

PEAK TO PEAK CHARTER SCHOOLS, INC.

FINANCIAL STATEMENTS

June 30, 2012

PEAK TO PEAK CHARTER SCHOOLS, INC.

ROSTER OF SCHOOL OFFICIALS

June 30, 2012

BOARD MEMBERS

Richard Lawrence, President

Don Ferguson, Vice-President

Greg Richards, Treasurer

Scott Hudson, Secretary

Brad Elliott, Member

Megan Holstein, Member

Thomas Willetto, Member

SCHOOL MANAGEMENT

Kelly Reeser, Executive Director of Education

Samuel Todd, Executive Director of Operations

Noelle Roni, Elementary Principal

Suzanne Ovelman, Middle School Principal

Kyle Mathews, High School Principal

TABLE OF CONTENTS

	PAGE
Independent Auditors' Report	
Management's Discussion and Analysis	i - iv
Basic Financial Statements	
Statement of Net Assets	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 - 13
Required Supplementary Information	
Budgetary Comparison Schedule - General Fund	14
Notes to Required Supplementary Information	15



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, 2012, which collectively comprise the basic financial statements of Peak to Peak Charter Schools, Inc., as listed in the table of contents. These financial statements are the responsibility of Peak to Peak Charter Schools, Inc.'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, each major fund, and the aggregate remaining fund information of Peak to Peak Charter Schools, Inc., 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.

Swanhorst & Company LLC

November 1, 2012

PEAK TO PEAK CHARTER SCHOOLS, INC.

Management's Discussion and Analysis

Fiscal Year Ended June 30, 2012

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, 2012. 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, 2012 is the twelfth year of operations for Peak to Peak. The General Fund fund balance (including cash and investments) increased by \$257,417 to \$3,024,714 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 \$12,225,686 in the 2011-12 fiscal year, down \$372,238 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 assets presents information on all Peak to Peak's assets and liabilities, with the difference between the two being reported as net assets. Capital assets are shown net of depreciation.

The statement of activities presents information showing how Peak to Peak's net assets changed during the year. Changes in net assets 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.

Government-Wide Financial Analysis

As noted previously, net assets may serve over time as a useful indicator of Peak to Peak's financial position. For the year ended June 30, 2012, Peak to Peak's assets exceeded liabilities by \$6,173,691. \$420,795 of these funds is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment, and \$2,285,718 is restricted for debt service and building maintenance. Therefore, \$2,660,367 is unrestricted and available to meet Peak to Peak's ongoing financial obligations.

PEAK TO PEAK CHARTER SCHOOL Net Assets

	2011	2012
Assets		
Current and Other Assets	\$ 8,140,026	\$ 7,058,153
Capital Assets	\$ 15,990,697	\$ 16,974,967
Total Assets	\$ 24,130,723	\$ 24,033,120
Liabilities		
Current and Other Liabilities	\$ 1,396,484	\$ 1,187,310
Long-Term Liabilities	\$ 16,975,727	\$ 16,672,119
Total Liabilities	\$ 18,372,211	\$ 17,859,429
Net Assets		
Invested in Capital Assets (net of related debt)	\$ (457,985)	\$ 806,811
Restricted for Emergency Reserves	\$ 427,259	\$ 420,795
Restricted for Debt Service	\$ 2,094,592	\$ 2,035,597
Restricted for Repairs and Replacement	\$ 250,034	\$ 250,121
Unrestricted	\$ 3,444,612	\$ 2,660,367
Total Net Assets	\$ 5,758,512	\$ 6,173,691

