

HIGH POINT ACADEMY
BASIC FINANCIAL STATEMENTS

June 30, 2012

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JOHN CUTLER
& ASSOCIATES

Board of Directors
High Point Academy
Aurora, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of High Point Academy, as of and for the year ended June 30, 2012, which collectively comprise the basic financial statements of the Academy, as listed in the table of contents. These financial statements are the responsibility of High Point 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, business-type activities, each major fund, and the aggregate remaining fund information of High Point Academy, as of June 30, 2012, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

John Cutler & Associates, LLC

September 28, 2012

Management's Discussion and Analysis

As management of High Point Academy (the “Academy”), we offer readers of High Point Academy financial statements this narrative overview and analysis of the financial activities of the Academy for the fiscal year ended June 30, 2012.

Financial Highlights

The assets of High Point Academy exceeded its liabilities at the close of the most recent fiscal year by \$1,079,636 (net assets).

The general fund ending fund balance increased from \$504,891 to \$795,690. This increase was largely caused by a cutback in current year expenses in anticipation of funding cuts in future years with the slowdown in the economy and the recognition of per pupil revenue (PPR) FY 2010 student count audit adjustment of approximately \$138,000. These funds will provide a reserve to draw upon during these hard times.

Overview of Financial Statements

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

Government-wide Financial Statements

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

The statement of net assets presents information on all of the Academy’s assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Academy is improving or deteriorating.

The statement of activities presents information showing how the Academy’s net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected grant expenses and earned but unpaid salary and benefits).

The government-wide statement of activities distinguishes functions/programs of the Academy supported primarily by PPR through The Charter School Institute. The governmental activities of the Academy include instruction and supporting services expense.

The government-wide financial statements can be found on pages 1-2 of this report.

Fund Financial Statements

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. The Academy, like other governmental units or charter school, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Academy are categorized as governmental funds or proprietary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Academy's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Academy's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Academy maintains one governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund because it is considered to be a major fund.

The Academy adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget.

Proprietary Fund. The High Point Academy Building Corporation (the "Corporation"), considered a component unit of the charter school, is reported as business-type activities in the proprietary fund. It is presented with statements of net assets, changes in net assets and cash flows.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. This information is provided in pages 9-19.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Academy, assets exceeded liabilities by \$1,079,636 at the close of the most recent fiscal year.

High Point Academy's Net Assets Governmental and Business-Type Activities

	<u>June 30, 2011</u>	<u>June 30, 2012</u>
Current assets and other assets	\$ 422,732	\$ 584,388
Cash and Restricted Cash and Investments	2,770,656	2,465,993
Capital Assets	10,249,610	10,135,749
Total Assets	<u>13,442,998</u>	<u>13,186,130</u>
Current liabilities	627,750	646,142
Other Liabilities	11,652,949	11,460,352
Total Liabilities	<u>12,280,699</u>	<u>12,106,494</u>
Net assets		
Invested in Capital Assets, Net of Related Debt	604,981	362,728
Restricted for:		
Emergencies Tabor	95,000	135,000
Debt Service	52,427	(78,782)
Unrestricted	409,891	660,690
Total Net Assets	<u>\$ 1,162,299</u>	<u>\$1,079,636</u>

The largest portion of the Academy's assets (76.9%) is capital assets. Cash and restricted cash and investments comprise 18.7% with the majority being restricted for debt service. The remaining 4.4% percent reflects prepaid expenses, accounts receivable and deposits. The Academy's net assets decreased by \$82,663 to \$1,079,636 over the previous fiscal year's balance of \$1,162,299.

**High Point Academy's Change in Net Assets
For the Years Ended June 30, 2011 and June 30, 2012
Governmental and Business-Type Activities**

	<u>June 30, 2011</u>	<u>June 30, 2012</u>
Program Revenue:		
Charges for Services	\$ 295,275	\$ 355,036
Operating Grants and Contributions	293,810	335,274
Capital Grants and Contributions	1,574,425	39,525
Total Program Revenue	<u>2,163,510</u>	<u>729,835</u>
General Revenue:		
Per Pupil Revenue	2,744,128	4,135,005
Other	147,466	77,957
Total General Revenue	<u>2,891,594</u>	<u>4,212,962</u>
 Total Revenue	 <u>5,055,104</u>	 <u>4,942,797</u>
Expenses:		
Current:		
Instruction	2,005,685	2,815,362
Supporting Services	1,194,812	1,313,047
Business-type activities	324,136	278,293
Interest on Long-term Debt	625,021	618,758
Total Expenses	<u>4,149,654</u>	<u>5,025,460</u>
 Increase (Decrease) in Net Assets	 905,450	 (82,663)
Beginning Net Assets, June 30	<u>256,849</u>	<u>1,162,299</u>
Ending Net Assets, June 30	<u>\$ 1,162,299</u>	<u>\$ 1,079,636</u>

Financial Analysis of the Government's Funds

As noted earlier, the Academy uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Fund. The focus of the Academy's governmental fund is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Academy's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the Academy's net resources available for spending at the end of the fiscal year.

