

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

**FINANCIAL STATEMENTS**

**June 30, 2011**

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

**ROSTER OF SCHOOL OFFICIALS**

June 30, 2011

**BOARD MEMBERS**

Megan Holstein, President

Rich Bradfield, Vice-President

Richard Lawrence, Treasurer

Kelly Reeser, Secretary

Karen Berge, Member

Don Ferguson, Member

Thomas Willetto, Member

**SCHOOL MANAGEMENT**

Anthony Fontana, Executive Principal

Noelle Roni, Elementary Principal

Suzanne Ovelman, Middle School Principal

Kyle Mathews, High School Principal

Samuel Todd, Director of Operations

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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, 2011, 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, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 9 to the financial statements, Peak to Peak Charter Schools, Inc., adopted the standards of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the year ended June 30, 2011.

The management's discussion and analysis and required supplementary information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Swanhorst & Company LLC*

October 28, 2011

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

## **Management's Discussion and Analysis**

### **Fiscal Year Ended June 30, 2011**

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, 2011. 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, 2011 is the eleventh year of operations for Peak to Peak. The general fund balance (including cash and investments) decreased by \$511,183 to \$2,767,297 at year-end June 30, 2011.

The operations of Peak to Peak are funded primarily by tax revenue received under the State School Finance Act. Tax revenue for the year from Per Pupil Revenue, Special Education, ELPA, and District Mill Levy Overrides was \$12,597,924 in the 2010-11 fiscal 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, 2011, Peak to Peak's assets exceeded liabilities by \$5,758,512. \$427,259 of these funds is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment, and \$2,344,626 is restricted for debt service and building maintenance. Therefore, \$3,444,612 is unrestricted and available to meet Peak to Peak's ongoing financial obligations.

### PEAK TO PEAK CHARTER SCHOOL Net Assets

	2010	2011
<b>Assets</b>		
Current and Other Assets	\$ 7,557,343	\$ 8,140,026
Capital Assets	<u>\$ 15,512,939</u>	<u>\$ 15,990,697</u>
<b>Total Assets</b>	<b><u>\$ 23,070,282</u></b>	<b><u>\$ 24,130,723</u></b>
<b>Liabilities</b>		
Current and Other Liabilities	\$ 1,512,595	\$ 1,396,484
Long-Term Liabilities	<u>\$ 16,809,335</u>	<u>\$ 16,975,727</u>
<b>Total Liabilities</b>	<b><u>\$ 18,321,930</u></b>	<b><u>\$ 18,372,211</u></b>
<b>Net Assets</b>		
Invested in Capital Assets (net of related debt)	\$ (1,201,269)	\$ (457,985)
Restricted for Emergency Reserves	\$ 386,283	\$ 427,259
Restricted for Debt Service	\$ 2,066,552	\$ 2,094,592
Restricted for Repairs and Replacement	\$ 250,089	\$ 250,034
Unrestricted	<u>\$ 3,246,697</u>	<u>\$ 3,444,612</u>
<b>Total Net Assets</b>	<b><u>\$ 4,748,352</u></b>	<b><u>\$ 5,758,512</u></b>

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

	2010	2011
<b>Revenue</b>		
Program Revenues		
Charges for Services	\$ 1,281,625	\$ 1,257,248
Operating Grants and Contributions	\$ 226,864	\$ 231,433
General Revenues		
District Allocation	\$ 11,704,054	\$ 12,089,694
Capital Construction Revenue	\$ 135,969	\$ 127,303
Investment Earnings	\$ 115,222	\$ 107,774
Other	<u>\$ 524,149</u>	<u>\$ 907,768</u>
<b>Total Revenue</b>	<b><u>\$ 13,987,883</u></b>	<b><u>\$ 14,721,220</u></b>

**Expenses**

Instructional	\$ 7,039,858	\$ 7,083,587
Supporting Services	\$ 5,072,184	\$ 5,391,061
Interest on Long-Term Debt	\$ 1,254,383	\$ 1,236,412
<b>Total Expenses</b>	<b>\$ 13,366,425</b>	<b>\$ 13,711,060</b>
<b>Change in Net Assets</b>	<b>\$ 621,458</b>	<b>\$ 1,010,160</b>
<b>Net Assets, Beginning</b>	<b>\$ 4,126,894</b>	<b>\$ 4,748,352</b>
<b>Net Assets, Ending</b>	<b>\$ 4,748,352</b>	<b>\$ 5,758,512</b>

**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 \$6,616,880, an increase of \$259,881. The General Fund (including Other Programs) decreased \$511,183, the Prairie View Fund increased \$795,343, and the Friends of Peak to Peak Fund decreased \$24,279.

