

**TWIN PEAKS CHARTER ACADEMY**

**BASIC FINANCIAL STATEMENTS**

**June 30, 2010**

## TABLE OF CONTENTS

### PAGE

Independent Auditors' Report	
Basic Financial Statements	
Statement of Net Assets	1
Statement of Activities	2
Balance Sheet – All Governmental Funds	3
Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Funds	4
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	5
Statement of Net Assets - Proprietary Fund Type	6
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Fund Type	7
Statement of Cash Flows - Proprietary Fund Type	8
Statement of Fiduciary Net Assets	9
Notes to the Financial Statements	10 - 21
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund	22
Individual Fund Financial Statement	
Statement of Changes in Assets and Liabilities – Agency Fund	23



**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, 2010, 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, 2010, 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 1, 2010

## **BASIC FINANCIAL STATEMENTS**

TWIN PEAKS CHARTER ACADEMY

STATEMENT OF NET ASSETS

As of June 30, 2010

	<u>GOVERNMENTAL ACTIVITIES</u>	
	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Cash and Investments	\$ 2,894,833	\$ 3,450,791
Restricted Cash and Investments	1,361,080	2,709,003
Accounts Receivable	301	18,592
Prepaid Expenses	10,341	-
Deposits	15,000	-
Bond Issuance Costs	314,751	325,604
Capital Assets, Not Being Depreciated	450,000	12,812,139
Capital Assets, Depreciated, Net of Accumulated Depreciation	<u>12,956,479</u>	<u>-</u>
TOTAL ASSETS	<u>18,002,785</u>	<u>19,316,129</u>
<b>LIABILITIES</b>		
Accounts Payable	57,934	968,340
Retainage Payable	120,639	211,936
Accrued Salaries and Benefits	218,256	194,188
Deferred Revenues	67,775	45,640
Noncurrent Liabilities		
Due in One Year	-	47,631
Due in More than One Year	<u>14,235,000</u>	<u>14,235,000</u>
TOTAL LIABILITIES	<u>14,699,604</u>	<u>15,702,735</u>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	532,559	(1,422,861)
Restricted for Emergencies	152,403	134,000
Restricted for Working Capital	513,891	-
Unrestricted	<u>2,104,328</u>	<u>4,902,255</u>
TOTAL NET ASSETS	<u>\$ 3,303,181</u>	<u>\$ 3,613,394</u>

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

TWIN PEAKS CHARTER ACADEMY

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2010

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	
PRIMARY GOVERNMENT					2010	2009
<b>Governmental Activities</b>						
Instructional	\$ 2,598,534	\$ 124,664	\$ 4,967	\$ -	\$ (2,468,903)	\$ (2,011,582)
Supporting Services	2,890,234	1,212,806	20,958	58,813	(1,597,657)	(1,110,524)
Interest on Long-Term Debt	1,085,751	-	-	-	(1,085,751)	(474,514)
 Total Governmental Activities	 <u>\$ 6,574,519</u>	 <u>\$ 1,337,470</u>	 <u>\$ 25,925</u>	 <u>\$ 58,813</u>	 (5,152,311)	 (3,596,620)
		GENERAL REVENUES				
					4,186,524	3,743,794
					389,731	383,326
					5,843	41,220
					260,000	-
					-	167,031
					<u>4,842,098</u>	<u>4,335,371</u>
					CHANGE IN NET ASSETS	(310,213) 738,751
					NET ASSETS, Beginning	<u>3,613,394</u> <u>2,874,643</u>
					NET ASSETS, Ending	<u>\$ 3,303,181</u> <u>\$ 3,613,394</u>

