

**PEAK TO PEAK CHARTER SCHOOLS, INC.**

**FINANCIAL STATEMENTS**

**June 30, 2014**

**PEAK TO PEAK CHARTER SCHOOLS, INC.**

**ROSTER OF SCHOOL OFFICIALS**

June 30, 2014

**BOARD MEMBERS**

Thomas Willetto, President

Scott Hudson, Vice-President

Greg Richards, Treasurer

Phil Mehalko, Secretary

Brad Elliott, Member

Elizabeth Gable, Member

Lisa Walther, Member

**SCHOOL MANAGEMENT**

Kelly Reeser, Executive Director of Education

Samuel Todd, Executive Director of Operations

Melissa Christensen, Elementary School Principal

Suzanne Ovelman, Middle School Principal

Kyle Mathews, High School Principal

## TABLE OF CONTENTS

	<b>PAGE</b>
Independent Auditors' Report	
Management's Discussion and Analysis	i - iv
<b>Basic Financial Statements</b>	
Statement of Net Position	1
Statement of Activities	2
Balance Sheet - Governmental Funds	3
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	4
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	5
Notes to Financial Statements	6 - 14
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedule - General Fund	15
Notes to Required Supplementary Information	16



Board of Directors  
Peak to Peak Charter Schools, Inc.  
Lafayette, Colorado

### INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Peak to Peak Charter Schools, Inc., component unit of Boulder Valley School District RE-2, 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 Peak to Peak Charter Schools, Inc., 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' judgement, 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 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 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, each major fund, and the aggregate remaining fund information of Peak to Peak Charter Schools, Inc., 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.

*Swanlund & Company LLC*

November 6, 2014

# PEAK TO PEAK CHARTER SCHOOLS, INC.

## Management's Discussion and Analysis

### Fiscal Year Ended June 30, 2014

As management of Peak to Peak Charter Schools, Inc. ("Peak to Peak"), we offer readers of Peak to Peak's financial statements this narrative and analysis of the financial activities of Peak to Peak for the year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information provided in the financial statements.

#### Financial Highlights

The year ended June 30, 2014 is the fourteenth year of operations for Peak to Peak. The General Fund fund balance increased by \$11,566 to \$3,120,283 at year-end.

The operations of Peak to Peak are funded primarily by tax revenue received under the Colorado School Finance Act. Tax revenue for the year from Per Pupil Revenue, Special Education, ELPA, and District Mill Levy Overrides was \$12,689,428 in the 2013-14 fiscal year, up \$329,371 from the previous year.

#### Overview of Financial Statements

This discussion and analysis are intended to serve as an introduction to Peak to Peak's basic financial statements. The basic statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

##### 1) Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of Peak to Peak's finances in a manner similar to a private-sector business.

The statement of net position presents information on all Peak to Peak's assets and liabilities, with the difference between the two being reported as net position. Capital assets are shown net of accumulated depreciation.

The statement of activities presents information showing how Peak to Peak's net position changed during the year. Changes in net position are reported as soon as the underlying event occurs, giving rise to the change, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future periods (for example, salaries and benefits earned but unpaid as of year-end).

##### 2) Fund Financial Statements

Fund financial statements are designed to demonstrate compliance with finance-related legal requirements. 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. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements.

##### 3) Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

**PEAK TO PEAK CHARTER SCHOOL  
Net Position**

	<b>2013</b>	<b>2014</b>
<b>Assets</b>		
Current and Other Assets	\$ 6,709,827	\$ 6,723,066
Capital Assets	\$ 16,584,866	\$ 16,360,847
<b>Total Assets</b>	<b><u>\$ 23,294,693</u></b>	<b><u>\$ 23,083,913</u></b>
<b>Deferred Outflows of Resources</b>		
Loss on Refunding	\$ 3,836,081	\$ 3,651,949
<b>Total Deferred Outflows of Resources</b>	<b><u>\$ 3,836,081</u></b>	<b><u>\$ 3,651,949</u></b>
<b>Liabilities</b>		
Current and Other Liabilities	\$ 1,249,724	\$ 1,239,722
Long-Term Liabilities	\$ 20,231,333	\$ 19,718,076
<b>Total Liabilities</b>	<b><u>\$ 21,481,057</u></b>	<b><u>\$ 20,957,798</u></b>
<b>Net Position</b>		
Net Investment in Capital Assets	\$ 236,355	\$ 355,944
Restricted Donations	\$ 9,955	\$ 10,000
Restricted for Emergency Reserves	\$ 432,879	\$ 448,261
Restricted for Debt Service	\$ 2,060,316	\$ 2,044,033
Restricted for Repairs and Replacement	\$ 250,078	\$ 250,056
Unrestricted	\$ 2,660,134	\$ 2,669,770
<b>Total Net Position</b>	<b><u>\$ 5,649,717</u></b>	<b><u>\$ 5,778,064</u></b>

