-
	<u>55,716,398</u>	<u>4,914,962</u>	<u>15,381,739</u>
TOTAL REVENUES			
EXPENDITURES			
Current			
Instruction	35,554,769	1,961,070	-
Supporting Services	19,340,940	2,953,892	-
Capital Outlay	-	-	-
Debt Service			
Principal	-	-	2,100,000
Interest and Fiscal Charges	-	-	7,927,073
Debt Issuance Costs	-	-	120,057
	<u>54,895,709</u>	<u>4,914,962</u>	<u>10,147,130</u>
TOTAL EXPENDITURES			
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>820,689</u>	<u>-</u>	<u>5,234,609</u>
OTHER FINANCING SOURCES (USES)			
Bonds Issued	-	-	13,800,000
Bond Premium	-	-	1,064,828
Payment to Escrow Agent	-	-	(19,494,923)
Transfers In	-	-	-
Transfers Out	(1,503,258)	-	-
	<u>(1,503,258)</u>	<u>-</u>	<u>(4,630,095)</u>
TOTAL OTHER FINANCING SOURCES (USES)			
NET CHANGE IN FUND BALANCES	(682,569)	-	604,514
FUND BALANCES, Beginning	<u>13,548,672</u>	<u>-</u>	<u>10,172,649</u>
FUND BALANCES, Ending	<u>\$ 12,866,103</u>	<u>\$ -</u>	<u>\$ 10,777,163</u>

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

	BUILDING	NONMAJOR GOVERNMENTAL FUNDS	TOTAL
\$	950,641	\$ 1,046,428	\$ 68,468,900
	-	494,997	5,785,951
	-	-	4,250,314
	<u>950,641</u>	<u>1,541,425</u>	<u>78,505,165</u>
	-	-	37,515,839
	-	2,784,452	25,079,284
	15,877,046	160,231	16,037,277
	-	-	2,100,000
	-	-	7,927,073
	-	-	120,057
	<u>15,877,046</u>	<u>2,944,683</u>	<u>88,779,530</u>
	<u>(14,926,405)</u>	<u>(1,403,258)</u>	<u>(10,274,365)</u>
	-	-	13,800,000
	-	-	1,064,828
	-	-	(19,494,923)
	-	1,503,258	1,503,258
	-	-	(1,503,258)
	<u>-</u>	<u>1,503,258</u>	<u>(4,630,095)</u>
	(14,926,405)	100,000	(14,904,460)
	<u>24,771,588</u>	<u>305,766</u>	<u>48,798,675</u>
\$	<u><u>9,845,183</u></u>	<u><u>405,766</u></u>	<u><u>33,894,215</u></u>

EAGLE COUNTY SCHOOLS

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

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

Net Change in Fund Balances of Governmental Funds	\$ (14,904,460)
Capital outlays to purchase or construct capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlays \$13,691,277 exceeded annual depreciation expense (\$8,784,363) in the current year.	4,906,914
Revenues that do not provide current financial resources are deferred in the governmental fund financial statements but are recognized in the government-wide financial statements.	(40,381)
Repayments of bonds are expenditures in the governmental funds, but they reduce long-term liabilities in the statement of net assets and do not affect the statement of activities.	2,100,000
Debt proceeds provide current financial resources to governmental funds but issuing debt increases long-term liabilities in the statement of net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items: bonds issued (\$13,800,000), bond premium (\$1,064,828), debt issuance costs \$120,057, payment to escrow agent \$19,494,923.	4,750,152
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This amount represents the change in accrued interest payable \$36,844, amortization of debt issuance costs (\$74,308), amortization of bond premiums \$677,149, amortization of loss on refundings (\$221,917), and the change in compensated absences \$54,331 and arbitrage (\$282,444).	189,655
An internal service fund is used by management to charge the costs of health insurance to individual funds. Net income of the internal service fund is reported with governmental activities in the statement of activities.	34,122
Change in Net Assets of Governmental Activities	<u>\$ (2,963,998)</u>

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

EAGLE COUNTY SCHOOLS

STATEMENT OF NET ASSETSPROPRIETARY FUNDS

June 30, 2010

	BUSINESS-TYPE ACTIVITIES			GOVERNMENTAL ACTIVITIES
	FOOD SERVICE	DISTRICT HOUSING	TOTAL	INTERNAL SERVICE
ASSETS				
Current Assets				
Cash and Investments	\$ -	\$ 277,534	\$ 277,534	\$ 1,854,548
Grants Receivable	105,598	-	105,598	-
Inventories	59,773	-	59,773	-
Total Current Assets	165,371	277,534	442,905	1,854,548
Noncurrent Assets				
Capital Assets, Not Being Depreciated	-	11,776	11,776	-
Capital Assets, Net of Accumulated Depreciation	160,490	625,212	785,702	-
Total Noncurrent Assets	160,490	636,988	797,478	-
TOTAL ASSETS	325,861	914,522	1,240,383	1,854,548
LIABILITIES				
Current Liabilities				
Accrued Liabilities	-	-	-	337,850
Insurance Claims Payable	-	-	-	605,826
Interfund Payables	242,603	-	242,603	-
Security Deposits	-	6,768	6,768	-
Accrued Compensated Absences	1,108	-	1,108	-
TOTAL CURRENT LIABILITIES	243,711	6,768	250,479	943,676
Noncurrent Liabilities				
Accrued Compensated Absences	4,433	1,638	6,071	-
TOTAL LIABILITIES	248,144	8,406	256,550	943,676
NET ASSETS				
Invested in Capital Assets	160,490	636,988	797,478	-
Unrestricted	(82,773)	269,128	186,355	910,872
TOTAL NET ASSETS	\$ 77,717	\$ 906,116	\$ 983,833	\$ 910,872

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

EAGLE COUNTY SCHOOLS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

Year Ended June 30, 2010

	BUSINESS-TYPE ACTIVITIES			GOVERNMENTAL
	FOOD SERVICE	DISTRICT HOUSING	TOTAL	INTERNAL SERVICE
OPERATING REVENUES				
Charges for Services	\$ 732,889	\$ -	\$ 732,889	\$ 5,580,229
Rental Income	-	145,787	145,787	-
TOTAL OPERATING REVENUES	732,889	145,787	878,676	5,580,229
OPERATING EXPENSES				
Salaries	748,066	18,438	766,504	-
Employee Benefits	248,374	4,585	252,959	-
Purchased Services	12,724	64,921	77,645	467,892
Donated Commodities	59,326	-	59,326	-
Supplies and Materials	655,398	1,012	656,410	-
Claims	-	-	-	4,625,162
Insurance Premiums	-	-	-	453,053
Depreciation	20,877	44,392	65,269	-
TOTAL OPERATING EXPENSES	1,744,765	133,348	1,878,113	5,546,107
OPERATING INCOME (LOSS)	(1,011,876)	12,439	(999,437)	34,122
NONOPERATING REVENUES				
State Sources	21,704	-	21,704	-
Federal Sources				
Donated Commodities	107,844	-	107,844	-
National School Lunch Program	776,618	-	776,618	-
TOTAL NONOPERATING REVENUES	906,166	-	906,166	-
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(105,710)	12,439	(93,271)	34,122
Capital Contributions	54,379	-	54,379	-
CHANGE IN NET ASSETS	(51,331)	12,439	(38,892)	34,122
NET ASSETS, Beginning	129,048	893,677	1,022,725	876,750
NET ASSETS, Ending	\$ 77,717	\$ 906,116	\$ 983,833	\$ 910,872

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

EAGLE COUNTY SCHOOLS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Increase (Decrease) in Cash and Cash Equivalents

Year Ended June 30, 2010

	BUSINESS-TYPE ACTIVITIES			GOVERNMENTAL
		DISTRICT		ACTIVITIES
	FOOD SERVICE	HOUSING	TOTAL	INTERNAL
				SERVICE
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Sale of Meals	\$ 732,889	\$ -	\$ 732,889	\$ -
Cash Received from Tenants	-	145,787	145,787	-
Premiums Received	-	-	-	5,580,229
Cash Paid to Suppliers	(649,432)	(66,505)	(715,937)	(589,841)
Cash Paid to Employees	(999,580)	(23,023)	(1,022,603)	-
Claims Paid	-	-	-	(4,778,983)
Net Cash Provided (Used) by Operating Activities	(916,123)	56,259	(859,864)	211,405
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Payments to Other Funds	(142,293)	-	(142,293)	-
Cash Received from Federal Programs	1,037,908	-	1,037,908	-
Cash Received from State Programs	20,508	-	20,508	-
Net Cash Provided by Noncapital Financing Activities	916,123	-	916,123	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	-	56,259	56,259	211,405
CASH AND CASH EQUIVALENTS, Beginning	-	221,275	221,275	1,643,143
CASH AND CASH EQUIVALENTS, Ending	<u>\$ -</u>	<u>\$ 277,534</u>	<u>\$ 277,534</u>	<u>\$ 1,854,548</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income (Loss)	\$ (1,011,876)	\$ 12,439	\$ (999,437)	\$ 34,122
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Depreciation	20,877	44,392	65,269	-
Donated Commodities	59,326	-	59,326	-
Loss on Disposal of Capital Assets	1,137	-	1,137	-
Changes in Assets and Liabilities				
Inventories	17,553	-	17,553	-
Accrued Liabilities	-	-	-	331,104
Insurance Claims Payable	-	(572)	(572)	-
Security Deposits	-	-	-	(153,821)
Accrued Compensated Absences	(3,140)	-	(3,140)	-
Total Adjustments	95,753	43,820	139,573	177,283
Net Cash Provided (Used) by Operating Activities	<u>\$ (916,123)</u>	<u>\$ 56,259</u>	<u>\$ (859,864)</u>	<u>\$ 211,405</u>
SCHEDULE OF NON-CASH TRANSACTIONS				
Commodities Received	\$ 59,326	\$ -	\$ 59,326	\$ -
Capital Assets Contributed from Building Fund	<u>54,379</u>	<u>-</u>	<u>54,379</u>	<u>-</u>

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

EAGLE COUNTY SCHOOLS
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUND
June 30, 2010

	<u>STUDENT ACTIVITY</u>
ASSETS	
Cash and Investments	\$ <u>718,766</u>
TOTAL ASSETS	<u>718,766</u>
LIABILITIES	
Accounts Payable	1,469
Due to Student Groups	<u>717,297</u>
TOTAL LIABILITIES	\$ <u><u>718,766</u></u>

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

EAGLE COUNTY SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Eagle County Schools (the “District”) was formed in 1958 when sixteen independent districts were consolidated into a County-wide district. The District provides educational services and is governed by an elected Board of Education with seven members.

The accounting policies of the District conform to generally accepted accounting principles as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the more significant policies.

Reporting Entity

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

Based upon the application of this criteria, the District includes the Eagle County Charter Academy and the New America School (collectively, the “Charter Schools”) within its reporting entity. The Charter Schools are public schools authorized by State statutes. The Charter Schools’ charters are granted by the District and the Charter Schools are fiscally dependent on the District. Since the Charter Schools have separately elected boards, they are discretely presented in the financial statements. Separate financial statements may be obtained by contacting the Eagle County Charter Academy and the New America School at 1105 Miller Ranch Road, Edwards, Colorado 81632, and 925 S. Niagara Street, Suite 140, Denver, Colorado 80224, respectively.