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

TWIN PEAKS CHARTER ACADEMY

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2010

	GENERAL FUND	NON-MAJOR CAPITAL RESERVE FUND	TOTAL GOVERNMENTAL FUNDS	
			2010	2009
<b>ASSETS</b>				
Cash and Investments	\$ 2,375,776	\$ 519,057	\$ 2,894,833	\$ 3,290,384
Accounts Receivable	301	-	301	18,592
Prepaid Items	8,971	-	8,971	-
<b>TOTAL ASSETS</b>	<b>\$ 2,385,048</b>	<b>\$ 519,057</b>	<b>\$ 2,904,105</b>	<b>\$ 3,308,976</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 57,934	\$ -	\$ 57,934	\$ 62,621
Retainage Payable	-	-	-	-
Accrued Salaries and Benefits	218,256	-	218,256	241,819
Deferred Revenues	67,775	-	67,775	45,640
	<u>343,965</u>	<u>-</u>	<u>343,965</u>	<u>350,080</u>
<b>FUND BALANCES</b>				
Reserved for Emergencies	152,403	-	152,403	134,000
Reserved for Working Capital	513,891	-	513,891	-
Unreserved, reported in				
General Fund	1,374,789	-	1,374,789	2,443,944
Special Revenue Fund	-	519,057	519,057	380,952
<b>TOTAL FUND BALANCES</b>	<b>2,041,083</b>	<b>519,057</b>	<b>2,560,140</b>	<b>2,958,896</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,385,048</b>	<b>\$ 519,057</b>		

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.	1,116,889	-
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.	(373,848)	-
Net assets of governmental activities	<u>\$ 3,303,181</u>	<u>\$ 2,958,896</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, 2010

	GENERAL FUND	NON-MAJOR CAPITAL RESERVE FUND	TOTAL GOVERNMENTAL FUNDS	
			2010	2009
REVENUES				
Local Sources	\$ 4,726,946	\$ -	\$ 4,726,946	\$ 4,291,522
State Sources	63,780	-	63,780	29,838
<b>TOTAL REVENUES</b>	<b>4,790,726</b>	<b>-</b>	<b>4,790,726</b>	<b>4,321,360</b>
EXPENDITURES				
Current				
Instruction	2,598,534	-	2,598,534	2,134,716
Supporting Services	1,884,609	50,571	1,935,180	899,689
Capital Outlay	655,768	-	655,768	-
<b>TOTAL EXPENDITURES</b>	<b>5,138,911</b>	<b>50,571</b>	<b>5,189,482</b>	<b>3,034,405</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(348,185)</b>	<b>(50,571)</b>	<b>(398,756)</b>	<b>1,286,955</b>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	188,676	188,676	137,109
Transfers Out	(188,676)	-	(188,676)	(1,339,811)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(188,676)</b>	<b>188,676</b>	<b>-</b>	<b>(1,202,702)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(536,861)</b>	<b>138,105</b>	<b>(398,756)</b>	<b>84,253</b>
FUND BALANCES (Restated), Beginning	2,577,944	380,952	2,958,896	2,874,643
FUND BALANCES, Ending	<u>\$ 2,041,083</u>	<u>\$ 519,057</u>	<u>\$ 2,560,140</u>	<u>\$ 2,958,896</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, 2010

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

Net change in fund balances - total governmental funds	\$ (398,756)
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 \$144,178 exceeded depreciation expense (\$27,289) for the year.	116,889
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>(28,346)</u>
Change in net assets of governmental activities	<u>\$ (310,213)</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, 2010

	Governmental Activities- Internal Service Fund
ASSETS	
Current Assets	
Restricted Cash and Investments	\$ 1,361,080
Prepaid Items	1,370
Deposits	15,000
Total Current Assets	<u>1,377,450</u>
Long-term Assets	
Bond Issue Costs, net of Accumulated Amortization	314,751
Capital Assets, Not Depreciated	450,000
Capital Assets, Net of Accumulated Depreciation	<u>11,839,590</u>
Total Long-term Assets	<u>12,604,341</u>
TOTAL ASSETS	<u>13,981,791</u>
LIABILITIES	
Current Liabilities	
Interest Payable	120,639
Loan Payable - Current Portion	<u>-</u>
Total Current Liabilities	<u>120,639</u>
Long-Term Liabilities	
Loan Payable	<u>14,235,000</u>
TOTAL LIABILITIES	<u>14,355,639</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	(1,034,330)
Unrestricted	<u>660,482</u>
TOTAL NET ASSETS	<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, 2010

