

**EAGLE COUNTY CHARTER ACADEMY**

**FINANCIAL STATEMENTS**

**June 30, 2012**

## **EAGLE COUNTY CHARTER ACADEMY**

### **Board of Directors**

Mary Cotton - President

Jennifer Law - Vice Chair

Mac Garnsey - Treasurer

Tanya Dixon

Sheriff Masry

Peyton Schlichting

James Wilkins

### **SCHOOL MANAGEMENT**

Kim Walter, Principal

Sue Dressler, Assistant Principal

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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, 2012, 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, 2012, 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.

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.

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

*Swanlund & Company, LLC*

December 3, 2012

## **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, 2012.

### **Financial Highlights**

The government-wide assets of the Academy exceeded its liabilities at the close of the most recent fiscal year by \$3,634,009 (net assets) for the Primary Government - Charter School and \$703,609 (net assets) for the Component Unit – Eagle County Charter Academy Education Foundation (the “Foundation”).

The general fund (governmental fund) ending fund balance increased from \$535,907 to \$3,634,009. This increase was largely caused by a contribution from the Eagle County School District (the “District”) in the amount of \$2,000,000 and \$800,000 from the Foundation which allowed the Academy to provide matching funds for a grant to build a new school. A total of \$2,937,680 has been restricted in the fund balance for this purpose and will be utilized at the end of the project after the grant funds have first been spent. In addition at June 30, 2012, \$90,400 of the \$3,376,757 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 \$1,633,455 to \$703,609. This decrease was largely caused by the contribution to the Academy to provide matching funds for the construction grant for the new school. 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 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. 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 \$3,634,009 at the close of the most recent fiscal year.

**Eagle County Charter Academy’s Net Assets – Governmental Activities**

	June 30, 2012	June 30, 2011
Cash and Investments	\$ 729,174	\$585,779
Restricted Cash and Investments	2,937,680	0
Accounts Receivable	8,129	0
Accounts Receivable-Foundation	35,127	249,764
Grants Receivable	94,369	0
Capital Assets, Not Being Depreciated	257,252	0
Total Assets	4,061,731	835,543
Current liabilities	427,722	299,636
Total Liabilities	427,722	299,636
Net assets		
Invested in Capital Assets	257,252	0
Restricted for Emergencies	90,400	76,600
Restricted for Capital Outlay	0	228,737
Restricted for Facility Construction	2,937,680	0
Unrestricted	348,677	230,570
Total Net Assets	\$3,634,009	\$535,907

A portion of the Academy’s governmental assets 19.2% is in cash and investments, 77.2% is in Restricted Cash and Investments and 3.6% are in accounts receivables.



**Eagle County Charter Academy's Change in Net Assets  
For the Year Ended June 30, 2012  
Governmental Activities**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Program Revenue:		
Tuition and Fees	\$ 278,447	\$ 105,232
Total Program Revenue	<u>278,447</u>	<u>105,232</u>
Capital Grants and Contributions:		
District Capital Contributions	2,000,000	0
Foundation Contributions – Facility	800,000	0
BEST Grant Program Grant	262,152	0
Total Capital Grants and Contributions	<u>3,062,152</u>	<u>0</u>
General Revenue:		
Per Pupil Revenue	2,021,827	2,021,071
District Mill Levy Revenue	403,344	392,575
Foundation Contributions – Unrestricted	305,000	280,000
State Capital Construction	23,685	228,737
Other Contributions	13,363	25,639
Investment Income	383	840
Other	1,985	12,949
Total General Revenue	<u>2,769,587</u>	<u>2,961,811</u>
Total Revenue	<u>6,110,186</u>	<u>3,067,043</u>
Expenses:		
Instruction	2,231,126	2,096,942
Supporting Services	780,958	626,789
Total Expenses	<u>3,012,084</u>	<u>2,723,731</u>
Increase in Net Assets	3,098,102	343,312
Beginning Net Assets, June 30	<u>535,907</u>	<u>192,595</u>
Ending Net Assets, June 30	<u>\$ 3,634,009</u>	<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.

