

EAGLE COUNTY CHARTER ACADEMY

FINANCIAL STATEMENTS

June 30, 2014

EAGLE COUNTY CHARTER ACADEMY

**Board of Directors
June 30, 2014**

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Tom Kirby - Staff Member

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Board of Directors
Eagle County Charter Academy
Edwards, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, and the major fund of the Eagle County Charter Academy, component unit of Eagle County School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Eagle County Charter Academy, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, and the major fund of the Eagle County Charter Academy as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters (Required Supplementary Information)

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Matters (Other Information)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Eagle County Charter Academy's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



December 3, 2014

Eagle County Charter Academy

Management's Discussion and Analysis

Introduction

As management of the Eagle County Charter Academy (the "Academy"), we offer readers of the financial statements this narrative overview and analysis of the financial activities of the Academy for the fiscal year ended June 30, 2014.

Financial Highlights

The government-wide assets of the Academy exceeded its liabilities at the close of the most recent fiscal year by \$12,022,300 (net position) for the Primary Government - Charter School and \$473,296 (net position) for the Component Unit – Eagle County Charter Academy Education Foundation (the "Foundation").

The governmental activities ending net position decreased from \$12,204,209 to \$12,022,300. This decrease was largely caused by the closeout of the Building Excellent Schools Today (BEST) grant awarded by the State of Colorado in the amount of \$9,302,653. The Construction in Progress was transferred to Capital Assets in FY 2014. Remaining funds were returned to the contributing parties \$480,464.61 to the State, \$103,173 to the District and \$48,552 was retained by the Academy. \$39,767 was restricted for Capital Renewal. In addition, at June 30, 2014, \$99,000 of net position was restricted for the emergency contingency required by Article X, Section 20 of the Colorado Constitution (TABOR) and \$11,302,428 reflects the net investment in capital assets.

The Foundation's ending net position increased from \$420,141 to \$473,296. This increase was largely caused by the increase in donations. These funds will provide resources to support the operations of the school.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the Academy's basic financial statements, which are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 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 Academy's finances, in a manner similar to a private-sector business.

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

The statement of activities presents information showing how the Academy's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash

Eagle County Charter Academy

Management's Discussion and Analysis

flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected grant revenues and earned but unpaid salaries and benefits).

The government-wide statement of activities distinguishes functions/programs of the Academy supported primarily by per pupil revenue (PPR) or property taxes passed through from the District. The governmental activities of the Academy include instruction and supporting services expense.

The government-wide financial statements include not only the Academy itself (known as the primary government), but also a legally separate Foundation for which the Academy is financially accountable. Financial information for the component unit is reported separately from the financial information presented for the primary government itself.

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

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Academy, like other governmental units or charter schools, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the Academy's activities are reported under one fund: governmental fund.

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

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

The Academy maintains one governmental fund. Information is presented in the governmental balance sheet and statement of revenues, expenditures and changes in fund balance for the general fund because it is considered to be a major fund.

The Academy adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with the budget.

Eagle County Charter Academy

Management's Discussion and Analysis

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. This information is provided in pages 5-11.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Academy, assets exceeded liabilities by \$12,022,300 at the close of the most recent fiscal year.

Eagle County Charter Academy's Net Position – Governmental Activities

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Cash and Investments	\$ 1,135,000	\$ 1,057,775
Restricted Cash and Investments	151,725	2,937,680
Accounts Receivable	2,962	2,113
Accounts Receivable-Foundation	5,260	0
Grants Receivable	0	1,939,368
Prepaid Expenses	9,614	3,689
Inventories	6,001	10,328
Capital Assets, Not Being Depreciated	0	8,661,266
Capital Assets, Net of Accumulated Depreciation	11,302,428	17,641
Total Assets	<u>12,612,990</u>	<u>14,629,860</u>
Current liabilities	590,690	2,425,651
Total Liabilities	<u>590,690</u>	<u>2,425,651</u>
Net Position		
Net Investment in Capital Assets	11,302,428	8,678,907
Restricted for Emergencies	99,000	88,200
Restricted for Facility Construction	0	2,937,680
Restricted for Capital Renewal	39,797	0
Unrestricted	581,105	499,422
Total Net Position	<u>\$12,022,300</u>	<u>\$12,204,209</u>

A portion of the Academy's governmental assets, 9.0% is in Cash and Investments, 1.2% is in Restricted Cash and Investments, and 89.6% are in Capital Assets.