	Governmental Activities- <u>Internal Service Fund</u>
OPERATING REVENUES	
Rent	<u>\$ 1,212,806</u>
TOTAL OPERATING REVENUES	<u>1,212,806</u>
OPERATING EXPENSES	
Purchased Services	136,269
Depreciation	269,053
Amortization	<u>10,853</u>
TOTAL OPERATING EXPENSES	<u>416,175</u>
OPERATING INCOME	<u>796,631</u>
NON-OPERATING EXPENSES	
Investment Income	774
Interest Expense	<u>(1,085,751)</u>
TOTAL NON-OPERATING EXPENSES	<u>(1,084,977)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(288,346)
Capital Contribution	<u>260,000</u>
NET INCOME	(28,346)
NET ASSETS (Restated), Beginning	<u>(345,502)</u>
NET ASSETS, Ending	<u><u>\$ (373,848)</u></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, 2010  
 Increase (Decrease) in Cash

	Governmental Activities- Internal Service Fund
	<u>                    </u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Rental Operations	\$ 1,212,806
Cash Paid to Suppliers	(1,270,294)
Net Cash Used by Operating Activities	<u>(57,488)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	<u>774</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of Capital Assets	(746,504)
Interest Expense	(965,112)
Capital Contributions	260,000
Net Cash Used by Capital and Related Financing Activities	<u>(1,451,616)</u>
NET DECREASE IN CASH	(1,508,330)
CASH, Beginning	<u>2,869,410</u>
CASH, Ending	<u><u>\$ 1,361,080</u></u>
RECONCILIATION OF OPERATING INCOME TO NET	
CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income	<u>\$ 796,631</u>
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation Expense	269,053
Amortization Expense	10,853
Changes in Assets and Liabilities	
Accounts Payable	(905,719)
Retainage Payable	(211,936)
Deposits	(15,000)
Prepaid Expenses	(1,370)
Total Adjustments	<u>(854,119)</u>
Net Cash Used by Operating Activities	<u><u>\$ (57,488)</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, 2010

	TOTAL	
	2010	2009
ASSETS		
Cash	\$ 47,833	\$ 51,212
LIABILITIES		
Accounts Payable	39	1,248
Deferred Revenue	1,771	457
Due to Student Groups	46,023	49,507
TOTAL LIABILITIES	47,833	51,212
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, 2010

**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”).

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.

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.

TWIN PEAKS CHARTER ACADEMY  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2010

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

**Government-Wide and Fund Financial Statements**

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.

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.

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2010

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

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

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.

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

*Net Assets/Fund Equity* – In the government-wide financial statements, net assets are restricted when constraints placed on the net assets are externally imposed. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.



TWIN PEAKS CHARTER ACADEMY  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2010

**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 Fund 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.

**NOTE 3: CASH AND INVESTMENTS**

Cash and Investments at June 30, 2010 consisted of the following:

Cash on Hand	\$ 50
Deposits	1,241,125
Investments	<u>3,062,571</u>
Total	<u>\$ 4,303,746</u>

TWIN PEAKS CHARTER ACADEMY  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2010

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

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

Cash and Investments, Governmental Activities	\$ 2,894,833
Restricted Cash and Investments, Governmental Activities	1,361,080
Cash and Investments, Fiduciary Funds	<u>47,833</u>
Total	<u>\$ 4,303,746</u>

**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, 2010, 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, 2010, the Academy had deposits with financial institutions with a carrying amount of \$1,241,125. The bank balances with the financial institutions were \$1,312,796. Of these balances, \$250,000 was covered by federal depository insurance and \$1,062,796 was covered by collateral held by authorized escrow agents in the financial institution's name (PDPA).

**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.

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2010

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

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, 2010, the Academy had \$1,354,026 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 \$1,708,545 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.

**Restricted Cash and Investments**

Deposits and investments in money market funds totaling \$1,361,080 are restricted in the Internal Service Fund for the construction the Academy's building and payment of the Academy's debt.

TWIN PEAKS CHARTER ACADEMY  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2010

**NOTE 4: CAPITAL ASSETS**

Capital Assets activity for the year ended June 30, 2010, is summarized below.

