

**BRUSH SCHOOL DISTRICT NO. RE-2(J)
BRUSH, COLORADO**

FINANCIAL STATEMENTS

June 30, 2010

**BRUSH SCHOOL DISTRICT NO. RE-2(J)
BRUSH, COLORADO**

ROSTER OF SCHOOL OFFICIALS

June 30, 2010

BOARD OF EDUCATION

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Dr. Donna Howell
Superintendent of Schools

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FINANCIAL SECTION



Board of Education
Brush School District No. RE-2(J)
Brush, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Brush School District No. RE-2(J) as of and for the year ended June 30, 2010, which collectively comprise the basic financial statements of the Brush School District No. RE-2(J), as listed in the table of contents. These financial statements are the responsibility of the Brush School District No. RE-2(J)'s management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Brush School District No. RE-2(J) 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 required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Brush School District No. RE-2(J)'s basic financial statements. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

January 18, 2011

Management's Discussion and Analysis
June 30, 2010

As management of the Morgan County Brush School District RE-2(J) (the District), we offer readers of the District's basic financial statements this narrative and analysis of the financial activities for the year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with additional information provided by auditors in the Independent Auditor's Report.

Profile of the District

The District boundaries are within Morgan and Washington counties. The District provides a full range of PK-12 educational school programs and services for 1,365 students during the school year. The school year is a traditional calendar with five attendance days per week starting in late August and ending in late May.

The District is governed by a seven-member Board of Education (the Board), whose members are elected by the electors within the District's boundaries. These Board members are not compensated; they donate their time and services. There are four school campuses in the District and one administration building.

Overall Factors Affecting Financial Conditions

Revenue for District operating costs is generated by the Colorado School Finance Act through a combination of local taxes and state funding. The number of pupils for which we receive funding declined to 1,449.8, from 1,461.5 in FY-09. However, the funded pupil count would have decreased more if not for the advantage of averaging the funded pupil count over a five year period.

Full-Day Kindergarten actual expenditures were in excess of projected expenditures, and therefore in excess of the Mill Levy Override, which resulted in an allocation from General Fund in the amount of \$213,175.

Financial and General Fund Budgetary Highlights

Employees did not receive a pay increase or a step increase. Health insurance premiums were increased to \$474 per month per employee. The District also incurred increased retirements payments to PERA and the average rate was 13.4% of employees' salaries. There were significant changes from budgeted to actual expenditures that were primarily related to supporting services. Supporting services expenditures were \$838,936 less than budgeted. Significant changes from the original to final budget included an increase in administrator salaries in the amount of \$11,103 and an increase in custodial supplies to \$60,000, rather than the original budgeted amount of \$50,000. Another large variance from the preliminary to the final budget was an increase in the budgeted amount for unemployment claims by \$25,000. Transfers out of general fund exceeded the budgeted amount due to the additional subsidy required for Full-Day Kindergarten expenditures.

Overview of Financial Statements

The basic financial statements are comprised of three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the financial statements

Government-Wide Financial Statements The government-wide financial statements are designed to provide readers with a broad overview of the District's finances. These are presented in a similar format to those of a publicly held company.

The *statement of net assets Page 1*, presents information on all the District's assets and liabilities, with the difference between the two being reported as *net assets*. Current year totals are compared to the previous year. Over a period of time, the increase or decrease in net assets may serve as a useful indicator of whether the financial position of the District is improving or declining.

The *statement of activities Page 2*, presents information on revenue and expenditures and how the District's net assets changed during the year. All changes in net assets are reported in the year they occur regardless of the timing of the cash in or cash out. Therefore, revenues may be reported that will actually not be received until after the year end and expenditures may be reported that will not be paid until after the year has ended.

Both of these government-wide financial statements show functions of the District that are principally supported by taxes and equalization funding rather than other functions that are intended to be supported through user fees and charges (business-type activities). The governmental activities of the District include instruction and support services. The business-type activity of this District is the school lunch services.

Fund Financial Statements. A fund is a group of related accounts that are used to maintain control over resources that are to be used for specific purposes. The funds for the District are divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The funds are reported using an accounting method called *modified accrual accounting*, which measures cash and all other financial assets that can readily be converted to cash. The governmental funds statements provide a detailed short-term view to cash, the governmental fund operations and the basic services provided. The information for governmental funds helps you see if there are enough financial resources for the programs the District needs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliations at the bottom of the fund financial statements.

The primary governmental fund is the General Fund. Most of the transactions for the day-to-day operations of the District flow through the General Fund. The other governmental funds that this district has are Capital Reserve, Capital Projects, Grants, Full-Day Kindergarten and Bond Redemption.

Proprietary Funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The District has one proprietary fund, the Food Services Fund. All revenues and expenses for providing a lunch and breakfast program to the students flow through these accounts.

Fiduciary Funds. Fiduciary funds are funds that are held in trust for uses other than to support the District's programs. The Scholarship Trust and Pupil Activity Funds are reported as this type of fund.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 11 through 22 of this report.

Financial Analysis of the School's Funds

General Fund

The General Fund is the primary operating fund of the District. At the end of the current fiscal year the unreserved fund balance of the general fund was \$2,098,274 with a total fund balance of \$2,479,274. The District's revenue from state equalization decreased from \$5,617,771 in fiscal year 2009 to \$5,573,571 in fiscal year 2010, while property taxes increased from \$4,458,069 to \$4,945,527 accordingly.

Capital Reserve Fund

The Capital Reserve Fund was established by Colorado law to assist with capital expenditures such as, improving or replacing facilities, equipment and insurance. School districts are no longer required to allocate money to this fund. However, the District transferred \$200,000 to the fund to support future capital expenditures. At the end of the current fiscal year, the Capital Reserve fund balance was \$246,091

Capital Projects Fund

The Capital Projects Fund has an ending fund balance of \$292,076. This money was left from the 2003 and 2004 bond proceeds after all construction and landscaping costs were paid. These funds will be used for other facility improvements as allowed by the bond question approved by the voters.

Food Service Fund

In July of 2009, we entered into a contract renewal with Chartwells Dining Services for the management of our school lunch program. The food service program generated net income (change in net assets) in the amount of \$34,283. Revenues for the food service fund increased by \$24,485 over last year while the expenditures decreased by \$1,598. We continue to see improvements in the quality of our lunches, the number of choices for students and no transfers from the general fund to the food service fund.

Full-Day Kindergarten Fund

The Full-Day Kindergarten Fund was established as a result of the Mill Levy Override which provides annual revenue in the amount of \$250,000. FY-10 was the second year that the program was offered and actual expenditures were in excess of projected expenditures, and therefore the Mill Levy Override was not enough, which resulted in an allocation from General Fund in the amount of \$213,175.

Designated Purpose Grant Fund

The Designated Purpose Grant Fund consists primarily of Title grants which are distributed to the District by Centennial BOCES for reimbursement of expenses incurred. FY-10 incurred grant expenditures in the amount of \$413,733, of which \$5,762 was not received causing the General Fund to subsidize these programs.

Bond Redemption Fund

The District has issued General Obligation Bonds to finance various construction and capital improvements within the District. Debt service payments in the amount of \$635,000 principal and \$444,006 interest were incurred in FY-10, with an ending fund balance of \$1,466,048. The District is responsible for the debt service associated with these bonds until December 2023.

Net Assets

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the Brush School District, assets exceeded liabilities by \$9,117,815.