The amount received for each student from the State decreased 5% however with the additional 16 student, total per pupil funding remained relatively flat for FY 2011. Salary and benefit expenditures increased by 5% or \$101,597. This was the result of the payment of \$57,949 in performance pay, \$50,889 increase in employee benefits and other minor reductions in total salaries of \$7,241 from staff turnover. The fund balance increased by \$2,840,850. This was mostly the result of the matching funds from the District and Foundation. These matching funds are restricted for Facility Construction in the amount of \$2,937,680 and are not scheduled to be spent until the end of the construction project.

**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 \$5,782,679 and it was adjusted to \$5,854,911. Expenditures were less than budget by \$2,585,575. This was largely caused by grant funds being used first for the construction of the new facility and matching funds not being spent until the end of the project. It was originally thought that matching funds would be utilized first.

**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 will use the grant proceeds and matching funds in the amount of \$2,937,680 to construct a new educational facility. The Academy broke ground in August 2012 and plan to open in the new facility in fall 2013.

**Economic Factors and Next Year’s Budget**

The FY 2012/2013 budget projects the Academy’s general fund balance will have a increase of approximately \$7,830. Enrollment is projected to increase by 8 students to 323 students in FY 2012/2013. Below are the historical enrollment numbers:

<b>Fiscal Year</b>	<b>Enrollment</b>
2007 / 2008	288
2008 / 2009	292
2009 / 2010	293
2010 / 2011	299
2011 / 2012	315

**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 ASSETS

June 30, 2012

	<u>PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES</u>	<u>COMPONENT UNIT FOUNDATION</u>
<b>ASSETS</b>		
Cash and Investments	\$ 729,174	\$ 341,198
Restricted Cash and Investments	2,937,680	-
Accounts Receivable	8,129	955
Accounts Receivable - Foundation	35,127	-
Grants Receivable	94,369	-
Inventories	-	10,738
Capital Assets, Not Being Depreciated	257,252	27,786
Capital Assets, Net of Accumulated Depreciation	<u>-</u>	<u>375,544</u>
<b>TOTAL ASSETS</b>	<u>4,061,731</u>	<u>756,221</u>
<b>LIABILITIES</b>		
Accounts Payable	130,909	17,485
Accounts Payable - School	-	35,127
Accrued Salaries and Benefits	282,613	-
Deferred Revenues	<u>14,200</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>427,722</u>	<u>52,612</u>
<b>NET ASSETS</b>		
Invested in Capital Assets	257,252	403,330
Restricted for Emergencies	90,400	-
Restricted for Facility Construction	2,937,680	-
Unrestricted	<u>348,677</u>	<u>300,279</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 3,634,009</u>	<u>\$ 703,609</u>

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



EAGLE COUNTY CHARTER ACADEMY

BALANCE SHEET  
GOVERNMENTAL FUND  
June 30, 2012

	<u>GENERAL</u>
<b>ASSETS</b>	
Cash and Investments	\$ 729,174
Restricted Cash and Investments	2,937,680
Accounts Receivable	8,129
Accounts Receivable - Foundation	35,127
Grants Receivable	94,369
<b>TOTAL ASSETS</b>	<b>\$ 3,804,479</b>
<b>LIABILITIES AND FUND BALANCE</b>	
<b>LIABILITIES</b>	
Accounts Payable	\$ 130,909
Accrued Salaries and Benefits	282,613
Deferred Revenues	14,200
<b>TOTAL LIABILITIES</b>	<b>427,722</b>
<b>FUND BALANCE</b>	
Restricted for Emergencies	90,400
Restricted for Facility Construction	2,937,680
Unrestricted, Unassigned	348,677
<b>TOTAL FUND BALANCE</b>	<b>3,376,757</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 3,804,479</b>
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:	
Total Fund Balance of the Governmental Fund	\$ 3,376,757
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	257,252
Total Net Assets of Governmental Activities	<b>\$ 3,634,009</b>

