

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
June 30, 2009

The discussion and analysis of Cripple Creek - Victor School District RE-1's (the "District") financial performance provides an overall review of the district's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the financial statements, financial statement footnotes, budgetary comparison schedules and additional supplementary information to broaden their understanding of the District's financial performance.

Financial Highlights

The district's budget continues to remain fairly constant. Any increases in revenue are generally used to offset the cost of salary and benefits for additional staff and/or programs. The District continues to maintain a healthy fund balance in the General Fund. The District budgets sufficient contingencies greater than required by law to cover any unanticipated operational needs.

Using the Basic Financial Statements

The basic financial statements consist of the Management Discussion and Analysis (this section) and a series of financial statements and notes to those statements. These statements are organized so that the reader can first understand the District as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The first two statements are government-wide financial statements - the Statement of Net Assets and the Statement of Activities. Both provide long and short-term information about the District's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the District's operations in more detail. The governmental fund statements tell how general District services were financed in the short term as well as what remains for future spending. Proprietary fund statements offer short and long-term financial information about the activities that the District operates as a business. For our District this activity is the Food Service Fund. Fiduciary fund statements provide information about financial relationships where the District acts solely as a trustee or agent for the benefit of others to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Financial Analysis of the District as a Whole

The District's total net assets were \$6,589,506 as of June 30, 2009.

The District's Governmental net assets increased by \$457,995 from 2008 to 2009. This increase could be resultant from the cost of certain assets being allocated over their estimated useful lives and reported as depreciation expenses. Other factors could be related to retirement of principal outstanding on the District's Debt resulting in a reduction of accumulated resources on the fund financial statements. Government-wide statements show these reductions against long-term liabilities and adjustments that were made to the prior year audit. A bond issue was passed in November 2008 for the remodel and renovation of the junior/senior high school which also increased the net assets of the District.

Government-Wide Financial Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private businesses. The statements of net assets include all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. The change in net assets is important because it tells the reader that for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of various factors, some financial, some not. Non-financial factors include facility conditions and required educational programs.

In the Statement of Net Assets and the Statement of Activities, the District is divided into two distinct kinds of activities:

Governmental Activities – The majority of the District's programs and services are reported here including instruction, support services, operations and maintenance of plant, pupil transportation and extracurricular activities.

Business-Type Activities – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The District's food service operation is reported as a business activity.

A condensed summary of the District's Net Assets is as follows:

Condensed Statement of Activities

	2009			2008		
	Governmental Activities	Business Type Activities	Total	Governmental Activities	Business Type Activities	Total
Current Assets	3,755,058	4,699	3,759,757	14,064,263	13,109	14,077,372
Depreciable Assets	20,482,207	23,141	20,505,348	11,507,976	23,141	11,531,117
Accumulated Depreciation	3,463,025	14,320	3,477,345	3,211,534	12,006	3,223,540
Total Assets	20,902,741	13,520	22,520,589	8,296,442	11,135	8,307,577
Current Liabilities	1,123,126	16,000	1,139,126	2,512,493	16,001	2,528,493
Long-term Liabilities	13,187,629		13,187,629	13,860,585		13,860,585
Total Liabilities	14,310,755	16,000	14,326,755	16,373,078	16,000	16,389,078
Net Assets Invested in Capital Assets, net of related debt	3,673,581	8,821	3,682,402	2,848,745	11,135	2,859,880
Restricted Net Assets	1,859,990		1,859,990	2,052,046		2,052,046
Unrestricted Net Assets	1,058,990	(11,301)	1,047,689	1,222,476	(2,891)	1,219,585
Total Net ASSETS	6,591,986	(2,480)	6,589,506	6,123,267	8,244	6,131,511

Most of the district's net assets are invested in capital assets (buildings, land, and equipment). The remaining net assets are a combination of restricted and unrestricted amounts. The restricted balances are primarily amounts legally restricted for TABOR emergencies and for debt repayment.