Eagle County Charter Academy

Management's Discussion and Analysis

Eagle County Charter Academy's Change in Net Position

For the Year Ended June 30, 2014

Governmental Activities

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Program Revenue:		
Tuition and Fees	\$ 344,954	\$ 284,773
Total Program Revenue	<u>344,954</u>	<u>284,773</u>
Capital Grants and Contributions:		
BEST Grant Program Grant	160,922	8,404,014
Total Capital Grants and Contributions	<u>160,922</u>	<u>8,404,014</u>
General Revenue:		
Per Pupil Revenue	2,277,451	2,087,649
District Mill Levy Revenue	430,848	413,024
Foundation Contributions – Unrestricted	328,621	238,826
State Capital Construction	31,318	27,204
Other Contributions	18,795	30,489
Investment Income	664	960
Other	250	5,575
Total General Revenue	<u>3,087,947</u>	<u>2,803,727</u>
Total Revenue	<u>3,593,823</u>	<u>11,492,514</u>
Expenses:		
Instruction	2,440,351	2,144,937
Supporting Services	1,335,381	777,377
Total Expenses	<u>3,775,732</u>	<u>2,922,314</u>
Increase (Decrease) in Net Position	(181,909)	8,570,200
Beginning Net Position	<u>12,204,209</u>	<u>3,634,009</u>
Ending Net Position	<u>\$ 12,022,300</u>	<u>\$ 12,204,209</u>

Eagle County Charter Academy

Management's Discussion and Analysis

Financial Analysis of the Academy's Funds

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

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

The amount received for each student from the State increased for FY 2014 by 2.6% and the funded student count increased by 20 students. Salary and benefit expenditures increased by 5.5% or \$123,027. This was the result of staff raises and increases in employee benefit costs. The net change in fund balance reflected a decrease of \$2,805,430. This was largely due to the \$3,081,367 in capital outlay for the construction of the new facility.

General Fund Budgetary Highlights

The Academy approves a budget in June based on enrollment projections for the following school year. In October after enrollment stabilizes, adjustments are made to the budget. The Academy approved a supplemental budget during the year to true up the beginning fund balance and adjustments in revenues for the actual student count. The original general fund budget was \$3,295,235 and it was adjusted to \$6,965,304, largely to include construction costs for the new building. Expenditures were less than budget by \$566,051.

Capital Assets

In August 2011, the Eagle County Charter Academy was fortunate to have been awarded a Building Excellent Schools Today (BEST) grant from the State of Colorado in the amount of \$9,302,653. The Academy used \$8,822,188 in grant proceeds and matching funds in the amount of \$2,785,954 to construct a new educational facility. The Academy broke ground in August 2012 and opened in the new facility in fall 2013. Additional information on the Academy's capital assets is provided in Note 3 to the financial statements.

Eagle County Charter Academy

Management's Discussion and Analysis

Economic Factors and Next Year's Budget

The FY 2015 budget projects the Academy's general fund balance will have an increase of approximately \$29,170. Enrollment is projected to remain at the current 346 students in FY 2015. Below are the historical enrollment numbers:

Fiscal Year	Enrollment
2007 / 2008	288
2008 / 2009	292
2009 / 2010	293
2010 / 2011	299
2011 / 2012	315
2012 / 2013	325
2013 / 2014	346

Requests for Information

This financial report is designed to provide a general overview of the Eagle County Charter Academy's finances for all those with an interest in the Academy's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Rick Boos, Chief Financial Officer, 1105 Miller Ranch Road, Edwards, Colorado 81632.