Per pupil revenue increased 50.7% due to an increase of 208 students, a 4.8% decrease per pupil funding from the state and the student count audit adjustment of \$138,151 for FY 2011. Salary and benefit expenditures increased by 27.92% or \$495,175. This was

the result of an increase in staff due to the increase in enrollment. Special Education, Title I and other grant funding increased by approximately \$115,857 and the corresponding expenditures increased by the same amount. The number of special education students served increased. Instructional supplies and materials increased by \$96,902 this year from \$220,502 to \$317,404. This is reflective of the need for textbooks and other educational materials for the increase in enrollment.

The Academy’s enrollment continues to grow and is now at approximately the capacity of the building. Below is the historical enrollment numbers:

Fiscal Year	PK – 8 Enrollment
2006 / 2007	186
2007 / 2008	327
2008 / 2009	395
2009 / 2010	458
2010 / 2011	543
2011 / 2012	751

As of the end of the current fiscal year, the Academy’s governmental fund reported an ending fund balance of \$795,690, an increase of \$290,799

Proprietary Fund. The High Point Academy Building Corporation net assets decreased to \$209,189 from a balance of \$570,341 or a decrease of \$361,152. The decrease is largely attributed to the recording of non-cash transactions such as building depreciation and amortization of bond issuance costs. We anticipate that the Corporation will continue to incur an operating deficit as the debt is repaid in future years. The Building Fund has \$1,687,331 in restricted cash and investments required to be held for future debt service and additional project expenses associated with the new facility.

Budgetary Highlights

The Academy approves a budget in June based on enrollment projections for the following school year. In October after enrollment stabilizes, adjustments are made to the budget. The Academy approved supplemental budgets during the year to true up the beginning fund balance and adjustment to the actual student count. Actual expenditures in the general fund were under budget by \$56,571.

Capital Asset and Debt Administration

Capital assets. Capital assets include the land and building in the Building Corporation Fund of \$10,060,992 and other capital assets in the governmental activities fund of \$74,757. Depreciation expense of \$12,310 and \$125,037 was reported in the Governmental Activities and the Building Corporation Funds on capital assets.

Long-term lease. The Academy participates in a long-term lease agreement with the High Point Academy Building Corporation. Monthly principal and interest payments are due under the lease agreements, with interest accruing at rates ranging from 2.375% to 6.25%. The lease ends in March 2040. Annual debt service ranges from \$621,946 to \$1,646,875 with interest payments beginning in calendar year 2010.

Economic Factors and Next Year's Budget

The FY 2012/2013 budget projects the Academy's general fund balance will have a decrease of approximately \$32,330. Enrollment is projected to increase by 65 students in FY 2012/2013.

Requests for Information

This financial report is designed to provide a general overview of the Academy's finances for all those with an interest in the Academy's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Rick Boos, CFO, High Point Academy 6750 N. Dunkirk Street, Aurora, CO 80019.

BASIC FINANCIAL STATEMENTS

HIGH POINT ACADEMY

STATEMENT OF NET ASSETS

As of June 30, 2012

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 778,662	\$ -	\$ 778,662
Restricted Cash and Investments	-	1,687,331	1,687,331
Accounts Receivable, net of Allowance	224,057	-	224,057
Foundation and Grants Receivable	20,622	-	20,622
Interfund Items	3,600	(3,600)	-
Prepaid Expenses	11,271	-	11,271
Deposits	100	-	100
Bond Issuance Costs, net of accumulated amortization	-	328,338	328,338
Capital Assets, not depreciated	-	1,535,000	1,535,000
Capital Assets, depreciated, net of accumulated depreciation	74,757	8,525,992	8,600,749
	<u>1,113,069</u>	<u>12,073,061</u>	<u>13,186,130</u>
TOTAL ASSETS			
LIABILITIES			
Accounts Payable	29,307	-	29,307
Accrued Expenses	64,369	-	64,369
Accrued Salaries and Benefits	125,983	-	125,983
Accrued Interest	-	203,520	203,520
Deferred Revenue	22,963	-	22,963
Noncurrent Liabilities			
Due in One Year	-	200,000	200,000
Due in More Than One Year	-	11,460,352	11,460,352
	<u>242,622</u>	<u>11,863,872</u>	<u>12,106,494</u>
TOTAL LIABILITIES			
NET ASSETS			
Invested in Capital Assets net of Related Debt	74,757	287,971	362,728
Restricted for Emergencies	135,000	-	135,000
Restricted for Debt Service	-	(78,782)	(78,782)
Unrestricted	660,690	-	660,690
	<u>870,447</u>	<u>209,189</u>	<u>1,079,636</u>
TOTAL NET ASSETS			