Net Assets						
	FY-2009 Governmental Activities	FY-2009 Business- type Activities	FY-2009 Total	FY-2010 Governmental Activities	FY-2010 Business-type Activities	FY-2010 Total
Current and other assets	5,843,760	38,607	5,882,367	5,923,359	72,822	5,996,181
Capital assets	17,039,422	0	17,039,422	16,467,033	0	16,467,033
Total Assets	22,883,182	38,607	22,921,789	22,390,392	72,822	22,463,214
Long-term liabilities outstanding	12,092,481	0	12,092,481	11,322,814	0	11,384,025
Other liabilities	1,850,646	9,553	1,860,199	2,013,100	9,485	1,961,374
Total Liabilities	13,943,127	9,553	13,952,680	13,335,914	9,485	13,345,399
NET ASSETS						
Invested in capital assets, net of related debt	4,433,416	0	4,433,416	4,569,472	0	4,569,472
Restricted for:						
Emergencies	373,000	0	373,000	381,000	0	381,000
Debt service	1,330,489	0	1,330,489	1,473,143	0	1,473,143
Capital Purposes	649,636	0	649,636	337,231	0	337,231
Unrestricted	2,153,514	29,054	2,182,568	2,293,632	63,337	2,356,969
TOTAL NET ASSETS	8,940,055	29,054	8,969,109	9,054,478	63,337	9,117,815

Changes in Net Assets

Net assets for governmental activities increased over fiscal year 2009 by \$114,423. Net assets for business-type activities increased from the prior year by \$34,283. Total increase to net assets over fiscal year 2009 was \$148,706. The change in governmental activities net assets is primarily due to the increased revenues related to the instructional program. The increase in business-type net assets is due to the increased revenue related to the food service program.

Changes in Net Assets

	FY-2009 Governmental Activities	FY-2009 Business- type Activities	FY-2009 Total	FY-2010 Governmental Activities	FY-2010 Business-type Activities	FY-2010 Total
Revenue						
Program revenues:						
Charges for services	43,580	249,036	292,616	20,193	230,563	250,756
Operating grants and contributions	506,619	371,418	878,037	517,963	414,321	960,722
General revenues:						
Property taxes	5,870,172	0	5,870,172	6,354,765	0	6,354,765
Specific ownership taxes	599,301	0	599,301	568,760	0	568,760
State equalization	5,617,771	0	5,617,771	5,576,571	0	5,576,571
Investment earnings	56,092	70	56,162	9,729	125	9,854
Other revenue	298,411	0	298,411	272,214	0	272,214
Transfers	0	0	0	0	0	0
Total Revenues	12,991,946	620,524	13,612,470	13,320,195	645,009	14,020,180
Expenses:						
Instruction	7,979,155	0	7,979,155	8,120,698	0	8,120,698
Supporting services	4,423,239	612,324	5,035,563	4,597,207	610,726	5,207,933
Interest	492,837	0	492,837	487,867	0	487,867
Total Expenses	12,895,231	612,324	13,507,555	13,205,772	610,726	13,816,498
Increase (Decrease) in net assets	96,715	8,200	104,915	114,423	34,283	209,917
Net assets - Beginning	8,843,340	20,854	8,864,194	8,940,055	29,054	8,969,109
Net assets – Ending	8,940,055	29,054	8,969,109	9,054,478	63,337	9,117,815

Capital Assets and Debt Administration

Capital Assets

A new phone system, wrestling mats and hood suppression system was put in for use at Brush High School. In addition, a hood suppression system was purchased for use at the Brush Middle School. An infrastructure upgrade was done to all of the servers throughout Brush School District and a 2010 Chevy van was purchased for district use. With the addition of the new phone system at Brush High School, the old system was disposed of, along with an old computer system and mower.

Long-Term Debt

Payments to cover bond debt which originated with the November 2003 election continue to be made. Some bonds were refinanced when interest rates were lowered in 2006. The District will be paying for these obligations until 2024. In 2008, the district entered into loan agreements for buses, modular buildings and energy saving equipment. The District will continue making these loan payments until 2020.

Next Year's Budget

The 2010-2011 preliminary budget was adopted in June 2010 and the final budget will be adopted in February 2011. The funded pupil count for FY-11 is 1,444.9, compared to 1,449.8 for FY-10.

Information is Available

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

Brush School District RE-2(J)
Business Office
PO Box 585
Brush, CO 80723

BASIC FINANCIAL STATEMENTS

BRUSH SCHOOL DISTRICT NO. RE-2(J)

STATEMENT OF NET ASSETS

June 30, 2010

	GOVERNMENTAL	BUSINESS-TYPE	TOTALS	
	ACTIVITIES	ACTIVITIES	2010	2009
ASSETS				
Cash and Investments	\$ 5,260,414	\$ 17,632	\$ 5,278,046	\$ 4,992,223
Restricted Cash and Investments	292,076	-	292,076	291,544
Accounts Receivable	6,258	530	6,788	7,681
Taxes Receivable	138,553	-	138,553	322,524
Grants Receivable	50,428	39,450	89,878	65,722
Inventories	-	15,210	15,210	14,498
Bond Issuance Costs, Net of Accumulated Amortization	175,630	-	175,630	188,175
Capital Assets, Not Being Depreciated	597,193	-	597,193	597,193
Capital Assets, Net of Accumulated Depreciation	15,869,840	-	15,869,840	16,442,229
TOTAL ASSETS	22,390,392	72,822	22,463,214	22,921,789
LIABILITIES				
Accounts Payable	139,246	9,485	148,731	140,929
Accrued Liabilities	97,014	-	97,014	5,138
Accrued Salaries and Benefits	1,008,919	-	1,008,919	988,270
Noncurrent Liabilities				
Due Within One Year	767,921	-	767,921	725,862
Due in More Than One Year	11,322,814	-	11,322,814	12,092,481
TOTAL LIABILITIES	13,335,914	9,485	13,345,399	13,952,680
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	4,569,472	-	4,569,472	4,433,416
Restricted for Emergencies	381,000	-	381,000	373,000
Restricted for Debt Service	1,473,143	-	1,473,143	1,330,489
Restricted for Capital Purposes	337,231	-	337,231	649,636
Unrestricted	2,293,632	63,337	2,356,969	2,182,568
TOTAL NET ASSETS	\$ 9,054,478	\$ 63,337	\$ 9,117,815	\$ 8,969,109

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

BRUSH SCHOOL DISTRICT NO. RE-2(J)

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	\$ 8,120,698	\$ 20,193	\$ 426,336
Supporting Services	4,597,207	-	91,627
Interest on Long-Term Debt	487,867	-	-
Total Governmental Activities	<u>13,205,772</u>	<u>20,193</u>	<u>517,963</u>
Business-Type Activities			
Food Services	<u>610,726</u>	<u>230,563</u>	<u>414,321</u>
Total Business-Type Activities	<u>610,726</u>	<u>230,563</u>	<u>414,321</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 13,816,498</u>	<u>\$ 250,756</u>	<u>\$ 932,284</u>

GENERAL REVENUES

Local Property Taxes
 Specific Ownership Taxes
 State Equalization
 Investment Earnings
 Other

TOTAL GENERAL REVENUES

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

GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	
		2010	2009
\$ (7,674,169)	\$ -	\$ (7,674,169)	\$ (7,537,695)
(4,505,580)	-	(4,505,580)	(4,314,500)
<u>(487,867)</u>	<u>-</u>	<u>(487,867)</u>	<u>(492,837)</u>
<u>(12,667,616)</u>	<u>-</u>	<u>(12,667,616)</u>	<u>(12,345,032)</u>
<u>-</u>	<u>34,158</u>	<u>34,158</u>	<u>8,130</u>
<u>-</u>	<u>34,158</u>	<u>34,158</u>	<u>8,130</u>
<u>(12,667,616)</u>	<u>34,158</u>	<u>(12,633,458)</u>	<u>(12,336,902)</u>
6,354,765	-	6,354,765	5,870,172
568,760	-	568,760	599,301
5,576,571	-	5,576,571	5,617,771
9,729	125	9,854	56,162
<u>272,214</u>	<u>-</u>	<u>272,214</u>	<u>298,411</u>
<u>12,782,039</u>	<u>125</u>	<u>12,782,164</u>	<u>12,441,817</u>
114,423	34,283	148,706	104,915
<u>8,940,055</u>	<u>29,054</u>	<u>8,969,109</u>	<u>8,864,194</u>
<u>\$ 9,054,478</u>	<u>\$ 63,337</u>	<u>\$ 9,117,815</u>	<u>\$ 8,969,109</u>

BRUSH SCHOOL DISTRICT NO. RE-2(J)

