

EAGLE COUNTY CHARTER ACADEMY

FINANCIAL STATEMENTS

June 30, 2011

EAGLE COUNTY CHARTER ACADEMY

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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, 2011, which collectively comprise the basic financial statements of the Eagle County Charter Academy, as listed in the table of contents. These financial statements are the responsibility of the Eagle County Charter Academy'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 discretely presented component unit, and the major fund of the Eagle County Charter Academy as of June 30, 2011, and the respective changes in financial position 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 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Swanhorst & Company LLC

December 27, 2011

Management's Discussion and Analysis

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, 2011.

Financial Highlights

The government-wide assets of the Academy exceeded its liabilities at the close of the most recent fiscal year by \$535,907 (net assets) for the Primary Government - Charter School and \$1,633,455 (net assets) for the Component Unit – Eagle County Charter Academy Education Foundation (the "Foundation").

The general fund (governmental fund) ending fund balance increased from \$192,595 to \$535,907. This increase was largely caused by a contribution from the Foundation which allows the Academy to build up reserves. These funds will provide a reserve to draw upon for emergencies. At June 30, 2011, \$76,600 and \$228,737 of the \$535,907 fund balance of the General Fund was restricted for the emergency contingency required by Article X, Section 20 of the Colorado Constitution (TABOR) and capital outlay.

The Foundation's ending fund balance decreased from \$1,782,380 to \$1,633,455. This decrease was largely caused by a contribution to the Academy which allows the Academy to build up reserves. These funds will provide a reserve for the Academy to draw upon for emergencies.

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

The statement of activities presents information showing how the Academy's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some

items that will only result in cash flows in future fiscal periods (e.g. uncollected 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 Eagle County School District (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 District 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. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances 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 fund balance sheet and fund 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.

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 5-10.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of the Academy, assets exceeded liabilities by \$535,907 at the close of the most recent fiscal year.

Eagle County Charter Academy’s Net Assets - Governmental Activities

	June 30, 2011
Cash and Investments	\$585,779
Accounts Receivable-Foundation	249,764
Total Assets	835,543
Current liabilities	299,636
Total Liabilities	299,636
Net assets	
Restricted for Emergencies	76,600
Restricted for Capital Outlay	228,737
Unrestricted	230,570
Total Net Assets	\$535,907

A portion of the Academy’s governmental assets (70.1%) is in cash and investments and 29.9% are in accounts receivables-Foundation.

**Eagle County Charter Academy's Change in Net Assets
For the Year Ended June 30, 2011
Governmental Activities**

Program Revenue:	
Tuition and Fees	\$ 105,232
Total Program Revenue	<u>105,232</u>
General Revenue:	
Per Pupil Revenue	2,021,071
Mill Levy Revenue	392,575
Foundation Contributions – Unrestricted	280,000
District Capital Contributions	228,737
State Capital Construction	25,639
Investment Earnings	840
Other	12,949
Total General Revenue	<u>2,961,811</u>
Total Revenue	<u>3,067,043</u>
Expenses:	
Current:	
Instruction	2,096,942
Supporting Services	626,789
Total Expenses	<u>2,723,731</u>
Increase in Net Assets	343,312
Beginning Net Assets, June 30	<u>192,595</u>
Ending Net Assets, June 30	<u>\$ 535,907</u>

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.

Below is the historical enrollment numbers:

Fiscal Year	Enrollment
2007 / 2008	288
2008 / 2009	292
2009 / 2010	293
2010 / 2011	299

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 \$2,893,597 and it was adjusted to \$3,290,881. Expenditures were less than budget by \$1,975.

Economic Factors and Next Year's Budget

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 will use the grant proceeds to construct a new educational facility for the academy.

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 Rd., Edwards, Colorado 81632.

BASIC FINANCIAL STATEMENTS

EAGLE COUNTY CHARTER ACADEMY

STATEMENT OF NET ASSETS

June 30, 2011

	<u>PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES</u>	<u>COMPONENT UNIT FOUNDATION</u>
ASSETS		
Cash and Investments	\$ 585,779	\$ 1,338,730
Accounts Receivable - Foundation	249,764	-
Inventories	-	10,736
Capital Assets, Net of Accumulated Depreciation	<u>-</u>	<u>542,779</u>
TOTAL ASSETS	<u>835,543</u>	<u>1,892,245</u>
LIABILITIES		
Accounts Payable	5,275	9,026
Accounts Payable - School	-	249,764
Accrued Salaries and Benefits	284,761	-
Deferred Revenue	<u>9,600</u>	<u>-</u>
TOTAL LIABILITIES	<u>299,636</u>	<u>258,790</u>
NET ASSETS		
Invested in Capital Assets	-	542,779
Restricted for Emergencies	76,600	-
Restricted for Capital Outlay	228,737	-
Restricted for Facility Construction	-	12,140
Unrestricted	<u>230,570</u>	<u>1,078,536</u>
TOTAL NET ASSETS	<u>\$ 535,907</u>	<u>\$ 1,633,455</u>

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

EAGLE COUNTY CHARTER ACADEMY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2011