Government-wide and Fund Financial Statements

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

EAGLE COUNTY SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements (Continued)

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current year.

Taxes, intergovernmental revenues, grants, and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

EAGLE COUNTY SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with ongoing operations. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

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

The *Grants Fund* accounts for restricted local, state and federal grant revenues and the related expenditures.

The *Bond Redemption Fund* accounts for a dedicated property tax for the payment of long-term debt obligations of the District.

The *Building Fund* accounts for expenditures related to major capital projects and the debt proceeds used to finance these projects.

The District reports the following major proprietary fund:

The *Food Service Fund* accounts for the financial activities associated with the District's student lunch program.

Additionally, the District reports the following fund types:

The *Employee Benefit Trust Fund* is an internal service fund that accounts for the District's partially self-insured employee health and dental benefit plans.

The *Agency Fund* is used to account for each school's student and fundraising activities. The District holds all resources in a purely custodial capacity.

EAGLE COUNTY SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Balances/Net Assets

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

For purposes of the statement of cash flows, the District considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Investments in pooled cash are considered cash equivalents.

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

Interfund Receivables/Payables - Receivables and payables between individual funds are classified in the fund financial statements as *interfund receivables* and *interfund payables*.

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

Inventories - Food Service Fund inventories consist of purchased and donated commodities. Purchased inventories are valued using the first-in first out method. Donated inventories, received at no cost under a program supported by the federal government, are valued based upon the cost furnished by the federal government.

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

Capital Assets - Capital assets, which include land, buildings and improvements, transportation vehicles, and other equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary funds in the fund financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

EAGLE COUNTY SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Buildings and Improvements	15 - 30 years
Vehicles	7 - 13 years
Equipment	5 - 20 years

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 unpaid, are reflected as a liability in the financial statements.

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

Compensated Absences - Employees of the District are allowed to accumulate unused vacation and sick time based on their length of employment and classification, up to a maximum of 240 hours of vacation time and 100 hours of sick time. Accumulated vacation time vests immediately, and sick time vests after 20 years of employment. These compensated absences are paid at termination.

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

Long-Term Debt - In the government-wide financial statements and the proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary funds. Debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the straight-line method.

In the fund financial statements, governmental funds recognize the face amount of debt issued as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenditures.

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

EAGLE COUNTY SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes

Property taxes attach as an enforceable lien on property on January 1, are levied the following December, and are collected in the subsequent calendar year. Payments are due in full on April 30, or in two installments on February 28 and June 15. The County Treasurer's Office collects property taxes and remits to the District on a monthly basis. When taxes become delinquent, the property is sold on the tax sale date of November 1.

NOTE 2: CASH AND INVESTMENTS

At June 30, 2010, the District had the following cash and investments:

Cash on Hand	\$ 4,325
Deposits	1,446,804
Investments	<u>37,355,113</u>
Total	<u>\$ 38,806,242</u>

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

Cash and Investments	\$ 37,849,868
Eagle County Charter Academy	237,608
Agency Fund	<u>718,766</u>
Total	<u>\$ 38,806,242</u>

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2010, the District had bank deposits of \$1,870,656 collateralized with securities held by the financial institutions' agents but not in the District's name.

Investments

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

EAGLE COUNTY SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments (Continued)

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

At June 30, 2010, the District's investments consisted of the following.

<u>Investment</u>	<u>Maturity Date</u>	<u>Fair Value</u>
Local Government Investment Pool	NA	\$ 25,494,307
Repurchase Agreement	12/1/10	<u>11,860,806</u>
Total		<u>\$ 37,355,113</u>

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

Credit Risk - State statutes limit investments to those with specified ratings, as provided by nationally recognized statistical rating organizations, depending on the investment type. Repurchase agreements must be collateralized at no less than 102% of fair value with U.S. Treasury or Agency securities. At June 30, 2010, the District's repurchase agreement was not collateralized in accordance with State statutes.

Local Government Investment Pool - At June 30, 2010, the District had \$25,494,307 invested in the Colorado Local Government Liquid Asset Trust (Colotrust). Colotrust is an investment vehicle established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating Colotrust. Colotrust operates similarly to a money market fund with each share equal in value to \$1.00. Colotrust is rated AAAm by Standard and Poor's. Investments of Colotrust are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

Custodial Credit Risk - At June 30, 2010, the District's collateral for the Bank of New York repurchase agreement was held by a counterparty, but not in the District's name. This may be a violation of State statutes.

Concentration of Credit Risk - State statutes do not limit the amount the District may invest in one issuer. At June 30, 2010, the District's investment in the Bank of New York repurchase agreement represented 32% of the District's total investments.

EAGLE COUNTY SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 3: INTERFUND BALANCES AND TRANSACTIONS

Interfund balances and transactions as of and for the year ended June 30, 2010, consisted of the following:

<u>Interfund Receivables</u>	<u>Interfund Payables</u>	
General Fund	Grants Fund	\$ 1,220,507
General Fund	Transportation Fund	32,104
General Fund	Food Service Fund	<u>242,603</u>
Total		<u>\$ 1,495,214</u>

The General Fund has temporarily subsidized the negative cash balances of the Grants, Transportation and Food Service Funds.

<u>Transfers In</u>	<u>Transfers Out</u>	
Transportation Fund	General Fund	\$ 861,183
Capital Reserve Fund	General Fund	<u>642,075</u>
Total		<u>\$ 1,503,258</u>

The General Fund routinely subsidizes the operations of the Transportation Fund and capital outlay of the Capital Reserve Fund.

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010, is summarized below.

	<u>Balances 6/30/09</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances 6/30/10</u>
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 11,317,836	\$ -	\$ -	\$ 11,317,836
Construction in Progress	<u>77,741,046</u>	<u>13,421,765</u>	<u>(91,162,811)</u>	<u>-</u>
Total Capital Assets, Not Being Depreciated	<u>89,058,882</u>	<u>13,421,765</u>	<u>(91,162,811)</u>	<u>11,317,836</u>
Capital Assets, Being Depreciated				
Buildings and Improvements	164,512,289	91,162,811	-	255,675,100
Vehicles and Equipment	<u>11,076,274</u>	<u>269,512</u>	<u>-</u>	<u>11,345,786</u>
Total Capital Assets, Being Depreciated	<u>175,588,563</u>	<u>91,432,323</u>	<u>-</u>	<u>267,020,886</u>
Less Accumulated Depreciation				
Buildings and Improvements	75,089,855	7,663,527	-	82,753,382
Vehicles and Equipment	<u>6,680,102</u>	<u>1,120,836</u>	<u>-</u>	<u>7,800,938</u>
Total Accumulated Depreciation	<u>81,769,957</u>	<u>8,784,363</u>	<u>-</u>	<u>90,554,320</u>
Total Capital Assets, Being Depreciated, Net	<u>93,818,606</u>	<u>82,647,960</u>	<u>-</u>	<u>176,466,566</u>
Governmental Activities Capital Assets, Net	<u>\$ 182,877,488</u>	<u>\$ 96,069,725</u>	<u>\$ (91,162,811)</u>	<u>\$ 187,784,402</u>

EAGLE COUNTY SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 4: CAPITAL ASSETS (Continued)

	Balances 6/30/09	Additions	Deletions	Balances 6/30/10
Business-Type Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 11,776	\$ -	\$ -	\$ 11,776
Capital Assets, Being Depreciated				
Buildings and Improvements	1,303,498	-	-	1,303,498
Equipment	680,137	54,379	3,417	731,099
Total Capital Assets, Being Depreciated	1,983,635	54,379	3,417	2,034,597
Less Accumulated Depreciation				
Buildings and Improvements	633,894	44,392	-	678,286
Equipment	552,012	20,877	2,280	570,609
Total Accumulated Depreciation	1,185,906	65,269	2,280	1,248,895
Total Capital Assets, Being Depreciated, Net	797,729	(10,890)	1,137	785,702
Business-Type Activities Capital Assets, Net	<u>\$ 809,505</u>	<u>\$ (10,890)</u>	<u>\$ 1,137</u>	<u>\$ 797,478</u>

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

Governmental Activities	
Instruction	\$ 5,261,456
Supporting Services	3,522,907
Total	<u>\$ 8,784,363</u>
Business-Type Activities	
Food Service	\$ 20,877
District Housing	44,392
Total	<u>\$ 65,269</u>

NOTE 5: SHORT-TERM DEBT

During the year ended June 30, 2010, the District borrowed \$19,274,000 from the State-sponsored interest-free loan program to provide cash flow throughout the fiscal year. The loan was paid in full in May, 2010, from property taxes received from February through May.

EAGLE COUNTY SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 6: LONG-TERM DEBT

Following is a summary of long-term debt transactions for the year ended June 30, 2010.

	Balances 6/30/09	Additions	Reductions	Balances 6/30/10	Due Within One Year
Governmental Activities					
General Obligation Bonds					
2009 Refunding Bonds	\$ -	\$ 13,800,000	\$ -	\$ 13,800,000	\$ 1,450,000
Bond Premium	-	1,064,828	59,157	1,005,671	-
Loss on Refunding	-	(604,923)	(100,820)	(504,103)	-
2007 Bonds	123,895,000	-	2,100,000	121,795,000	2,290,000
Bond Premium	7,541,508	-	418,973	7,122,535	-
2005 Refunding Bonds	33,705,000	-	-	33,705,000	3,135,000
Bond Premium	1,791,175	-	199,019	1,592,156	-
Loss on Refunding	(1,089,871)	-	(121,097)	(968,774)	-
1999 Improvement and Refunding Bonds	18,890,000	-	18,890,000	-	-
Total General Obligation Bonds	184,732,812	14,259,905	21,445,232	177,547,485	6,875,000
Arbitrage	1,960,458	282,444	-	2,242,902	-
Compensated Absences	623,061	-	54,331	568,730	60,756
Total Governmental Activities	<u>\$ 187,316,331</u>	<u>\$ 14,542,349</u>	<u>\$ 21,499,563</u>	<u>\$ 180,359,117</u>	<u>\$ 6,935,756</u>
Business Type Activities					
Compensated Absences	<u>\$ 10,319</u>	<u>\$ -</u>	<u>\$ 3,140</u>	<u>\$ 7,179</u>	<u>\$ 1,108</u>

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

General Obligation Bonds

\$13,800,000 General Obligation Refunding Bonds, Series 2009, were issued to refund the outstanding General Obligation Improvement and Refunding Bonds, Series 1999. Principal payments are due annually on December 1, through 2018. Interest payments are due semi-annually on June 1 and December 1, with interest accruing at rates ranging from 2.25% to 5%.

\$128,370,000 General Obligation Bonds, Series 2007, were issued to construct new school facilities and provide for other capital improvement projects. Principal payments are due annually on December 1, through 2026. Interest payments are due semi-annually on June 1 and December 1, with interest accruing at rates ranging from 4.5% to 5%.

\$33,870,000 General Obligation Refunding Bonds, Series 2005, were issued to refund a portion of the General Obligation Improvement and Refunding Bonds, Series 1999. Principal payments are due annually on December 1, through 2018. Interest payments are due semi-annually on June 1 and December 1, with interest accruing at rates ranging from 3.5% to 5.0%.

EAGLE COUNTY SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 6: LONG-TERM DEBT (Continued)

General Obligation Bonds (Continued)

Bond payments, to maturity, are as follows.