BALANCE SHEET
GOVERNMENTAL FUNDS
 June 30, 2010

				<u>TOTALS</u>	
	<u>GENERAL</u>	<u>BOND REDEMPTION</u>	<u>NONMAJOR FUNDS</u>	<u>2010</u>	<u>2009</u>
ASSETS					
Cash and Investments	\$ 3,558,332	\$ 1,454,300	\$ 247,782	\$ 5,260,414	\$ 4,968,114
Restricted Cash and Investments	-	-	292,076	292,076	291,544
Accounts Receivable	6,258	-	-	6,258	7,681
Taxes Receivable	115,790	18,843	3,920	138,553	322,524
Grants Receivable	-	-	50,428	50,428	65,722
Interfund Receivables	57,316	-	-	57,316	65,722
	<u>3,737,696</u>	<u>1,473,143</u>	<u>594,206</u>	<u>5,805,045</u>	<u>5,721,307</u>
TOTAL ASSETS					
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 128,791	\$ -	\$ 10,455	\$ 139,246	\$ 131,376
Accrued Liabilities	97,014	-	-	97,014	5,138
Accrued Salaries and Benefits	1,008,919	-	-	1,008,919	988,270
Deferred Revenues	23,698	7,095	1,228	32,021	113,064
Interfund Payables	-	-	57,316	57,316	65,722
	<u>1,258,422</u>	<u>7,095</u>	<u>68,999</u>	<u>1,334,516</u>	<u>1,303,570</u>
TOTAL LIABILITIES					
FUND BALANCES					
Reserved for Emergencies	381,000	-	-	381,000	373,000
Unreserved, Reported in General Fund	2,098,274	-	-	2,098,274	2,079,816
Debt Service Fund	-	1,466,048	-	1,466,048	1,308,795
Special Revenue Funds	-	-	233,131	233,131	364,582
Capital Projects Fund	-	-	292,076	292,076	291,544
	<u>2,479,274</u>	<u>1,466,048</u>	<u>525,207</u>	<u>4,470,529</u>	<u>4,417,737</u>
TOTAL FUND BALANCES					
TOTAL LIABILITIES AND FUND BALANCES					
	<u>\$ 3,737,696</u>	<u>\$ 1,473,143</u>	<u>\$ 594,206</u>	<u>\$ 5,805,045</u>	<u>\$ 5,721,307</u>

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

Total Fund Balances of Governmental Funds	\$ 4,470,529	\$ 4,417,737
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	16,467,033	17,039,422
Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the funds.	32,021	113,064
Long-term liabilities and related items, including bonds payable (\$11,430,000), bond premiums (\$116,309), bond discount \$26,135, deferred amount on refunding \$152,187, loans payable (\$705,204), compensated absences (\$17,544), and bond issuance costs \$175,630 are not due and payable in the current year and, therefore, are not reported in the funds.	<u>(11,915,105)</u>	<u>(12,630,168)</u>
Total Net Assets of Governmental Activities	<u>\$ 9,054,478</u>	<u>\$ 8,940,055</u>

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

BRUSH SCHOOL DISTRICT NO. RE-2(J)

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

	GENERAL	BOND REDEMPTION	NONMAJOR FUNDS	TOTALS	
				2010	2009
REVENUES					
Local Sources	\$ 5,804,642	\$ 1,236,259	\$ 576,384	\$ 7,617,285	\$ 7,063,512
County Sources	4,207	-	-	4,207	727
State Sources	5,686,563	-	32,227	5,718,790	5,839,017
Federal Sources	-	-	60,956	60,956	-
TOTAL REVENUES	11,495,412	1,236,259	669,567	13,401,238	12,903,256
EXPENDITURES					
Instruction	6,792,218	-	737,627	7,529,845	7,398,509
Supporting Services	4,263,561	-	254,108	4,517,669	4,245,599
Capital Outlay	-	-	92,075	92,075	208,188
Debt Service					
Principal	-	635,000	90,932	725,932	721,131
Interest and Fiscal Charges	-	444,006	38,919	482,925	487,895
TOTAL EXPENDITURES	11,055,779	1,079,006	1,213,661	13,348,446	13,061,322
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	439,633	157,253	(544,094)	52,792	(158,066)
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	413,175	413,175	472,629
Transfers Out	(413,175)	-	-	(413,175)	(472,629)
TOTAL OTHER FINANCING SOURCES (USES)	(413,175)	-	413,175	-	-
NET CHANGE IN FUND BALANCES	26,458	157,253	(130,919)	52,792	(158,066)
FUND BALANCES, Beginning	2,452,816	1,308,795	656,126	4,417,737	4,575,803
FUND BALANCES, Ending	\$ 2,479,274	\$ 1,466,048	\$ 525,207	\$ 4,470,529	\$ 4,417,737

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

BRUSH SCHOOL DISTRICT NO. RE-2(J)

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

	2010	2009
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Net Change in Fund Balances of Governmental Funds	\$ 52,792	\$ (158,066)
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 depreciation expense (\$671,425) exceeded capital outlay \$99,036 in the current year.	(572,389)	(553,843)
Revenues that do not provide current financial resources are deferred in the governmental funds but are recognized in the government-wide financial statements. This amount represents the change in deferred property tax revenues.	(81,043)	88,690
Repayments of bonds \$635,000 and loans \$90,932 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.	725,932	721,131
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 the governmental funds. This amount represents the amortization of bond premiums \$8,308, amortization of bond discount (\$1,942), amortization of deferred amount on refunding (\$11,308), change in compensated absences \$6,618, and amortization of bond issuance costs (\$12,545).	(10,869)	(1,197)
Change in Net Assets of Governmental Activities	\$ 114,423	\$ 96,715

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

BRUSH SCHOOL DISTRICT NO. RE-2(J)

STATEMENT OF NET ASSETS
PROPRIETARY FUND
 June 30, 2010

	FOOD SERVICES	
	2010	2009
ASSETS		
Current Assets		
Cash and Investments	\$ 17,632	\$ 24,109
Accounts Receivable	530	-
Grants Receivable	39,450	-
Inventories	15,210	14,498
TOTAL ASSETS	72,822	38,607
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current Liabilities		
Accounts Payable	9,485	9,553
TOTAL LIABILITIES	9,485	9,553
NET ASSETS		
Unrestricted	63,337	29,054
TOTAL NET ASSETS	\$ 63,337	\$ 29,054

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

BRUSH SCHOOL DISTRICT NO. RE-2(J)

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
PROPRIETARY FUND
 Year Ended June 30, 2010

	<u>FOOD SERVICES</u>	
	<u>2010</u>	<u>2009</u>
OPERATING REVENUES		
Charges for Services		
Student Lunches	\$ 188,306	\$ 208,308
Other	42,257	40,728
	<u>230,563</u>	<u>249,036</u>
OPERATING EXPENSES		
Salaries	106,031	103,836
Employee Benefits	46,745	43,298
Purchased Services	153,194	159,549
Food	282,160	285,086
Supplies and Materials	18,837	7,565
Other	3,759	12,990
	<u>610,726</u>	<u>612,324</u>
TOTAL OPERATING EXPENSES		
OPERATING LOSS	<u>(380,163)</u>	<u>(363,288)</u>
NONOPERATING INCOME		
Federal Sources		
School Lunch and Breakfast Programs	356,048	325,300
Donated Commodities	45,925	35,404
State Sources	12,348	10,714
Investment Earnings	125	70
	<u>414,446</u>	<u>371,488</u>
TOTAL NONOPERATING INCOME		
CHANGE IN NET ASSETS	34,283	8,200
NET ASSETS, Beginning	<u>29,054</u>	<u>20,854</u>
NET ASSETS, Ending	<u>\$ 63,337</u>	<u>\$ 29,054</u>

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

BRUSH SCHOOL DISTRICT NO. RE-2(J)

STATEMENT OF CASH FLOWSPROPRIETARY FUNDIncrease (Decrease) in Cash
Year Ended June 30, 2010

