

**TWIN PEAKS CHARTER ACADEMY**

**BASIC FINANCIAL STATEMENTS**

**June 30, 2011**

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**JOHN CUTLER  
& ASSOCIATES**

Board of Directors  
Twin Peaks Charter Academy  
Longmont, 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 Twin Peaks Charter Academy, component unit of the St. Vrain Valley School District, as of and for the year ended June 30, 2011, which collectively comprise the basic financial statements of the Academy, as listed in the table of contents. These financial statements are the responsibility of Twin Peaks Charter Academy's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Twin Peaks Charter Academy, as of June 30, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Academy has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The required supplementary information listed in the table of contents is not a required part of the basic financial statements but is 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 supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Twin Peaks Charter Academy's basic financial statements. The individual fund financial schedule listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*John Cutler & Associates, LLC*

November 17, 2011

## **BASIC FINANCIAL STATEMENTS**

TWIN PEAKS CHARTER ACADEMY

STATEMENT OF NET ASSETS

As of June 30, 2011

	<u>GOVERNMENTAL ACTIVITIES</u>	
	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Cash and Investments	\$ 1,805,479	\$ 2,894,833
Restricted Cash and Investments	3,126,468	1,361,080
Accounts Receivable	24,869	301
Prepaid Expenses	3,030	10,341
Deposits	-	15,000
Bond Issuance Costs	477,595	314,751
Capital Assets, Not Being Depreciated	5,706,261	450,000
Capital Assets, Depreciated, Net of Accumulated Depreciation	<u>12,718,676</u>	<u>12,956,479</u>
<b>TOTAL ASSETS</b>	<u>23,862,378</u>	<u>18,002,785</u>
<b>LIABILITIES</b>		
Accounts Payable	832,286	57,934
Retainage Payable	390,858	120,639
Interest Payable	172,572	-
Accrued Salaries and Benefits	236,698	218,256
Deferred Revenues	83,213	67,775
Noncurrent Liabilities		
Due in One Year	175,000	-
Due in More than One Year	<u>18,835,000</u>	<u>14,235,000</u>
<b>TOTAL LIABILITIES</b>	<u>20,725,627</u>	<u>14,699,604</u>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	2,716,405	532,559
Restricted for Emergencies	152,403	152,403
Restricted for Working Capital	596,056	513,891
Unrestricted	<u>(328,113)</u>	<u>2,104,328</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 3,136,751</u>	<u>\$ 3,303,181</u>

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

TWIN PEAKS CHARTER ACADEMY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2011

FUNCTIONS/PROGRAMS	Expenses	PROGRAM REVENUES			Net (Expenses) Revenues and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
					2011	2010
<b>PRIMARY GOVERNMENT</b>						
<b>Governmental Activities</b>						
Instructional	\$ 2,779,132	\$ 183,098	\$ -	\$ -	\$ (2,596,034)	\$ (2,468,903)
Supporting Services	3,918,247	1,307,099	3,294	60,571	(2,547,283)	(1,597,657)
Interest on Long-Term Debt	1,041,388	-	-	-	(1,041,388)	(1,085,751)
Total Governmental Activities	<u>\$ 7,738,767</u>	<u>\$ 1,490,197</u>	<u>\$ 3,294</u>	<u>\$ 60,571</u>	(6,184,705)	(5,152,311)
GENERAL REVENUES						
					4,481,655	4,186,524
					414,203	389,731
					3,179	5,843
					1,119,238	260,000
					<u>6,018,275</u>	<u>4,842,098</u>
CHANGE IN NET ASSETS					(166,430)	(310,213)
NET ASSETS, Beginning					3,303,181	3,613,394
NET ASSETS, Ending					<u>\$ 3,136,751</u>	<u>\$ 3,303,181</u>