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 6,875,000	\$ 7,977,525	\$ 14,852,525
2012	7,175,000	7,708,299	14,883,299
2013	7,430,000	7,419,562	14,849,562
2014	7,110,000	7,100,812	14,210,812
2015	7,405,000	6,768,938	14,173,938
2016 - 2020	46,265,000	27,662,846	73,927,846
2021 - 2025	59,060,000	14,666,750	73,726,750
2026 - 2027	27,980,000	1,416,000	29,396,000
Total	<u>\$ 169,300,000</u>	<u>\$ 80,720,732</u>	<u>\$ 250,020,732</u>

Defeased Debt

In November, 2009, proceeds of the General Obligation Refunding Bonds, Series 2009, in the amount of \$14,744,771, and \$4,750,152 from the District were deposited in an irrevocable trust with an escrow agent to provide for all future debt service requirements of the General Obligation Refunding Bonds, Series 1999. Although the refunding resulted in the recognition of an accounting loss of \$604,923, the District reduced its aggregate debt service payments by approximately \$6.2 million and obtained in an economic gain (difference between the present values of the old and new debt service payments) of \$1,269,215. As a result, the refunded bonds are considered defeased and the liability has been removed from the financial statements.

NOTE 7: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The District accounts for and finances its risk activities in the General and Internal Service Funds.

The District purchases commercial insurance for workers compensation risks. For its risk of property loss or damage and general liability, the District participates in the Colorado School Districts Self-Insurance Pool (CSDSIP).

EAGLE COUNTY SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 7: RISK MANAGEMENT (Continued)

Colorado School Districts Self-Insurance Pool

The CSDSIP is sponsored by the Colorado Association of School Boards, and operates as a self-insurance pool comprised of various school districts and other related public educational entities within the State of Colorado. The CSDSIP is administered by a board comprised of eight members. The eight members include the president, vice president, and executive director of the Colorado Association of School Boards (CASB), with the remaining five members appointed by the Board of Directors of CASB. The District pays an annual premium to the CSDSIP for property and liability insurance coverage. The CSDSIP will be self-sustaining through member premiums and will reinsure through a duly authorized insurer. The reinsurance covers claims against the CSDSIP in excess of specific claim amounts and in the aggregate in an amount and at limits determined by the CSDSIP to be adequate to protect the solvency of the CSDSIP.

Internal Service Fund

The District established a partially self-insured program for employee health and dental benefits. Transactions of the self-insurance program are reported in the Employee Benefit Trust Fund, an internal service fund. The District has purchased excess insurance policies to cover individual claims in excess of \$85,000 annually.

Claims liabilities, including estimated incurred but not reported claims (IBNR), are reported in the government-wide financial statements and the internal service fund if information available prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in claims payable were as follows:

	<u>2009</u>	<u>2010</u>
Claims Payable, Beginning	\$ 1,082,202	\$ 759,647
Claims Incurred and Adjustments	4,203,540	4,625,162
Claims Paid	<u>(4,526,095)</u>	<u>(4,778,983)</u>
Claims Payable, Ending	<u><u>\$ 759,647</u></u>	<u><u>\$ 605,826</u></u>

NOTE 8: JOINTLY GOVERNED ORGANIZATION

The District, in conjunction with other surrounding districts, created the Mountain Board of Cooperative Educational Services (BOCES). The BOCES is an organization that provides member districts educational services at a shared lower cost per district. The BOCES board is comprised of one member from each participating district. The BOCES financial statements can be obtained at their administrative offices located at 1713 Mount Lincoln Drive West, Leadville, Colorado 80461.

EAGLE COUNTY SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 9: DEFINED BENEFIT PENSION PLAN

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

Funding Policy - The contribution requirements of Plan members and the District are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members was 8% of covered salary. The District's contribution rate for calendar years 2010, 2009 and 2008 was 13.85%, 12.95% and 12.05% of covered salary, respectively. Also, a portion of the District's contribution (1.02% of covered salary) was allocated to the Health Care Trust Fund (See Note 10). The District's contributions to the SDTF for the years ended June 30, 2010, 2009 and 2008 were \$5,273,718, \$4,623,340 and \$4,056,565, respectively, equal to the required contributions for each year.

NOTE 10: POSTEMPLOYMENT HEALTHCARE BENEFITS

Defined Benefit Multiple-Employer Pension Plan

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

Funding Policy - The District was required to contribute at the rate of 1.02% of covered salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contributions of the HCTF is established under Title 24, Article 51, Section 208 of the CRS, as amended. The District's apportionment to the HCTF for the years ended June 30, 2010, 2009 and 2008 were \$387,674, \$370,980 and \$329,783, respectively, equal to the required amounts for each year.

EAGLE COUNTY SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 11: COMMITMENTS AND CONTINGENCIES

Claims and Judgments

The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental entities. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. At June 30, 2010, significant amounts of grant expenditures have not been audited but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the District.

Tabor Amendment

In November 1992, Colorado voters passed an amendment to the State Constitution, Article X, Section 20 (the "Amendment"), which limits state and local government taxing powers and imposes spending limits. The District is subject to the Amendment.

Fiscal year 1993 provided the basis for spending limits in future years to which may be applied allowable increases for inflation and student enrollment. In November, 2000, voters within the District authorized the District to collect, retain and spend the full revenues received by the District from any source effective July 1, 2000, and continuing thereafter as exceptions to the limits which would otherwise apply under the Amendment. The Amendment is subject to many interpretations, but the District believes it is in substantial compliance with the Amendment.

The Amendment requires the District to establish a reserve for emergencies. At June 30, 2010, the District's reserve, of \$1,870,000, was reported as a reservation of fund balance in the General Fund.

Arbitrage Rebate

The District had interest earnings in excess of the interest costs related to the General Obligation Bonds, Series 2007. These excess earnings are subject to rebate five years from issuance of the related bonds, and the estimated excess earnings are reported as a liability in the government-wide financial statements. Management has estimated the rebate amount. However, the actual rebate could differ from this estimate.

Litigation

The District is involved in various pending or threatened litigation. The outcome of the litigation cannot be determined at this time.

EAGLE COUNTY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 12: PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2010, the District removed the arbitrage liability from the Building Fund because the liability is not due. The Building Fund and the District's long-term debt reported in the statement of net assets were restated as a result, as follows:

	<u>Building Fund</u>	<u>Long-Term Debt</u>
Balance, June 30, 2009, as Originally Stated	\$ 22,811,130	\$ 185,355,873
Arbitrage Liability	<u>1,960,458</u>	<u>1,960,458</u>
Balance, June 30, 2009, as Restated	<u>\$ 24,771,588</u>	<u>\$ 187,316,331</u>

NOTE 13: GOING CONCERN

The New America School, a discretely presented component unit of the District, ceased operations on June 30, 2010.

REQUIRED SUPPLEMENTARY INFORMATION

EAGLE COUNTY SCHOOLS

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2010

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>Positive (Negative)</u>
REVENUES				
Local Sources				
Property Taxes	\$ 45,786,588	\$ 45,786,588	\$ 46,882,914	\$ 1,096,326
Specific Ownership Taxes	2,776,675	2,776,675	2,272,449	(504,226)
Delinquent Taxes, Penalties and Interest	-	-	(307,279)	(307,279)
Tuition from Individuals	-	-	975,440	975,440
Summer School Fees	-	-	510	510
Pupil Activities	-	-	14,110	14,110
Charter School Services	-	-	237,835	237,835
Investment Income	390,584	390,584	35,181	(355,403)
Other	1,708,930	1,708,930	929,777	(779,153)
Total Local Sources	<u>50,662,777</u>	<u>50,662,777</u>	<u>51,040,937</u>	<u>378,160</u>
State Sources				
State Equalization	3,810,372	3,810,372	3,662,810	(147,562)
Exceptional Children's Education Act (ECEA)	-	-	633,861	633,861
English Language Proficiency Act (ELPA)	-	-	285,310	285,310
Other	-	-	93,480	93,480
Total State Sources	<u>3,810,372</u>	<u>3,810,372</u>	<u>4,675,461</u>	<u>865,089</u>
TOTAL REVENUES	<u>54,473,149</u>	<u>54,473,149</u>	<u>55,716,398</u>	<u>1,243,249</u>
EXPENDITURES				
Salaries	34,734,149	34,734,149	35,311,715	(577,566)
Employee Benefits	8,160,749	8,160,749	8,425,185	(264,436)
Purchased Services	3,569,780	3,569,780	3,942,692	(372,912)
Supplies and Materials	4,258,081	4,258,081	3,616,756	641,325
Property	-	-	118,772	(118,772)
Other	-	-	203,715	(203,715)
Charter Schools	4,714,004	4,714,004	3,276,874	1,437,130
Reserves	<u>1,532,329</u>	<u>3,532,329</u>	<u>-</u>	<u>3,532,329</u>
TOTAL EXPENDITURES	<u>56,969,092</u>	<u>58,969,092</u>	<u>54,895,709</u>	<u>4,073,383</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,495,943)	(4,495,943)	820,689	5,316,632
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(773,713)</u>	<u>(773,713)</u>	<u>(1,503,258)</u>	<u>(729,545)</u>
NET CHANGE IN FUND BALANCE	(3,269,656)	(5,269,656)	(682,569)	4,587,087
FUND BALANCE, Beginning	<u>15,966,904</u>	<u>15,966,904</u>	<u>13,548,672</u>	<u>(2,418,232)</u>
FUND BALANCE, Ending	\$ <u><u>12,697,248</u></u>	\$ <u><u>10,697,248</u></u>	\$ <u><u>12,866,103</u></u>	\$ <u><u>2,168,855</u></u>

See the accompanying Independent Auditors' Report.

EAGLE COUNTY SCHOOLS

BUDGETARY COMPARISON SCHEDULE

GRANTS FUND

Year Ended June 30, 2010

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>Positive (Negative)</u>
REVENUES				
Local Grants	\$ 231,685	\$ 231,685	\$ 49,155	\$ (182,530)
State Grants	1,055,500	1,055,500	615,493	(440,007)
Federal Grants	<u>2,419,957</u>	<u>5,824,448</u>	<u>4,250,314</u>	<u>(1,574,134)</u>
TOTAL REVENUES	<u>3,707,142</u>	<u>7,111,633</u>	<u>4,914,962</u>	<u>(2,196,671)</u>
EXPENDITURES				
Current				
Instruction	3,707,142	7,111,633	1,961,070	5,150,563
Supporting Services	<u>-</u>	<u>-</u>	<u>2,953,892</u>	<u>(2,953,892)</u>
TOTAL EXPENDITURES	<u>3,707,142</u>	<u>7,111,633</u>	<u>4,914,962</u>	<u>2,196,671</u>
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE, Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See the accompanying Independent Auditors' Report.

EAGLE COUNTY SCHOOLS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2010

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Budgets are adopted for all funds on a basis consistent with generally accepted accounting principles. The District adheres to the following procedures in establishing the budgetary data reflected in the financial statements.

- By May 31, management submits to the Board of Education a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted by the Board of Education to obtain taxpayer comments.
- Prior to June 30, the budget is adopted by formal resolution.
- All annual appropriations lapse at fiscal year end.

Expenditures may not legally exceed appropriations at the fund level. Authorization to transfer budget amounts between line items within any fund rests with the Superintendent. Revisions that alter the total expenditures of any fund must be approved by the Board of Education.