The General Fund is the major operating fund of Peak to Peak with the required TABOR reserve cash held at Boulder Valley School District. At the end of the current fiscal year, the General Fund (including Other Programs) fund balance decreased by \$511,183 to \$2,767,297. This decrease was due to the construction of a new parking lot and access road into campus.

Prairie View fund balance increased by \$795,343 to \$3,811,988, due to monies being set aside for construction of outdoor athletic facilities and remodeling of the existing kitchen.

The Friends of Peak to Peak fund balance (includes Friends of Peak to Peak) decreased by \$24,279 to \$37,595 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 2010-11 was \$11,818,209, while actual revenue came in at \$12,731,167, resulting in a surplus of \$912,958. Peak to Peak's 2010-11 budget for General Fund expenditures was \$10,870,747, while actual expenditures were \$10,975,916, resulting in a shortfall of \$105,169. The net of transfers in and out from other fund sources resulted in net increase in fund balance of \$217,259, with a final fund balance of \$612,988 for the year ended June 30, 2011.

**Capital Asset and Debt Administration**

Capital Assets. Peak to Peak's investment in capital assets as of June 30, 2011, amounts to \$15,990,697, 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.

Long-Term Debt. As of June 30, 2011, Peak to Peak had outstanding debt of \$20,775,000. 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 2010-11 school year was 1,413.6 full-time equivalent (FTE) students. The enrollment projected for the 2011-12 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.

There is a great deal of uncertainty about state funding for schools over the next two school years due to the economic recession 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](mailto:sam.todd@bvsd.org)



## **BASIC FINANCIAL STATEMENTS**

PEAK TO PEAK CHARTER SCHOOLS, INC.

STATEMENT OF NET ASSETS

June 30, 2011

	<u>GOVERNMENTAL ACTIVITIES</u>
<b>ASSETS</b>	
Cash and Investments	\$ 4,830,787
Restricted Cash and Investments	2,745,009
Accounts Receivable	16,143
Prepaid Expenses	3,667
Inventories	17,375
Deferred Charges, Net of Accumulated Amortization	527,045
Capital Assets, Not Being Depreciated	2,660,602
Capital Assets, Net of Accumulated Depreciation	<u>13,330,095</u>
<b>TOTAL ASSETS</b>	<u>24,130,723</u>
<b>LIABILITIES</b>	
Accounts Payable	506,852
Accrued Salaries and Benefits	432,644
Deferred Revenues	56,605
Accrued Interest Payable	400,383
Noncurrent Liabilities	
Due Within One Year	470,000
Due in More Than One Year	<u>16,505,727</u>
<b>TOTAL LIABILITIES</b>	<u>18,372,211</u>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	(457,985)
Restricted for Debt Service	2,094,592
Restricted for Repairs and Replacements	250,034
Restricted for Emergencies	427,259
Unrestricted	<u>3,444,612</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 5,758,512</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, 2011

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>		<u>NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS</u>
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>GOVERNMENTAL ACTIVITIES</u>
<b>PRIMARY GOVERNMENT</b>				
<b>Governmental Activities</b>				
Instruction	\$ 7,083,587	\$ 784,179	\$ 231,433	\$ (6,067,975)
Supporting Services	5,391,061	473,069	-	(4,917,992)
Interest on Long-Term Debt	<u>1,236,412</u>	<u>-</u>	<u>-</u>	<u>(1,236,412)</u>
Total Governmental Activities	<u>\$ 13,711,060</u>	<u>\$ 1,257,248</u>	<u>\$ 231,433</u>	<u>(12,222,379)</u>
<b>GENERAL REVENUES</b>				
Per Pupil Revenue				9,244,183
District Mill Levy				2,845,511
Capital Construction				127,303
Grants and Contributions not Restricted to Specific Programs				686,123
Investment Income				107,774
Other				<u>221,645</u>
TOTAL GENERAL REVENUES				<u>13,232,539</u>
CHANGE IN NET ASSETS				1,010,160
NET ASSETS, Beginning				<u>4,748,352</u>
NET ASSETS, Ending				<u>\$ 5,758,512</u>

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

PEAK TO PEAK CHARTER SCHOOLS, INC.