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

TWIN PEAKS CHARTER ACADEMY

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2011

	GENERAL FUND	NON-MAJOR CAPITAL RESERVE FUND	TOTAL GOVERNMENTAL FUNDS	
			2011	2010
<b>ASSETS</b>				
Cash and Investments	\$ 1,634,160	\$ 171,319	\$ 1,805,479	\$ 2,894,833
Accounts Receivable	24,869	-	24,869	301
Prepaid Items	3,030	-	3,030	8,971
<b>TOTAL ASSETS</b>	<u>\$ 1,662,059</u>	<u>\$ 171,319</u>	<u>\$ 1,833,378</u>	<u>\$ 2,904,105</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 38,287	\$ -	\$ 38,287	\$ 57,934
Accrued Salaries and Benefits	236,698	-	236,698	218,256
Deferred Revenues	83,213	-	83,213	67,775
	<u>358,198</u>	<u>-</u>	<u>358,198</u>	<u>343,965</u>
<b>FUND BALANCES</b>				
Restricted for Emergencies	152,403	-	152,403	152,403
Restricted for Working Capital	596,056	-	596,056	513,891
Unassigned	555,402	171,319	726,721	1,893,846
<b>TOTAL FUND BALANCES</b>	<u>1,303,861</u>	<u>171,319</u>	<u>1,475,180</u>	<u>2,560,140</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 1,662,059</u>	<u>\$ 171,319</u>		

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.	1,155,040	1,116,889
Internal Service funds are used by management to charge the lease costs to governmental funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net assets.	<u>506,531</u>	<u>(373,848)</u>
Net assets of governmental activities	<u>\$ 3,136,751</u>	<u>\$ 3,303,181</u>

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

TWIN PEAKS CHARTER ACADEMY

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2011

	GENERAL FUND	NON-MAJOR CAPITAL RESERVE FUND	TOTAL GOVERNMENTAL FUNDS	
			2011	2010
REVENUES				
Local Sources	\$ 5,085,230	\$ -	\$ 5,085,230	\$ 4,726,946
State Sources	60,571	-	60,571	63,780
<b>TOTAL REVENUES</b>	<b>5,145,801</b>	<b>-</b>	<b>5,145,801</b>	<b>4,790,726</b>
EXPENDITURES				
Current				
Instruction	2,762,171	16,961	2,779,132	2,598,534
Supporting Services	2,084,181	192,672	2,276,853	1,935,180
Capital Outlay	1,174,776	-	1,174,776	655,768
<b>TOTAL EXPENDITURES</b>	<b>6,021,128</b>	<b>209,633</b>	<b>6,230,761</b>	<b>5,189,482</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(875,327)</b>	<b>(209,633)</b>	<b>(1,084,960)</b>	<b>(398,756)</b>
OTHER FINANCING SOURCES (USES)				
Transfers In	138,105	-	138,105	188,676
Transfers Out	-	(138,105)	(138,105)	(188,676)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>138,105</b>	<b>(138,105)</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(737,222)</b>	<b>(347,738)</b>	<b>(1,084,960)</b>	<b>(398,756)</b>
FUND BALANCES, Beginning	2,041,083	519,057	2,560,140	2,958,896
FUND BALANCES, Ending	<u>\$ 1,303,861</u>	<u>\$ 171,319</u>	<u>\$ 1,475,180</u>	<u>\$ 2,560,140</u>

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



TWIN PEAKS CHARTER ACADEMY

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 - total governmental funds	\$ (1,084,960)
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount of capital outlay \$69,924 exceeded depreciation expense (\$31,773) for the year.	38,151
The Internal Service fund is used by management to charge the cost of lease payments to the governmental funds. The net revenue of the internal service fund is reported with the governmental activities.	<u>880,379</u>
Change in net assets of governmental activities	<u><u>\$ (166,430)</u></u>

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

TWIN PEAKS CHARTER ACADEMY

STATEMENT OF NET ASSETS  
 PROPRIETARY FUND TYPES

June 30, 2011

	<u>Governmental Activities</u>	
	<u>Internal Service Fund</u>	
	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Current Assets		
Restricted Cash and Investments	\$ 3,126,468	\$ 1,361,080
Prepaid Items	-	1,370
Deposits	-	15,000
	<u>3,126,468</u>	<u>1,377,450</u>
Long-term Assets		
Bond Issue Costs, net of Accumulated Amortization	477,595	314,751
Capital Assets, Not Depreciated	5,706,261	450,000
Capital Assets, Net of Accumulated Depreciation	11,563,636	11,839,590
	<u>17,747,492</u>	<u>12,604,341</u>
	<u>20,873,960</u>	<u>13,981,791</u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts Payable	793,999	-
Retainage Payable	390,858	-
Interest Payable	172,572	120,639
Loan Payable - Current Portion	175,000	-
	<u>1,532,429</u>	<u>120,639</u>
Long-Term Liabilities		
Loan Payable	18,835,000	14,235,000
	<u>20,367,429</u>	<u>14,355,639</u>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	(4,319,896)	(1,034,330)
Unrestricted	4,826,427	660,482
	<u>\$ 506,531</u>	<u>\$ (373,848)</u>