**PEAK TO PEAK CHARTER SCHOOL  
Changes in Net Position**

	<b>2013</b>	<b>2014</b>
<b>Revenue</b>		
Program Revenues		
Charges for Services	\$ 1,392,778	\$ 1,344,049
Operating/Capital Grants and Contributions	\$ 297,986	\$ 451,021
General Revenues		
District Allocation	\$ 12,062,071	\$ 12,346,722
Capital Construction Revenue	\$ 123,947	\$ 134,268
Investment Earnings	\$ 15,506	\$ 12,871
Other	\$ 571,310	\$ 459,115
<b>Total Revenue</b>	<b><u>\$ 14,463,598</u></b>	<b><u>\$ 14,748,046</u></b>

<b>Expenses</b>		
Instruction	\$ 7,791,608	\$ 8,009,468
Supporting Services	\$ 5,494,771	\$ 5,433,807
Interest on Long-Term Debt	\$ 1,197,230	\$ 1,176,424
<b>Total Expenses</b>	<b>\$ 14,483,609</b>	<b>\$ 14,619,699</b>
<b>Change in Net Position</b>	<b>\$ (20,011)</b>	<b>\$ 128,347</b>
<b>Net Position, Beginning</b>	<b>\$ 5,669,728</b>	<b>\$ 5,649,717</b>
<b>Net Position, Ending</b>	<b>\$ 5,649,717</b>	<b>\$ 5,778,064</b>

### Government-Wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of Peak to Peak's financial position. For the year ended June 30, 2014, Peak to Peak's assets and deferred outflows of resources exceeded liabilities by \$5,778,064. Of these funds, \$448,261 is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment, \$10,000 is a nonexpendable restricted donation, \$355,944 is the net investment in capital assets, and \$2,294,089 is restricted for debt service and building maintenance. Therefore, \$2,669,770 is unrestricted and available to meet Peak to Peak's ongoing financial obligations. The change in net position in fiscal year 2013-14 from the previous year was higher by \$128,347.

### Financial Analysis of the School's Funds

The focus of Peak to Peak's governmental funds is to provide information on near-term inflows, outflows, and balances of resources. Such information is useful in assessing Peak to Peak's financing requirements.

As of the end of the current fiscal year, Peak to Peak's governmental funds reported a combined ending fund balance of \$5,861,126, an overall increase of \$15,400. The General Fund increased \$11,566 to \$3,120,283. The Prairie View Fund decreased \$24,146 to \$2,671,871. The Friends of Peak to Peak Fund increased \$27,980 to \$68,972, after the transfer of donated funds to Peak to Peak for operating expenditures.

### General Fund Budgetary Highlights

Peak to Peak's budgeted General Fund revenue for 2013-14 was \$14,767,553, while actual revenue was \$14,260,216, resulting in a shortfall of \$507,337. Peak to Peak's 2013-14 budget for General Fund expenditures was \$13,505,594, while actual expenditures were \$13,097,666, resulting in a surplus of \$407,928. The net of transfers in and out from other fund sources resulted in net increase in fund balance of \$11,566, with a final fund balance of \$3,120,283 for the year ended June 30, 2014.

The preliminary budget was approved in May, 2013 and the final revised budget was approved in November, 2013 by the Peak to Peak board of directors. The revenue variance of \$84,519 between the preliminary and final budgets was attributable to appropriating a larger amount of the beginning fund balance. The expense variance of \$84,057 was due to a higher allocation for major renovations, information technology and return to reserves.