Legal Compliance

For the year ended June 30, 2010, the Employee Benefit Trust Fund expenditures exceeded the budgeted amounts by \$344,959. This may be a violation of State statutes.

SUPPLEMENTARY INFORMATION

EAGLE COUNTY SCHOOLS

BUDGETARY COMPARISON SCHEDULE

BOND REDEMPTION FUND

Year Ended June 30, 2010

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES			
Local Sources			
Property Taxes	\$ 15,135,560	\$ 15,502,035	\$ 366,475
Delinquent Property Taxes	-	(120,296)	(120,296)
TOTAL REVENUES	15,135,560	15,381,739	246,179
EXPENDITURES			
Debt Service			
Principal	6,425,000	2,100,000	4,325,000
Interest and Fiscal Charges	8,408,602	7,927,073	481,529
Debt Issuance Costs	-	120,057	(120,057)
Reserves	11,120,048	-	11,120,048
TOTAL EXPENDITURES	25,953,650	10,147,130	15,806,520
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(10,818,090)	5,234,609	16,052,699
OTHER FINANCING SOURCES (USES)			
Bonds Issued	-	13,800,000	13,800,000
Bond Premium	-	1,064,828	1,064,828
Payment to Escrow Agent	-	(19,494,923)	(19,494,923)
TOTAL OTHER FINANCING SOURCES (USES)	-	(4,630,095)	(4,630,095)
NET CHANGE IN FUND BALANCE	(10,818,090)	604,514	11,422,604
FUND BALANCE, Beginning	10,818,090	10,172,649	(645,441)
FUND BALANCE, Ending	\$ -	\$ 10,777,163	\$ 10,777,163

See the accompanying Independent Auditors' Report.

EAGLE COUNTY SCHOOLS

BUDGETARY COMPARISON SCHEDULE

BUILDING FUND

Year Ended June 30, 2010

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES			
Local Sources			
Investment Income	\$ 500,000	\$ 800,641	\$ 300,641
Other	-	150,000	150,000
TOTAL REVENUES	500,000	950,641	450,641
EXPENDITURES			
Capital Outlay	35,565,968	15,877,046	19,688,922
TOTAL EXPENDITURES	35,565,968	15,877,046	19,688,922
NET CHANGE IN FUND BALANCE	(35,065,968)	(14,926,405)	20,139,563
FUND BALANCE, Beginning	35,065,968	24,771,588	(10,294,380)
FUND BALANCE, Ending	\$ -	\$ 9,845,183	\$ 9,845,183

See the accompanying Independent Auditors' Report.

EAGLE COUNTY SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2010

	SPECIAL REVENUE	CAPITAL PROJECTS	
	TRANSPORTATION	CAPITAL RESERVE	TOTAL
ASSETS			
Cash and Investments	\$ -	\$ 405,766	\$ 405,766
Taxes Receivable	68,247	-	68,247
 TOTAL ASSETS	 \$ 68,247	 \$ 405,766	 \$ 474,013
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Interfund Payables	32,104	-	32,104
Deferred Property Taxes	36,143	-	36,143
 TOTAL LIABILITIES	 68,247	 -	 68,247
FUND BALANCES			
Unreserved, Reported in Capital Projects Fund	-	405,766	405,766
 TOTAL FUND BALANCES	 -	 405,766	 405,766
 TOTAL LIABILITIES AND FUND BALANCES	 \$ 68,247	 \$ 405,766	 \$ 474,013

See the accompanying Independent Auditors' Report.

EAGLE COUNTY SCHOOLS

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2010

	<u>SPECIAL REVENUE</u>	<u>CAPITAL PROJECTS CAPITAL RESERVE</u>	<u>TOTAL</u>
	<u>TRANSPORTATION</u>		
REVENUES			
Local Sources	\$ 1,046,428	\$ -	\$ 1,046,428
State Sources	<u>494,997</u>	<u>-</u>	<u>494,997</u>
TOTAL REVENUES	<u>1,541,425</u>	<u>-</u>	<u>1,541,425</u>
EXPENDITURES			
Current			
Supporting Services	2,402,608	381,844	2,784,452
Capital Outlay	<u>-</u>	<u>160,231</u>	<u>160,231</u>
TOTAL EXPENDITURES	<u>2,402,608</u>	<u>542,075</u>	<u>2,944,683</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(861,183)	(542,075)	(1,403,258)
OTHER FINANCING SOURCES			
Transfers In	<u>861,183</u>	<u>642,075</u>	<u>1,503,258</u>
NET CHANGE IN FUND BALANCES	-	100,000	100,000
FUND BALANCES, Beginning	<u>-</u>	<u>305,766</u>	<u>305,766</u>
FUND BALANCES, Ending	<u>\$ -</u>	<u>\$ 405,766</u>	<u>\$ 405,766</u>

See the accompanying Independent Auditors' Report.

EAGLE COUNTY SCHOOLS

BUDGETARY COMPARISON SCHEDULE

TRANSPORTATION FUND

Year Ended June 30, 2010

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE Positive (Negative)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Local Sources				
Property Taxes	\$ 1,000,000	\$ 1,000,000	\$ 994,548	\$ (5,452)
Specific Ownership Taxes	53,143	53,143	37,555	(15,588)
Other	243,194	600,089	14,325	(585,764)
State Sources				
State Transportation	406,000	406,000	494,997	88,997
TOTAL REVENUES	1,702,337	2,059,232	1,541,425	(517,807)
EXPENDITURES				
Supporting Services				
Transportation	2,376,050	2,732,945	2,402,608	330,337
TOTAL EXPENDITURES	2,376,050	2,732,945	2,402,608	330,337
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(673,713)	(673,713)	(861,183)	(187,470)
OTHER FINANCING SOURCES				
Transfers In	673,713	673,713	861,183	187,470
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE, Beginning	-	-	-	-
FUND BALANCE, Ending	\$ -	\$ -	\$ -	\$ -

See the accompanying Independent Auditors' Report.

EAGLE COUNTY SCHOOLS

BUDGETARY COMPARISON SCHEDULE

CAPITAL RESERVE FUND

Year Ended June 30, 2010

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
EXPENDITURES			
Current			
Supporting Services	\$ 1,183,185	\$ 381,844	\$ 801,341
Capital Outlay	801,000	160,231	640,769
Reserves	204,510	-	204,510
TOTAL EXPENDITURES	2,188,695	542,075	1,646,620
OTHER FINANCING SOURCES			
Transfers In	1,587,802	642,075	(945,727)
NET CHANGE IN FUND BALANCE	(600,893)	100,000	700,893
FUND BALANCE, Beginning	600,893	305,766	(295,127)
FUND BALANCE, Ending	\$ -	\$ 405,766	\$ 405,766

See the accompanying Independent Auditors' Report.

EAGLE COUNTY SCHOOLS

BUDGETARY COMPARISON SCHEDULEFOOD SERVICE FUND

Year Ended June 30, 2010

	BUDGET		ACTUAL	VARIANCE
	ORIGINAL	FINAL		Positive (Negative)
REVENUES				
Charges for Services				
Student Lunches	\$ 997,900	\$ 997,900	\$ 732,889	\$ (265,011)
State Sources	14,000	14,000	21,704	7,704
Federal Sources				
Donated Commodities	50,000	50,000	107,844	57,844
National School Lunch Program	600,000	700,000	776,618	76,618
Transfers In	100,000	100,000	-	(100,000)
Capital Contributions	-	-	54,379	54,379
TOTAL REVENUES	1,761,900	1,861,900	1,693,434	(168,466)
EXPENSES				
Salaries	752,700	752,700	748,066	4,634
Employee Benefits	147,550	147,550	248,374	(100,824)
Purchased Services	19,810	19,810	12,724	7,086
Donated Commodities	50,000	50,000	59,326	(9,326)
Supplies and Materials	669,800	769,800	655,398	114,402
Depreciation	13,000	13,000	20,877	(7,877)
Capital Outlay	9,040	9,040	-	9,040
Reserves	105,169	105,169	-	105,169
TOTAL EXPENSES	1,767,069	1,867,069	1,744,765	122,304
CHANGE IN NET ASSETS	(5,169)	(5,169)	(51,331)	(46,162)
NET ASSETS, Beginning	5,169	5,169	129,048	123,879
NET ASSETS, Ending	\$ -	\$ -	\$ 77,717	\$ 77,717

See the accompanying Independent Auditors' Report.

EAGLE COUNTY SCHOOLS

BUDGETARY COMPARISON SCHEDULE

DISTRICT HOUSING FUND

Year Ended June 30, 2010

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES			
Rental Income	\$ 133,661	\$ 145,787	\$ 12,126
EXPENSES			
Salaries	20,000	18,438	1,562
Benefits	4,400	4,585	(185)
Purchased Services	65,000	64,921	79
Supplies and Materials	-	1,012	(1,012)
Depreciation	35,000	44,392	(9,392)
Reserves	410,621	-	410,621
TOTAL EXPENSES	535,021	133,348	401,673
CHANGE IN NET ASSETS	(401,360)	12,439	413,799
NET ASSETS, Beginning	401,360	893,677	492,317
NET ASSETS, Ending	\$ -	\$ 906,116	\$ 906,116

See the accompanying Independent Auditors' Report.

EAGLE COUNTY SCHOOLS

BUDGETARY COMPARISON SCHEDULE

EMPLOYEE BENEFIT TRUST FUND

Year Ended June 30, 2010

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES			
Charges for Services	\$ 5,244,308	\$ 5,580,229	\$ 335,921
TOTAL REVENUES	5,244,308	5,580,229	335,921
EXPENSES			
Claims	4,530,853	4,625,162	(94,309)
Insurance Premiums	316,433	453,053	(136,620)
Fees	353,570	465,730	(112,160)
Other	292	2,162	(1,870)
TOTAL EXPENSES	5,201,148	5,546,107	(344,959)
CHANGE IN NET ASSETS	43,160	34,122	(9,038)
NET ASSETS, Beginning	690,916	876,750	185,834
NET ASSETS, Ending	\$ 734,076	\$ 910,872	\$ 176,796

See the accompanying Independent Auditors' Report.

EAGLE COUNTY SCHOOLS

STATEMENT OF CHANGES IN ASSETS AND LIABILITIESAGENCY FUND

Year Ended June 30, 2010

	BALANCE 6/30/09	ADDITIONS	DEDUCTIONS	BALANCE 6/30/10
Student Activity Fund				
ASSETS				
Cash	\$ <u>697,933</u>	\$ <u>1,189,660</u>	\$ <u>1,168,827</u>	\$ <u>718,766</u>
LIABILITIES				
Accounts Payable	-	1,469	-	1,469
Due to Student Groups	<u>697,933</u>	<u>1,188,191</u>	<u>1,168,827</u>	<u>717,297</u>
TOTAL LIABILITIES	\$ <u>697,933</u>	\$ <u>1,189,660</u>	\$ <u>1,168,827</u>	\$ <u>718,766</u>

See the accompanying Independent Auditors' Report.