BALANCE SHEET  
GOVERNMENTAL FUNDS

June 30, 2011

	<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	\$ 3,375,757	\$ 1,434,411	\$ 20,619	\$ 4,830,787
Restricted Cash and Investments	-	2,745,009	-	2,745,009
Accounts Receivable	16,095	-	48	16,143
Prepaid Expenditures	3,667	-	-	3,667
Inventories	-	-	17,375	17,375
<b>TOTAL ASSETS</b>	<u>\$ 3,395,519</u>	<u>\$ 4,179,420</u>	<u>\$ 38,042</u>	<u>\$ 7,612,981</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 138,973	\$ 367,432	\$ 447	\$ 506,852
Accrued Salaries and Benefits	432,644	-	-	432,644
Deferred Revenues	56,605	-	-	56,605
<b>TOTAL LIABILITIES</b>	<u>628,222</u>	<u>367,432</u>	<u>447</u>	<u>996,101</u>
<b>FUND BALANCES</b>				
Nonspendable				
Prepaid Expenditures	3,667	-	-	3,667
Inventories	-	-	17,375	17,375
Restricted for				
Debt Service	-	2,494,975	-	2,494,975
Repairs and Replacements	-	250,034	-	250,034
Emergencies	427,259	-	-	427,259
Assigned to				
Capital Projects	-	1,066,979	-	1,066,979
Student Activities	-	-	20,220	20,220
Unassigned	2,336,371	-	-	2,336,371
<b>TOTAL FUND BALANCES</b>	<u>2,767,297</u>	<u>3,811,988</u>	<u>37,595</u>	<u>6,616,880</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 3,395,519</u>	<u>\$ 4,179,420</u>	<u>\$ 38,042</u>	<u>\$ 7,612,981</u>

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

Total Fund Balances of Governmental Funds	\$ 6,616,880
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	15,990,697
Long-term liabilities and related items, including building loan (\$20,775,000), premium (\$405,072), loss on refunding \$4,204,345, issuance costs \$527,045, and accrued interest payable (\$400,383) are not due and payable in the current year and, therefore, are not reported in the funds.	<u>(16,849,065)</u>
<b>Total Net Assets of Governmental Activities</b>	<u>\$ 5,758,512</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, 2011

	<u>GENERAL</u>	<u>PRAIRIE VIEW, INC.</u>	<u>FRIENDS OF PEAK TO PEAK, INC.</u>	<u>TOTAL</u>
<b>REVENUES</b>				
Local Sources				
Per Pupil Revenue	\$ 9,244,183	\$ -	\$ -	\$ 9,244,183
District Mill Levy	2,845,511	-	-	2,845,511
Student Fees	784,179	-	-	784,179
Food Service Fees	473,069	-	-	473,069
Contributions and Fundraising	14,126	-	395,200	409,326
Investment Income	11,979	95,795	-	107,774
Other	194,719	26,926	-	221,645
State Sources				
Capital Construction	127,303	-	-	127,303
Grants	231,433	-	-	231,433
Federal Sources				
Grants	276,797	-	-	276,797
<b>TOTAL REVENUES</b>	<u>14,203,299</u>	<u>122,721</u>	<u>395,200</u>	<u>14,721,220</u>
<b>EXPENDITURES</b>				
Current				
Instruction	7,083,587	-	-	7,083,587
Supporting Services	4,800,592	769	143,306	4,944,667
Capital Outlay	-	901,070	-	901,070
Debt Service				
Principal	-	455,000	-	455,000
Interest and Fiscal Charges	-	1,077,015	-	1,077,015
<b>TOTAL EXPENDITURES</b>	<u>11,884,179</u>	<u>2,433,854</u>	<u>143,306</u>	<u>14,461,339</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>2,319,120</u>	<u>(2,311,133)</u>	<u>251,894</u>	<u>259,881</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	346,361	3,185,681	-	3,532,042
Transfers Out	(3,176,664)	(79,205)	(276,173)	(3,532,042)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(2,830,303)</u>	<u>3,106,476</u>	<u>(276,173)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	(511,183)	795,343	(24,279)	259,881
FUND BALANCES, Beginning	3,278,480	3,016,645	61,874	6,356,999
FUND BALANCES, Ending	<u>\$ 2,767,297</u>	<u>\$ 3,811,988</u>	<u>\$ 37,595</u>	<u>\$ 6,616,880</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, 2011