## **Capital Asset and Debt Administration**

Capital Assets. Peak to Peak's capital assets as of June 30, 2014, amounted to \$16,360,847, net of accumulated depreciation. Peak to Peak's capital assets include the land (35 acres) and buildings (138,000 square feet) located at 800 Merlin Drive, Lafayette, Colorado. In the 2013-14 fiscal year, Peak to Peak completed an approximately \$200,000 major renovation of the information technology infrastructure in all buildings in preparation for connecting to BVSD's IT network. This work was finished without incurring additional debt.

Long-Term Debt. As of June 30, 2014, Peak to Peak had outstanding debt of \$19,305,000. The debt was incurred in April of 2004, when CECFA issued the revenue and refunding bonds to advance refund the Series 2001 Bonds (Peak to Peak Charter School Project). Long-term debt is detailed in Note 5 to the financial statements. The school currently holds a "BBB+" credit rating with Standard and Poor's.

## **Economic Factors and Next Year's Budget**

The primary factor driving the budget for Peak to Peak is student enrollment. Enrollment for the 2013-14 school year was 1,413.6 full-time equivalent (FTE) students. The enrollment projected for the 2014-15 school year is 1,413.6 FTE, which will meet the maximum enrollment allowed by Peak to Peak's contract with Boulder Valley School District.

State funding for public schools had been unstable for four years prior to 2013-14, attributed to the weak economic conditions of the country and state. The state economy appears to be improving at this point in time with a 2.7% increase in per pupil funding for 2013-14, which combined with Peak to Peak's conservative financial management, and the availability of reserved funds, is expected to allow the school to be able to continue to deliver exceptional education without reducing staff or services to students.

In addition, Peak to Peak expects to refinance its existing bonds in July, 2014, which should result in annual debt service savings exceeding \$100,000.

## **Requests for Information**

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

**Sam Todd**, Executive Director of Operations  
Peak to Peak Charter School  
800 Merlin Drive, Lafayette, CO 80026  
[sam.todd@bvsd.org](mailto:sam.todd@bvsd.org)

November 6, 2014

## **BASIC FINANCIAL STATEMENTS**

PEAK TO PEAK CHARTER SCHOOLS, INC.

STATEMENT OF NET POSITION

June 30, 2014

	<u>GOVERNMENTAL ACTIVITIES</u>
<b>ASSETS</b>	
Cash and Investments	\$ 3,984,667
Restricted Cash and Investments	2,706,726
Accounts Receivable	16,623
Prepaid Expenses	15,050
Capital Assets, Not Being Depreciated	1,756,655
Capital Assets, Net of Accumulated Depreciation	<u>14,604,192</u>
<b>TOTAL ASSETS</b>	<u>23,083,913</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Loss on Debt Refunding, Net of Accumulated Amortization	<u>3,651,949</u>
<b>LIABILITIES</b>	
Accounts Payable	355,593
Accrued Salaries and Benefits	479,876
Unearned Revenues	26,471
Accrued Interest Payable	377,782
Noncurrent Liabilities	
Due Within One Year	2,568
Due in More Than One Year	<u>19,715,508</u>
<b>TOTAL LIABILITIES</b>	<u>20,957,798</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	355,944
Restricted for Advanced Placement Testing	
Nonexpendable	10,000
Restricted for Debt Service	2,044,033
Restricted for Repairs and Replacements	250,056
Restricted for Emergencies	448,261
Unrestricted	<u>2,669,770</u>
<b>TOTAL NET POSITION</b>	<u>\$ 5,778,064</u>

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

PEAK TO PEAK CHARTER SCHOOLS, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2014

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			GOVERNMENTAL ACTIVITIES	NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS		
<b>Governmental Activities</b>						
Instruction	\$ 8,009,468	\$ 888,966	\$ 281,547	\$ 108,315	\$	(6,730,640)
Supporting Services	5,433,807	455,083	61,159	-		(4,917,565)
Interest on Long-Term Debt	1,176,424	-	-	-		(1,176,424)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<u>\$ 14,619,699</u>	<u>\$ 1,344,049</u>	<u>\$ 342,706</u>	<u>\$ 108,315</u>		<u>(12,824,629)</u>
<b>GENERAL REVENUES</b>						
						9,261,281
Per Pupil Revenue						3,085,441
District Mill Levy						134,268
Capital Construction						382,160
Grants and Contributions not Restricted to Specific Programs						12,871
Investment Income						76,955
Other						
<b>TOTAL GENERAL REVENUES</b>						<u>12,952,976</u>
<b>CHANGE IN NET POSITION</b>						128,347
<b>NET POSITION, Beginning</b>						<u>5,649,717</u>
<b>NET POSITION, Ending</b>						<u>\$ 5,778,064</u>

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

PEAK TO PEAK CHARTER SCHOOLS, INC.