STATISTICAL SECTION

EAGLE COUNTY SCHOOLS
Net Assets by Component
Last Five Fiscal Years

	Fiscal Year				
	2006	2007	2008	2009	2010
Governmental activities					
Invested in capital assets, net of related debt	\$ 4,670,066	\$ (116,623,360)	\$ 25,396,437	\$ 31,051,569	21,142,826
Restricted	7,225,673	12,264,184	11,561,732	11,680,649	13,211,059
Unrestricted	16,389,688	146,342,508	9,642,870	5,558,406	10,972,742
Total governmental activities net assets	<u>\$28,285,427</u>	<u>\$ 41,983,332</u>	<u>\$ 46,601,039</u>	<u>\$ 48,290,624</u>	<u>\$45,326,627</u>
Business-type activities					
Invested in capital assets, net of related debt	\$ 378,594	\$ 340,205	\$ 301,072	\$ 809,505	797,478
Restricted	-	-	-	-	-
Unrestricted	(46,263)	108,737	169,996	213,221	186,355
Total business-type activities net assets	<u>\$ 332,331</u>	<u>\$ 448,942</u>	<u>\$ 471,068</u>	<u>\$ 1,022,726</u>	<u>\$ 983,833</u>
Primary government					
Invested in capital assets, net of related debt	\$ 5,048,660	\$ (116,283,155)	\$ 25,697,509	\$ 31,861,074	\$21,940,304
Restricted	7,225,673	12,264,184	11,561,732	11,680,649	13,211,059
Unrestricted	16,343,425	146,451,245	9,812,866	5,771,627	11,159,097
Total primary government net assets	<u>\$28,617,758</u>	<u>\$ 42,432,274</u>	<u>\$ 47,072,107</u>	<u>\$ 49,313,350</u>	<u>\$46,310,460</u>

Source: Eagle County Schools Finance Department

EAGLE COUNTY SCHOOLS

**Changes in Net Assets
Last Four Fiscal Years**

	Fiscal Year			
	2007	2008	2009	2010
Expenses				
Governmental activities:				
Current:				
Direct instruction	\$ 27,911,528	\$ 31,779,754	\$ 38,245,670	42,826,781
Supporting Services	21,378,476	24,363,714	24,101,064	30,830,181
Interest	5,082,286	8,984,827	7,217,294	7,434,997
Total governmental activities	<u>54,372,290</u>	<u>65,128,295</u>	<u>69,564,028</u>	<u>81,091,959</u>
Business-type activities				
Food services	1,400,582	1,541,759	1,602,255	1,744,765
Employee housing	92,091	90,506	126,281	133,348
Total business-type activities	<u>1,492,673</u>	<u>1,632,265</u>	<u>1,728,536</u>	<u>1,878,113</u>
Total primary government expenses	<u>\$ 55,864,963</u>	<u>\$ 66,760,560</u>	<u>\$ 71,292,564</u>	<u>\$ 82,970,072</u>
Program revenues				
Governmental activities:				
Charges for service	\$ 753,254	\$ 868,357	\$ 1,032,204	1,242,220
Operating grant and contributions	4,390,928	3,935,164	5,197,724	6,552,789
Capital grants and contributions	54,315	-	-	-
Total governmental activities program revenues	<u>5,198,497</u>	<u>4,803,521</u>	<u>6,229,928</u>	<u>7,795,009</u>
Business-type activities:				
Charges for service				
Food service	898,989	927,920	839,829	732,889
District housing rental	141,874	130,603	138,159	145,787
Operating grant and contributions	553,063	595,868	735,171	906,166
Capital grants and contributions	15,358	-	500,000	-
Total business-type activities program revenues	<u>1,609,284</u>	<u>1,654,391</u>	<u>2,213,159</u>	<u>1,784,842</u>
Total primary government program revenues	<u>\$ 6,807,781</u>	<u>\$ 6,457,912</u>	<u>\$ 8,443,087</u>	<u>\$ 9,579,851</u>
Net (Expense) / Revenue				
Governmental activities	\$(49,173,793)	\$(60,324,774)	\$(63,334,100)	\$(73,296,950)
Business-type activities	116,611	22,126	484,623	(93,271)
Total primary government net expense	<u>\$(49,057,182)</u>	<u>\$(60,302,648)</u>	<u>\$(62,849,477)</u>	<u>\$(73,390,221)</u>

(Continued)

EAGLE COUNTY SCHOOLS
Changes in Net Assets - Continued
Last Four Fiscal Years

	Fiscal Year			
	2007	2008	2009	2010
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Taxes				
Local property taxes	\$ 46,732,834	\$ 56,017,342	\$ 55,843,506	62,493,060
Specific ownership taxes	2,864,549	3,025,835	2,679,333	2,310,004
State revenue	9,091,628	892,042	4,385,923	3,662,810
Grants and contributions not restricted to specific programs	687,662	241,924	217,871	553,378
Interest and investment earnings	3,994,797	5,045,414	1,968,306	1,368,079
Transfers	-	(280,077)	(71,252)	(54,379)
Total governmental activities	<u>63,371,470</u>	<u>64,942,480</u>	<u>65,023,687</u>	<u>70,332,952</u>
Business-type activities:				
Transfers	-	-	67,038	54,379
Total business-type activities	<u>-</u>	<u>-</u>	<u>67,038</u>	<u>54,379</u>
Total primary government	<u>\$ 63,371,470</u>	<u>\$ 64,942,480</u>	<u>\$ 65,090,725</u>	<u>\$ 70,387,331</u>
Change in Net Assets				
Governmental activities	\$ 14,197,677	\$ 4,617,706	\$ 1,689,587	\$ (2,963,998)
Business-type activities	116,611	22,126	551,661	(38,892)
Total primary government	<u>\$ 14,314,288</u>	<u>\$ 4,639,832</u>	<u>\$ 2,241,248</u>	<u>\$ (3,002,890)</u>

Source: Eagle County Schools Finance Department

EAGLE COUNTY SCHOOLS
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2001	2002	2003	2004	Fiscal Year 2005	2006	2007	2008	2009	2010
General Fund										
Reserved	\$ 2,224,206	\$ 1,239,091	\$ 1,372,853	\$ 1,760,116	\$ 1,436,720	\$ 3,120,053	\$ 1,214,800	\$ 1,292,800	\$ 1,508,000	\$ 1,870,000
Unreserved	8,694,509	10,659,044	8,714,670	10,009,349	11,896,947	11,122,888	14,615,715	14,765,119	12,040,672	10,996,103
Total general fund	<u>\$ 10,918,715</u>	<u>\$ 11,898,135</u>	<u>\$ 10,087,523</u>	<u>\$ 11,769,465</u>	<u>\$ 13,333,667</u>	<u>\$ 14,242,941</u>	<u>\$ 15,830,515</u>	<u>\$ 16,057,919</u>	<u>\$ 13,548,672</u>	<u>\$ 12,866,103</u>
All Other Governmental Funds										
Reserved	\$ 7,891,926	\$ 7,723,264	\$ 7,289,911	\$ 5,360,253	\$ 5,519,085	\$ 5,680,629	\$137,643,000	\$ 95,954,849	\$ 32,983,779	\$ -
Unreserved, reported in:										
Special revenue funds	17,178	23,349	-	-	-	-	-	-	-	-
Debt service funds	-	-	-	-	-	-	-	-	-	10,777,163
Capital projects funds	8,009,383	3,632,730	2,864,294	956,399	870,951	2,530,360	3,963,120	1,938,841	305,766	10,250,949
Total all other governmental funds	<u>\$ 15,918,487</u>	<u>\$ 11,379,343</u>	<u>\$ 10,154,205</u>	<u>\$ 6,316,652</u>	<u>\$ 6,390,036</u>	<u>\$ 8,210,989</u>	<u>\$141,606,120</u>	<u>\$ 97,893,690</u>	<u>\$ 33,289,545</u>	<u>\$ 21,028,112</u>

Source: Eagle County Schools Finance Department

EAGLE COUNTY SCHOOLS
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2001	2002	Fiscal Year 2003	2004
REVENUES				
Taxes				
State income	1,408,687	2,512,241	3,294,480	6,380,727
Federal income	727,117	902,333	1,231,453	1,505,699
Local Sources	40,407,324	44,421,533	46,115,490	42,681,356
Total revenues	<u>42,543,128</u>	<u>47,836,107</u>	<u>50,641,423</u>	<u>50,567,782</u>
EXPENDITURES				
Current:				
Direct instruction	18,279,450	21,870,514	22,839,734	23,436,969
Supporting Services	11,247,242	14,339,863	15,521,244	16,071,971
Debt Service:				
Principal	4,081,463	4,543,329	4,990,309	5,558,465
Interest	4,353,179	4,151,317	3,920,695	3,653,442
Capital outlay	27,814,005	6,880,827	4,494,260	3,892,215
Total expenditures	<u>65,775,339</u>	<u>51,785,850</u>	<u>51,766,242</u>	<u>52,613,062</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(23,232,211)</u>	<u>(3,949,743)</u>	<u>(1,124,819)</u>	<u>(2,045,280)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of bonds	-	-	-	-
Premium on issuance				
Payment to refunded debt escrow agent	-	-	-	-
Bond issuance costs	-	-	-	-
Sale of fixed assets	-	-	-	-
Operating transfers in	225,070	277,401	2,926,761	2,312,190
Operating transfers out	(225,070)	(727,401)	(2,533,726)	(2,451,227)
Total other financing sources (uses)	<u>-</u>	<u>(450,000)</u>	<u>393,035</u>	<u>(139,037)</u>
NET CHANGE IN FUND BALANCES	<u>\$ (23,232,211)</u>	<u>\$ (4,399,743)</u>	<u>\$ (731,784)</u>	<u>\$ (2,184,317)</u>
Debt service as a percentage of noncapital expenditures	22.2%	19.4%	18.9%	18.9%

Source: Eagle County Schools Finance Department

2005	2006	2007	2008	2009	2010
6,768,638	7,485,935	8,633,487	2,178,917	5,928,228	4,250,314
2,310,058	1,848,441	2,248,376	2,378,624	3,459,496	5,785,951
43,506,312	46,037,077	57,653,394	64,607,202	60,953,138	68,468,900
52,585,008	55,371,453	68,535,257	69,164,743	70,340,862	78,505,165
25,591,807	25,352,454	26,548,549	28,895,819	32,325,020	37,515,839
17,051,471	17,960,550	20,854,490	20,872,741	23,132,882	25,079,284
3,655,225	3,895,000	4,140,000	6,465,000	6,150,000	2,100,000
3,417,482	3,169,758	5,346,655	8,955,035	8,684,935	7,927,073
1,141,066	2,263,463	13,554,336	47,522,618	67,181,371	16,037,277
50,857,051	52,641,225	70,444,030	112,711,213	137,474,208	88,659,473
1,727,957	2,730,228	(1,908,773)	(43,546,470)	(67,133,346)	(10,154,308)
-	37,018,967	-	-	-	13,800,000
-	(36,715,197)	-	-	-	1,064,828
-	(303,769)	-	-	-	(19,494,923)
-	-	-	-	-	120,057
-	-	-	61,446	19,953	-
476,446	438,186	-	-	-	1,503,258
(586,777)	(528,558)	-	-	-	(1,503,258)
(110,331)	(90,371)	-	61,446	19,953	(4,510,038)
<u>\$ 1,617,626</u>	<u>\$ 2,639,857</u>	<u>\$ (1,908,773)</u>	<u>\$ (43,485,024)</u>	<u>\$ (67,113,393)</u>	<u>\$ (14,664,346)</u>
14.2%	14.0%	16.7%	23.7%	21.1%	13.8%