BASIC FINANCIAL STATEMENTS

EAGLE COUNTY CHARTER ACADEMY

STATEMENT OF NET POSITION

June 30, 2014

	<u>PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES</u>	<u>COMPONENT UNIT FOUNDATION</u>
ASSETS		
Cash and Investments	\$ 1,135,000	\$ 473,205
Cash and Investments Held by Third Party	151,725	-
Accounts Receivable	2,962	3,400
Accounts Receivable - Foundation	5,260	-
Prepaid Expenses	9,614	1,951
Inventories	6,001	-
Capital Assets, Net of Accumulated Depreciation	<u>11,302,428</u>	<u>-</u>
TOTAL ASSETS	<u>12,612,990</u>	<u>478,556</u>
LIABILITIES		
Accounts Payable	216,854	-
Accounts Payable - School	-	5,260
Accrued Liabilities	68,838	-
Accrued Salaries and Benefits	293,838	-
Unearned Revenues	<u>11,160</u>	<u>-</u>
TOTAL LIABILITIES	<u>590,690</u>	<u>5,260</u>
NET POSITION		
Net Investment in Capital Assets	11,302,428	-
Restricted for Emergencies	99,000	-
Restricted for Capital Renewal	39,767	-
Unrestricted	<u>581,105</u>	<u>473,296</u>
TOTAL NET POSITION	<u>\$ 12,022,300</u>	<u>\$ 473,296</u>

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

EAGLE COUNTY CHARTER ACADEMY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2014

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		NET (EXPENSES) REVENUES AND CHANGE IN NET POSITION	
		CHARGES FOR SERVICES	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT ACTIVITIES	COMPONENT UNIT FOUNDATION
PRIMARY GOVERNMENT					
Governmental Activities					
Instruction	\$ 2,440,351	\$ 270,916	\$ -	\$ (2,169,435)	\$ -
Supporting Services	1,335,381	74,038	160,922	(1,100,421)	-
TOTAL PRIMARY GOVERNMENT	\$ 3,775,732	\$ 344,954	\$ 160,922	(3,269,856)	-
COMPONENT UNIT					
Foundation	\$ 438,041	\$ 650	\$ -	-	(437,391)
GENERAL REVENUES					
Per Pupil Revenue				2,277,451	-
District Mill Levy				430,848	-
State Capital Construction				31,318	-
Grants and Contributions not Restricted to Specific Programs				347,416	490,007
Investment Income				664	539
Miscellaneous				250	-
TOTAL GENERAL REVENUES				3,087,947	490,546
CHANGE IN NET POSITION				(181,909)	53,155
NET POSITION, Beginning				12,204,209	420,141
NET POSITION, Ending				\$ 12,022,300	\$ 473,296

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

EAGLE COUNTY CHARTER ACADEMY

BALANCE SHEET
GOVERNMENTAL FUND

June 30, 2014

	<u>GENERAL</u>
ASSETS	
Cash and Investments	\$ 1,135,000
Cash and Investments Held by Third Party	151,725
Accounts Receivable	2,962
Accounts Receivable - Foundation	5,260
Prepaid Expenditures	9,614
Inventories	<u>6,001</u>
TOTAL ASSETS	\$ <u>1,310,562</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts Payable	\$ 216,854
Accrued Liabilities	68,838
Accrued Salaries and Benefits	293,838
Unearned Revenues	<u>11,160</u>
TOTAL LIABILITIES	<u>590,690</u>
FUND BALANCE	
Nonspendable Prepaid Expenditures	9,614
Nonspendable Inventories	6,001
Restricted for Emergencies	99,000
Restricted for Capital Renewal	39,767
Unrestricted, Unassigned	<u>565,490</u>
TOTAL FUND BALANCE	<u>719,872</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u>1,310,562</u>
 Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
Total Fund Balance of the Governmental Fund	\$ 719,872
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	<u>11,302,428</u>
Total Net Position of Governmental Activities	\$ <u>12,022,300</u>

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

EAGLE COUNTY CHARTER ACADEMY

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
 Year Ended June 30, 2014

	<u>GENERAL</u>
REVENUES	
Local Sources	
Per Pupil Revenue	\$ 2,277,451
District Mill Levy	430,848
Tuition and Fees	270,916
Food Service Fees	74,038
Foundation Contributions	328,621
Other Contributions	18,795
Investment Income	664
Miscellaneous	250
State Sources	
BEST Grant	160,922
Capital Construction	31,318
	<hr/>
TOTAL REVENUES	3,593,823
	<hr/>
EXPENDITURES	
Current	
Instruction	2,440,351
Supporting Services	877,535
Capital Outlay	3,081,367
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TOTAL EXPENDITURES	6,399,253
	<hr/>
NET CHANGE IN FUND BALANCE	(2,805,430)
FUND BALANCE, Beginning	3,525,302
	<hr/>
FUND BALANCE, Ending	\$ 719,872
	<hr/> <hr/>
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
Net Change in Fund Balance of the Governmental Fund	\$ (2,805,430)
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 position and are allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlay \$2,949,572 exceeded depreciation expense (\$326,051) in the current year.	<hr/>
	2,623,521
Change in Net Position of Governmental Activities	\$ (181,909)
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The accompanying notes are an integral part of the financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Eagle County Charter Academy (the “School”) was organized in 1994 pursuant to the Colorado Charter Schools Act to form and operate a charter school within the Eagle County School District (the “District”) in the State of Colorado. The School is governed by a Board of Directors consisting of five parents or community members, two staff members, and the School’s principal, a non-voting member.