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

Revenue	2011	2012
Program Revenues		
Charges for Services	\$ 1,257,248	\$ 1,207,659
Operating Grants and Contributions	\$ 231,433	\$ 276,529
General Revenues		
District Allocation	\$ 12,089,694	\$ 11,949,157
Capital Construction Revenue	\$ 127,303	\$ 111,813
Investment Earnings	\$ 107,774	\$ 11,154
Other	\$ 907,768	\$ 520,065
Total Revenue	<u>\$ 14,721,220</u>	<u>\$ 14,076,377</u>
 Expenses		
Instructional	\$ 7,083,587	\$ 7,517,103
Supporting Services	\$ 5,391,061	\$ 4,926,876
Interest on Long-Term Debt	\$ 1,236,412	\$ 1,217,219
Total Expenses	<u>\$ 13,711,060</u>	<u>\$ 13,661,198</u>
 Change in Net Assets	\$ 1,010,160	\$ 415,179
 Net Assets, Beginning	<u>\$ 4,748,352</u>	<u>\$ 5,758,512</u>
 Net Assets, Ending	<u><u>\$ 5,758,512</u></u>	<u><u>\$ 6,173,691</u></u>

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 \$5,760,038, a decrease of \$856,842. The General Fund increased \$257,417 to \$3,024,714. The Prairie View Fund decreased \$1,104,596 to \$2,707,392, due to monies being spent on construction of outdoor athletic facilities and remodeling of the existing kitchen. The Friends of Peak to Peak Fund decreased \$9,663 to \$27,932, 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 2011-12 was \$13,910,434, while actual revenue was \$13,636,156, resulting in a shortfall of \$274,278. Peak to Peak's 2011-12 budget for General Fund expenditures was \$12,745,586, while actual expenditures were \$11,902,475, resulting in a surplus of \$843,111. The net of transfers in and out from other fund sources resulted in net increase in fund balance of \$257,417, with a final fund balance of \$3,024,714 for the year ended June 30, 2012.

Capital Asset and Debt Administration

Capital Assets. Peak to Peak's capital assets as of June 30, 2012, amounted to \$16,974,967, 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 2011-12 fiscal year, Peak to Peak completed construction of two new ball fields and renovated the kitchen facilities on campus. This work was finished without incurring additional long-term debt.

Long-Term Debt. As of June 30, 2012, Peak to Peak had outstanding debt of \$20,305,000. 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 4 to the financial statements. The school maintains credit ratings 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 2011-12 school year was 1,413.8 full-time equivalent (FTE) students. The enrollment projected for the 2012-13 school year is 1,413.8 FTE, which will meet the maximum enrollment allowed by Peak to Peak's contract with Boulder Valley School District.

There is uncertainty about State funding for schools over the next two school years attributed to the weak economic conditions that the country has been facing. Due to conservative financial management in the past, and the availability of reserved funds, Peak to Peak expects to be able to weather this economic downturn without having to reduce staff or services to students.

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

November 1, 2012

BASIC FINANCIAL STATEMENTS

PEAK TO PEAK CHARTER SCHOOLS, INC.

STATEMENT OF NET ASSETS

June 30, 2012

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS	
Cash and Investments	\$ 3,871,194
Restricted Cash and Investments	2,678,876
Accounts Receivable	3,194
Inventories	926
Deferred Charges, Net of Accumulated Amortization	503,963
Capital Assets, Not Being Depreciated	1,756,655
Capital Assets, Net of Accumulated Depreciation	<u>15,218,312</u>
 TOTAL ASSETS	 <u>24,033,120</u>
LIABILITIES	
Accounts Payable	291,159
Accrued Salaries and Benefits	451,698
Deferred Revenues	51,295
Accrued Interest Payable	393,158
Noncurrent Liabilities	
Due Within One Year	490,000
Due in More Than One Year	<u>16,182,119</u>
 TOTAL LIABILITIES	 <u>17,859,429</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	806,811
Restricted for Debt Service	2,035,597
Restricted for Repairs and Replacements	250,121
Restricted for Emergencies	420,795
Unrestricted	<u>2,660,367</u>
 TOTAL NET ASSETS	 <u>\$ 6,173,691</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, 2012