BALANCE SHEET  
GOVERNMENTAL FUNDS

June 30, 2014

	<u>GENERAL</u>	<u>PRAIRIE VIEW, INC.</u>	<u>FRIENDS OF PEAK TO PEAK, INC.</u>	<u>TOTAL</u>
<b>ASSETS</b>				
Cash and Investments	\$ 3,915,695	\$ -	\$ 68,972	\$ 3,984,667
Restricted Cash and Investments	-	2,706,726	-	2,706,726
Accounts Receivable	16,623	-	-	16,623
Prepaid Expenditures	15,050	-	-	15,050
Interfund Receivables	34,855	-	-	34,855
	<u>3,982,223</u>	<u>2,706,726</u>	<u>68,972</u>	<u>6,757,921</u>
<b>TOTAL ASSETS</b>	<b>\$ 3,982,223</b>	<b>\$ 2,706,726</b>	<b>\$ 68,972</b>	<b>\$ 6,757,921</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 355,593	\$ -	\$ -	\$ 355,593
Accrued Salaries and Benefits	479,876	-	-	479,876
Unearned Revenues	26,471	-	-	26,471
Interfund Payables	-	34,855	-	34,855
	<u>861,940</u>	<u>34,855</u>	<u>-</u>	<u>896,795</u>
<b>TOTAL LIABILITIES</b>	<b>861,940</b>	<b>34,855</b>	<b>-</b>	<b>896,795</b>
<b>FUND BALANCES</b>				
<b>Nonspendable</b>				
Prepaid Expenditures	15,050	-	-	15,050
Donations	-	-	10,000	10,000
<b>Restricted for</b>				
Debt Service	-	2,421,815	-	2,421,815
Repairs and Replacements	-	250,056	-	250,056
Emergencies	448,261	-	-	448,261
<b>Assigned to</b>				
Student Activities	-	-	58,972	58,972
Unassigned	2,656,972	-	-	2,656,972
	<u>3,120,283</u>	<u>2,671,871</u>	<u>68,972</u>	<u>5,861,126</u>
<b>TOTAL FUND BALANCES</b>	<b>3,120,283</b>	<b>2,671,871</b>	<b>68,972</b>	<b>5,861,126</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,982,223</b>	<b>\$ 2,706,726</b>	<b>\$ 68,972</b>	<b>\$ 6,757,921</b>

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

Total Fund Balances of Governmental Funds	\$ 5,861,126
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	16,360,847
Long-term liabilities and related items, including building loan (\$19,305,000), premium (\$351,852), loss on refunding \$3,651,949, accrued compensated absences (\$61,224) and accrued interest payable (\$377,782) are not due and payable in the current year and, therefore, are not reported in governmental funds.	(16,443,909)
<b>Total Net Position of Governmental Activities</b>	<b>\$ 5,778,064</b>

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

PEAK TO PEAK CHARTER SCHOOLS, INC.