The accounting policies of the School 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 School, organizations for which the School is financially accountable, and organizations that raise and hold economic resources for the direct benefit of the School. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the School. Legally separate organizations for which the School is financially accountable are considered part of the reporting entity. Financial accountability exists if the School 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 School.

The School includes the Eagle County Charter Academy Education Foundation (the “Foundation”) within its reporting entity. The Foundation is a non-profit organization formed to develop cooperative relationships with businesses and the School, to provide a vehicle by which individuals and businesses may support the School, and to maintain real or personal property exclusively for educational, charitable or literary purposes. The Foundation is discretely presented in the School’s financial statements. The Foundation does not issue separate financial statements.

The School is a component unit of the District. The School’s charter was granted by the District and the majority of the School’s funding is provided by the District.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the School and its component unit. *Governmental activities*, which are normally supported by taxes and intergovernmental revenues, are reported in a single column. The *primary government* is reported separately from the legally separate *component unit*.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to students or others 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. Unrestricted revenues not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for the major governmental fund.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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. Available means collected within the current year or soon enough thereafter to pay liabilities of the current year, not to exceed 60 days. 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 School. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

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

The School reports the following major governmental fund:

General Fund - This fund is the general operating fund of the School. It is currently used to account for all financial activities of the School.

Assets, Liabilities and Net Position/Fund Balance

Cash and Investments - Investments are reported 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.

Prepaid Expenses - Certain payments to vendors reflect costs applicable to future years and are reported as prepaid expenses.

Inventories - Inventories consist of school supplies and clothing available for sale. Inventories are valued at cost, using the first-in, first-out method. The costs of inventories are recorded as assets when purchased and as expenses when consumed.

Capital Assets - Capital assets, which include buildings and equipment, are reported in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of \$5,000 or more 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 the estimated fair market value on the date of donation.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Assets, Liabilities and Net Position/Fund Balance (Continued)**

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported in the statement of net position in the government-wide financial statements. Capital assets are depreciated using the straight-line method over the following estimated useful lives.

Buildings and Improvements	30 years
Equipment	5 years

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

Unearned Revenues - Unearned revenues represent resources received by the School before it has a legal claim to them, including tuition and fees.

Compensated Absences - School personnel are allowed to accumulate up to thirty days of unused sick and personal time. Accrued sick and personal time is not paid upon termination of employment. Therefore, no liability is reported in the financial statements.

Net Position/Fund Balance - In the government-wide and fund financial statements, net position and fund balance are restricted when constraints placed on the use of resources are externally imposed. The Board of Directors is authorized to establish a fund balance commitment through passage of a resolution, and may assign fund balances to a specific purpose through an informal action.

The School has not established a formal policy for its use of restricted and unrestricted fund balances. However, if both restricted and unrestricted fund balances are available for a specific purpose, the School uses restricted fund balance first, followed by committed, assigned, and unassigned balances.

Risk Management

The School 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 School carries commercial insurance for these risks of loss.

NOTE 2: CASH AND INVESTMENTS

The School's cash and investments at June 30, 2014, consisted of the following:

Petty Cash	\$ 573
Deposits	254,894
Investments	879,533
Cash and Investments Held by Third Party	<u>151,725</u>
Total	<u>\$ 1,286,725</u>

EAGLE COUNTY CHARTER ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 2: CASH AND INVESTMENTS (Continued)

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

Cash and Investments	\$ 1,135,000
Cash and Investments Held by Third Party	<u>151,725</u>
Total	<u>\$ 1,286,725</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, 2014, the School had bank deposits of \$6,580 collateralized with securities held by the financial institution's agent but not in the School's name.

Investments

The School 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.

Credit Risk - State statutes allow investments with specified ratings provided by nationally recognized statistical rating organizations, depending on the type of investment.

Concentration of Credit Risk - State statutes do not limit the amount the School may invest in one issuer, except for corporate securities.