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	
Governmental Activities				GOVERNMENTAL ACTIVITIES
Instruction	\$ 7,517,103	\$ 728,382	\$ 235,853	\$ (6,552,868)
Supporting Services	4,926,876	479,277	40,676	(4,406,923)
Interest on Long-Term Debt	1,217,219	-	-	(1,217,219)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 13,661,198	\$ 1,207,659	\$ 276,529	(12,177,010)
				GENERAL REVENUES
				Per Pupil Revenue 9,019,350
				District Mill Levy 2,929,807
				Capital Construction 111,813
				Grants and Contributions not Restricted to Specific Programs 427,974
				Investment Income 11,154
				Other 92,091
				TOTAL GENERAL REVENUES 12,592,189
				CHANGE IN NET ASSETS 415,179
				NET ASSETS, Beginning 5,758,512
				NET ASSETS, Ending \$ 6,173,691

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

PEAK TO PEAK CHARTER SCHOOLS, INC.

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	<u>GENERAL</u>	<u>PRAIRIE VIEW, INC.</u>	<u>FRIENDS OF PEAK TO PEAK, INC.</u>	<u>TOTAL</u>
ASSETS				
Cash and Investments	\$ 3,815,672	\$ 28,516	\$ 27,006	\$ 3,871,194
Restricted Cash and Investments	-	2,678,876	-	2,678,876
Accounts Receivable	3,194	-	-	3,194
Inventories	-	-	926	926
TOTAL ASSETS	<u>\$ 3,818,866</u>	<u>\$ 2,707,392</u>	<u>\$ 27,932</u>	<u>\$ 6,554,190</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 291,159	\$ -	\$ -	\$ 291,159
Accrued Salaries and Benefits	451,698	-	-	451,698
Deferred Revenues	51,295	-	-	51,295
TOTAL LIABILITIES	<u>794,152</u>	<u>-</u>	<u>-</u>	<u>794,152</u>
FUND BALANCES				
Nonspendable				
Inventories	-	-	926	926
Restricted for				
Debt Service	-	2,428,755	-	2,428,755
Repairs and Replacements	-	250,121	-	250,121
Emergencies	420,795	-	-	420,795
Assigned to				
Capital Projects	-	28,516	-	28,516
Student Activities	-	-	27,006	27,006
Unassigned	2,603,919	-	-	2,603,919
TOTAL FUND BALANCES	<u>3,024,714</u>	<u>2,707,392</u>	<u>27,932</u>	<u>5,760,038</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,818,866</u>	<u>\$ 2,707,392</u>	<u>\$ 27,932</u>	<u>\$ 6,554,190</u>

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

Total Fund Balances of Governmental Funds	\$ 5,760,038
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	16,974,967
Long-term liabilities and related items, including building loan (\$20,305,000), premium (\$387,332), loss on refunding \$4,020,213, issuance costs \$503,963, and accrued interest payable (\$393,158) are not due and payable in the current year and, therefore, are not reported in the funds.	<u>(16,561,314)</u>
Total Net Assets of Governmental Activities	<u>\$ 6,173,691</u>