EAGLE COUNTY SCHOOLS
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year Ended June 30,	Real Property		Personal Property		Exemptions of Real Property		Total Taxable Value		Ratio of Total Assessed Value to Total Estimated Actual Value
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Value	
2001	1,591,929,280	16,037,003,430	67,719,230	229,880,750	99,186,360	384,301,850	1,758,834,870	16,651,186,030	10.56%
2002	1,907,110,650	16,266,106,740	61,498,840	210,650,380	108,754,270	393,246,400	2,077,363,760	16,870,003,520	12.31%
2003	1,978,672,240	16,236,635,126	64,321,390	220,912,397	113,675,450	393,628,940	2,156,669,080	16,851,176,463	12.80%
2004	1,921,132,980	17,308,086,380	65,963,900	226,735,670	142,294,150	492,539,590	2,129,391,030	18,027,361,640	12.81%
2005	1,937,852,800	19,885,473,085	71,067,360	243,805,580	156,236,930	569,431,470	2,165,157,090	20,698,710,135	10.46%
2006	2,129,023,590	19,586,189,670	78,303,670	269,153,670	157,640,110	540,946,660	2,364,967,370	20,396,290,000	11.60%
2007	2,205,824,260	20,289,843,370	80,195,980	272,650,180	141,234,740	549,068,860	2,427,254,980	21,111,562,410	11.50%
2008	3,070,813,070	28,665,521,650	64,770,040	471,309,270	222,567,340	937,768,360	3,358,150,450	30,074,599,280	11.23%
2009	3,098,324,840	29,762,511,660	89,144,250	308,228,950	223,818,220	936,862,780	3,411,287,310	31,007,603,390	11.00%
2010	3,512,789,430	34,245,196,420	101,651,460	350,522,450	300,211,100	1,193,813,520	3,914,651,990	35,789,532,390	10.94%

Source: Eagle County Assessor's Office

Note: The assessment ratios for all taxable property in the State of Colorado are as follows:

Years	Residential	Commercial
2001	9.15%	29.00%
2002	9.15%	29.00%
2003	7.96%	29.00%
2004	7.96%	29.00%
2005	7.96%	29.00%
2006	7.96%	29.00%
2007	7.96%	29.00%
2008	7.96%	29.00%
2009	7.96%	29.00%
2010	7.96%	29.00%

EAGLE COUNTY SCHOOLS
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(rate per \$1,000 of assessed value)

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Eagle County School District										
General operations	16.118	16.400	16.601	16.688	16.726	15.639	15.489	14.586	14.855	14.359
General obligation debt service	5.815	4.881	4.941	3.892	3.862	3.505	7.090	5.123	5.218	4.736
Transportation	0.379	0.374	0.439	0.540	0.486	0.451	0.471	0.342	0.341	0.306
Total direct property tax rate	22.312	21.655	21.981	21.120	21.074	19.595	23.050	20.051	20.414	19.402
County Government										
General Fund	3.756	4.450	4.490	4.490	4.706	4.919	4.924	4.924	4.924	4.924
Special Revenue Funds	2.680	2.106	3.582	2.082	1.919	1.960	2.032	2.014	2.014	2.014
Capital Expenditures Fund	0.223	0.043	0.043	0.043	0.043	0.043	0.043	0.061	0.061	0.061
Debt Service Funds	0.420	0.400	0.384	0.384	0.331	0.077	0.000	0.000	0.000	0.000
Open Space Fund				1.500	1.500	1.500	1.500	1.500	1.500	1.500
Total County	7.079	6.999	8.499	8.499	8.499	8.499	8.499	8.499	8.499	8.499
Miscellaneous County-wide										
Colorado Mountain Jr. College	3.997	3.997	3.997	3.997	3.997	3.997	3.997	3.997	3.997	3.997
Colorado River Water Conservancy	0.283	0.253	0.255	0.255	0.252	0.230	0.221	0.191	0.199	0.000
Total County-wide levies	11.359	11.249	12.751	12.751	12.748	12.726	12.717	12.687	12.695	12.496
Municipalities										
Avon	15.488	14.606	14.234	14.111	13.781	13.339	13.287	12.271	11.392	11.208
Basalt	3.902	6.618	6.498	6.447	6.669	6.474	6.560	5.058	5.181	3.873
Eagle	3.999	3.327	3.327	3.327	3.327	3.327	3.173	2.683	3.997	3.547
Gypsum	6.084	6.018	6.269	5.612	5.715	5.664	5.604	5.414	5.094	5.094
Minturn	17.934	17.934	17.934	17.934	17.934	17.934	17.934	17.934	17.934	17.934
Redcliff	59.036	45.958	51.548	51.548	39.221	48.916	51.687	38.827	37.820	33.878
Vail	4.705	4.696	4.717	4.704	4.708	4.702	4.699	4.690	4.979	4.690
Fire Protection , Ambulance & Hospital Districts										
Several, range from high of	7.253	7.353	7.927	7.927	7.927	7.927	10.000	10.000	10.000	10.000
to low of	0.842	0.748	2.011	2.005	2.013	2.010	2.006	2.019	2.055	1.780
Water, Sanitation, Library, Metro and Cemetery Districts										
Several, range from high of	45.000	45.000	49.000	45.000	45.231	45.345	50.981	45.000	99.000	67.000
to low of	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

Note: The District's property tax rate may be increased only by a majority vote of the District's residents.
Rates for debt service are set based on each year's requirements.

^aOverlapping rates are those of local and county governments that apply to property owner within the boundaries of the Eagle County School District. Not all overlapping rates apply to all Eagle County School District property owners; for example, although the County property tax rate apply to all school district property owners the Gypsum Fire District rates apply only to the residents of Gypsum whose property is located within that district's geographic boundaries.

EAGLE COUNTY SCHOOLS
Principal Property Tax Payers
June 30, 2010

Taxpayer	2010			2009		
	Taxable Assessed Value	Rank	% of Total County Taxable Assessed Valuation	Taxable Assessed Value	Rank	% of Total County Taxable Assessed Valuation
Vail Corp	\$ 64,233,430	1	1.64%	\$ 69,466,490	1	2.04%
Solaris Property Owner LLC	17,127,110	2	0.44%			
RCR Vail LLC	16,410,530	3	0.42%			
Union Pacific Corp	15,029,200	4	0.38%	11,950,300	6	0.35%
Holy Cross Electric	14,207,800	5	0.36%	13,241,710	5	0.39%
Diamondrock Vail Owner LLC	12,281,500	6	0.31%	15,950,000	4	0.47%
WTCC Beaver Creek InvestorsV LLC	11,495,150	7	0.29%	11,495,150	9	0.34%
Vail Development 09 LLC	11,014,770	8	0.28%			
Vail Associates Inc	10,639,290	9	0.27%	23,521,810	2	0.69%
L-O Vail Holding Inc	10,493,520	10	0.27%	10,493,520	10	0.31%
Vail Plaza Development LLC				16,704,260	3	0.49%
Riverfront Village Hotel LLC				11,823,190	7	0.35%
Total Assessed Valuation	<u>\$182,932,300</u>		<u>4.66%</u>	<u>\$184,646,430</u>		<u>5.43%</u>

Source: Eagle County

EAGLE COUNTY SCHOOLS
Property Tax Levies And Collections
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collection to Date	
		Amount	% of Levy		Amount	Percentage of Levy
2001	34,781,650	34,704,193	99.8%	322,711	35,026,904	100.7%
2002	39,930,001	39,629,700	99.2%	(233,213)	39,396,487	98.7%
2003	42,065,858	40,945,052	97.3%	993,794	41,938,846	99.7%
2004	39,239,035	38,286,131	97.6%	764,953	39,051,084	99.5%
2005	39,640,206	38,610,984	97.4%	864,900	39,475,884	99.6%
2006	40,478,703	39,442,989	97.4%	795,707	40,238,696	99.4%
2007	48,988,525	47,806,306	97.6%	960,197	48,766,503	99.5%
2008	58,596,416	55,372,153	94.5%	1,979,979	57,352,132	97.9%
2009	59,888,244	59,413,901	99.2%	1,908,877	57,897,320	96.7%
2010	63,412,390	62,493,060	98.6%	1,503,665	63,996,725	100.9%

Source: Eagle County School District Business Services Department

EAGLE COUNTY SCHOOLS
Ratio Of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Percentage of Actual Taxable Value of Property	Net Bonded Debt per Capita	Percentage of Per Capita Income
2001	88,446,485	5.03%	2,123	5.62%
2002	83,903,156	4.04%	1,950	5.03%
2003	78,912,847	3.66%	1,751	4.60%
2004	73,354,382	3.44%	1,561	3.92%
2005	69,455,000	3.21%	1,448	3.47%
2006	64,875,000	2.74%	1,329	3.01%
2007	189,105,000	7.79%	3,874	8.24%
2008	182,640,000	5.44%	3,609	7.60%
2009	176,490,000	5.17%	3,361	6.77%
2010	169,300,000	4.32%	3,141	6.91%

Note: Details regarding the District's outstanding debt can be found in the notes to the financial statements.

EAGLE COUNTY SCHOOLS
Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Assessed valuation	<u>\$1,558,876,380</u>	<u>\$1,843,915,950</u>	<u>\$1,913,737,280</u>	<u>\$1,857,908,810</u>	<u>\$1,881,663,978</u>	<u>\$2,065,766,954</u>	<u>\$2,125,308,501</u>	<u>\$2,922,368,820</u>	<u>\$2,933,681,930</u>	<u>\$3,268,342,952</u>
Debt limit (20% of assessed valuation)	<u>\$ 311,775,276</u>	<u>\$ 368,783,190</u>	<u>\$ 382,747,456</u>	<u>\$ 371,581,762</u>	<u>\$ 376,332,796</u>	<u>\$ 413,153,391</u>	<u>\$ 425,061,700</u>	<u>\$ 584,473,764</u>	<u>\$ 586,736,386</u>	<u>\$ 653,668,590</u>
Debt applicable to limit:										
General obligation bonds	\$ 88,446,485	\$ 83,903,156	\$ 78,912,847	\$ 73,354,382	\$ 69,455,000	\$ 64,875,000	\$ 189,105,000	\$ 182,640,000	\$ 176,490,000	\$ 169,300,000
Less: Amount set aside for repayment of general obligation debt	<u>(6,782,058)</u>	<u>(7,024,970)</u>	<u>(7,289,911)</u>	<u>(5,360,253)</u>	<u>(5,519,085)</u>	<u>(5,680,629)</u>	<u>(11,049,384)</u>	<u>(15,419,426)</u>	<u>(10,172,649)</u>	<u>(10,777,163)</u>
Total net debt applicable to limit	<u>81,664,427</u>	<u>76,878,186</u>	<u>71,622,936</u>	<u>67,994,129</u>	<u>63,935,915</u>	<u>59,194,371</u>	<u>178,055,616</u>	<u>167,220,574</u>	<u>166,317,351</u>	<u>158,522,837</u>
Legal debt margin	<u>\$ 230,110,849</u>	<u>\$ 291,905,004</u>	<u>\$ 311,124,520</u>	<u>\$ 303,587,633</u>	<u>\$ 312,396,881</u>	<u>\$ 353,959,020</u>	<u>\$ 247,006,084</u>	<u>\$ 417,253,190</u>	<u>\$ 420,419,035</u>	<u>\$ 495,145,753</u>
Total net debt applicable to the limit as a percentage of debt limit	5.24%	4.17%	3.74%	3.66%	3.40%	2.87%	8.38%	5.72%	5.67%	4.85%