	<u>FOOD SERVICES</u>	
	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Sale of Meals	\$ 188,306	\$ 208,308
Cash Received from Others	41,727	55,679
Cash Paid to Suppliers	(412,805)	(431,169)
Cash Paid to Employees	<u>(152,776)</u>	<u>(147,134)</u>
Net Cash Used for Operating Activities	<u>(335,548)</u>	<u>(314,316)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Payments to Other Funds	-	(29,982)
Cash Received from Federal Grants	316,598	357,623
Cash Received from State Grants	<u>12,348</u>	<u>10,714</u>
Net Cash Provided by Noncapital Financing Activities	<u>328,946</u>	<u>338,355</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	<u>125</u>	<u>70</u>
NET INCREASE (DECREASE) IN CASH	(6,477)	24,109
CASH, Beginning	<u>24,109</u>	<u>-</u>
CASH, Ending	<u>\$ 17,632</u>	<u>\$ 24,109</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES		
Operating Loss	\$ (380,163)	\$ (363,288)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities		
Donated Commodities	45,925	35,404
Changes in Assets and Liabilities		
Accounts Receivable	(530)	14,951
Inventories	(712)	(1,952)
Accounts Payable	<u>(68)</u>	<u>569</u>
Total Adjustments	<u>44,615</u>	<u>48,972</u>
Net Cash Used for Operating Activities	<u>\$ (335,548)</u>	<u>\$ (314,316)</u>
NON-CASH ACTIVITIES		
Commodities Received and Consumed	<u>\$ 45,925</u>	<u>\$ 35,404</u>

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

BRUSH SCHOOL DISTRICT NO. RE-2(J)

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2010

	TRUST		AGENCY	
	SCHOLARSHIP		PUPIL ACTIVITY	
	2010	2009	2010	2009
ASSETS				
Cash and Investments	\$ 308,327	\$ 315,687	\$ 222,551	\$ 191,614
LIABILITIES				
Due to Student Groups	-	-	222,551	191,614
TOTAL LIABILITIES	-	-	222,551	191,614
NET ASSETS				
Reserved for Scholarships	\$ 308,327	\$ 315,687	\$ -	\$ -

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

BRUSH SCHOOL DISTRICT NO. RE-2(J)

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE-PURPOSE TRUST FUND
 Year Ended June 30, 2010

	<u>SCHOLARSHIP</u>	
	<u>2010</u>	<u>2009</u>
ADDITIONS		
Investment Earnings	\$ 3,754	\$ 8,292
Contributions	<u>106,529</u>	<u>85,914</u>
TOTAL ADDITIONS	110,283	94,206
DEDUCTIONS		
Scholarships	<u>117,643</u>	<u>114,435</u>
CHANGE IN NET ASSETS	(7,360)	(20,229)
NET ASSETS, Beginning	<u>315,687</u>	<u>335,916</u>
NET ASSETS, Ending	<u>\$ 308,327</u>	<u>\$ 315,687</u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Brush School District No. RE-2(J) (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, no additional organizations are included in the District’s reporting entity.

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. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges for interfund services that are reasonably equivalent to the services provided. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a 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 governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the District’s government-wide financial statements. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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)

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

Additionally, the District reports the following fund types:

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

The *Scholarship Private-Purpose Trust Fund* accounts for various scholarship accounts. The District holds all resources in a purely custodial capacity.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary and trust fund financial statements. Revenues are recorded when earned and expenses are recorded when the 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 uses 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. 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.

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)

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

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

Assets, Liabilities and Fund Balances/Net Assets

Investments - Investments are stated at fair value.

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

Interfund Receivables and Payables - During the course of operations, certain transactions occur between individual funds. The resulting receivables and payables are classified on the balance sheet as *interfund receivables* and *interfund payables*.

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

Inventories - Inventories of the proprietary fund are valued at the lower of cost or market, using the first-in, first-out method. Purchased inventories are stated at cost. Donated inventories, received at no cost under a program supported by the federal government, are recorded at the estimated fair market value at the date of receipt.

Capital Assets - Capital assets, which include property and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary fund in the fund financial statements. Capital assets are defined by the District as assets with an initial, individual cost of 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 the asset life are not capitalized.

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 of the District are depreciated using the straight-line method over the following estimated useful lives.

Buildings and Improvements	10 - 40 years
Transportation Equipment	5 - 20 years
Equipment	5 - 20 years

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

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

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

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

Compensated Absences - The District's policy allows employees to accumulate vacation leave. Accumulated leave is paid upon termination of employment. These compensated absences are recognized as current salary costs when earned in the proprietary funds and when paid in the governmental funds. A long-term liability has been reported in the government-wide financial statements for the accrued compensated absences.

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

Property Taxes

Property taxes attach as an enforceable lien on property on January 1, are levied the following December, and are collected in the subsequent year. Taxes are payable 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Comparative Information**

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

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**Accountability**

At June 30, 2010, the Grants and Full Day Kindergarten Funds had deficit fund balances of \$5,762 and \$7,198, respectively. Management expects these deficit balances to be subsidized with transfers from the General Fund.

NOTE 3: CASH AND INVESTMENTS

At June 30, 2010, cash and investments consisted of the following:

Cash on Hand	\$ 1,500
Deposits	770,938
Investments	<u>5,328,562</u>
Total	<u>\$ 6,101,000</u>

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

Cash and Investments	\$ 5,278,046
Restricted Cash and Investments	292,076
Fiduciary Funds Cash and Investments	<u>530,878</u>
Total	<u>\$ 6,101,000</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 \$456,652 collateralized with securities held by the financial institutions' agents but not in the District's name.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 3: CASH AND INVESTMENTS (Continued)**Investments**

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

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

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

Local Government Investment Pool - At June 30, 2010, the District had \$5,038,262 and \$290,300, respectively, invested in the Colorado Local Government Liquid Asset Trust (Colotrust) and the Colorado Surplus Asset Fund Trust (CSAFE), investment vehicles 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 the Pools. The Pools operate similarly to a money market fund with each share equal in value to \$1.00. The Pools are rated AAAM by Standard and Poor's. Investments of the Pools are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

Restricted Cash and Investments

Cash and investments of \$292,076, representing unspent bond proceeds, have been restricted for capital purchases in the Capital Projects Fund.

NOTE 4: INTERFUND BALANCES AND TRANSACTIONS

Interfund balances and transfers as of and for the year ended June 30, 2010, were comprised of the following:

<u>Interfund Receivables</u>	<u>Interfund Payables</u>	
General	Grants	\$ 47,426
General	Full Day Kindergarten	<u>9,890</u>
Total		<u><u>\$ 57,316</u></u>

The General Fund has temporarily subsidized the negative cash balances of the Grants and Full Day Kindergarten Funds.

BRUSH SCHOOL DISTRICT NO. RE-2(J)

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 4: INTERFUND BALANCES AND TRANSACTIONS (Continued)

<u>Transfers In</u>	<u>Transfers Out</u>	
Capital Reserve	General	\$ 200,000
Full Day Kindergarten	General	<u>213,175</u>
Total		<u>\$ 413,175</u>

The General Fund routinely transfers certain amounts to the Capital Reserve Fund for debt service and capital purchases and subsidizes the operations of the Full Day Kindergarten Fund.