	Balance <u>June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2010</u>
<b>Governmental Activities</b>				
Capital Assets, Not depreciated				
Land	\$ 450,000	\$ -	\$ -	\$ 450,000
Construction in Process	<u>12,362,139</u>	-	<u>12,362,139</u>	-
Total Capital Assets, Not depreciated	<u>12,812,139</u>	-	<u>12,362,139</u>	<u>450,000</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>185,644</u>
Total Capital Assets, Being Depreciated	<u>-</u>	<u>13,252,821</u>	<u>-</u>	<u>13,252,821</u>
Accumulated Depreciation				
Buildings	-	281,876	-	281,876
Improvements	-	4,428	-	4,428
Machinery and Equipment	-	<u>10,038</u>	-	<u>10,038</u>
Total Accumulated Depreciation	<u>-</u>	<u>296,342</u>	<u>-</u>	<u>296,342</u>
Total Capital Assets, Being Depreciated, Net	<u>-</u>	<u>12,956,479</u>	<u>-</u>	<u>12,956,479</u>
Net Capital Assets	<u>\$ 12,812,139</u>	<u>\$ 12,956,479</u>	<u>\$ 12,362,139</u>	<u>\$ 13,406,479</u>

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

**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, 2010, were \$218,256. Accordingly, the accrued compensation is reflected as a liability in the accompanying financial statements of the General Fund.

TWIN PEAKS CHARTER ACADEMY  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2010

**NOTE 6: LONG-TERM DEBT**

Following is a summary of the Academy's long-term debt transactions for the year ended June 30, 2010:

	Balance <u>June 30, 2009</u>	<u>Additions</u>	<u>Payments</u>	Balance <u>June 30, 2010</u>	<u>Due In One Year</u>
2009 Building Lease	\$14,235,000	\$ -	\$ -	\$ 14,235,000	\$ -
Compensated Absences	<u>47,631</u>	<u>-</u>	<u>47,631</u>	<u>-</u>	<u>-</u>
Total	<b><u>\$14,282,631</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 47,631</u></b>	<b><u>\$ 14,235,000</u></b>	<b><u>\$ -</u></b>

**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.

Future debt service requirements are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ -	\$ 965,112	\$ 965,112
2012	175,000	960,081	1,135,081
2013	185,000	949,731	1,134,731
2014	200,000	938,662	1,138,662
2015	210,000	926,875	1,136,875
2016-2020	1,250,000	4,431,724	5,681,724
2021-2025	1,715,000	3,956,596	5,671,596
2026-2030	2,380,000	3,270,626	5,650,626
2031-2035	3,340,000	2,289,700	5,629,700
2036-2039	<u>4,780,000</u>	<u>812,000</u>	<u>5,592,000</u>
Total	<b><u>\$ 14,235,000</u></b>	<b><u>\$ 19,501,107</u></b>	<b><u>\$ 33,736,107</u></b>

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2010

**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>
Capital Reserve Fund	General Fund	<b><u>\$ 188,676</u></b>

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

**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, however no member contributions are required. The Academy is also required to pay an amortization equalization disbursement equal to 3.7 % of the total payroll for the calendar year 2010, (2.8 % of total payroll for the calendar year 2009). For the years ending June 30, 2010 and 2009, the Academy's employer contributions for the SDTF were \$287,487 and \$215,303, respectively, equal to the required contributions for each year.

TWIN PEAKS CHARTER ACADEMY  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2010

**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).

**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, 2010 and 2009, the Academy's employer contributions to the HCTF were \$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.

TWIN PEAKS CHARTER ACADEMY  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2010

**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 expire in 2011 and 2012.

For the year ended June 30, 2010, the Academy recorded \$255,737 in rental revenue under these agreements.

**Construction Management Contract**

The Academy has entered into an agreement with CPM Colorado, Inc. for construction management services related to the construction of the Academy's facilities. Under the terms of the agreement, the Academy is required to pay the greater of \$150,000 or 3% of construction hard costs. For the year ended June 30, 2010, the Academy has paid CPM Colorado, Inc. \$55,558 for construction management services.

**Land Purchase**

In May 2010, the Academy entered into a contract to purchase land for the construction of a new high school. The closing date is scheduled for October 15, 2010 but is contingent upon the Academy securing financing through bond proceeds from the Colorado Educational and Cultural Facilities Authority ("CECFA"). Should the Academy be unable to secure financing by October 15, 2010, the contract may be extended by 90 days.