Source: Eagle County School District Business Services Department

Note: Under state finance law, the District's outstanding general obligation debt should not exceed 20% of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

EAGLE COUNTY SCHOOLS
Direct and Overlapping Governmental Activities Debt
As of June 30, 2010

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Town of Avon	3,215,000	100.00%	3,215,000
Avon Metro District	455,000	100.00%	455,000
Town of Eagle	1,108,731	100.00%	1,108,731
Arrowhead Metro District	16,015,000	100.00%	16,015,000
Beaver Creek Metro District	3,870,000	100.00%	3,870,000
Berry Creek Metro District	5,640,000	100.00%	5,640,000
Eagle-Vail Metro District	7,000,000	100.00%	7,000,000
Edwards Metro District	110,000	100.00%	110,000
Bachelor Gulch Metro District	29,180,000	100.00%	29,180,000
Lake Creek Metro District	519,257	100.00%	519,257
Cotton Ranch Metro District	9,060,000	100.00%	9,060,000
Eagle Ranch Metro District	18,615,003	100.00%	18,615,003
Crown Mountain Park & Recreational District	4,590,000	57.91%	2,657,904
Red Sky Ranch Metro District	7,080,000	100.00%	7,080,000
Ruedi Shores Metro District	2,157,000	100.00%	2,157,000
Buckhorn Valley Metro District #2	10,560,000	100.00%	10,560,000
Western Eagle County Metro Recreational District	10,000,000	100.00%	10,000,000
Cascade Village Metro District	2,625,000	100.00%	2,625,000
Chatfield Corners Metro District	2,930,000	100.00%	2,930,000
Cordillera Valley Club Metro District	114,539	100.00%	114,539
Valagua Metropolitan District	21,000,000	100.00%	21,000,000
Cordillera Metro District	29,712,875	100.00%	29,712,875
Cordillera Mountain Metro District	27,324,644	100.00%	27,324,644
Mid-Valley Metro	1,180,000	92.60%	1,092,680
Vail Square Metro District No. 1	16,000,000	100.00%	16,000,000
Eagle Valley Library District	2,235,000	100.00%	2,235,000
Eagle River Water & Sanitation District (Wastewater)	8,100,879	100.00%	8,100,879
Eagle River Water & Sanitation District-Water Sub District-Vail	11,450,000	100.00%	11,450,000
Western Eagle County Ambulance District	45,000	100.00%	45,000
Subtotal, Total Overlapping Debt	\$ 251,892,928		\$ 249,873,512
Eagle County School District direct debt			\$ 169,300,000
Total direct and overlapping debt			<u>\$ 419,173,512</u>

Source: Assessed value data used to estimate applicable percentages provided by the Eagle County Assessor's Office. Debt outstanding data provided by each governmental unit.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District. This schedule estimates the portion of outstanding debt of those overlapping governments that are borne by the residents and businesses of the District. This process recognizes that, when considering the District's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

EAGLE COUNTY SCHOOLS
Demographic and Economic Statistics
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Population	Per Capita Income	October 1 School Enrollment	October 1 Funded Pupil Count	Unemployment Rate
2001	41,659	37,770	4,686	4,444.0	2.2%
2002	43,027	38,733	4,887	4,627.0	3.0%
2003	45,067	38,060	4,913	4,654.5	4.7%
2004	46,978	39,816	5,007	4,757.5	3.4%
2005	47,955	41,773	5,117	4,830.0	4.4%
2006	48,820	44,220	5,332	4,989.0	3.3%
2007	50,612	46,985	5,427	5,096.5	3.4%
2008	52,517	47,511	5,681	5,288.0	3.10%
2009	53,898	49,635	5,940	5,637.0	3.6%
2010	55,269	45,430	6,244	5,880.0	7.3%

Sources: Population, median household income and unemployment rate information provided by Eagle County. School enrollment data provided by the Eagle County School District Business Services Department.

EAGLE COUNTY SCHOOLS
Principal Employers
June 30, 2010

Employer	Product or Service	2010 Rank	2009 Rank
Vail Resorts Inc.	Ski Resorts	1	1
Eagle County School District	Education	2	2
Vail Valley Medical Center	Health Care	3	4
Eagle County	Government	4	6
Gallegos Corporation	Construction	5	7
Ritz Carlton-Bachelor Gulch	Hotel	6	5
Vail Cascade Resort	Hotel	7	3
Park Hyatt Beaver Creek Resort & Spa	Hotel	8	8
Sonnenalp Resort	Hotel	9	9
Town of Vail	Government	10	11
Wal Mart Stores Inc.	Retail	11	10
Vail Marriott	Hotel		12

Source: Eagle County

EAGLE COUNTY SCHOOLS**Operating Statistics****Last Ten Fiscal Years**

Fiscal Year	Governmental Fund Expenditures	Funded Students	Cost Per Pupil	Percentage Change	Teaching Staff FTE	Pupil Teacher Ratio
2001	65,775,339	4,444.0	14,801	44.4%	356.42	12.47
2002	51,785,850	4,627.0	11,192	-24.4%	391.75	11.81
2003	51,766,242	4,654.5	11,122	-0.6%	386.31	12.05
2004	52,613,062	4,757.5	11,059	-0.6%	402.32	11.83
2005	50,857,051	4,830.0	10,529	-4.8%	419.01	11.53
2006	52,641,225	4,989.0	10,551	0.2%	439.17	11.36
2007	70,444,030	5,096.5	13,822	31.0%	445.05	11.45
2008	112,711,213	5,288.0	21,315	54.2%	416.88	12.68
2009	137,474,208	5,637.0	24,388	14.4%	459.99	12.25
2010	88,659,473	5,880.0	15,078	-38.2%	479.77	12.26

Sources: Nonfinancial information provided by the district's personnel

Note: Enrollment based on October enrollment. Teaching staff are full-time equivalents for the year as a whole. Attendance is a yearly average.

EAGLE COUNTY SCHOOLS
Schedule of Insurance
(Unaudited)

Description of Insurance	Carrier or Pool	Coverage Limit	Deductible
General Liability	Colorado School Districts Self Insurance Pool (CSDSIP)	\$2,000,000	\$0
Property including:			
Inland marine	CSDSIP	\$65,000,000	\$1,000
Boiler and machinery	CSDSIP	\$5,000,000	\$1,000
Automobile liability:	CSDSIP		
Combined single limit		\$1,000,000	\$0
Personal injury protection		\$5,000	\$0
Uninsured motorist		\$1,000,000	\$0
School Leaders Errors and Omissions	CSDSIP	\$2,000,000	\$0
Public Officials Bond	CSDSIP	\$10,000	\$100
Crime:	CSDSIP		
Employee dishonesty		\$150,000	\$500
Theft		\$10,000	\$100
Forgery/alteration		\$10,000	\$100
Employment Practices Liability	CSDSIP	\$1,000,000	\$1,000
Worker's Compensation	Pinnacle		
Unemployment	Claims basis		

Source: School District Records

COMPLIANCE SECTION

SINGLE AUDIT



Board of Education
Eagle County Schools
Eagle, Colorado

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Eagle County Schools as of and for the year ended June 30, 2010, which collectively comprise the basic financial statements of the Eagle County Schools, and have issued our report thereon dated December 16, 2010. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the New America School, as described in our report on the Eagle County Schools' financial statements. The financial statements of the New America School were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Eagle County Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Eagle County Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Eagle County Schools' internal control over financial reporting.

Our consideration of the Eagle County Schools' internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Eagle County Schools' financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as 2010-1, 2010-2 and 2010-3 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Eagle County Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Eagle County Schools in a separate letter dated December 16, 2010.

The Eagle County Schools' response to the findings identified in our audit is described in the accompanying corrective action plan. We did not audit the Eagle County Schools' response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Education, management, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



December 16, 2010



Board of Education
Eagle County Schools
Eagle, Colorado

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Compliance

We have audited the compliance of the Eagle County Schools with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The Eagle County Schools' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Eagle County Schools' management. Our responsibility is to express an opinion on the Eagle County Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Eagle County Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Eagle County Schools' compliance with those requirements.

In our opinion, the Eagle County Schools complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2010-5.

Internal Control Over Compliance

Management of the Eagle County Schools is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Eagle County Schools' internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing

procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Eagle County Schools' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the Eagle County Schools' internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as item 2010-4. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The Eagle County Schools' response to the findings identified in our audit is described in the accompanying corrective action plan. We did not audit the Eagle County Schools' response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Education, management, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Swanlund & Company, LLC

December 16, 2010

EAGLE COUNTY SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: qualified for the aggregate discretely presented component units, unqualified for the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information

Internal control over financial reporting:

- Material weaknesses identified? ☒ yes ☐ no
- Significant deficiencies identified that are not considered to be material weaknesses? ☐ yes ☒ none reported

Noncompliance material to financial statements noted?

☐ yes ☒ no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? ☐ yes ☒ no
- Significant deficiencies identified that are not considered to be material weaknesses? ☒ yes ☐ none reported

Type of auditors' report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?

☒ yes ☐ no

Identification of major programs:

84.010 Title I
84.389 ARRA - Title I
84.374 Teacher Incentive Fund
84.385 ARRA - Teacher Incentive Fund
84.397 ARRA - State Fiscal Stabilization Fund
93.600 Head Start
93.708 ARRA - Head Start

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? ☐ yes ☒ no

(Continued)

EAGLE COUNTY SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

Financial Statement Findings

2010-1 Financial Reporting

Criteria	The District is responsible to implement internal controls designed to ensure that financial information is accurate and timely.
Condition	The District restated prior period financial statements. In addition, other significant adjustments to the financial statements were proposed as a result of the audit process.
Context	The District recorded a liability for arbitrage earnings in the Building Fund, a governmental fund type. Because this liability is not due and payable for five years from the issuance date of the related debt, the liability should not be reflected in a fund that utilizes the modified accrual basis of accounting. In addition, audit adjustments were proposed to properly state receivables, deferred revenues, bonds issued, capital assets, and accrued liabilities.
Effect	The District was required to restate prior year financial statements, in the amount of \$1,960,458. The risk of misstatements in the District's financial statements is significantly increased when internal controls are inadequate and personnel lack the appropriate skills and knowledge.
Cause	The District has relied on the independent auditor to prepare the financial statements and footnotes. Because of the small size of the District, resources are not always available to properly record nonroutine transactions and prepare the financial statements.
Recommendation	We recommend that the District implement policies and procedures to accurately and completely record year-end adjustments. In addition, the District should evaluate its personnel needs and seek out the necessary training and expertise to allow for the accurate presentation of financial information.

Views of Responsible Officials and Planned Corrective Actions

See the accompanying Corrective Action Plan.