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

	<u>GENERAL</u>	<u>PRAIRIE VIEW, INC.</u>	<u>FRIENDS OF PEAK TO PEAK, INC.</u>	<u>TOTAL</u>
REVENUES				
Local Sources				
Per Pupil Revenue	\$ 9,261,281	\$ -	\$ -	\$ 9,261,281
District Mill Levy	3,085,441	-	-	3,085,441
Student Fees and Activities	889,006	-	-	889,006
Professional Development Fees	65,108	-	-	65,108
Food Service Fees	375,975	-	-	375,975
Contributions and Fundraising	10,000	-	480,475	490,475
Rental Income	13,960	-	-	13,960
Investment Income	5,516	6,379	976	12,871
Other	76,955	-	-	76,955
State Sources				
Capital Construction	134,268	-	-	134,268
Grants	283,445	-	-	283,445
Federal Sources				
Grants	59,261	-	-	59,261
 TOTAL REVENUES	 <u>14,260,216</u>	 <u>6,379</u>	 <u>481,451</u>	 <u>14,748,046</u>
EXPENDITURES				
Current				
Instruction	7,994,985	-	-	7,994,985
Supporting Services	5,102,681	35,263	71,844	5,209,788
Debt Service				
Principal	-	510,000	-	510,000
Interest and Fiscal Charges	-	1,017,873	-	1,017,873
 TOTAL EXPENDITURES	 <u>13,097,666</u>	 <u>1,563,136</u>	 <u>71,844</u>	 <u>14,732,646</u>
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 <u>1,162,550</u>	 <u>(1,556,757)</u>	 <u>409,607</u>	 <u>15,400</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	386,552	1,537,536	-	1,924,088
Transfers Out	(1,537,536)	(4,925)	(381,627)	(1,924,088)
 TOTAL OTHER FINANCING SOURCES (USES)	 <u>(1,150,984)</u>	 <u>1,532,611</u>	 <u>(381,627)</u>	 <u>-</u>
 NET CHANGE IN FUND BALANCES	 11,566	 (24,146)	 27,980	 15,400
FUND BALANCES, Beginning	3,108,717	2,696,017	40,992	5,845,726
FUND BALANCES, Ending	<u>\$ 3,120,283</u>	<u>\$ 2,671,871</u>	<u>\$ 68,972</u>	<u>\$ 5,861,126</u>

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

PEAK TO PEAK CHARTER SCHOOLS, INC.

RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2014

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

Net Change in Fund Balances of Governmental Funds	\$ 15,400
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$440,643) exceeded capital outlay \$216,624 in the current year.	(224,019)
Repayments of debt principal are expenditures in governmental funds, but they reduce long-term liabilities in the statement of net position and do not affect the statement of activities.	510,000
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This amount includes amortization of premium \$17,740, amortization of loss on refunding (\$184,132), change in accrued compensated absences (\$14,483), and change in accrued interest payable \$7,841.	<u>(173,034)</u>
Change in Net Position of Governmental Activities	<u>\$ 128,347</u>

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Peak to Peak Charter Schools, Inc. (“Peak to Peak”) was formed on May 12, 1998, and operates a charter school in the Boulder Valley School District RE-2 (the “District”). Peak to Peak began operations in the Fall of 2000.

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

Based upon the application of this criteria, Peak to Peak includes two non-profit organizations within its reporting entity. These organizations have separate governing boards but provide services exclusively to Peak to Peak and are reported as blended component units in the financial statements. Separate financial statements are not issued for these organizations.

*Prairie View, Inc.*, was organized for the sole purpose of financing and constructing Peak to Peak’s facilities.

*Friends of Peak to Peak, Inc.*, was established to aid in the development of Peak to Peak and is responsible for raising funds to be used for the expansion of Peak to Peak and its educational objectives.

**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 Peak to Peak. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges for interfund services that are reasonably equivalent to the services provided. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported in a single column.

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. Other revenues not properly included among program revenues are reported instead as general revenues.



NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

**Government-wide and Fund Financial Statements (Continued)**

Major individual governmental funds are reported as separate columns in the fund financial statements.

**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. Revenues are considered to be available when they are collected within the current year or soon enough thereafter to pay liabilities of the current year, not to exceed 60 days. Intergovernmental revenues, grants, and interest associated with the current year are considered to be susceptible to accrual and 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 Peak to Peak. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

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

Peak to Peak reports the following major governmental funds:

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

*Prairie View, Inc.* - This blended component unit accounts for the construction and related debt service of Peak to Peak's facilities.

**Assets, Liabilities and Net Position/Fund Balances**

*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.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

*Capital Assets* - Capital assets, which include land, buildings and equipment, are reported in the government-wide financial statements. Capital assets are defined by Peak to Peak 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 estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives.

Land Improvements	10 to 25 years
Buildings and Improvements	10 to 50 years
Equipment	10 years

*Accrued Salaries and Benefits* - Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve month period from August to July, 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 Peak to Peak before it has a legal claim to them, including tuition and fees.