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

TWIN PEAKS CHARTER ACADEMY

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND TYPES  
Year Ended June 30, 2011

	Governmental Activities	
	Internal Service Fund	
	2011	2010
OPERATING REVENUES		
Rent	\$ 1,307,099	\$ 1,212,806
TOTAL OPERATING REVENUES	<u>1,307,099</u>	<u>1,212,806</u>
OPERATING EXPENSES		
Purchased Services	212,534	136,269
Depreciation	275,954	269,053
Amortization	16,281	10,853
TOTAL OPERATING EXPENSES	<u>504,769</u>	<u>416,175</u>
OPERATING INCOME	<u>802,330</u>	<u>796,631</u>
NON-OPERATING INCOME (EXPENSES)		
Investment Income	199	774
Interest Expense	(1,041,388)	(1,085,751)
TOTAL NON-OPERATING INCOME (EXPENSES)	<u>(1,041,189)</u>	<u>(1,084,977)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(238,859)	(288,346)
Capital Contribution	1,119,238	260,000
NET INCOME	880,379	(28,346)
NET ASSETS, Beginning	<u>(373,848)</u>	<u>(345,502)</u>
NET ASSETS, Ending	<u>\$ 506,531</u>	<u>\$ (373,848)</u>

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

TWIN PEAKS CHARTER ACADEMY

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND TYPES  
 Year Ended June 30, 2011  
 Increase (Decrease) in Cash

	Governmental Activities	
	Internal Service Fund	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Rental Operations	\$ 1,307,099	\$ 1,212,806
Cash Paid to Suppliers	(196,164)	(1,270,294)
Net Cash Used by Operating Activities	<u>1,110,935</u>	<u>(57,488)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income	<u>199</u>	<u>774</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of Capital Assets	(4,071,404)	(746,504)
Loan Proceeds	4,775,000	-
Bond Issue Costs	(179,125)	-
Interest Expense	(989,455)	(965,112)
Capital Contributions	1,119,238	260,000
Net Cash Used by Capital and Related Financing Activities	<u>654,254</u>	<u>(1,451,616)</u>
NET DECREASE IN CASH	1,765,388	(1,508,330)
CASH, Beginning	<u>1,361,080</u>	<u>2,869,410</u>
CASH, Ending	<u>\$ 3,126,468</u>	<u>\$ 1,361,080</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	<u>\$ 802,330</u>	<u>\$ 796,631</u>
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities		
Depreciation Expense	275,954	269,053
Amortization Expense	16,281	10,853
Changes in Assets and Liabilities		
Accounts Payable	-	(905,719)
Retainage Payable	-	(211,936)
Deposits	1,370	(15,000)
Prepaid Expenses	15,000	(1,370)
Total Adjustments	<u>308,605</u>	<u>(854,119)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,110,935</u>	<u>\$ (57,488)</u>
NON CASH ITEMS		
Capital Assets Acquired with Accounts and Retainage Payable	<u>\$ 1,184,856</u>	<u>\$ -</u>

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

TWIN PEAKS CHARTER ACADEMY  
 AGENCY FUND  
 STATEMENT OF FIDUCIARY NET ASSETS  
 As of June 30, 2011

	TOTAL	
	2011	2010
ASSETS		
Cash	\$ 43,403	\$ 47,833
LIABILITIES		
Accounts Payable	-	39
Deferred Revenue	15	1,771
Due to Student Groups	43,388	46,023
TOTAL LIABILITIES	43,403	47,833
TOTAL NET ASSETS	\$ -	\$ -

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

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

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

Twin Peaks Charter Academy (the “Academy”) was formed in 1997 pursuant to the Colorado Charter Schools Act to form and operate a charter school. The accounting policies of the Academy conform to generally accepted accounting principles as applicable to governmental units. Following is a summary of the more significant policies.