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

Net Change in Fund Balances of Governmental Funds	\$	259,881
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 \$882,666 exceeded depreciation expense (\$404,908) in the current year.		477,758
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.		455,000
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 \$6,995.		<u>(182,479)</u>
Change in Net Assets of Governmental Activities	\$	<u><u>1,010,160</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.

*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. Separate financial statements are not issued.

*Prairie View, Inc.*, was organized for the sole purpose of financing and constructing Peak to Peak’s facilities. Separate financial statements are not issued.

**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.

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

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

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. 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* - The District holds certain cash and investments on behalf of Peak to Peak in its pooled cash and investments portfolio. Investments are reported at fair value.

*Receivables* - All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

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

*Inventories* - Inventories 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 grants collected before corresponding expenditures have been incurred, and 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 improvements and buildings, 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

*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 received, 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.

PEAK TO PEAK CHARTER SCHOOLS, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

**NOTE 2: CASH AND INVESTMENTS**

At June 30, 2011, Peak to Peak had the following cash and investments:

Deposits	\$ 3,666,094
Investments	2,745,009
Cash Held by the District	<u>1,164,693</u>
Total	<u><u>\$ 7,575,796</u></u>

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

Cash and Investments	\$ 4,830,787
Restricted Cash and Investments	<u>2,745,009</u>
Total	<u><u>\$ 7,575,796</u></u>

**Deposits**

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2011, Peak to Peak had bank deposits of \$2,504,749 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, 2011

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

Peak to Peak had the following investments at June 30, 2011:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
Federal Home Loan Mortgage Corporation	8/15/11	\$ 1,556,172
Local Government Investment Pool	NA	<u>1,188,837</u>
Total		<b><u>\$ 2,745,009</u></b>

*Interest Rate Risk* - State statutes generally limit investments to an original maturity of five years unless the governing board authorizes the investment for a period in excess of five years.

*Credit Risk* - State statutes limit investments in U.S. Agency securities to the highest rating issued by two or more nationally recognized statistical rating organizations (NRSROs). At June 30, 2011, the School's investment in the Federal Home Loan Mortgage Corporation was rated AAA by Standard and Poor's.

*Concentration of Credit Risk* - State statutes do not limit the amount Peak to Peak may invest in one issuer. At June 30, 2011, Peak to Peak's investment in Federal Home Loan Mortgage Corporation represented 57% of total investments.

*Local Government Investment Pool* - At June 30, 2011, Peak to Peak had \$1,188,837 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, 2011, Prairie View, Inc., had cash and investments totaling \$2,745,009 restricted for future debt service and building repairs and replacements.

**NOTE 3: CAPITAL ASSETS**

Activity for capital assets for the year ended June 30, 2011, is summarized below:

	<u>Balances</u> <u>6/30/10</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>6/30/11</u>
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated				
Land	\$ 1,657,966	\$ -	\$ -	\$ 1,657,966
Construction in Progress	<u>201,300</u>	<u>801,336</u>	<u>-</u>	<u>1,002,636</u>
Total Capital Assets, Not Being Depreciated	<u>1,859,266</u>	<u>801,336</u>	<u>-</u>	<u>2,660,602</u>

PEAK TO PEAK CHARTER SCHOOLS, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