*Compensated Absences* - Peak to Peak's policy allows employees to accumulate unused leave time. Upon termination of employment, unused leave time will be paid, up to a maximum of 20 days, at the lesser of the substitute teacher rate of \$108 per day or the employee's daily rate. A liability has been reported in the government-wide financial statements for these accrued compensated absences.

*Long-Term Debt* - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Debt premiums and discounts are deferred and amortized over the life of the debt using the straight-line method. In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses.

Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenses or expenditures.

*Net Position/Fund Balances* - In the government-wide and fund financial statements, net position and fund balances 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. In the fund financial statements, blended component units report fund balances assigned to the purposes for which they are expected to be used on behalf of Peak to Peak.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

Peak to Peak 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, Peak to Peak uses restricted fund balance first, followed by committed, assigned, and unassigned balances.

**Risk Management**

Peak to Peak is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. Peak to Peak purchases commercial insurance for these risks of loss.

**NOTE 2: CASH AND INVESTMENTS**

At June 30, 2014, Peak to Peak had the following cash and investments:

Deposits	\$ 4,988,196
Investments	1,678,197
Cash Held by Third Party	<u>25,000</u>
Total	<u><b>\$ 6,691,393</b></u>

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

Cash and Investments	\$ 3,984,667
Restricted Cash and Investments	<u>2,706,726</u>
Total	<u><b>\$ 6,691,393</b></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, Peak to Peak had bank deposits of \$3,431,230 collateralized with securities held by the financial institutions' agents but not in Peak to Peak's name.

**Investments**

Peak to Peak 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

**Investments** (Continued)

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

*Credit Risk* - State statutes limit certain investments to those with specified ratings provided by nationally recognized statistical rating organizations. At June 30, 2014, Friends of Peak to Peak, Inc., had \$11,471 invested in money market and mutual funds that were not rated.

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

*Local Government Investment Pool* - At June 30, 2014, Prairie View, Inc., had \$1,666,726 invested in the Colorado Surplus Asset Fund Trust (CSAFE), 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 CSAFE. CSAFE operates in conformity with the Securities and Exchange Commission's Rule 2a-7 as promulgated under the Investment Company Act of 1940, as amended. CSAFE is rated AAAm by Standard and Poor's. Investments of CSAFE are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

**Restricted Cash and Investments**

At June 30, 2014, Prairie View, Inc., had cash and investments totaling \$2,706,726 restricted for future debt service and building repairs and replacements.

**NOTE 3: INTERFUND BALANCES AND TRANSACTIONS**

During the year ended June 30, 2014, the General Fund paid debt issuance costs of \$34,855 related to the CECFA Charter School Refunding Revenue Bonds, Series 2014. These costs will be reimbursed by Prairie View, Inc., using debt proceeds.

PEAK TO PEAK CHARTER SCHOOLS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

**NOTE 3: INTERFUND BALANCES AND TRANSACTIONS (Continued)**

Interfund transfers for the year ended June 30, 2014, consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Prairie View, Inc.	\$ 4,925
General Fund	Friends of Peak to Peak, Inc.	381,627
Prairie View, Inc.	General Fund	<u>1,537,536</u>
Total		<b><u>\$ 1,924,088</u></b>

Prairie View, Inc., routinely transfers excess earnings to the General Fund, and Friends of Peak to Peak, Inc., subsidizes the programs of the General Fund. The General Fund transferred the required debt service payments of \$1,537,536 to Prairie View, Inc.