**Reporting Entity**

The financial reporting entity consists of the Academy and organizations for which the Academy is financially accountable. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the Academy. In addition, any legally separate organizations for which the Academy is financially accountable are considered part of the reporting entity. Financial accountability exists if the Academy appoints a voting majority of the organization’s governing board and is able to impose its will on the organization, or if the organization provides benefits to, or imposes financial burdens on the Academy.

Based upon the application of these criteria, the following organization is included in the Academy’s reporting entity.

TPCA Building Corporation

The TPCA Building Corporation (the “Building Corporation”) is considered to be financially accountable to the Academy. The Building Corporation was formed to support and assist the Academy to perform its function and to carry out its purpose, specifically to assist in the financing and construction of the Academy’s facilities. The Building Corporation is blended into the Academy’s financial statements as an Internal Service Fund. Separate financial statements are not available for the Building Corporation.

The Academy is a component unit of the St. Vrain Valley School District (the “District”).

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the Academy. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported in a single column.

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

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

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

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to students or others who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted intergovernmental revenues not properly included among program revenues are reported instead as general revenues.

Major individual governmental funds are reported in 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 period or soon enough thereafter to pay liabilities of the current period, not to exceed 60 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Intergovernmental revenues, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Academy.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Internally dedicated resources are reported as general revenues rather than as program revenues.

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

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

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**  
(Continued)

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

The Academy reports the following major governmental funds:

*General Fund* – This fund is the general operating fund of the Academy. It is used to account for all financial resources except those required to be accounted for in another fund.

Additionally, the Academy reports the following fund type:

*Internal Service Fund* – This fund is used to account for activities of the TPCA Building Corporation.

The *Agency Fund* is used to account of the resources used to support the Academy's student and fundraising activities. The Academy holds all resources in a purely custodial capacity.

*Investments* – Investments are recorded at fair value.

*Capital Assets* – Capital assets, which include land and construction in progress, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Academy as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported on the statement of net assets in the government-wide financial statements. Depreciation has been provided over the following estimated useful lives of the capital assets using the straight-line method: Buildings 40 years; Improvements 15-20 years; Equipment 10 years.

*Long-term Debt* – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. 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 on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenditures.



TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

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

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

*Deferred Revenues* – Deferred revenues include tuition revenues that have been collected in advance for the succeeding school year.

*Net Assets* – In the government-wide financial statements, net assets are restricted when constraints placed on the net assets are externally imposed.

*Fund Balance Classification* – The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Academy is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The Academy has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies. The Academy has also classified Working Capital Reserves as restricted as is required by the bond agreements.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Academy did not have any committed resources as of June 30, 2011.
- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The Academy would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned.

TWIN PEAKS CHARTER ACADEMY  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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

**Compensated Absences**

The Academy's policy allows employees to accumulate up to 240 hours in Paid Time Off (PTO). Compensated absences are recognized as current salary costs when paid. Accrued compensated absences are not paid upon termination, therefore no liability is reported on the financial statements.

**Comparative Data**

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Academy's financial position and operations. However, comparative data has not been presented in all statements because such inclusion would make certain statements unduly complex and difficult to understand. Also, certain amounts presented in the prior year data have been reclassified to be consistent with current year's presentation.

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgets and Budgetary Accounting**

A budget is adopted for the General Capital Reserve and Pupil Activity funds on a basis consistent with generally accepted accounting principles.

Academy management submits to the Board of Directors a proposed budget for the fiscal year commencing the following July 1. The budget is adopted by the Board of Directors prior to June 30. Expenditures may not legally exceed appropriations at the fund level. Revisions must be approved by the Board of Directors. The budget includes proposed expenditures and the means of financing them. All appropriations lapse at fiscal year end.

**Legal Compliance**

The actual expenditures of the General and Pupil Activity funds exceeded their budgeted amounts by \$429,612 and \$23,854 respectively. This may be a violation of State statute.