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, 2012

	<u>GENERAL</u>
REVENUES	
Local Sources	
Per Pupil Revenue	\$ 2,021,827
District Mill Levy	403,344
Tuition and Fees	278,447
District Capital Contributions	2,000,000
Foundation Contributions	1,105,000
Other Contributions	13,363
Investment Income	383
Miscellaneous	1,985
State Sources	
BEST Grant	262,152
Capital Construction	23,685
	<hr/>
TOTAL REVENUES	6,110,186
	<hr/>
EXPENDITURES	
Current	
Instruction	2,231,126
Supporting Services	757,273
Capital Outlay	280,937
	<hr/>
TOTAL EXPENDITURES	3,269,336
	<hr/>
NET CHANGE IN FUND BALANCE	2,840,850
	<hr/>
FUND BALANCE, Beginning	535,907
	<hr/>
FUND BALANCE, Ending	\$ <u>3,376,757</u>
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
Net Change in Fund Balance of the Governmental Fund	\$ 2,840,850
Capital outlays to purchase or construct capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized in the statement of net assets and are allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This amount represents capital outlay in the current year.	<hr/>
	257,252
	<hr/>
Change in Net Assets of Governmental Activities	\$ <u>3,098,102</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. 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 assets 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 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* - Capital assets, which include buildings, modular classrooms and equipment, are reported in the government-wide financial statements. Capital assets are defined by the School 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.

EAGLE COUNTY CHARTER ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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

**Assets, Liabilities and Net Assets/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 assets in the government-wide financial statements. Capital assets of the School and its discretely presented component unit are depreciated using the straight-line method over the following estimated useful lives.

Modular Classrooms	12 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.

*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, 2012, consisted of the following:

Deposits	\$ 629,488
Cash Held by District	99,686
Cash Held by Third Party	<u>2,937,680</u>
Total	<b><u>\$ 3,666,854</u></b>

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

Cash and Investments	\$ 729,174
Restricted Cash and Investments	<u>2,937,680</u>
Total	<b><u>\$ 3,666,854</u></b>

**NOTE 2: CASH AND INVESTMENTS (Continued)**

**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.

**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, 2012.

**Restricted Cash and Investments**

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 with the grant trustee. At June 30, 2012, the trustee held \$2,937,680 restricted for facility construction.

**Component Unit**

At June 30, 2012, the Foundation had uninsured bank deposits of \$80,514.

EAGLE COUNTY CHARTER ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**NOTE 3: CAPITAL ASSETS**

Changes in capital assets for the year ended June 30, 2012, are summarized below:

	Balances 6/30/11	Additions	Deletions	Balances 6/30/12
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated				
Construction in Progress	<u>\$ -</u>	<u>\$ 257,252</u>	<u>\$ -</u>	<u>\$ 257,252</u>
<b>Component Unit</b>				
Capital Assets, Not Being Depreciated				
Construction in Progress	<u>\$ 27,786</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,786</u>
Capital Assets, Being Depreciated				
Modular Classrooms	1,369,216	-	-	1,369,216
Equipment	<u>377,651</u>	<u>-</u>	<u>-</u>	<u>377,651</u>
Total Capital Assets, Being Depreciated	<u>1,746,867</u>	<u>-</u>	<u>-</u>	<u>1,746,867</u>
Less Accumulated Depreciation				
Modular Classrooms	(918,640)	(114,101)	-	(1,032,741)
Equipment	<u>(313,234)</u>	<u>(25,348)</u>	<u>-</u>	<u>(338,582)</u>
Total Accumulated Depreciation	<u>(1,231,874)</u>	<u>(139,449)</u>	<u>-</u>	<u>(1,371,323)</u>
Total Capital Assets, Being Depreciated, Net	<u>514,993</u>	<u>(139,449)</u>	<u>-</u>	<u>375,544</u>
Total Component Unit Capital Assets, Net	<u>\$ 542,779</u>	<u>\$ (139,449)</u>	<u>\$ -</u>	<u>\$ 403,330</u>