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, 2012

	<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	\$ 9,019,350	\$ -	\$ -	\$ 9,019,350
District Mill Levy	2,929,807	-	-	2,929,807
Student Fees	728,382	-	-	728,382
Professional Development Fees	87,737	-	-	87,737
Food Service Fees	391,540	-	-	391,540
Contributions and Fundraising	1,864	-	426,110	427,974
Investment Income	8,052	3,102	-	11,154
Other	81,082	11,009	-	92,091
State Sources				
Capital Construction	111,813	-	-	111,813
Grants	227,480	-	-	227,480
Federal Sources				
Grants	49,049	-	-	49,049
 TOTAL REVENUES	 <u>13,636,156</u>	 <u>14,111</u>	 <u>426,110</u>	 <u>14,076,377</u>
EXPENDITURES				
Current				
Instruction	7,517,103	-	-	7,517,103
Supporting Services	4,385,372	2,636	87,159	4,475,167
Capital Outlay	-	1,412,897	-	1,412,897
Debt Service				
Principal	-	470,000	-	470,000
Interest and Fiscal Charges	-	1,058,052	-	1,058,052
 TOTAL EXPENDITURES	 <u>11,902,475</u>	 <u>2,943,585</u>	 <u>87,159</u>	 <u>14,933,219</u>
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 <u>1,733,681</u>	 <u>(2,929,474)</u>	 <u>338,951</u>	 <u>(856,842)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	374,374	1,902,812	-	2,277,186
Transfers Out	(1,850,638)	(77,934)	(348,614)	(2,277,186)
 TOTAL OTHER FINANCING SOURCES (USES)	 <u>(1,476,264)</u>	 <u>1,824,878</u>	 <u>(348,614)</u>	 <u>-</u>
 NET CHANGE IN FUND BALANCES	 257,417	 (1,104,596)	 (9,663)	 (856,842)
FUND BALANCES, Beginning	2,767,297	3,811,988	37,595	6,616,880
FUND BALANCES, Ending	<u>\$ 3,024,714</u>	<u>\$ 2,707,392</u>	<u>\$ 27,932</u>	<u>\$ 5,760,038</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, 2012

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

Net Change in Fund Balances of Governmental Funds	\$	(856,842)
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 capital outlay \$1,412,161 exceeded depreciation expense (\$427,891) in the current year.		984,270
Repayments of debt principal are expenditures in the governmental funds, but they reduce long-term liabilities in the statement of net assets and do not affect the statement of activities.		470,000
Proceeds from the issuance of debt and related costs are revenues and expenditures in the governmental funds, but are long-term liabilities and assets in the statement of net assets and do not affect the statement of activities. This amount includes amortization of premium \$17,740, amortization of loss on refunding (\$184,132), amortization of issuance costs (\$23,082), and change in accrued interest payable \$7,225.		<u>(182,249)</u>
Change in Net Assets of Governmental Activities	\$	<u><u>415,179</u></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 assets 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.

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 are recorded only when payment is due.

When both restricted and unrestricted resources are available for 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 used to account for all financial resources except those required to be accounted for in another fund.

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

Assets, Liabilities and Net Assets/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.

Inventories - Inventories are valued at cost, using the first-in, first-out (FIFO) method. The costs of inventories are recorded as expenditures or expenses when consumed rather than when purchased.

Deferred Revenues - Deferred revenues include fees collected before they are earned.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Assets/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.

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, as well as issuance costs, are deferred and amortized over the life of the debt using the straight-line method.

In the fund financial statements, governmental funds recognize the face amount of debt issued as other financing sources. Premiums 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, are reported as expenditures.

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

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.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

NOTE 2: CASH AND INVESTMENTS

At June 30, 2012, Peak to Peak had the following cash and investments:

Deposits	\$ 3,871,194
Investments	<u>2,678,876</u>
Total	<u>\$ 6,550,070</u>

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

Cash and Investments	\$ 3,871,194
Restricted Cash and Investments	<u>2,678,876</u>
Total	<u>\$ 6,550,070</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, 2012, Peak to Peak had bank deposits of \$2,334,644 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.

- 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

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

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

Prairie View, Inc., had the following investments at June 30, 2012:

<u>Investment</u>	<u>Maturity</u>	<u>Rating</u>	<u>Fair Value</u>
Abbey National Commercial Paper	2/11/13	P-1	\$ 536,963
BNP Paribas Financial Commercial Paper	11/13/12	P-1	498,500
Fortis Funding LLC Commercial Paper	11/13/12	P-1	498,500
Local Government Investment Pool	NA	AAAm	<u>1,144,913</u>
Total			<u>\$ 2,678,876</u>

Interest Rate Risk - State statutes generally limit the maturity date of investment securities to five years from the date of purchase unless the governing board authorizes the investment for a period in excess of five years. State statutes limit investments in commercial paper to a maturity date within three years from the date of settlement.