NOTE 5: CAPITAL ASSETS

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

	<u>Balances</u> 6/30/09	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> 6/30/10
Governmental Activities				
Capitals Assets, Not Being Depreciated				
Land	\$ 597,193	\$ -	\$ -	\$ 597,193
Capital Assets, Being Depreciated				
Buildings and Improvements	28,781,675	-	-	28,781,675
Transportation Equipment	1,354,238	22,898	-	1,377,136
Equipment	431,303	76,138	44,552	462,889
Total Capital Assets, Being Depreciated	<u>30,567,216</u>	<u>99,036</u>	<u>44,552</u>	<u>30,621,700</u>
Less Accumulated Depreciation				
Buildings and Improvements	(12,968,582)	(573,040)	-	(13,541,622)
Transportation Equipment	(835,320)	(61,146)	-	(896,466)
Equipment	(321,085)	(37,239)	(44,552)	(313,772)
Total Accumulated Depreciation	<u>(14,124,987)</u>	<u>(671,425)</u>	<u>(44,552)</u>	<u>(14,751,860)</u>
Total Capital Assets, Being Depreciated, Net	<u>16,442,229</u>	<u>(572,389)</u>	<u>-</u>	<u>15,869,840</u>
Governmental Activities Capital Assets, Net	<u>\$ 17,039,422</u>	<u>\$ (572,389)</u>	<u>\$ -</u>	<u>\$ 16,467,033</u>
Business-Type Activities				
Capital Assets, Being Depreciated				
Equipment	\$ 142,176	\$ -	\$ -	\$ 142,176
Less Accumulated Depreciation	<u>(142,176)</u>	<u>-</u>	<u>-</u>	<u>(142,176)</u>
Business-Type Activities Capital Assets, Net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

BRUSH SCHOOL DISTRICT NO. RE-2(J)

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 5: CAPITAL ASSETS (Continued)

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

Governmental Activities	
Instruction	\$ 590,853
Supporting Services	<u>80,572</u>
Total	<u><u>\$ 671,425</u></u>

NOTE 6: LONG-TERM DEBT

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

	<u>Balances</u> <u>6/30/09</u>	<u>Additions</u>	<u>Payments</u>	<u>Balances</u> <u>6/30/10</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities					
2003 GO Bonds	\$ 6,060,000	\$ -	\$ 405,000	\$ 5,655,000	\$ 420,000
2003 Premium	78,610	-	5,241	73,369	-
2004 GO Bonds	2,615,000	-	205,000	2,410,000	210,000
2004 Premium	46,007	-	3,067	42,940	-
2006 GO Refunding Bonds	3,390,000	-	25,000	3,365,000	25,000
2006 Discount	(28,077)	-	(1,942)	(26,135)	-
Deferred Amount on Refunding	(163,495)	-	(11,308)	(152,187)	-
Loans Payable	796,136	-	90,932	705,204	95,377
Compensated Absences	<u>24,162</u>	<u>-</u>	<u>6,618</u>	<u>17,544</u>	<u>17,544</u>
Total	<u><u>\$ 12,818,343</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 727,608</u></u>	<u><u>\$ 12,090,735</u></u>	<u><u>\$ 767,921</u></u>

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

General Obligation Bonds

In December 2003, the District issued \$9,850,000 General Obligation Bonds to finance the construction of a new elementary school and to make improvements to the middle school and high school. Interest payments are due semi-annually on June 1 and December 1 at rates ranging from 2% to 5%. Principal payments are due annually on December 1, with final payment due December 1, 2023.

In January 2004, the District issued \$4,650,000 General Obligation Bonds and \$200,000 Interest Registered Coupons to continue construction of a new elementary school and to make improvements to the middle school and high school. The Coupons matured on December 1, 2004, including interest accrued at 1.1%. Interest payments are due semi-annually on June 1 and on December 1, at rates ranging from 1.1% to 5%. Principal payments are due annually on December 1, with final payment due December 1, 2023.

In December 2006, the District issued \$3,440,000 General Obligation Refunding Bonds to partially refund the Series 2003 and 2004 General Obligation Bonds. Interest payments are due semi-annually on June 1 and December 1 at rates ranging from 3.75% to 4%. Principal payments are due annually on December 1, with final payment due December 1, 2023.

BRUSH SCHOOL DISTRICT NO. RE-2(J)

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 6: LONG-TERM DEBT (Continued)**General Obligation Bonds (Continued)**

Payments to maturity for the Bonds are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 655,000	\$ 422,303	\$ 1,077,303
2012	675,000	401,535	1,076,535
2013	695,000	379,292	1,074,292
2014	720,000	354,354	1,074,354
2015	745,000	327,869	1,072,869
2016 - 2020	4,165,000	1,183,969	5,348,969
2021 - 2024	<u>3,775,000</u>	<u>303,687</u>	<u>4,078,687</u>
Total	<u>\$ 11,430,000</u>	<u>\$ 3,373,009</u>	<u>\$ 14,803,009</u>

Loans Payable

During 2008, the District entered into loan agreements in the amount of \$932,064 to purchase energy saving equipment, buses, and modular buildings. Annual payments ranging from \$24,500 to \$69,841, including interest at rates ranging from 4.75% to 5.25%, are due on July 1 and September 1, through 2019.

Payments to maturity are as follows.

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 95,377	\$ 34,474	\$ 129,851
2012	100,115	29,736	129,851
2013	69,512	24,829	94,341
2014	72,935	21,406	94,341
2015	76,455	17,886	94,341
2016 - 2020	<u>290,810</u>	<u>33,718</u>	<u>324,528</u>
Total	<u>\$ 705,204</u>	<u>\$ 162,049</u>	<u>\$ 867,253</u>

Defeased Debt

Proceeds of the General Obligation Refunding Bonds, Series 2006, were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments for \$3,140,000 of the General Obligation Bonds, Series 2003 and 2004. As a result, the refunded bonds are considered defeased and have been removed from the financial statements. The outstanding balance of the defeased debt at June 30, 2010, was \$3,140,000.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 7: JOINTLY GOVERNED ORGANIZATION

BOCES

The District, in conjunction with other surrounding districts, participates in the Centennial 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. During the year ended June 30, 2010, the District contributed \$72,402 to the BOCES. Separate financial statements for the BOCES are available at 830 South Lincoln Street, Longmont, Colorado 80501.

NOTE 8: 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 plans to provide for or restore the economic damages of those losses through risk transfer. The District participates in the Colorado School District Self-Insurance Pool for property and liability coverages. The District utilizes a commercial insurance carrier for workers compensation and employee health and dental insurance.

Colorado School Districts Self-Insurance Pool

The Colorado School Districts Self-Insurance Pool (CSDSIP), sponsored by the Colorado Association of School Boards (CASB), 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 CASB, with the remaining five members being appointed by the Board of Directors of CASB. The District pays an annual premium to the CSDSIP for various types of 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.

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).

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 9: DEFINED BENEFIT PENSION PLAN (Continued)

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 School's contribution rate for the calendar years 2010, 2009 and 2008 was 13.85%, 12.95% and 12.05% of covered salary, respectively. A portion of the School's contribution (1.02% of covered salary) is 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 \$967,323, \$890,685 and \$784,453, respectively, equal to the required contributions for each year.

NOTE 10: POSTEMPLOYMENT HEALTHCARE BENEFITS

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

Funding Policy - The District was required to contribute at a rate of 1.02% of covered salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contribution to the HCTF is established under Title 24, Article 51, Section 208 of the CRS, as amended. The District's apportionment to the HCTF for the years ended June 30, 2010, 2009 and 2008 were \$73,324, \$70,871 and \$67,621, respectively, equal to the required amounts for each year.

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 the Tabor Amendment to the State Constitution which limits state and local government tax powers and imposes spending limitations. The District is subject to the Amendment. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded.

BRUSH SCHOOL DISTRICT NO. RE-2(J)

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 11: COMMITMENTS AND CONTINGENCIES (Continued)

Tabor Amendment (Continued)

In November, 1997, electors within the District authorized the District to collect, retain and/or expend all revenues lawfully received by the District from any source during fiscal year 1998-99 and each year thereafter without regard to the limitations and conditions under the Tabor Amendment or any other law. The Amendment is subject to many interpretations, but the District believes it is in substantial compliance with the Amendment. As required by the Amendment, the District has established a reserve for emergencies of \$381,000 at June 30, 2010. This reserve is reported as a reservation of fund balance in the General Fund.