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES CHARGES FOR SERVICES	NET (EXPENSES) REVENUES AND CHANGE IN NET ASSETS	
			PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES	COMPONENT UNIT FOUNDATION
PRIMARY GOVERNMENT				
Governmental Activities				
Instruction	\$ 2,096,942	\$ 105,232	\$ (1,991,710)	\$ -
Supporting Services	626,789	-	(626,789)	-
TOTAL PRIMARY GOVERNMENT	\$ 2,723,731	\$ 105,232	(2,618,499)	-
COMPONENT UNIT				
Foundation	\$ 733,122	\$ 173,992	-	(559,130)
GENERAL REVENUES				
Per Pupil Revenue			2,021,071	-
Mill Levy Override			392,575	-
District Capital Contributions			228,737	-
State Capital Construction			25,639	-
Contributions not Restricted to Specific Programs			292,749	397,849
Investment Income			840	7,807
Miscellaneous			200	4,549
TOTAL GENERAL REVENUES			2,961,811	410,205
CHANGE IN NET ASSETS			343,312	(148,925)
NET ASSETS, Beginning			192,595	1,782,380
NET ASSETS, Ending			\$ 535,907	\$ 1,633,455

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

EAGLE COUNTY CHARTER ACADEMY

BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2011

	<u>GENERAL</u>
ASSETS	
Cash and Investments	\$ 585,779
Accounts Receivable - Foundation	249,764
TOTAL ASSETS	\$ 835,543
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts Payable	\$ 5,275
Accrued Salaries and Benefits	284,761
Deferred Revenue	9,600
TOTAL LIABILITIES	299,636
FUND BALANCE	
Restricted for Emergencies	76,600
Restricted for Capital Outlay	228,737
Unrestricted, Unassigned	230,570
TOTAL FUND BALANCE	535,907
TOTAL LIABILITIES AND FUND BALANCE	\$ 835,543

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, 2011

	<u>GENERAL</u>
REVENUES	
Local Sources	
Per Pupil Revenue	\$ 2,021,071
Mill Levy Override	392,575
Tuition and Fees	105,232
District Capital Contributions	228,737
Foundation Contributions	280,000
Other Contributions	12,749
Investment Income	840
Miscellaneous	200
State Sources	
Capital Construction	<u>25,639</u>
TOTAL REVENUES	<u>3,067,043</u>
EXPENDITURES	
Instruction	2,096,942
Supporting Services	<u>626,789</u>
TOTAL EXPENDITURES	<u>2,723,731</u>
NET CHANGE IN FUND BALANCE	343,312
FUND BALANCE, Beginning	<u>192,595</u>
FUND BALANCE, Ending	<u>\$ 535,907</u>

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 six parents or community members, three staff members, and two non-voting members consisting of the School’s principal and assistant principal.

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. Separate financial statements for the Foundation are not issued.

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 assets and the statement of activities) report information on all activities of the School and its component unit. *Governmental activities* are normally supported by taxes and intergovernmental revenues. 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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 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 Assets/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.

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 - The Foundation has purchased capital assets, which include modular classrooms and equipment, for use by the School. Capital assets are defined as assets with an initial, individual cost of \$1,000 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 estimated fair market value at the date of donation.

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

Modular Classrooms	12 years
Equipment	5 years

EAGLE COUNTY CHARTER ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

Deferred Revenues - Deferred revenues include tuition and fees received in advance.

Net Assets/Fund Balance - In the government-wide and fund financial statements, net assets and fund balance are restricted when constraints placed on the use of resources are externally imposed. The School has not established a formal policy for its use of restricted and unrestricted fund balance. However, if both restricted and unrestricted fund balances are available, the School uses restricted fund balance first.

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, 2011, consisted of the following:

Deposits	\$ 382,519
Cash Held by District	<u>203,260</u>
Total	<u><u>\$ 585,779</u></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, 2011, the School had bank deposits of \$56,576 collateralized with securities held by the financial institution's agent but not in the School's name.

EAGLE COUNTY CHARTER ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 2: CASH AND INVESTMENTS (Continued)

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 generally limit the maturity of investment securities to five years from the date of purchase, unless the governing board authorizes an investment for a period in excess of five years. 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

The School had no investments at June 30, 2011.

Component Unit

At June 30, 2011, the Foundation had bank deposits of \$1,338,730, including uninsured deposits of \$317,556.