**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, 2010, 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.



TWIN PEAKS CHARTER ACADEMY  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2010

**NOTE 11:**    **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 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, 2010, the reserve of \$152,403 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, 2010

	2010			VARIANCE Positive (Negative)	2009 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
<b>REVENUES</b>					
Local Sources					
Per Pupil Revenue	\$ 4,205,404	\$ 4,307,332	\$ 4,186,524	\$ (120,808)	\$ 3,743,794
Mill Levy Override	340,000	405,176	389,731	(15,445)	383,326
Tuition and Fees	125,200	129,150	124,664	(4,486)	121,272
Grants and Contributions	-	201,050	20,958	(180,092)	1,862
Interest	85,000	25,000	5,069	(19,931)	33,566
State Sources					
Grants and Donations	4,793	5,437	63,780	58,343	29,838
<b>TOTAL REVENUES</b>	<b>4,760,397</b>	<b>5,073,145</b>	<b>4,790,726</b>	<b>(282,419)</b>	<b>4,313,658</b>
<b>EXPENDITURES</b>					
Instruction					
Salaries	1,433,098	1,865,875	1,813,624	52,251	1,505,921
Employee Benefits	403,430	436,444	421,874	14,570	322,133
Purchased Services	213,677	201,715	184,540	17,175	208,935
Supplies and Materials	184,952	185,277	175,360	9,917	93,838
Property	5,000	8,000	8,038	(38)	522
Other	2,950	3,600	3,136	464	3,367
<b>Total Instruction</b>	<b>2,243,107</b>	<b>2,700,911</b>	<b>2,606,572</b>	<b>94,339</b>	<b>2,134,716</b>
Supporting Services					
School Administration					
Salaries	384,800	460,801	484,974	(24,173)	387,325
Employee Benefits	85,857	91,594	97,356	(5,762)	77,524
Purchased Services	1,250,347	1,257,536	1,210,031	47,505	159,087
Supplies and Materials	127,600	130,250	65,769	64,481	62,436
Property	37,000	577,000	647,730	(70,730)	193,118
Other	10,195	15,500	26,479	(10,979)	20,199
Contingency	476,771	129,220	-	129,220	-
<b>Total Supporting Services</b>	<b>2,372,570</b>	<b>2,661,901</b>	<b>2,532,339</b>	<b>129,562</b>	<b>899,689</b>
<b>TOTAL EXPENDITURES</b>	<b>4,615,677</b>	<b>5,362,812</b>	<b>5,138,911</b>	<b>223,901</b>	<b>3,034,405</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>					
	<b>144,720</b>	<b>(289,667)</b>	<b>(348,185)</b>	<b>(58,518)</b>	<b>1,279,253</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers Out	<b>(144,720)</b>	<b>(194,060)</b>	<b>(188,676)</b>	<b>5,384</b>	<b>(1,339,811)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>(483,727)</b>	<b>(536,861)</b>	<b>(53,134)</b>	<b>(60,558)</b>
FUND BALANCE, Beginning	-	90,167	2,577,944	2,487,777	2,638,502
FUND BALANCE, Ending	<b>\$ -</b>	<b>\$ (393,560)</b>	<b>\$ 2,041,083</b>	<b>\$ 2,434,643</b>	<b>\$ 2,577,944</b>

See the accompanying independent auditors' report.

**INDIVIDUAL FUND FINANCIAL STATEMENT**

TWIN PEAKS CHARTER ACADEMY

AGENCY FUND  
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 June 30, 2010

	BALANCE JULY 1, 2009	ADDITIONS	DELETIONS	BALANCE JUNE 30, 2010
<b>ASSETS</b>				
Cash	\$ 51,212	\$ 74,020	\$ 77,399	\$ 47,833
<b>LIABILITIES</b>				
Accrued Liabilities				
Accounts Payable	\$ 1,248	\$ -	\$ 1,209	\$ 39
Deferred Revenue	457	1,314	-	1,771
Due to Student Groups	49,507	72,706	76,190	46,023
<b>TOTAL LIABILITIES</b>	<b>\$ 51,212</b>	<b>\$ 74,020</b>	<b>\$ 77,399</b>	<b>\$ 47,833</b>

See the accompanying independent auditors' report.