NOTE 12: RESTATEMENT

During the year ended June 30, 2010, the District restated accumulated depreciation on capital assets of the governmental activities to correct errors from prior years. Net assets and capital assets at June 30, 2009, were restated to reflect these corrections, as follows:

	<u>Net Assets</u>	<u>Capital Assets</u>
Net Assets, June 30, 2009, as Originally Stated	\$ 8,564,212	\$ 16,663,579
Accumulated Depreciation	<u>375,843</u>	<u>375,843</u>
Net Assets, June 30, 2009, as Restated	<u>\$ 8,940,055</u>	<u>\$ 17,039,422</u>

REQUIRED SUPPLEMENTARY INFORMATION

BRUSH SCHOOL DISTRICT NO. RE-2(J)

BUDGETARY COMPARISON SCHEDULEGENERAL FUND

Year Ended June 30, 2010

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	VARIANCE Positive (Negative)
REVENUES				
Local Sources				
Property Taxes	\$ 4,671,384	\$ 4,821,686	\$ 4,945,527	\$ 123,841
Specific Ownership Taxes	460,666	420,226	568,340	148,114
Delinquent Taxes, Penalties and Interest	11,000	11,000	10,083	(917)
Tuition	39,700	39,700	20,193	(19,507)
Investment Earnings	35,000	35,000	5,520	(29,480)
Other	241,160	241,160	254,979	13,819
Total Local Sources	<u>5,458,910</u>	<u>5,568,772</u>	<u>5,804,642</u>	<u>235,870</u>
County Sources	<u>267</u>	<u>267</u>	<u>4,207</u>	<u>3,940</u>
State Sources				
State Equalization	5,755,231	5,862,433	5,576,571	(285,862)
Vocational Education	40,000	40,000	18,365	(21,635)
Transportation	359,663	110,000	91,627	(18,373)
Total State Sources	<u>6,154,894</u>	<u>6,012,433</u>	<u>5,686,563</u>	<u>(325,870)</u>
TOTAL REVENUES	<u>11,614,071</u>	<u>11,581,472</u>	<u>11,495,412</u>	<u>(86,060)</u>
EXPENDITURES				
Instruction				
Salaries	4,797,982	4,653,319	4,697,382	(44,063)
Employee Benefits	1,438,768	1,440,731	1,342,495	98,236
Purchased Services	431,038	431,038	413,437	17,601
Supplies and Materials	405,247	404,747	307,265	97,482
Property	25,572	28,072	21,870	6,202
Other	8,750	8,750	9,769	(1,019)
Total Instruction	<u>7,107,357</u>	<u>6,966,657</u>	<u>6,792,218</u>	<u>174,439</u>
Supporting Services				
Students				
Salaries	465,439	465,439	474,776	(9,337)
Employee Benefits	165,147	165,147	162,228	2,919
Purchased Services	69,820	69,820	37,936	31,884
Supplies and Materials	1,780	1,780	2,241	(461)
Total Students	<u>702,186</u>	<u>702,186</u>	<u>677,181</u>	<u>25,005</u>

(Continued)

See the accompanying Independent Auditors' Report.

BRUSH SCHOOL DISTRICT NO. RE-2(J)

BUDGETARY COMPARISON SCHEDULEGENERAL FUND

Year Ended June 30, 2010

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE Positive (Negative)</u>
EXPENDITURES (Continued)				
Supporting Services (Continued)				
Instructional Staff				
Salaries	109,882	109,882	108,677	1,205
Employee Benefits	44,727	44,727	41,140	3,587
Purchased Services	49,051	49,837	36,511	13,326
Supplies and Materials	37,301	37,301	32,600	4,701
Other	6,056	6,056	1,855	4,201
Total Instructional Staff	<u>247,017</u>	<u>247,803</u>	<u>220,783</u>	<u>27,020</u>
General Administration				
Salaries	258,826	258,826	250,637	8,189
Employee Benefits	65,426	65,426	53,711	11,715
Purchased Services	102,330	102,330	153,694	(51,364)
Supplies and Materials	17,900	17,900	19,450	(1,550)
Other	21,700	35,096	14,326	20,770
Total General Administration	<u>466,182</u>	<u>479,578</u>	<u>491,818</u>	<u>(12,240)</u>
School Administration				
Salaries	405,007	394,741	388,438	6,303
Employee Benefits	94,234	92,709	89,280	3,429
Purchased Services	15,200	12,700	9,107	3,593
Supplies and Materials	10,232	10,232	7,581	2,651
Other	5,220	5,220	4,573	647
Total School Administration	<u>529,893</u>	<u>515,602</u>	<u>498,979</u>	<u>16,623</u>
Business Services				
Salaries	110,526	109,109	115,325	(6,216)
Employee Benefits	34,780	34,671	32,737	1,934
Purchased Services	8,625	8,625	7,065	1,560
Supplies and Materials	2,000	2,000	923	1,077
Total Business Services	<u>155,931</u>	<u>154,405</u>	<u>156,050</u>	<u>(1,645)</u>
Operations and Maintenance				
Salaries	531,581	502,548	486,163	16,385
Employee Benefits	168,542	168,382	138,895	29,487
Purchased Services	115,220	115,580	114,719	861
Supplies and Materials	587,035	597,035	516,066	80,969
Other	3,150	3,150	6,804	(3,654)
Total Operations and Maintenance	<u>1,405,528</u>	<u>1,386,695</u>	<u>1,262,647</u>	<u>124,048</u>

(Continued)

See the accompanying Independent Auditors' Report.

BRUSH SCHOOL DISTRICT NO. RE-2(J)

BUDGETARY COMPARISON SCHEDULEGENERAL FUND

Year Ended June 30, 2010

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	VARIANCE Positive (Negative)
EXPENDITURES (Continued)				
Supporting Services (Continued)				
Student Transportation				
Salaries	276,811	276,811	292,827	(16,016)
Employee Benefits	117,473	117,473	103,975	13,498
Purchased Services	6,800	6,800	8,322	(1,522)
Supplies and Materials	185,158	185,158	163,942	21,216
Property	1,000	1,000	953	47
Total Student Transportation	<u>587,242</u>	<u>587,242</u>	<u>570,019</u>	<u>17,223</u>
Central Support				
Salaries	79,351	79,351	69,691	9,660
Employee Benefits	23,148	23,148	19,263	3,885
Purchased Services	295,148	324,133	287,856	36,277
Supplies and Materials	9,071	9,071	7,708	1,363
Property	1,800	1,800	-	1,800
Other	-	-	1,566	(1,566)
Total Central Support	<u>408,518</u>	<u>437,503</u>	<u>386,084</u>	<u>51,419</u>
Reserves	<u>552,377</u>	<u>591,483</u>	<u>-</u>	<u>591,483</u>
Total Supporting Services	<u>5,054,874</u>	<u>5,102,497</u>	<u>4,263,561</u>	<u>838,936</u>
TOTAL EXPENDITURES	<u>12,162,231</u>	<u>12,069,154</u>	<u>11,055,779</u>	<u>1,013,375</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(548,160)	(487,682)	439,633	927,315
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(367,937)</u>	<u>(367,937)</u>	<u>(413,175)</u>	<u>(45,238)</u>
NET CHANGE IN FUND BALANCE	(916,097)	(855,619)	26,458	882,077
FUND BALANCE, Beginning	<u>2,667,013</u>	<u>2,667,013</u>	<u>2,452,816</u>	<u>(214,197)</u>
FUND BALANCE, Ending	<u>\$ 1,750,916</u>	<u>\$ 1,811,394</u>	<u>\$ 2,479,274</u>	<u>\$ 667,880</u>

See the accompanying Independent Auditors' Report.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2010

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

Budgets are adopted for all funds on a basis consistent with generally accepted accounting principles, except the enterprise fund which budgets using a non-GAAP basis whereby transfers are reported as revenues. All annual appropriations lapse at fiscal year end.