EAGLE COUNTY CHARTER ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments (Continued)

Local Government Investment Pool - At June 30, 2014, the School had \$879,533 invested in the Colorado Local Government Liquid Asset Trust (Colotrust). Colotrust is an investment vehicle established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating Colotrust. Colotrust operates in conformity with the Securities and Exchange Commission's Rule 2a-7 as promulgated under the Investment Company Act of 1940, as amended. Colotrust is rated AAAM by Standard and Poor's. Investments of Colotrust are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

Cash and Investments Held by Third Party

The School was awarded a Building Excellent Schools Today (BEST) grant from the State of Colorado in the amount of \$9,302,653 to construct educational facilities. In accordance with the grant requirements, the School deposited a matching amount of \$2,937,679 with the grant trustee. At June 30, 2014, the trustee held the remaining balance of \$151,725.

Component Unit

At June 30, 2014, the Foundation had uninsured bank deposits of \$139,919.

NOTE 3: CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2014, are summarized below:

	Balances 6/30/13	Additions	Deletions	Balances 6/30/14
Governmental Activities				
Capital Assets, Not Being Depreciated				
Construction in Progress	\$ 8,661,266	\$ -	\$ 8,661,266	\$ -
Capital Assets, Being Depreciated				
Buildings and Improvements	-	11,610,838	-	11,610,838
Equipment	17,641	-	-	17,641
Total Capital Assets, Being Depreciated	17,641	11,610,838	-	11,628,479
Accumulated Depreciation				
Buildings and Improvements	-	(322,523)	-	(322,523)
Equipment	-	(3,528)	-	(3,528)
Total Capital Assets, Being Depreciated	-	(326,051)	-	(326,051)
Capital Assets, Being Depreciated, Net	-	11,284,787	-	11,302,428
Governmental Activities Capital Assets, Net	<u>\$ 8,678,907</u>	<u>\$ 11,284,787</u>	<u>\$ 8,661,266</u>	<u>\$ 11,302,428</u>

EAGLE COUNTY CHARTER ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 3: CAPITAL ASSETS (Continued)

	Balances <u>6/30/13</u>	<u>Additions</u>	<u>Deletions</u>	Balances <u>6/30/14</u>
Component Unit				
Capital Assets, Being Depreciated				
Equipment	\$ 157,249	\$ -	\$ 120,611	\$ 36,638
Accumulated Depreciation	<u>(149,928)</u>	<u>(6,778)</u>	<u>(120,068)</u>	<u>(36,638)</u>
Component Unit Capital Assets, Net	<u>\$ 7,321</u>	<u>\$ (6,778)</u>	<u>\$ 543</u>	<u>\$ -</u>

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

NOTE 4: DEFINED BENEFIT PENSION PLAN

Plan Description - The School 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 School are members of the SDTF. Title 24, Article 51 of the Colorado Revised Statutes (CRS), as amended, assigns the authority to establish benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the SDTF. That report may be obtained by writing to Colorado PERA, 1301 Pennsylvania Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

Funding Policy - The contribution requirements of members and the School are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members was 8% of covered salaries. The School's contribution rate for calendar years 2012, 2013 and 2014 was 15.65%, 16.55% and 17.45% of covered salaries, respectively. A portion of the School's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 5). The School's contributions to the SDTF for the years ended June 30, 2014, 2013 and 2012 were \$277,637, \$245,224 and \$273,696, respectively, equal to the required contributions for each year.

NOTE 5: POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description - The School 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 School is required to contribute at a rate of 1.02% of covered salaries for all PERA members. No member contributions are required. The contribution requirements for the School are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208 of the CRS, as amended. The School's apportionment to the HCTF for the years ended June 30, 2014, 2013 and 2012 was \$16,579, \$15,536 and \$18,366, respectively, equal to the required amounts for each year.

NOTE 6: COMMITMENTS AND CONTINGENCIES

Claims and Judgments

The School participates in a number of federal and state programs that are fully or partially funded by revenues received from other governmental entities. Expenditures financed by these revenues are subject to audit by the appropriate government. If expenditures are disallowed due to noncompliance with program regulations, the School may be required to reimburse the other government. At June 30, 2014, significant amounts of related expenditures have not been audited but management believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the School.