NOTE 3: CAPITAL ASSETS

Changes in the Foundation's capital assets for the year ended June 30, 2011, are summarized below:

Component Unit	<u>Balances 6/30/10</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances 6/30/11</u>
Capital Assets, Not Being Depreciated				
Construction in Progress	\$ 27,786	\$ -	\$ -	\$ 27,786
Capital Assets, Being Depreciated				
Modular Classrooms	1,369,216	-	-	1,369,216
Equipment	350,227	27,424	-	377,651
Total Capital Assets, Being Depreciated	<u>1,719,443</u>	<u>27,424</u>	<u>-</u>	<u>1,746,867</u>
Less Accumulated Depreciation				
Modular Classrooms	(804,538)	(114,102)	-	(918,640)
Equipment	(260,741)	(52,493)	-	(313,234)
Total Accumulated Depreciation	<u>(1,065,279)</u>	<u>(166,595)</u>	<u>-</u>	<u>(1,231,874)</u>
Total Capital Assets, Being Depreciated, Net	<u>654,164</u>	<u>(139,171)</u>	<u>-</u>	<u>514,993</u>
Total Capital Assets, Net	<u>\$ 681,950</u>	<u>\$ (139,171)</u>	<u>\$ -</u>	<u>\$ 542,779</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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 2009, 2010 and 2011 was 12.95%, 13.85% and 14.75% 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, 2011, 2010 and 2009 were \$250,239, \$234,795 and \$217,634, 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 as set by statute. 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, 2011, 2010 and 2009 were \$17,849, \$17,873 and \$17,758, 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 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 School may be required to reimburse the grantor government. At June 30, 2011, significant amounts of grant expenditures have not been audited but the School believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the School.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 6: COMMITMENTS AND CONTINGENCIES (Continued)

Tabor Amendment

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local government. The Amendment is complex and subject to judicial interpretation. The School believes it is in compliance with the requirements of the Amendment. The Amendment requires state and local governments to establish an emergency reserve, representing 3% of qualifying expenditures. At June 30, 2011, the School's reserve, of \$76,600, was reported as restricted fund balance in the General Fund.

NOTE 7: SUBSEQUENT EVENTS

The School was awarded a Building Excellent Schools Today (BEST) grant from the State of Colorado in the amount of \$9,302,653. Grant proceeds will be used to construct educational facilities.

REQUIRED SUPPLEMENTARY INFORMATION

EAGLE COUNTY CHARTER ACADEMY

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2011

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	VARIANCE Positive (Negative)
REVENUES				
Local Sources				
Per Pupil Revenue	\$ 1,975,422	\$ 2,009,682	\$ 2,021,071	\$ 11,389
Mill Levy Override	395,751	405,726	392,575	(13,151)
Tuition and Fees	134,000	133,500	105,232	(28,268)
District Capital Contributions	-	228,737	228,737	-
Foundation Contributions	156,600	280,000	280,000	-
Other Contributions	-	13,641	12,749	(892)
Investment Income	-	-	840	840
Miscellaneous	-	-	200	200
State Sources				
Capital Construction	27,000	27,000	25,639	(1,361)
TOTAL REVENUES	<u>2,688,773</u>	<u>3,098,286</u>	<u>3,067,043</u>	<u>(31,243)</u>
EXPENDITURES				
Instruction				
Salaries	1,459,360	1,459,360	1,443,043	16,317
Benefits	419,841	419,841	396,539	23,302
Purchased Services	146,500	149,600	189,981	(40,381)
Supplies and Materials	34,700	67,200	47,273	19,927
Other	20,000	26,500	20,106	6,394
Supporting Services				
Salaries	286,830	289,330	306,880	(17,550)
Benefits	77,048	77,048	75,582	1,466
Purchased Services	131,600	164,327	133,331	30,996
Supplies and Materials	30,500	31,500	30,850	650
Other	31,000	31,000	80,146	(49,146)
Reserves	10,000	10,000	-	10,000
TOTAL EXPENDITURES	<u>2,647,379</u>	<u>2,725,706</u>	<u>2,723,731</u>	<u>1,975</u>
NET CHANGE IN FUND BALANCE	41,394	372,580	343,312	(29,268)
FUND BALANCE, Beginning	<u>204,824</u>	<u>192,595</u>	<u>192,595</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ 246,218</u>	<u>\$ 565,175</u>	<u>\$ 535,907</u>	<u>\$ (29,268)</u>

See the accompanying Independent Auditors' Report.

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Budgets are required by State statutes for all funds and are adopted on a basis consistent with generally accepted accounting principles.

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

- By June 30, 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 budgets lapse at the fiscal year end.

SUPPLEMENTARY INFORMATION

EAGLE COUNTY CHARTER ACADEMY

STATEMENT OF ACTIVITIES

FOUNDATION

Year Ended June 30, 2011

	<u>FOUNDATION</u>
REVENUES	
Enrichment Fees	\$ 52,700
Student Activities	121,292
Contributions	289,883
Fundraising	107,966
Investment Income	7,807
Miscellaneous	<u>4,549</u>
TOTAL REVENUES	<u>584,197</u>
EXPENSES	
Programs	
Enrichment Activities	52,818
Student Activities	138,271
School Contributions	<u>280,000</u>
Total Programs	<u>471,089</u>
General and Administration	
Accounting and Legal	47,970
Bank Charges	6,527
Depreciation	166,595
Miscellaneous	<u>482</u>
Total General and Administration	<u>221,574</u>
Fundraising	<u>40,459</u>
TOTAL EXPENSES	<u>733,122</u>
CHANGE IN NET ASSETS	(148,925)
NET ASSETS, Beginning	<u>1,782,380</u>
NET ASSETS, Ending	<u>\$ 1,633,455</u>

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