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

**NOTE 3: CASH AND INVESTMENTS**

Cash and Investments at June 30, 2011 consisted of the following:

Cash on Hand	\$	50
Deposits		1,038,366
Investments		<u>3,936,934</u>
Total	<b>\$</b>	<b><u>4,975,350</u></b>

The above amounts are classified in the financial statements as follows:

Cash and Investments, Governmental Activities	\$	1,805,479
Restricted Cash and Investments, Governmental Activities		3,126,468
Cash and Investments, Fiduciary Funds		<u>43,403</u>
Total	<b>\$</b>	<b><u>4,975,350</u></b>

**Deposits**

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. At June 30, 2011, State regulatory commissioners have indicated that all financial institutions holding deposits for the Academy are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. 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 the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The Academy has no policy regarding custodial credit risk for deposits.

At June 30, 2011, the Academy had deposits with financial institutions with a carrying amount of \$1,038,366. The bank balances with the financial institutions were \$1,096,996. Of these balances, \$250,000 was covered by federal depository insurance and \$846,996 was covered by collateral held by authorized escrow agents in the financial institution's name (PDPA).

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

**NOTE 3: CASH AND INVESTMENTS (Continued)**

**Investments**

Interest Rate Risk

The Academy does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Colorado statutes specify in which instruments units of local government may invest, which include:

- Obligations of the United States and certain U.S. Government Agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

State statutes limit the investments in money market funds to the highest rating issued by nationally recognized statistical rating organizations (NRSRO's), with a constant share price, and that invest only in securities allowed by State statutes. At June 30, 2011, the Academy had \$3,101,914 invested in a money market fund. The fund invests only in U.S. Treasury obligations and is rated Aaa by Moody's.

The Academy had invested \$835,020 in the Colorado Government Liquid Asset Trust (ColoTrust) which has a credit rating of AAAM by Standard and Poor's. ColoTrust is an investment vehicle established for local government entities in Colorado to pool surplus funds and is regulated by the State Securities Commissioner. It operates similarly to a money market fund and each share is equal in value to \$1.00. Investments consist of U.S. Treasury and U.S. Agency securities, and repurchase agreements collateralized by U.S. Treasury and U.S. Agency securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the entities.

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

**NOTE 3: CASH AND INVESTMENTS** (Continued)

**Restricted Cash and Investments**

Deposits and investments in money market funds totaling \$3,126,468 are restricted in the Internal Service Fund for the construction the Academy's building and payment of the Academy's debt.

**NOTE 4: CAPITAL ASSETS**

Capital Assets activity for the year ended June 30, 2011, is summarized below.

	Balance <u>June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2011</u>
<b>Governmental Activities</b>				
Capital Assets, Not depreciated				
Land	\$ 450,000	\$ 1,121,238	\$ -	\$ 1,571,238
Construction in Process	-	4,135,023	-	4,135,023
Total Capital Assets, Not depreciated	<u>450,000</u>	<u>5,256,261</u>	<u>-</u>	<u>5,706,261</u>
Capital Assets, Being Depreciated				
Buildings	12,950,264	-	-	12,950,264
Improvements	116,913	-	-	116,913
Machinery and Equipment	<u>185,644</u>	<u>69,924</u>	<u>-</u>	<u>255,568</u>
Total Capital Assets, Being Depreciated	<u>13,252,821</u>	<u>69,924</u>	<u>-</u>	<u>13,322,745</u>
Accumulated Depreciation				
Buildings	281,876	286,571	-	568,447
Improvements	4,428	5,846	-	10,274
Machinery and Equipment	<u>10,038</u>	<u>15,310</u>	<u>-</u>	<u>25,348</u>
Total Accumulated Depreciation	<u>296,342</u>	<u>307,727</u>	<u>-</u>	<u>604,069</u>
Total Capital Assets, Being Depreciated, Net	<u>12,956,479</u>	<u>(237,803)</u>	<u>-</u>	<u>12,718,676</u>
Net Capital Assets	<u>\$ 13,406,479</u>	<u>\$ 5,018,458</u>	<u>\$ -</u>	<u>\$ 18,424,937</u>

Depreciation expense is charged to the supporting services program of the Academy.

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

**NOTE 5: ACCRUED SALARIES AND BENEFITS**

Salaries and 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, as of June 30, 2011, were \$236,698. Accordingly, the accrued compensation is reflected as a liability in the accompanying financial statements of the General Fund.