A condensed Statement of Activities is as follows:

Condensed Statement of Activities

	2009			2008		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business Type Activities	Total
Program Revenues						
Charges for Services	133,958	39,882	173,840	132,993	39,903	172,896
Operating Grants	896,737	109,022	1,005,759	754,363	115,549	869,912
Capital Grants						
Total Program Revenues	1,030,695	148,904	1,179,599	887,356	155,452	1,042,808
General Revenue						
Taxes	4,315,833		4,315,833	4,010,462		4,010,462
State Equalization	1,153,745		1,153,745	1,351,670		1,351,670
Investment Income	86,321		86,321	236,604	28	236,632
Miscellaneous	86,108	40,000	126,108	20,712	31,000	166,780
Total General Revenues	5,642,007	40,000	5,682,007	5,529,448	32,173	5,561,621
Total Revenues	6,672,702	188,904	6,861,606	6,416,804	187,625	6,604,429
Expenses						
Instruction	3,766,667		3,766,667	3,622,468		3,622,468
Supporting Services	1,616,585		1,616,585	1,509,425		1,509,425
Non-capitalized property						
Debt Service Interest	569,240		569,240	369,746		369,746
Food Service		199,644	199,644		197,043	197,043
Unallocated Depreciation	251,491		251,491	242,810		242,810
Total Expenses	6,203,983	199,644	6,403,627	5,744,449	197,043	5,941,492
Operating Transfers						
Change in Net Assets	468,719	(10,724)	457,995	672,355	(9,418)	662,937
Net Assets – Beginning July 1	6,123,267	8,244	6,131,511	5,450,912	17,662	5,468,574
Net Assets-Ending June 30	6,591,986	(2,480)	6,589,506	6,123,267	8,244	6,131,511

Reporting the District's Most Significant Funds

The analysis of the District's major funds begins on page 5 of the audit report. Fund financial reports provide detailed information about the School District's major funds. The District's major funds are the General, Capital Reserve, Student Activity, Head Start, Bond Redemption and Food Service Funds.

Governmental Funds. Most of District's activities are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These 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 fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements of the Governmental Funds. The District's governmental funds consist of the General, Capital Reserve, Student Activity, Head Start, and Bond Redemption Funds. The General Fund accounts for the majority of the District's instruction and support operations. The Capital Reserve Fund accounts for the District's statutorily required allocation of per pupil funding for capital needs, the Student Activity Fund accounts for the District's student clubs and organizations, the Head Start Fund accounts for its early childhood federally funded program and the Bond Redemption Fund accounts for the repayment of the District's bonded debt.

Proprietary Funds. The proprietary fund (the food service operation) has historically operated as an enterprise fund using the same basis of accounting as business-type activities; therefore, these statements will essentially match the information provided in the business-type activity section of the government-wide statements.

Fiduciary Funds. Fiduciary funds are not reflected in the government-wide financial statement 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 District's fiduciary fund is the Scholarship Agency Fund. The Scholarship Agency Fund accounts for scholarship funds for which a formal trust agreement has not been established.

Fund Financial Statements

As of June 30, 2009, the District's governmental funds reported a combined fund balance of \$6,589,506, which is an increase of \$457,995 from the June 30, 2008 balance. The following is additional information by fund which contributed to the change.

General Fund equity decreased \$68,327 from 2008 to 2009. The District received more revenue in 2009 than 2008, but experienced considerable increases in expenditures for energy related costs of heating and transportation. Some of the increase in energy related expenses can be contributed to the additional space created from the remodel of the junior-senior high school building. Actual energy cost increases is another contributing factor.

Capital Reserve Fund equity decreased by \$113,666 due the purchase of a new school bus.

Student Activity Fund equity increased by \$15,948. The activity in this fund is dependent upon student functions during the year.

Head Start Fund equity remained constant as this operation is designed to operate on a break even basis.

Bond Redemption Fund equity increased by \$67,825 due to reduction of interest and principal payments.