**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 Plan 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 2010, 2011 and 2012 was 13.85%, 14.75% and 15.65% 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, 2012, 2011 and 2010 were \$273,696, \$250,239 and \$234,795, 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, 2012, 2011 and 2010 was \$18,366, \$17,849 and \$17,873, 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, 2012, 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.

**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 governments. The Amendment is complex and subject to judicial interpretation. However, the School believes it is in substantial 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, 2012, the School's reserve, of \$90,400, 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, 2012

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	VARIANCE Positive (Negative)
<b>REVENUES</b>				
Local Sources				
Per Pupil Revenue	\$ 2,024,427	\$ 2,021,596	\$ 2,021,827	\$ 231
District Mill Levy	423,724	423,724	403,344	(20,380)
Tuition and Fees	151,170	191,945	278,447	86,502
District Capital Contributions	2,000,000	2,000,000	2,000,000	-
Foundation Contributions	1,105,000	1,105,000	1,105,000	-
Other Contributions	-	2,200	13,363	11,163
Investment Income	750	750	383	(367)
Miscellaneous	-	-	1,985	1,985
State Sources				
BEST Grant	-	-	262,152	262,152
Capital Construction	28,665	28,665	23,685	(4,980)
<b>TOTAL REVENUES</b>	<u>5,733,736</u>	<u>5,773,880</u>	<u>6,110,186</u>	<u>336,306</u>
<b>EXPENDITURES</b>				
Instruction				
Salaries	1,429,100	1,406,788	1,438,976	(32,188)
Benefits	442,773	445,273	435,644	9,629
Purchased Services	210,817	243,838	226,356	17,482
Supplies and Materials	61,758	80,267	52,322	27,945
Other	45,000	50,000	77,828	(27,828)
Supporting Services				
Salaries	303,990	352,200	361,655	(9,455)
Benefits	92,681	106,009	87,367	18,642
Purchased Services	195,781	169,574	272,170	(102,596)
Supplies and Materials	35,397	35,580	36,081	(501)
Capital Outlay	2,965,382	2,965,382	280,937	2,684,445
<b>TOTAL EXPENDITURES</b>	<u>5,782,679</u>	<u>5,854,911</u>	<u>3,269,336</u>	<u>2,585,575</u>
<b>NET CHANGE IN FUND BALANCE</b>	(48,943)	(81,031)	2,840,850	2,921,881
<b>FUND BALANCE, Beginning</b>	<u>522,097</u>	<u>535,907</u>	<u>535,907</u>	<u>-</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 473,154</u>	<u>\$ 454,876</u>	<u>\$ 3,376,757</u>	<u>\$ 2,921,881</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.

- 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, 2012

	<u>FOUNDATION</u>
REVENUES	
Student Activities	\$ 29,262
Contributions	234,680
Fundraising	181,214
Investment Income	3,621
Miscellaneous	<u>10,862</u>
TOTAL REVENUES	<u>459,639</u>
EXPENSES	
Programs	
Student Activities	42,922
School Contributions	<u>1,105,000</u>
Total Programs	<u>1,147,922</u>
General and Administration	
Accounting and Legal	5,021
Bank Charges	3,855
Depreciation	139,449
Miscellaneous	<u>6,103</u>
Total General and Administration	<u>154,428</u>
Fundraising	<u>87,135</u>
TOTAL EXPENSES	<u>1,389,485</u>
CHANGE IN NET ASSETS	(929,846)
NET ASSETS, Beginning	<u>1,633,455</u>
NET ASSETS, Ending	<u>\$ 703,609</u>

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