Tabor Amendment

In November 1992, Colorado voters approved the Tabor Amendment to the State Constitution which limits state and local government taxing powers and imposes spending limitations. The Amendment is subject to interpretation, but management believes it is in substantial compliance with the Amendment. As required by the Amendment, the School has established a reserve for emergencies. At June 30, 2014, the reserve, in the amount of \$99,000, was reported as restricted fund balance in the General Fund.

Ground Lease

In December, 2011, the Foundation assigned its rights under a ground lease to the School. The lease agreement allows the School to use real property owned by the District for a term of forty years, through December 8, 2051. No monetary rent is required.

Ownership of the educational facilities located on the real property vests with the School during the term of the lease. However, any sale of the facilities requires prior written approval of the District, and upon expiration or termination of the ground lease, ownership of the facilities will revert to the District.

REQUIRED SUPPLEMENTARY INFORMATION

EAGLE COUNTY CHARTER ACADEMY

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2014

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	VARIANCE Positive (Negative)
REVENUES				
Local Sources				
Per Pupil Revenue	\$ 2,252,760	\$ 2,278,055	\$ 2,277,451	\$ (604)
District Mill Levy	428,416	438,424	430,848	(7,576)
Tuition and Fees	267,876	273,607	270,916	(2,691)
Food Service Fees	-	64,000	74,038	10,038
Foundation Contributions	322,340	356,364	328,621	(27,743)
Other Contributions	8,058	10,558	18,795	8,237
Investment Income	750	500	664	164
Miscellaneous	1,428	250	250	-
State Sources				
BEST Grant	-	658,712	160,922	(497,790)
Capital Construction	31,806	31,806	31,318	(488)
TOTAL REVENUES	<u>3,313,434</u>	<u>4,112,276</u>	<u>3,593,823</u>	<u>(518,453)</u>
EXPENDITURES				
Instruction				
Salaries	1,449,003	1,450,738	1,385,180	65,558
Benefits	522,300	524,514	458,235	66,279
Purchased Services	300,634	293,352	442,841	(149,489)
Supplies and Materials	113,683	118,763	139,981	(21,218)
Other	15,100	20,100	14,114	5,986
Supporting Services				
Salaries	390,716	401,022	402,351	(1,329)
Benefits	106,078	106,941	103,671	3,270
Purchased Services	308,671	311,836	268,075	43,761
Supplies and Materials	57,244	109,840	103,438	6,402
Capital Outlay	31,806	3,628,198	3,081,367	546,831
TOTAL EXPENDITURES	<u>3,295,235</u>	<u>6,965,304</u>	<u>6,399,253</u>	<u>566,051</u>
NET CHANGE IN FUND BALANCE	18,199	(2,853,028)	(2,805,430)	47,598
FUND BALANCE, Beginning	<u>504,790</u>	<u>3,525,302</u>	<u>3,525,302</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ 522,989</u>	<u>\$ 672,274</u>	<u>\$ 719,872</u>	<u>\$ 47,598</u>

See the accompanying Independent Auditors' Report.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2014

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

A budget is adopted for the School on a basis consistent with generally accepted accounting principles.

The School adheres to the following procedures in establishing the budgetary information reflected in the financial statements.

- Management submits to the Board of Directors a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
- Prior to June 30, the budget is adopted by the Board of Directors.
- 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 Directors.
- All appropriations lapse at fiscal year end.

SUPPLEMENTARY INFORMATION

EAGLE COUNTY CHARTER ACADEMY

STATEMENT OF ACTIVITIES

FOUNDATION

Year Ended June 30, 2014

	<u>FOUNDATION</u>
REVENUES	
Student Activities	\$ 650
Contributions	343,497
Fundraising	146,510
Investment Income	<u>539</u>
TOTAL REVENUES	<u>491,196</u>
EXPENSES	
Programs	
Student Activities	26,578
School Contributions	<u>328,621</u>
Total Programs	<u>355,199</u>
General and Administration	
Accounting and Legal	7,383
Bank Charges	6,452
Insurance	2,550
Software	9,462
Depreciation	6,778
Miscellaneous	<u>717</u>
Total General and Administration	<u>33,342</u>
Fundraising	<u>49,500</u>
TOTAL EXPENSES	<u>438,041</u>
CHANGE IN NET POSITION	53,155
NET POSITION, Beginning	<u>420,141</u>
NET POSITION, Ending	<u>\$ 473,296</u>

See the accompanying Independent Auditors' Report.