A Building Fund was created due to the passage of a bond issue in November 2008. This provided proceeds of \$11,517,914 for the renovation and remodeling of the junior/senior high. The building has

been completed and final payment was made. This fund has a remaining net balance of \$341,418, which will be used for additional equipment and repairs that fall within the parameters of the original bond statement.

As the District's Business-Type activity is the Food Service Fund, an explanation of this activity can be found on page iii.

Capital Assets

As of June 30, 2008 the District had \$5,940,246 invested in a broad range of capital assets, including buildings and improvements, transportation and other equipment. This amount represents a net increase (including additions, prior year adjustments and depreciation) of \$106,706 or 1.8% increase from last year. A summary of the District's Capital Assets is as follows:

Governmental Activity Capital Assets

Governmental Activities	Balance 2008	Additions	Prior Year Adjustments	Balance 2009
Capital Assets not Being depreciated				
Construction in Progress	2,562,006	8,844,034		11,406,040
Buildings and Improvements	8,093,359	11,309		8,104,668
Transportation Equipment	852,611	118,888		971,499
Total Capital Assets	8,945,970	130,197		9,076,167
Less Accumulated Depreciation				
Buildings and Improvements	2,760,459	251,491		3,011,950
Transportation Equipment	451,075	0		451,075
Total Accumulated Depreciation	3,211,534	(251,491)		3,463,025
Net Capital Assets	8,296,442	8,722,740		17,019,182

Food service capital assets remained the same as the previous year with no assets purchased.

	Balance 06/30/08	Additions	Deletions	Balance 06/30/08
Equipment	23,141			23,141
Accumulated Depreciation	(12,006)	(2,314)		(14,320)
Net Capital Assets	11,135	(2,314)		8,821

Debt Administration

As of June 30, 2008 the District had total outstanding long-term obligations as follows:

	Balance 06/30/08	Additions	Deletions	Balance 06/30/09	Due within One Year
General Obligation Bonds					
Series 1999 G.O.	1,985,000		250,000	1,735,000	260,000
Series 2007 G.O. Bonds	6,129,000		20,000	6,100,000	
Series 2008 G.O. Bonds	4,780,000		180,000	4,600,000	165,000
Deferred Amounts Bond Premium	737,292		56,924	680,368	56,084
Total General Obligation Bonds	13,622,292		506,924	13,115,368	481,084

Payable					
Series 1999 Certificates of Participation	710,000		175,000	535,000	180,000
Capital Leases Payable: Smart Lab	71,313		34,662	36,651	36,651
Compensated Absences: Leave Liability	173,566	24,779		198,345	
Total Long-term Obligations	14,577,171	24,779	716,586	13,885,364	697,735

Additional information related to the District's debt can be found in Note 5 to the financial statements.

General Fund Budget

The Board of Education adopts the District's preliminary budget in June of each year. Changes are made after October 1, when the student enrollment is finalized. The final budget is adopted by January 31st. The adoption of supplemental budgets is allowed throughout the year when unanticipated additional revenues are received. The majority of changes to the General Fund budget are in the area of salary and benefits due to staff changes. Program funding is based upon student enrollment on October 1st of each year. This per pupil funding is a combination of Property Tax, State Equalization and Specific Ownership Tax.

The Future of the District

The Board of Education and District Administration feel it is important to maintain and continue a strong, stable budget. Beginning fund balances in the General and Capital Reserve Funds need to be increased to ensure two things: 1) sufficient operating capital; and 2) allow enough of a reserve to allow upkeep and maintenance of buildings and grounds. Bond funds have been conservatively invested through Southwest Securities. Although like many other districts in the state, the District is suffering from a decline in enrollment, the Board of Education and District Administration are hopeful that with the completion of the renovation to the secondary school and additional programming, there will be a renewed interest and a new optimism for the district. The Board and District Administration believe that by providing excellence in education in a safe environment that is conducive to learning; the District will benefit from increased student enrollment and continued community support.

Requests for Information

This financial report is designed to provide a general overview of the Cripple Creek - Victor School District RE-1's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Fiscal Manager, P O Box 897, Cripple Creek, Colorado 80813-0897.