**NOTE 3: CAPITAL ASSETS (Continued)**

	<u>Balances</u> 6/30/10	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> 6/30/11
<b>Governmental Activities (Continued)</b>				
Capital Assets, Being Depreciated				
Land Improvements	\$ 896,522	\$ 58,113	\$ -	\$ 954,635
Buildings and Improvements	<u>16,651,148</u>	<u>23,217</u>	<u>-</u>	<u>16,674,365</u>
Total Capital Assets, Being Depreciated	<u>17,547,670</u>	<u>81,330</u>	<u>-</u>	<u>17,629,000</u>
Accumulated Depreciation				
Land Improvements	(626,730)	(95,005)	-	(721,735)
Buildings and Improvements	<u>(3,267,267)</u>	<u>(309,903)</u>	<u>-</u>	<u>(3,577,170)</u>
Total Accumulated Depreciation	<u>(3,893,997)</u>	<u>(404,908)</u>	<u>-</u>	<u>(4,298,905)</u>
Total Capital Assets, Being Depreciated, Net	<u>13,653,673</u>	<u>(323,578)</u>	<u>-</u>	<u>13,330,095</u>
Governmental Activities Capital Assets, Net	<u><b>\$ 15,512,939</b></u>	<u><b>\$ 477,758</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 15,990,697</b></u>

Depreciation expense was charged to the supporting services program of Peak to Peak.

**NOTE 4: LONG-TERM DEBT**

Following is a summary of long-term debt transactions for the year ended June 30, 2011.

	<u>Balances</u> 6/30/10	<u>Additions</u>	<u>Payments</u>	<u>Balances</u> 6/30/11	<u>Due Within</u> <u>One Year</u>
<b>Governmental Activities</b>					
Building Loan	\$ 21,230,000	\$ -	\$ 455,000	\$ 20,775,000	\$ 470,000
Premium	422,812	-	17,740	405,072	-
Loss on Refunding	<u>(4,388,477)</u>	<u>-</u>	<u>(184,132)</u>	<u>(4,204,345)</u>	<u>-</u>
Total	<u><b>\$ 17,264,335</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 288,608</b></u>	<u><b>\$ 16,975,727</b></u>	<u><b>\$ 470,000</b></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, 2011

**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>
2012	\$ 470,000	\$ 1,058,052	\$ 1,528,052
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 - 2021	3,235,000	4,375,744	7,610,744
2022 - 2026	4,175,000	3,408,432	7,583,432
2027 - 2031	5,385,000	2,159,718	7,544,718
2032 - 2035	5,425,000	587,605	6,012,605
Total	<b><u>\$ 20,775,000</u></b>	<b><u>\$ 15,613,470</u></b>	<b><u>\$ 36,388,470</u></b>

**Defeased Debt**

CECFA bond proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments for the 2001 Bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the financial statements. The outstanding balance of the defeased bonds at June 30, 2011, was \$17,010,000.

**NOTE 5: INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2011, consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Prairie View, Inc.	\$ 79,205
General Fund	Friends of Peak to Peak, Inc.	267,156
Prairie View, Inc.	General Fund	3,176,664
Prairie View, Inc.	Friends of Peak to Peak, Inc.	9,017
Total		<b><u>\$ 3,532,042</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 \$1,537,992 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 \$1,638,672 and \$9,017, respectively, for kitchen renovations and athletic fields.

**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 2009, 2010 and 2011 was 12.95%, 13.85% and 14.75% 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, 2011, 2010 and 2009 were \$828,647, \$753,963 and \$684,552, 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, 2011, 2010 and 2009 was \$59,106, \$57,391 and \$55,993, 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, 2011, 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.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

**NOTE 8: COMMITMENTS AND CONTINGENCIES (Continued)****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. Peak to Peak believes it is in compliance with the Amendment. The Amendment requires state and local governments to establish an emergency reserve, representing 3% of qualifying expenditures. At June 30, 2011, the School's reserve of \$427,259 was reported as restricted fund balance in the General Fund.

**NOTE 9: RECLASSIFICATION**

For the year ended June 30, 2011, the School adopted the standards of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. As a result, the Other Programs Fund was merged with the General Fund for reporting purposes, as follows.

	<u>General</u>	<u>Other Programs</u>	<u>Total</u>
Fund Balances, June 30, 2010, as originally stated	\$ 395,729	\$ 2,882,751	\$ 3,278,480
Merger	<u>2,882,751</u>	<u>(2,882,751)</u>	<u>-</u>
Fund Balances, June 30, 2010, as restated	<u><b>\$ 3,278,480</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 3,278,480</b></u>

**REQUIRED SUPPLEMENTARY INFORMATION**



PEAK TO PEAK CHARTER SCHOOLS, INC.