The District adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

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

Legal Compliance

For the year ended June 30, 2010, the Capital Reserve and Full Day Kindergarten Funds expenditures exceeded the budgeted amounts by \$7,809 and \$71,966, respectively. In addition, appropriations of the Grants, Full Day Kindergarten and Food Services Funds exceeded the resources available. These may be violations of State statutes.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

BRUSH SCHOOL DISTRICT NO. RE-2(J)

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2010

	<u>CAPITAL RESERVE</u>	<u>GRANTS</u>	<u>FULL DAY KINDERGARTEN</u>	<u>CAPITAL PROJECTS</u>	<u>TOTALS</u>
ASSETS					
Cash and Investments	\$ 247,782	\$ -	\$ -	\$ -	\$ 247,782
Restricted Cash and Investments	-	-	-	292,076	292,076
Taxes Receivable	-	-	3,920	-	3,920
Grants Receivable	-	50,428	-	-	50,428
	-	-	-	-	-
TOTAL ASSETS	<u>\$ 247,782</u>	<u>\$ 50,428</u>	<u>\$ 3,920</u>	<u>\$ 292,076</u>	<u>\$ 594,206</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 1,691	\$ 8,764	\$ -	\$ -	\$ 10,455
Deferred Revenues	-	-	1,228	-	1,228
Interfund Payables	-	47,426	9,890	-	57,316
	-	-	-	-	-
TOTAL LIABILITIES	<u>1,691</u>	<u>56,190</u>	<u>11,118</u>	<u>-</u>	<u>68,999</u>
FUND BALANCES					
Unreserved, Reported in					
Special Revenue Funds	246,091	(5,762)	(7,198)	-	233,131
Capital Projects Fund	-	-	-	292,076	292,076
	-	-	-	-	-
TOTAL FUND BALANCES	<u>246,091</u>	<u>(5,762)</u>	<u>(7,198)</u>	<u>292,076</u>	<u>525,207</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 247,782</u>	<u>\$ 50,428</u>	<u>\$ 3,920</u>	<u>\$ 292,076</u>	<u>\$ 594,206</u>

See the accompanying Independent Auditors' Report.

BRUSH SCHOOL DISTRICT NO. RE-2(J)

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

	<u>CAPITAL RESERVE</u>	<u>GRANTS</u>	<u>FULL DAY KINDERGARTEN</u>	<u>CAPITAL PROJECTS</u>	<u>TOTALS</u>
REVENUES					
Local Sources	\$ 936	\$ 314,788	\$ 260,128	\$ 532	\$ 576,384
State Sources	-	32,227	-	-	32,227
Federal Sources	-	60,956	-	-	60,956
TOTAL REVENUES	<u>936</u>	<u>407,971</u>	<u>260,128</u>	<u>532</u>	<u>669,567</u>
EXPENDITURES					
Instruction	-	351,366	386,261	-	737,627
Supporting Services	103,342	50,036	100,730	-	254,108
Capital Outlay	79,744	12,331	-	-	92,075
Debt Service					
Principal	90,932	-	-	-	90,932
Interest and Fiscal Charges	38,919	-	-	-	38,919
TOTAL EXPENDITURES	<u>312,937</u>	<u>413,733</u>	<u>486,991</u>	<u>-</u>	<u>1,213,661</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(312,001)	(5,762)	(226,863)	532	(544,094)
OTHER FINANCING SOURCES					
Transfers In	200,000	-	213,175	-	413,175
NET CHANGE IN FUND BALANCES	(112,001)	(5,762)	(13,688)	532	(130,919)
FUND BALANCES, Beginning	<u>358,092</u>	<u>-</u>	<u>6,490</u>	<u>291,544</u>	<u>656,126</u>
FUND BALANCES, Ending	<u>\$ 246,091</u>	<u>\$ (5,762)</u>	<u>\$ (7,198)</u>	<u>\$ 292,076</u>	<u>\$ 525,207</u>

See the accompanying Independent Auditors' Report.

BRUSH SCHOOL DISTRICT NO. RE-2(J)

BUDGETARY COMPARISON SCHEDULECAPITAL RESERVE FUND

Year Ended June 30, 2010

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE Positive (Negative)</u>
REVENUES				
Local Sources				
Investment Earnings	\$ 5,000	\$ 12,000	\$ 936	\$ (11,064)
EXPENDITURES				
Supporting Services	275,100	85,000	103,342	(18,342)
Capital Outlay				
Transportation Equipment	40,000	20,000	22,898	(2,898)
Other Equipment	103,900	59,900	56,846	3,054
Debt Service				
Principal	37,000	107,569	90,932	16,637
Interest and Fiscal Charges	-	23,772	38,919	(15,147)
Reserves	13,680	8,887	-	8,887
TOTAL EXPENDITURES	<u>469,680</u>	<u>305,128</u>	<u>312,937</u>	<u>(7,809)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(464,680)	(293,128)	(312,001)	(18,873)
OTHER FINANCING SOURCES				
Transfers In	250,000	250,000	200,000	(50,000)
NET CHANGE IN FUND BALANCE	(214,680)	(43,128)	(112,001)	(68,873)
FUND BALANCE, Beginning	<u>447,228</u>	<u>447,228</u>	<u>358,092</u>	<u>(89,136)</u>
FUND BALANCE, Ending	<u>\$ 232,548</u>	<u>\$ 404,100</u>	<u>\$ 246,091</u>	<u>\$ (158,009)</u>

See the accompanying Independent Auditors' Report.

BRUSH SCHOOL DISTRICT NO. RE-2(J)

BUDGETARY COMPARISON SCHEDULEGRANTS FUND

Year Ended June 30, 2010

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES			
Local Sources	\$ 534,025	\$ 314,788	\$ (219,237)
State Sources	267,994	32,227	(235,767)
Federal Sources	12,981	60,956	47,975
 TOTAL REVENUES	 <u>815,000</u>	 <u>407,971</u>	 <u>(407,029)</u>
EXPENDITURES			
Instruction			
Salaries	169,619	175,272	(5,653)
Employee Benefits	30,839	46,379	(15,540)
Purchased Services	117,303	98,469	18,834
Supplies and Materials	48,314	31,246	17,068
Other	185,944	-	185,944
 Total Instruction	 <u>552,019</u>	 <u>351,366</u>	 <u>200,653</u>
Supporting Services			
Purchased Services	250,000	50,036	199,964
Capital Outlay	12,981	12,331	650
Reserves	24,450	-	24,450
 TOTAL EXPENDITURES	 <u>839,450</u>	 <u>413,733</u>	 <u>425,717</u>
 NET CHANGE IN FUND BALANCE	 (24,450)	 (5,762)	 18,688
FUND BALANCE, Beginning	-	-	-
FUND BALANCE, Ending	<u>\$ (24,450)</u>	<u>\$ (5,762)</u>	<u>\$ 18,688</u>

See the accompanying Independent Auditors' Report.

BRUSH SCHOOL DISTRICT NO. RE-2(J)

BUDGETARY COMPARISON SCHEDULEFULL DAY KINDERGARTEN FUND

Year Ended June 30, 2010

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES			
Local Sources			
Property Taxes	\$ 250,000	\$ 260,128	\$ 10,128
TOTAL REVENUES	<u>250,000</u>	<u>260,128</u>	<u>10,128</u>
EXPENDITURES			
Instruction			
Salaries	274,004	276,890	(2,886)
Employee Benefits	94,669	92,577	2,092
Supplies and Materials	18,080	16,794	1,286
Total Instruction	<u>386,753</u>	<u>386,261</u>	<u>492</u>
Supporting Services			
Salaries	-	76,254	(76,254)
Employee Benefits	-	23,815	(23,815)
Purchased Services	8,174	661	7,513
Supplies and Materials	8,010	-	8,010
Total Supporting Services	<u>16,184</u>	<u>100,730</u>	<u>(84,546)</u>
Reserves	<u>12,088</u>	<u>-</u>	<u>12,088</u>
TOTAL EXPENDITURES	<u>415,025</u>	<u>486,991</u>	<u>(71,966)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(165,025)	(226,863)	(61,838)
OTHER FINANCING SOURCES			
Transfers In	<u>152,937</u>	<u>213,175</u>	<u>60,238</u>
NET CHANGE IN FUND BALANCE	(12,088)	(13,688)	(1,600)
FUND BALANCE, Beginning	<u>-</u>	<u>6,490</u>	<u>6,490</u>
FUND BALANCE, Ending	<u>\$ (12,088)</u>	<u>\$ (7,198)</u>	<u>\$ 4,890</u>

See the accompanying Independent Auditors' Report.