**NOTE 4: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2014, is summarized below:

	<u>Balances</u> <u>6/30/13</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>6/30/14</u>
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated				
Land	\$ 1,657,966	\$ -	\$ -	\$ 1,657,966
Construction in Progress	<u>98,689</u>	<u>-</u>	<u>-</u>	<u>98,689</u>
Total Capital Assets, Not Being Depreciated	<u>1,756,655</u>	<u>-</u>	<u>-</u>	<u>1,756,655</u>
Capital Assets, Being Depreciated				
Land Improvements	2,584,364	-	-	2,584,364
Buildings and Improvements	17,131,802	201,458	-	17,333,260
Equipment	<u>273,338</u>	<u>15,166</u>	<u>-</u>	<u>288,504</u>
Total Capital Assets, Being Depreciated	<u>19,989,504</u>	<u>216,624</u>	<u>-</u>	<u>20,206,128</u>
Accumulated Depreciation				
Land Improvements	(915,192)	(89,221)	-	(1,004,413)
Buildings and Improvements	(4,210,698)	(324,088)	-	(4,534,786)
Equipment	<u>(35,403)</u>	<u>(27,334)</u>	<u>-</u>	<u>(62,737)</u>
Total Accumulated Depreciation	<u>(5,161,293)</u>	<u>(440,643)</u>	<u>-</u>	<u>(5,601,936)</u>
Total Capital Assets, Being Depreciated, Net	<u>14,828,211</u>	<u>(224,019)</u>	<u>-</u>	<u>14,604,192</u>
Governmental Activities Capital Assets, Net	<b><u>\$ 16,584,866</u></b>	<b><u>\$ (224,019)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 16,360,847</u></b>

Depreciation expense was charged to the supporting services program.

PEAK TO PEAK CHARTER SCHOOLS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

**NOTE 5: LONG-TERM DEBT**

Following is a summary of long-term debt transactions for the year ended June 30, 2014.

	Balances			Balances	
	<u>6/30/13</u>	<u>Additions</u>	<u>Payments</u>	<u>6/30/14</u>	<u>Due Within</u>
					<u>One Year</u>
<b>Governmental Activities</b>					
Building Loan	\$ 19,815,000	\$ -	\$ 510,000	\$ 19,305,000	\$ -
Premium	369,592	-	17,740	351,852	-
Compensated Absences	<u>46,741</u>	<u>136,721</u>	<u>122,238</u>	<u>61,224</u>	<u>2,568</u>
Total	<u>\$ 20,231,333</u>	<u>\$ 136,721</u>	<u>\$ 649,978</u>	<u>\$ 19,718,076</u>	<u>\$ 2,568</u>

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

In April, 2004, the Colorado Educational and Cultural Facilities Authority (CECFA) issued \$23,300,000 Charter School Revenue and Refunding Bonds, Series 2004. Proceeds of the bonds were used to advance refund CECFA's outstanding Charter School Revenue Bonds, Series 2001. Proceeds of the Series 2001 bonds were used to construct Peak to Peak's educational facilities. Peak to Peak is obligated under a lease agreement to make monthly lease payments to Prairie View, Inc., for use of the facilities. Prairie View, Inc., is required to make equal loan payments to the Trustee, for payment of the bonds. Interest accrues at rates ranging from 3% to 5.25% per annum, and is payable semi-annually on August 15 and February 15. Principal payments are due annually on August 15, through 2034.

On July 15, 2014, the CECFA issued \$17,880,000 Charter School Refunding Revenue Bonds, Series 2014. Proceeds will be used to refund the outstanding Series 2004 Bonds. Interest accrues at rates ranging from 2% to 5% per annum, and is payable semi-annually on August 15 and February 15. Principal payments are due annually on August 15, through 2034.

Future debt service requirements for the Series 2014 Bonds are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ -	\$ 472,879	\$ 472,879
2016	470,000	805,950	1,275,950
2017	620,000	791,950	1,411,950
2018	640,000	773,050	1,413,050
2019	655,000	750,600	1,405,600
2020 - 2024	3,700,000	3,330,750	7,030,750
2025 - 2029	4,585,000	2,398,125	6,983,125
2030 - 2034	5,860,000	1,098,500	6,958,500
2035	<u>1,350,000</u>	<u>33,750</u>	<u>1,383,750</u>
Total	<u>\$ 17,880,000</u>	<u>\$ 10,455,554</u>	<u>\$ 28,335,554</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

**NOTE 6: DEFINED BENEFIT PENSION PLAN**

*Plan Description* - Peak to Peak 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 Peak to Peak 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 Peak to Peak are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members was 8% of covered payroll. Peak to Peak's contribution rate for calendar years 2012, 2013 and 2014 was 15.65%, 16.55% and 17.45% of covered payroll, respectively. A portion of Peak to Peak's contribution (1.02% of covered payroll) is allocated to the Health Care Trust Fund (See Note 7). Peak to Peak's contributions to the SDTF for the years ended June 30, 2014, 2013 and 2012 were \$1,029,501, \$986,961 and \$894,664, respectively, equal to the required contributions for each year.