**NOTE 6: LONG-TERM DEBT**

Following is a summary of the Academy's long-term debt transactions for the year ended June 30, 2011:

	Balance <u>June 30, 2010</u>	<u>Additions</u>	<u>Payments</u>	Balance <u>June 30, 2011</u>	Due In <u>One Year</u>
2009 Building Lease	\$14,235,000	\$ -	\$ -	\$ 14,235,000	\$ 175,000
2011 Building Lease	-	<u>4,775,000</u>	-	<u>4,775,000</u>	-
Total	<u>\$ 14,235,000</u>	<u>\$ 4,775,000</u>	<u>\$ -</u>	<u>\$ 19,010,000</u>	<u>\$ 175,000</u>

**2009 Building Lease**

In November 2008, the Colorado Educational and Facilities Authority (CECFA) issued \$14,235,000 Charter School Revenue Bonds, Series 2008. Proceeds from the bonds were used to construct the Academy's building. The Academy is required to make equal lease payments to the Building Corporation for the use of the building. The Building Corporation is required to make equal lease payments to the Trustee, for payment of the bonds. Interest accrues at rates ranging from 5.75% to 7.00% per year. The lease matures in November, 2038.

**2011 Building Lease**

In April 2011, the Colorado Educational and Facilities Authority (CECFA) issued \$4,775,000 Charter School Revenue Bonds, Series 2011A and Series 2011B. Proceeds from the bonds were used to construct the improvements to the Academy's building. The Academy is required to make equal lease payments to the Building Corporation for the use of the building. The Building Corporation is required to make equal lease payments to the Trustee, for payment of the bonds. Interest accrues at rates ranging from 6.375% to 7.50% per year. The lease matures in March, 2043.

TWIN PEAKS CHARTER ACADEMY  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2011

**NOTE 6: LONG-TERM DEBT** (Continued)

Future debt service requirements are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 175,000	\$ 1,269,693	\$ 1,444,693
2013	220,000	1,278,457	1,498,457
2014	240,000	1,264,387	1,504,387
2015	255,000	1,249,319	1,504,319
2016	265,000	1,233,488	1,498,488
2017-2021	1,615,000	5,886,721	7,501,721
2022-2026	2,240,000	5,237,481	7,477,481
2027-2031	3,130,000	4,310,959	7,440,959
2032-2036	4,420,000	2,981,980	7,401,980
2037-2041	5,160,000	1,085,813	6,245,813
2042-2043	<u>1,290,000</u>	<u>115,454</u>	<u>1,405,454</u>
Total	<b><u>\$ 19,010,000</u></b>	<b><u>\$ 25,913,752</u></b>	<b><u>\$ 44,923,752</u></b>

**NOTE 7: INTERFUND BALANCES AND TRANSFERS**

The Academy made the following transfers during the year.

<u>Transfer to</u>	<u>Transfer From</u>	<u>Amount</u>
General Fund	Capital Reserve Fund	<b><u>\$ 138,105</u></b>

The Capital Reserve Fund transferred funds to the General Fund to cover capital expenditures.

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

**NOTE 8: DEFINED BENEFIT PENSION PLAN**

**Plan Description.** The Academy 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, post-retirement annual increases, and death benefits for members or their beneficiaries. All employees of the Academy 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 online at [www.copera.org](http://www.copera.org) or by writing to Colorado PERA, 1300 Logan Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

**Funding Policy.** The Academy is required to contribute member and employer contributions to PERA at a rate set by statute. The contribution requirements of plan members and the Academy are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members is 8.0 % and for the Academy it is 10.15 % of covered salary. A portion of the Academy's contribution (1.02 % of covered salary) is allocated to the Health Care Trust Fund (See Note 9). If the Academy rehires a PERA retiree as an employee or under any other work arrangement, it is required to report and pay employer contributions on the amounts paid for the retiree, and the member must contribute 8% of covered salary. The Academy is also required to pay an amortization equalization disbursement equal to 4.6 % of the total payroll for the calendar year 2011, (3.7% of total payroll for the calendar year 2010). For the years ending June 30, 2011, 2010, and 2009, the Academy's employer contributions for the SDTF were \$332,253, \$287,487 and \$215,303, respectively, equal to the required contributions for each year.

**NOTE 9: POSTEMPLOYMENT HEALTHCARE BENEFITS**

**Plan Description.** The Academy contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer postemployment healthcare plan administered by PERA. The HCTF provides a health care premium subsidy to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the CRS, as amended, assigns the authority to establish the HCTF benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the HCTF. That report may be obtained online at [www.copera.org](http://www.copera.org) or by writing to Colorado PERA, 1300 Logan Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).



TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

**NOTE 9: POSTEMPLOYMENT HEALTHCARE BENEFITS** (Continued)

**Funding Policy.** The Academy is required to contribute at a rate of 1.02% of covered salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the Academy are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contribution to the HCTF is established under Title 24, Article 51, Section 208 of the Colorado Revised Statutes, as amended. For the years ending June 30, 2011, 2010, and 2009, the Academy's employer contributions to the HCTF were \$23,581, \$21,875, and \$17,562, respectively, equal to the required contributions for each year.

**NOTE 10: RISK MANAGEMENT**

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The Academy participates in the Colorado School District Self Insurance Pool. The Pool insures property and liability exposures through contributions made by member districts. The Academy does not maintain an equity interest in the self insurance pool. The Academy funds its pool contributions, outside insurance purchases, deductibles, and uninsured losses through the General Fund. The Academy is fully self insured for unemployment compensation and has a \$1,000 deductible for property insurance.

The Academy continues to carry commercial insurance for all other risks of loss, including boiler and machinery coverage. Settled claims resulting from these risks have not exceeded commercial or Academy coverage's in any of the past three years.

**NOTE 11: COMMITMENTS AND CONTINGENCIES**

**Building Leases**

The Academy has entered into several agreements to lease a portion of its facilities to other entities. Under the terms of these agreements, monthly lease payments ranging from \$3,948 to \$8,800 are due to the Academy. The agreements were canceled during 2011 to prepare for the construction improvements at the Academy's building.

For the year ended June 30, 2011, the Academy recorded \$185,683 in rental revenue under these agreements.

TWIN PEAKS CHARTER ACADEMY  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

**NOTE 11: COMMITMENTS AND CONTINGENCIES** (Continued)

**Claims and Judgments**

The Academy participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Academy may be required to reimburse the grantor government. As of June 30, 2011, significant amounts of grant expenditures have not been audited, but the Academy believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Academy.

**Tabor Amendment**

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution, which limits state and local government tax powers and imposes spending limitations. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded. The Academy believes it has complied with the Amendment. As required by the Amendment, the Academy has established a reserve for emergencies. At June 30, 2011, the reserve of \$152,000 was recorded as a reservation of fund balance in the General Fund.

**REQUIRED SUPPLEMENTARY INFORMATION**

TWIN PEAKS CHARTER ACADEMY

GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
Year Ended June 30, 2011

	2011			VARIANCE Positive (Negative)	2010 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
REVENUES					
Local Sources					
Per Pupil Revenue	\$ 4,546,966	\$ 4,462,479	\$ 4,481,655	\$ 19,176	\$ 4,186,524
Mill Levy Override	405,176	405,176	414,203	9,027	389,731
Tuition and Fees	186,180	187,500	183,098	(4,402)	124,664
Grants and Contributions	1,000	203,346	3,294	(200,052)	20,958
Interest	25,000	4,307	2,980	(1,327)	5,069
State Sources					
Grants and Donations	64,876	62,919	60,571	(2,348)	63,780
TOTAL REVENUES	<u>5,229,198</u>	<u>5,325,727</u>	<u>5,145,801</u>	<u>(179,926)</u>	<u>4,790,726</u>
EXPENDITURES					
Instruction					
Salaries	2,038,300	2,008,930	1,995,899	13,031	1,813,624
Employee Benefits	497,138	495,099	490,587	4,512	421,874
Purchased Services	205,729	218,642	209,264	9,378	184,540
Supplies and Materials	78,766	76,748	64,014	12,734	175,360
Property	7,000	7,305	6,910	395	8,038
Other	3,600	3,000	2,407	593	3,136
Total Instruction	<u>2,830,533</u>	<u>2,809,724</u>	<u>2,769,081</u>	<u>40,643</u>	<u>2,606,572</u>
Supporting Services					
School Administration					
Salaries	490,450	469,420	478,384	(8,964)	484,974
Employee Benefits	114,714	112,430	111,516	914	97,356
Purchased Services	274,620	1,419,790	1,398,948	20,842	1,210,031
Supplies and Materials	89,350	93,950	83,949	10,001	65,769
Property	98,860	513,175	1,167,866	(654,691)	647,730
Other	1,108,764	12,000	11,384	616	26,479
Contingency	136,409	161,027	-	161,027	-
Total Supporting Services	<u>2,313,167</u>	<u>2,781,792</u>	<u>3,252,047</u>	<u>(470,255)</u>	<u>2,532,339</u>
TOTAL EXPENDITURES	<u>5,143,700</u>	<u>5,591,516</u>	<u>6,021,128</u>	<u>(429,612)</u>	<u>5,138,911</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>85,498</u>	<u>(265,789)</u>	<u>(875,327)</u>	<u>(609,538)</u>	<u>(348,185)</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	-	138,105	138,105	-	-
Transfers Out	<u>(214,718)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(188,676)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(214,718)</u>	<u>138,105</u>	<u>138,105</u>	<u>-</u>	<u>(188,676)</u>
NET CHANGE IN FUND BALANCE	(129,220)	(127,684)	(737,222)	(609,538)	(536,861)
FUND BALANCE, Beginning	<u>129,220</u>	<u>154,203</u>	<u>2,041,083</u>	<u>1,886,880</u>	<u>2,577,944</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ 26,519</u>	<u>\$ 1,303,861</u>	<u>\$ 1,277,342</u>	<u>\$ 2,041,083</u>