(Continued)

EAGLE COUNTY SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

Financial Statement Findings (Continued)

2010-2 Internal Controls over Federal Awards

Criteria	The District is required to have adequate internal controls in place to identify and report federal awards.
Condition	The District was unable to timely identify federal awards and measure the related revenues and expenditures.
Context	Based on our review of the schedule of expenditures of federal awards prepared by the District and inquiries of District personnel, certain federal awards were incorrectly excluded from the schedule. In addition, the District could not measure expenditures related to certain federal awards on a timely basis. For example, the District received federal funding from the Teacher Incentive Fund. District personnel did not completely understand the funding sources and did not record the expenditures properly in the accounting records.
Effect	Federal awards were not properly identified and reported. The lack of adequate internal control over federal awards could lead to noncompliance with federal regulations and grant agreements.
Cause	The District has a decentralized system of administering federal awards. Certain personnel are responsible for federal grant reporting, including reimbursement requests. Different personnel are responsible for maintaining the accounting records and preparing the schedule of expenditures of federal awards. Communication between these individuals was not adequate to properly identify and report the federal awards.
Recommendation	We recommend that the District strengthen its internal control over federal awards. This could be partially achieved by centralizing grant administration. District personnel in all departments should receive ongoing training on the identification and monitoring of federal awards.

Views of Responsible Officials and Planned Corrective Actions

See the accompanying Corrective Action Plan.

(Continued)

EAGLE COUNTY SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

Financial Statement Findings (Continued)

2010-3 Payroll Internal Controls

Criteria	The District is responsible to implement internal controls to prevent and detect errors and fraud.
Condition	The District does not have adequate segregation of duties over the payroll process.
Context	Conversations with District personnel and our review of system security indicate that all payroll and human resources personnel have access to change employee information in the payroll system. No supervisory review process has been established to mitigate this risk. In addition, the District does not have adequate procedures in place to notify human resources personnel when employees are terminated.
Effect	The risk of error or fraud is significantly increased when internal controls are lacking. Specifically, the District continued to pay some employees after separation of employment.
Cause	The District has a limited number of employees and as a result, does not always have complete segregation of duties in its accounting processes. Personnel turnover has required the District to circumvent internal controls to allow for completion of the payroll process.
Recommendation	We recommend that the District document policies and procedures and implement appropriate internal controls over the payroll process.

Views of Responsible Officials and Planned Corrective Actions

See the accompanying Corrective Action Plan.

(Continued)

EAGLE COUNTY SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

Federal Awards Findings and Questioned Costs

2010-4 Internal Controls over Compliance

U.S. Department of Education

Passed through Colorado Department of Education

CFDA 84.010 Title I

CFDA 84.389 ARRA - Title I

Criteria	A State may adopt its own written fiscal and administrative requirements, which are consistent with the provisions of OMB Circular A-87, for expending and accounting for all funds received by subrecipients under Elementary and Secondary Education Act (ESEA) programs. The Colorado Department of Education requires all school districts to submit applications prior to receiving ESEA grant awards. Teachers performing Title I program activities must be identified in the application to qualify as allowable costs for the Title I grant.
Condition	The District's accounting records included salary and benefit costs for eight teachers charged to the Title I grant that were not reported on the grant application.
Questioned Costs	None. The District subsequently received reimbursements for all salary and benefit costs.
Context	During the audit process, we identified eight teachers recorded in the District's accounting records that were not included in the grant application submitted to the Colorado Department of Education. Inquiries of District personnel indicated that they were not completely aware of the compliance requirements for the Title I grant that were adopted by the Colorado Department of Education.
Effect	The District could have paid teachers ineligible to provide Title I program activities. In addition, the risk that federal awards are spent for unallowable costs is increased when internal controls are weak and personnel lack the appropriate knowledge and experience.
Cause	The District did not have established procedures in place to compare expenditures approved in the Title I grant application to the expenditures recorded in the accounting records. District personnel lack the appropriate expertise to monitor compliance with certain federal grant requirements.
Recommendation	We recommend that the District strengthen its internal control over compliance with federal grant requirements. District personnel should receive ongoing training on the applicable requirements.

Views of Responsible Officials and Planned Corrective Actions

See the accompanying Corrective Action Plan.

(Continued)

EAGLE COUNTY SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

Federal Awards Findings and Questioned Costs (Continued)

2010-5 Procurement and Suspension and Debarment

U.S. Department of Education

Passed through Colorado Department of Education

CFDA 84.397 ARRA - State Fiscal Stabilization Fund

Criteria	Entities receiving federal awards shall follow laws and implement regulations applicable to procurement, as noted in the A-102 Common Rule. These entities are prohibited from contracting with parties that are suspended or debarred or whose principals are suspended or debarred.
Condition	The District does not have procedures in place to verify that contractors or vendors retained for work using federal awards are not suspended or debarred from performing such work. Payments to one contractor exceeded the minimum limit to verify that the contractor was not suspended or debarred from performing work on federally-funded projects.
Questioned Costs	None. The contractor hired by the District was not included on the General Services Administration's list of suspended or debarred entities.
Context	Our conversations with District personnel indicated that they were not aware of the requirement to verify that contractors are not suspended or debarred from performing work on federally-funded projects.
Effect	The District could have awarded a contract on a federally-funded project to an ineligible contractor. This increases the risk that substandard services could be provided.
Cause	The District receives many federal grant awards annually but has not historically paid contractors in excess of \$25,000. As a result, District personnel were not aware of the requirements related to suspension or debarment.
Recommendation	When the District enters into a contract that utilizes federal awards of \$25,000 or more, the District must verify that the vendor is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by General Services Administration (GSA), collecting a certification from the vendor, or adding a clause or condition to the contract with that vendor. In addition, District personnel responsible for federal grant administration should receive ongoing training to understand the laws and regulations that apply to its federal grant awards.

Views of Responsible Officials and Planned Corrective Actions

See the accompanying Corrective Action Plan.

EAGLE COUNTY SCHOOLS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2010

2009-1 Head Start

Corrective action was taken regarding this prior audit finding.

EAGLE COUNTY SCHOOLS

CORRECTIVE ACTION PLAN Year ended June 30, 2010

2010-1 Financial Reporting

After 28 years the district accountant retired. During 2009-10 we had difficulty replacing our accountant as is common in rural areas. Four different people held that position during 2009-10. We now stabilized this position and expect better results.

2010-2 Internal Controls over Federal Awards

The district has established a full time position to manage federal grants. We are providing training for employees that have responsibility for federal grants.

2010-3 Payroll Internal Controls

As a small school district we have only one employee processing payroll and limited employees in Human Resources. Over time the payroll department has found it necessary to perform duties better situated in the Human Resources department in order to process payroll. We are in the process of better defining the duties of Human Resources and Payroll employees and providing the training and support necessary to better segregation duties.

2010-4 Internal Controls over Compliance

The district has established a full time position to manage federal grants. We are providing training for employees that have responsibility for federal grants.

2010-5 Procurement and Suspension and Debarment

We have put in place a procedure to verify that contactors or vendors retained for work using federal awards and not suspended or debarred from performing such work. Contracts will now contain requiring disclosure of suspension from performing work on federal contracts and review of the Excluded Parties List System for any such contractors.



Board of Education
Eagle County Schools
Eagle, Colorado

**INDEPENDENT AUDITORS' REPORT ON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Eagle County Schools as of and for the year ended June 30, 2010, which collectively comprise the basic financial statements of the Eagle County Schools, as listed in the table of contents. These financial statements are the responsibility of the Eagle County Schools' management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the New America School, which represent 10 percent and 38 percent, respectively, of the assets and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to amounts included for the New America School, is based solely upon the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Eagle County Schools' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Swanhorst & Company LLC

December 16, 2010

EAGLE COUNTY SCHOOLS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2010

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Expenditures
U.S. Department of Education		
Direct Programs		
Teacher Incentive Fund	84.374	\$ 945,144
ARRA - Teacher Incentive Fund	84.385	472,446
Passed through Colorado Department of Education		
Title I	84.010	480,784
ARRA - Title I	84.389	248,068
Migrant Education	84.011	152,388
Safe and Drug-Free Schools and Communities	84.186	11,262
English Language Acquisition	84.365	198,066
Improving Teacher Quality	84.367	133,745
Education Technology	84.318	49,445
ARRA - Education Technology	84.386	8,462
Mathematics and Science Partnerships	84.366	240,515
Education for Homeless Children and Youth	84.196	27,000
ARRA - Education for Homeless Children and Youth	84.387	11,224
ARRA - State Fiscal Stabilization Fund	84.397	120,127
Passed through Colorado Community College System		
Career and Technical Education	84.048	14,194
Passed through Colorado Department of Human Services		
Vocational Rehabilitation	84.126	<u>76,749</u>
TOTAL U.S. DEPARTMENT OF EDUCATION		<u>3,189,619</u>
U.S. Department of Health and Human Services		
Direct Programs		
Head Start	93.600	458,813
ARRA - Head Start	93.708	<u>28,857</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		<u>487,670</u>
U.S. Department of Agriculture		
Passed through Colorado Department of Education		
National School Lunch Program	10.555	776,618
Passed through Colorado Department of Human Services		
Donated Commodities	10.555	<u>59,326</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE		<u>835,944</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE		<u>\$ 4,513,233</u>

See the accompanying Independent Auditors' Report.

EAGLE COUNTY SCHOOLS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2010

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, using the accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in the financial statements.

STATE COMPLIANCE



Board of Education
Eagle County Schools
Eagle, Colorado

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Eagle County Schools as of and for the year ended June 30, 2010, which collectively comprise the basic financial statements of the Eagle County Schools, as listed in the table of contents. These financial statements are the responsibility of the Eagle County Schools' management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the New America School, which represent 10 percent and 38 percent, respectively, of the assets and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to amounts included for the New America School, is based solely upon the report of the other auditors.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Eagle County Schools' basic financial statements. The accompanying auditor's integrity report is presented for purposes of additional analysis as required by State of Colorado statutes and is not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Swanhorst & Company LLC

December 16, 2010

Automated Data Exchange View Report

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Colorado Department of Education

EAGLE EAGLE COUNTY RE

Fiscal Year 2009-2010

District Code:

Colorado School District/BOCES
Auditor's Integrity Report

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*) +	1000 - 5999 Total Revenues & Other Sources -	0001 - 0999 Total Expenditures & Other Uses =	6700 - 6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental				
10 General Fund	13,548,674	51,014,630	51,697,202	12,866,103
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	0	0	0	0
Subtotal	13,548,674	51,014,630	51,697,202	12,866,103
11 Charter School Fund	-884,134	4,755,599	3,690,424	181,041
20,26-29 Special Revenue Fund	0	0	0	0
21 Capital Reserve Spec Revenue Fund	0	0	0	0
22 Govt Designated-Purpose Grants Fund	0	4,914,962	4,914,962	0
23 Pupil Activity Special Revenue Fund	0	0	0	0
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	2,402,608	2,402,608	0
30 Debt Service Fund	0	0	0	0
31 Bond Redemption Fund	10,172,649	30,246,568	29,642,054	10,777,163
41 Building Fund	24,771,588	950,641	15,877,047	9,845,182
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	305,766	642,075	542,075	405,766
TOTALS	47,914,544	94,927,083	108,766,371	34,075,256
Proprietary				
51 Food Service Fund	129,052	1,693,433	1,744,769	77,716
50 Other Enterprise Funds	893,677	145,786	133,348	906,116
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	876,750	5,580,229	5,546,107	910,872
TOTALS	1,899,479	7,419,449	7,424,223	1,894,705
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	697,933	1,188,191	1,168,827	717,297
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
TOTALS	697,933	1,188,191	1,168,827	717,297

*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.