**NOTE 7: POSTEMPLOYMENT HEALTHCARE BENEFITS**

*Plan Description* - Peak to Peak contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer postemployment healthcare plan administered by the 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* - Peak to Peak is required to contribute at the rate of 1.02% of covered payroll for all PERA members as set by statute. No member contributions are required. The contribution requirements for Peak to Peak 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. Peak to Peak's apportionment to the HCTF for the years ended June 30, 2014, 2013 and 2012 was \$63,046, \$62,979 and \$60,026, respectively, equal to the required amounts for each year.

**NOTE 8: COMMITMENTS AND CONTINGENCIES**

**Claims and Judgments**

Peak to Peak 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, Peak to Peak 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 Peak to Peak.

**Tabor Amendment**

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution which limits state and local government taxing powers and imposes spending limitations. The Amendment is subject to many interpretations, but Peak to Peak believes it is in substantial compliance with the Amendment. In accordance with the Amendment, Peak to Peak has established an emergency reserve representing 3% of qualifying expenditures. At June 30, 2014, the reserve of \$448,261 was reported as restricted fund balance in the General Fund.



**REQUIRED SUPPLEMENTARY INFORMATION**

PEAK TO PEAK CHARTER SCHOOLS, INC.

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2014

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE Positive (Negative)</u>
<b>REVENUES</b>				
<b>Local Sources</b>				
Per Pupil Revenue	\$ 9,259,972	\$ 9,261,019	\$ 9,261,281	\$ 262
District Mill Levy	3,092,863	3,092,863	3,085,441	(7,422)
Student Fees and Activities	889,452	897,352	889,006	(8,346)
Professional Development Fees	108,000	97,000	65,108	(31,892)
Food Service Fees	467,000	467,000	375,975	(91,025)
Contributions and Fundraising	-	-	10,000	10,000
Rental Income	-	-	13,960	13,960
Investment Income	-	-	5,516	5,516
Other	210,000	325,000	76,955	(248,045)
<b>State Sources</b>				
Capital Construction	137,602	130,865	134,268	3,403
Grants	518,145	496,454	283,445	(213,009)
<b>Federal Sources</b>				
Grants	-	-	59,261	59,261
<b>TOTAL REVENUES</b>	<u>14,683,034</u>	<u>14,767,553</u>	<u>14,260,216</u>	<u>(507,337)</u>
<b>EXPENDITURES</b>				
Salaries	6,958,325	6,867,631	6,478,283	389,348
Employee Benefits	2,099,008	2,081,918	1,836,595	245,323
Purchased Services	3,022,629	3,055,872	3,595,635	(539,763)
Supplies	1,161,575	1,250,173	842,704	407,469
Property and Equipment	180,000	220,000	344,449	(124,449)
Reserves	-	30,000	-	30,000
<b>TOTAL EXPENDITURES</b>	<u>13,421,537</u>	<u>13,505,594</u>	<u>13,097,666</u>	<u>407,928</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>1,261,497</u>	<u>1,261,959</u>	<u>1,162,550</u>	<u>(99,409)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	307,100	307,100	386,552	79,452
Transfers Out	(1,566,706)	(1,566,706)	(1,537,536)	29,170
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(1,259,606)</u>	<u>(1,259,606)</u>	<u>(1,150,984)</u>	<u>108,622</u>
<b>NET CHANGE IN FUND BALANCE</b>	1,891	2,353	11,566	9,213
<b>FUND BALANCE, Beginning</b>	<u>3,038,297</u>	<u>3,046,550</u>	<u>3,108,717</u>	<u>62,167</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 3,040,188</u>	<u>\$ 3,048,903</u>	<u>\$ 3,120,283</u>	<u>\$ 71,380</u>

See the accompanying Independent Auditors' Report.

**NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgets and Budgetary Accounting**

Budgets are legally adopted for all funds of Peak to Peak on a basis consistent with generally accepted accounting principles.

Peak to Peak 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 budget 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.