Credit Risk - State statutes limit investments in commercial paper to those rated by at least two or more nationally recognized statistical rating organizations (NRSROs), and that are not rated below A-1, P-1, or F-1. At June 30, 2012, Prairie View, Inc.'s investments in commercial paper were rated P-1 by Moody's Investors Service.

Concentration of Credit Risk - State statutes generally limit the amount Peak to Peak may invest in one corporate issuer to 5% of the investment portfolio and limit total investments in corporate securities to 50% of the investment portfolio, unless the governing board authorizes greater percentages. At June 30, 2012, Prairie View, Inc.'s investments in Abbey National, BNP Paribas Financial, and Fortis Funding LLC represented 20%, 18.6% and 18.6% of total investments, respectively. In addition, corporate securities represented 57.2% of total investments.

Local Government Investment Pool - At June 30, 2012, Prairie View, Inc., had \$1,144,913 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, 2012, Prairie View, Inc., had investments totaling \$2,678,876 restricted for future debt service and building repairs and replacements.

PEAK TO PEAK CHARTER SCHOOLS, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

NOTE 3: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2012, is summarized below:

	Balances 6/30/11	Additions	Deletions	Balances 6/30/12
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 1,657,966	\$ -	\$ -	\$ 1,657,966
Construction in Progress	<u>1,002,636</u>	<u>1,183,219</u>	<u>2,087,166</u>	<u>98,689</u>
Total Capital Assets, Not Being Depreciated	<u>2,660,602</u>	<u>1,183,219</u>	<u>2,087,166</u>	<u>1,756,655</u>
Capital Assets, Being Depreciated				
Land Improvements	954,635	1,629,729	-	2,584,364
Buildings and Improvements	16,674,365	457,437	-	17,131,802
Equipment	<u>-</u>	<u>228,942</u>	<u>-</u>	<u>228,942</u>
Total Capital Assets, Being Depreciated	<u>17,629,000</u>	<u>2,316,108</u>	<u>-</u>	<u>19,945,108</u>
Accumulated Depreciation				
Land Improvements	(721,735)	(104,236)	-	(825,971)
Buildings and Improvements	(3,577,170)	(314,477)	-	(3,891,647)
Equipment	<u>-</u>	<u>(9,178)</u>	<u>-</u>	<u>(9,178)</u>
Total Accumulated Depreciation	<u>(4,298,905)</u>	<u>(427,891)</u>	<u>-</u>	<u>(4,726,796)</u>
Total Capital Assets, Being Depreciated, Net	<u>13,330,095</u>	<u>1,888,217</u>	<u>-</u>	<u>15,218,312</u>
Governmental Activities Capital Assets, Net	<u>\$ 15,990,697</u>	<u>\$ 3,071,436</u>	<u>\$ 2,087,166</u>	<u>\$ 16,974,967</u>

Depreciation expense was charged to the supporting services program.

NOTE 4: LONG-TERM DEBT

Following is a summary of long-term debt transactions for the year ended June 30, 2012.

	Balances 6/30/11	Additions	Payments	Balances 6/30/12	Due Within One Year
Governmental Activities					
Building Loan	\$ 20,775,000	\$ -	\$ 470,000	\$ 20,305,000	\$ 490,000
Premium	405,072	-	17,740	387,332	-
Loss on Refunding	<u>(4,204,345)</u>	<u>-</u>	<u>(184,132)</u>	<u>(4,020,213)</u>	<u>-</u>
Total	<u>\$ 16,975,727</u>	<u>\$ -</u>	<u>\$ 303,608</u>	<u>\$ 16,672,119</u>	<u>\$ 490,000</u>

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. The bonds mature in August, 2034.