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2011

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE Positive (Negative)</u>
<b>REVENUES</b>				
Local Sources				
Per Pupil Revenue	\$ 9,498,317	\$ 9,506,112	\$ 9,244,183	\$ (261,929)
District Mill Levy	1,752,638	1,754,075	2,845,511	1,091,436
Other	-	-	5,940	5,940
State Sources				
Capital Construction	134,277	134,387	127,303	(7,084)
Grants	436,212	423,635	231,433	(192,202)
Federal Sources				
Grants	-	-	276,797	276,797
<b>TOTAL REVENUES</b>	<u>11,821,444</u>	<u>11,818,209</u>	<u>12,731,167</u>	<u>912,958</u>
<b>EXPENDITURES</b>				
Instruction	7,170,757	7,019,352	7,020,909	(1,557)
Supporting Services	3,802,430	3,851,395	3,955,007	(103,612)
<b>TOTAL EXPENDITURES</b>	<u>10,973,187</u>	<u>10,870,747</u>	<u>10,975,916</u>	<u>(105,169)</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>848,257</u>	<u>947,462</u>	<u>1,755,251</u>	<u>807,789</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	719,876	620,671	-	(620,671)
Transfers Out	(1,568,133)	(1,568,133)	(1,537,992)	30,141
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(848,257)</u>	<u>(947,462)</u>	<u>(1,537,992)</u>	<u>(590,530)</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	217,259	217,259
<b>FUND BALANCE, Beginning</b>	<u>694,795</u>	<u>386,283</u>	<u>395,729</u>	<u>9,446</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 694,795</u>	<u>\$ 386,283</u>	<u>\$ 612,988</u>	<u>\$ 226,705</u>

See the accompanying Independent Auditors' Report.

PEAK TO PEAK CHARTER SCHOOLS, INC.

BUDGETARY COMPARISON SCHEDULE

OTHER PROGRAMS FUND

Year Ended June 30, 2011

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Student Fees	\$ 556,251	\$ 734,542	\$ 784,179	\$ 49,637
Food Service Fees	441,000	444,500	473,069	28,569
Contributions and Fundraising	468,000	-	14,126	14,126
Investment Income	-	-	11,979	11,979
Other	110,050	-	188,779	188,779
<b>TOTAL REVENUES</b>	<u>1,575,301</u>	<u>1,179,042</u>	<u>1,472,132</u>	<u>293,090</u>
EXPENDITURES				
Instruction	113,324	317,000	62,678	254,322
Supporting Services	966,022	765,610	845,585	(79,975)
<b>TOTAL EXPENDITURES</b>	<u>1,079,346</u>	<u>1,082,610</u>	<u>908,263</u>	<u>174,347</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>495,955</u>	<u>96,432</u>	<u>563,869</u>	<u>467,437</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	92,000	346,361	254,361
Transfers Out	(495,955)	(188,432)	(1,638,672)	(1,450,240)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(495,955)</u>	<u>(96,432)</u>	<u>(1,292,311)</u>	<u>(1,195,879)</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	(728,442)	(728,442)
FUND BALANCE, Beginning	2,948,760	2,948,760	2,882,751	(66,009)
FUND BALANCE, Ending	<u>\$ 2,948,760</u>	<u>\$ 2,948,760</u>	<u>\$ 2,154,309</u>	<u>\$ (794,451)</u>

See the accompanying Independent Auditors' Report.

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

**Budgets and Budgetary Accounting**

Budgets are legally adopted all funds of the School on a basis consistent with generally accepted accounting principles. For the year ended June 30, 2011, the Board of Directors approved separate budgets for the General and Other Programs Funds. However, the funds are combined for presentation in the financial statements.

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

- By June 30, management submits to the Board of Directors a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
- Prior to June 30, the budget is adopted by the Board of Directors.
- Expenditures may not legally exceed 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.

**Legal Compliance**

For the year ended June 30, 2011, the General and Other Programs Funds expenditures and transfers out exceeded the budgeted amounts by \$75,028 and \$1,275,893, respectively. These may be violations of State statute.