BRUSH SCHOOL DISTRICT NO. RE-2(J)

BUDGETARY COMPARISON SCHEDULEBOND REDEMPTION FUND

Year Ended June 30, 2010

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES			
Local Sources			
Property Taxes	\$ 1,050,000	\$ 1,233,518	\$ 183,518
Investment Earnings	10,000	2,741	(7,259)
TOTAL REVENUES	<u>1,060,000</u>	<u>1,236,259</u>	<u>176,259</u>
EXPENDITURES			
Debt Service			
Principal	640,000	635,000	5,000
Interest and Fiscal Charges	444,723	444,006	717
TOTAL EXPENDITURES	<u>1,084,723</u>	<u>1,079,006</u>	<u>5,717</u>
NET CHANGE IN FUND BALANCE	(24,723)	157,253	181,976
FUND BALANCE, Beginning	<u>1,265,411</u>	<u>1,308,795</u>	<u>43,384</u>
FUND BALANCE, Ending	<u>\$ 1,240,688</u>	<u>\$ 1,466,048</u>	<u>\$ 225,360</u>

See the accompanying Independent Auditors' Report.

BRUSH SCHOOL DISTRICT NO. RE-2(J)

BUDGETARY COMPARISON SCHEDULE

CAPITAL PROJECTS FUND

Year Ended June 30, 2010

	<u>ORIGINAL AND FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE Positive (Negative)</u>
REVENUES			
Local Sources			
Investment Earnings	\$ <u>5,000</u>	\$ <u>532</u>	\$ <u>(4,468)</u>
OTHER FINANCING SOURCES (USES)			
Transfers Out	<u>(50,000)</u>	<u>-</u>	<u>50,000</u>
NET CHANGE IN FUND BALANCE	(45,000)	532	45,532
FUND BALANCE, Beginning	<u>375,928</u>	<u>291,544</u>	<u>(84,384)</u>
FUND BALANCE, Ending	<u>\$ <u>330,928</u></u>	<u>\$ <u>292,076</u></u>	<u>\$ <u>(38,852)</u></u>

See the accompanying Independent Auditors' Report.

BRUSH SCHOOL DISTRICT NO. RE-2(J)

BUDGETARY COMPARISON SCHEDULEFOOD SERVICES FUND

Year Ended June 30, 2010

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES			
Charges for Services			
Student Lunches	\$ 222,640	\$ 188,306	\$ (34,334)
Other	40,170	42,257	2,087
Federal Sources			
School Lunch and Breakfast Programs	352,840	356,048	3,208
Donated Commodities	38,475	45,925	7,450
State Sources	9,874	12,348	2,474
Investment Earnings	40	125	85
Transfers In	15,000	-	(15,000)
TOTAL REVENUES	<u>679,039</u>	<u>645,009</u>	<u>(34,030)</u>
EXPENSES			
Salaries	109,604	106,031	3,573
Employee Benefits	58,891	46,745	12,146
Purchased Services	149,471	153,194	(3,723)
Food	338,073	282,160	55,913
Supplies and Materials	23,000	18,837	4,163
Other	-	3,759	(3,759)
Reserves	20,371	-	20,371
TOTAL EXPENSES	<u>699,410</u>	<u>610,726</u>	<u>88,684</u>
CHANGE IN NET ASSETS	<u>(20,371)</u>	<u>34,283</u>	<u>54,654</u>
NET ASSETS, Beginning	<u>-</u>	<u>29,054</u>	<u>29,054</u>
NET ASSETS, Ending	<u>\$ (20,371)</u>	<u>\$ 63,337</u>	<u>\$ 83,708</u>

See the accompanying Independent Auditors' Report.

BRUSH SCHOOL DISTRICT NO. RE-2(J)

BUDGETARY COMPARISON SCHEDULESCHOLARSHIP FUND

Year Ended June 30, 2010

	<u>ORIGINAL AND FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE Positive (Negative)</u>
REVENUES			
Local Sources			
Investment Earnings	\$ 6,000	\$ 3,754	\$ (2,246)
Contributions	<u>190,000</u>	<u>106,529</u>	<u>(83,471)</u>
TOTAL REVENUES	<u>196,000</u>	<u>110,283</u>	<u>(85,717)</u>
EXPENSES			
Scholarships	<u>220,000</u>	<u>117,643</u>	<u>102,357</u>
CHANGE IN NET ASSETS	(24,000)	(7,360)	16,640
NET ASSETS, Beginning	<u>335,915</u>	<u>315,687</u>	<u>(20,228)</u>
NET ASSETS, Ending	<u>\$ 311,915</u>	<u>\$ 308,327</u>	<u>\$ (3,588)</u>

See the accompanying Independent Auditors' Report.

BRUSH SCHOOL DISTRICT NO. RE-2(J)

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

PUPIL ACTIVITY FUND

Year Ended June 30, 2010

	<u>BALANCE</u> 6/30/09	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> 6/30/10
ASSETS				
Cash	\$ <u>191,614</u>	\$ <u>489,569</u>	\$ <u>458,632</u>	\$ <u>222,551</u>
LIABILITIES				
Due to Student Groups	\$ <u>191,614</u>	\$ <u>489,569</u>	\$ <u>458,632</u>	\$ <u>222,551</u>

See the accompanying Independent Auditors' Report.

BRUSH SCHOOL DISTRICT NO. RE-2(J)

BUDGETARY COMPARISON SCHEDULEPUPIL ACTIVITY FUND

Year Ended June 30, 2010

	<u>ORIGINAL AND FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE Positive (Negative)</u>
REVENUES			
Local Sources			
Student Groups	\$ 550,000	\$ 489,086	\$ (60,914)
Investment Earnings	<u>-</u>	<u>483</u>	<u>483</u>
TOTAL REVENUES	<u>550,000</u>	<u>489,569</u>	<u>(60,431)</u>
EXPENSES			
Student Activities	<u>600,000</u>	<u>458,632</u>	<u>141,368</u>
CHANGE IN NET ASSETS	(50,000)	30,937	80,937
NET ASSETS, Beginning	<u>189,607</u>	<u>191,614</u>	<u>2,007</u>
NET ASSETS, Ending	<u>\$ 139,607</u>	<u>\$ 222,551</u>	<u>\$ 82,944</u>

See the accompanying Independent Auditors' Report.

COMPLIANCE SECTION



Board of Education
Brush School District No. RE-2(J)
Brush, Colorado

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Brush School District No. RE-2(J) as of and for the year ended June 30, 2010, which collectively comprise the basic financial statements of the Brush School District No. RE-2(J), and have issued our report thereon dated January 18, 2011. These financial statements are the responsibility of the Brush School District No. RE-2(J)'s management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Brush School District No. RE-2(J)'s basic financial statements. The accompanying auditor's integrity report is presented for purposes of additional analysis as required by State of Colorado statutes and is not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Swanhorst & Company LLC

January 18, 2011

02/10/2011
08:12 AM

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

MORGAN BRUSH RE-2(J)
District Code: 2395

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	2,452,816	11,082,236	11,055,779	2,479,274
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	0	0	0	0
Subtotal	2,452,816	11,082,236	11,055,779	2,479,274
11 Charter School Fund	0	0	0	0
20,26-29 Special Revenue Fund	0	0	0	0
21 Capital Reserve Spec Revenue Fund	358,092	200,937	312,937	246,092
22 Govt Designated-Purpose Grants Fund	-0	407,971	413,733	-5,762
23 Pupil Activity Special Revenue Fund	0	0	0	0
24 Full Day Kindergarten Mill Levy Override	6,490	473,303	486,991	-7,198
25 Transportation Fund	0	0	0	0
30 Debt Service Fund	0	0	0	0
31 Bond Redemption Fund	1,308,795	1,236,259	1,079,005	1,466,048
41 Building Fund	291,544	532	0	292,076
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	0	0	0	0
TOTALS	4,417,737	13,401,238	13,348,445	4,470,530
Proprietary				
51 Food Service Fund	29,053	645,009	610,726	63,337
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	0	0	0	0
TOTALS	29,053	645,009	610,726	63,337
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	315,687	110,283	117,643	308,327
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	191,614	489,569	458,632	222,550
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
TOTALS	507,301	599,852	576,276	530,878

*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.