PEAK TO PEAK CHARTER SCHOOLS, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

NOTE 4: LONG-TERM DEBT (Continued)

Future debt service payments are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 490,000	\$ 1,038,374	\$ 1,528,374
2014	510,000	1,017,873	1,527,873
2015	530,000	996,553	1,526,553
2016	555,000	971,119	1,526,119
2017	580,000	941,326	1,521,326
2018 - 2022	3,405,000	4,201,443	7,606,443
2023 - 2027	4,395,000	3,183,469	7,578,469
2028 - 2032	5,670,000	1,869,524	7,539,524
2033 - 2035	4,170,000	335,737	4,505,737
Total	<u>\$ 20,305,000</u>	<u>\$ 14,555,418</u>	<u>\$ 34,860,418</u>

NOTE 5: INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2012, consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Prairie View, Inc.	\$ 77,934
General Fund	Friends of Peak to Peak, Inc.	296,440
Prairie View, Inc.	General Fund	1,850,638
Prairie View, Inc.	Friends of Peak to Peak, Inc.	52,174
Total		<u>\$ 2,277,186</u>

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 \$1,538,357 to Prairie View, Inc. In addition, the General Fund and Friends of Peak to Peak, Inc., provided financing to Prairie View, Inc., in the amounts of \$312,281 and \$52,174, respectively, for the kitchen remodel, athletic fields, and future campus expansion.

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).

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

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 2010, 2011 and 2012 was 13.85%, 14.75% and 15.65% of covered payroll, respectively. A portion of Peak to Peak's contribution (1.02% of covered payroll) was allocated for the Health Care Trust Fund (See Note 7). Peak to Peak's contributions to the SDTF for the years ended June 30, 2012, 2011 and 2010 were \$894,664, \$828,647 and \$753,963, 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 of 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, 2012, 2011 and 2010 was \$60,026, \$59,106 and \$57,391, respectively.

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 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, Peak to Peak may be required to reimburse the grantor government. At June 30, 2012, significant amounts of grant expenditures had not been audited but Peak to Peak 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, 2012, the reserve of \$420,795 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, 2012

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	VARIANCE Positive (Negative)
REVENUES				
Local Sources				
Per Pupil Revenue	\$ 9,018,075	\$ 9,019,095	\$ 9,019,350	\$ 255
District Mill Levy	2,936,272	2,938,655	2,929,807	(8,848)
Student Fees	728,719	768,228	728,382	(39,846)
Professional Development Fees	35,300	35,300	87,737	52,437
Food Service Fees	500,000	500,000	391,540	(108,460)
Contributions and Fundraising	-	-	1,864	1,864
Investment Income	-	-	8,052	8,052
Other	60,000	90,000	81,082	(8,918)
State Sources				
Capital Construction	120,241	113,181	111,813	(1,368)
Grants	443,948	445,975	227,480	(218,495)
Federal Sources				
Grants	-	-	49,049	49,049
TOTAL REVENUES	<u>13,842,555</u>	<u>13,910,434</u>	<u>13,636,156</u>	<u>(274,278)</u>
EXPENDITURES				
Salaries	6,478,847	6,413,341	6,050,973	362,368
Employee Benefits	1,943,754	1,933,207	1,691,798	241,409
Purchased Services	2,834,870	2,873,028	3,051,467	(178,439)
Supplies	1,418,910	1,496,010	965,648	530,362
Property and Equipment	30,000	30,000	142,589	(112,589)
TOTAL EXPENDITURES	<u>12,706,381</u>	<u>12,745,586</u>	<u>11,902,475</u>	<u>843,111</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,136,174</u>	<u>1,164,848</u>	<u>1,733,681</u>	<u>568,833</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	435,000	435,000	374,374	(60,626)
Transfers Out	(1,568,539)	(1,568,539)	(1,850,638)	(282,099)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,133,539)</u>	<u>(1,133,539)</u>	<u>(1,476,264)</u>	<u>(342,725)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 2,635</u>	<u>\$ 31,309</u>	257,417	<u>\$ 226,108</u>
FUND BALANCE, Beginning			<u>2,767,297</u>	
FUND BALANCE, Ending			<u>\$ 3,024,714</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 the School 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 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.