See the accompanying independent auditors' report.

**INDIVIDUAL FUND FINANCIAL STATEMENT**

TWIN PEAKS CHARTER ACADEMY

CAPITAL RESERVE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 Year Ended June 30, 2011

	2011			VARIANCE Positive (Negative)	2010 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
EXPENDITURES					
Current					
Instruction	\$ 110,000	\$ 110,000	\$ 16,961	\$ 93,039	\$ -
Supporting Services	-	160,000	192,672	(32,672)	50,571
TOTAL EXPENDITURES	110,000	270,000	209,633	60,367	50,571
OTHER FINANCING SOURCES					
Transfers In	214,718	-	-	-	188,676
Transfers Out	-	(138,105)	(138,105)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	214,718	(138,105)	(138,105)	-	188,676
NET CHANGE IN FUND BALANCE	104,718	(408,105)	(347,738)	(60,367)	138,105
FUND BALANCE, Beginning	-	519,057	519,057	-	380,952
FUND BALANCE, Ending	\$ 104,718	\$ 110,952	\$ 171,319	\$ (60,367)	\$ 519,057

See the accompanying independent auditors' report.

TWIN PEAKS CHARTER ACADEMY

PUPIL ACTIVITY FUND  
 BUDGETARY COMPARISON SCHEDULE  
 Year Ended June 30, 2011

	2011			2010 ACTUAL
	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	
REVENUES				
Local Sources				
Student Groups	\$ 72,506	\$ 92,341	\$ 19,835	\$ 72,706
TOTAL REVENUES	72,506	92,341	19,835	72,706
EXPENDITURES				
Student Groups	\$ 71,122	\$ 94,976	\$ (23,854)	\$ 76,190
TOTAL EXPENDITURES	71,122	94,976	(23,854)	76,190
NET CHANGE IN NET ASSETS	1,384	(2,635)	(4,019)	(3,484)
NET ASSETS, Beginning	49,506	46,023	(3,483)	49,507
NET ASSETS, Ending	\$ 50,890	\$ 43,388	\$ (7,502)	\$ 46,023

See the accompanying independent auditors' report.

TWIN PEAKS CHARTER ACADEMY

AGENCY FUND  
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 June 30, 2011

	BALANCE JULY 1, 2010	ADDITIONS	DELETIONS	BALANCE JUNE 30, 2011
<b>ASSETS</b>				
Cash	\$ 47,833	\$ 90,571	\$ 95,001	\$ 43,403
<b>LIABILITIES</b>				
Accrued Liabilities				
Accounts Payable	\$ 39	\$ -	\$ 39	\$ -
Deferred Revenue	1,771	15	1,771	15
Due to Student Groups	46,023	92,342	94,977	43,388
<b>TOTAL LIABILITIES</b>	<u>\$ 47,833</u>	<u>\$ 92,357</u>	<u>\$ 96,787</u>	<u>\$ 43,403</u>

See the accompanying independent auditors' report.