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

HIGH POINT ACADEMY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2012

FUNCTIONS/PROGRAMS	Expenses	PROGRAM REVENUES		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental Activities				
Instructional	\$ 2,815,362	\$ 355,036	\$ -	\$ -
Supporting Services	1,313,047	-	335,274	39,525
Total Governmental Activities	4,128,409	355,036	335,274	39,525
Business-Type Activities				
Building Corporation	278,293	-	-	-
Interest on Long-term Debt	618,758	-	-	-
Total Business-type Activities	897,051	-	-	-
TOTAL PRIMARY GOVERNMENT	\$ 5,025,460	\$ 355,036	\$ 335,274	\$ 39,525

GENERAL REVENUES

Per Pupil Revenue
 Grants and Donations
 Investment Revenue
 Other
 Transfers

TOTAL GENERAL REVENUES

CHANGE IN NET ASSETS

NET ASSETS, Beginning

NET ASSETS, Ending

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

NET (EXPENSE)
REVENUE AND CHANGES
CHANGE IN NET ASSETS

Governmental Activities	Business-type Activities	Total
\$ (2,460,326)	\$ -	\$ (2,460,326)
(938,248)	-	(938,248)
(3,398,574)	-	(3,398,574)
-	(278,293)	(278,293)
-	(618,758)	(618,758)
-	(897,051)	(897,051)
(3,398,574)	(897,051)	(4,295,625)
4,135,005	-	4,135,005
11,180	-	11,180
898	2,263	3,161
63,616	-	63,616
(533,636)	533,636	-
3,677,063	535,899	4,212,962
278,489	(361,152)	(82,663)
591,958	570,341	1,162,299
\$ 870,447	\$ 209,189	\$ 1,079,636

HIGH POINT ACADEMY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	GENERAL FUND
ASSETS	
Cash and Investments	\$ 778,662
Grants and Accounts Receivable	244,679
Due from Other Funds	3,600
Deposit	100
Prepaid Expenses	11,271
	<hr/>
TOTAL ASSETS	<u>\$ 1,038,312</u>
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts Payable	\$ 29,307
Accrued Salaries and Benefits	125,983
Accrued Expenses	64,369
Deferred Revenues	22,963
	<hr/>
TOTAL LIABILITIES	<u>242,622</u>
FUND BALANCES	
Nonspendable	11,271
Restricted for Emergencies	135,000
Unassigned	649,419
	<hr/>
TOTAL FUND BALANCES	<u>795,690</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,038,312</u>
Amounts reported for governmental activities in the statement of net assets are different because:	
Fund Balance	795,690
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.	<hr/> 74,757
Net assets of governmental activities	<u>\$ 870,447</u>

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

HIGH POINT ACADEMY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2012

	GENERAL FUND
REVENUES	
Local Sources	\$ 4,565,735
State and Federal Sources	374,799
TOTAL REVENUES	4,940,534
EXPENDITURES	
Current	
Instruction	2,815,362
Supporting Services	1,834,373
TOTAL EXPENDITURES	4,649,735
NET CHANGE IN FUND BALANCE	290,799
FUND BALANCES, Beginning	504,891
FUND BALANCES, Ending	\$ 795,690

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

HIGH POINT 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, 2012

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

Net change in fund balances - total governmental funds	\$ 290,799
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 depreciation expense for the year.	<u>(12,310)</u>
Change in net assets of governmental activities	<u>\$ 278,489</u>

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

HIGHPOINT ACADEMY
STATEMENT OF NET ASSETS
PROPRIETARY FUND TYPES
As of June 30, 2012

	<u>BUILDING CORPORATION</u>
ASSETS	
Current Assets	
Cash	\$ 1,687,331
Total Current Assets	<u>1,687,331</u>
Noncurrent Assets	
Capital Assets, net of accumulated depreciation	10,060,992
Bond Issuance Cost, net of amortization	<u>328,338</u>
Total Noncurrent Assets	<u>10,389,330</u>
TOTAL ASSETS	<u>12,076,661</u>
LIABILITIES	
Current Liabilities	
Due to Other Funds	3,600
Accrued Interest	203,520
Current Portion of Long-term Debt	<u>200,000</u>
Total Current Liabilities	<u>407,120</u>
Noncurrent Liabilities	
Due in More than One Year	<u>11,460,352</u>
TOTAL LIABILITIES	<u>11,867,472</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	287,971
Restricted for Debt Service	<u>(78,782)</u>
TOTAL NET ASSETS	<u>\$ 209,189</u>

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

HIGHPOINT ACADEMY
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
PROPRIETARY FUND TYPES
Year Ended June 30, 2012

	<u>BUILDING CORPORATION</u>
OPERATING REVENUES	
Lease revenue	<u>\$ 533,636</u>
TOTAL OPERATING REVENUES	<u>533,636</u>
OPERATING EXPENSES	
Property	12,890
Depreciation	254,336
Amortization	<u>11,067</u>
TOTAL OPERATING EXPENSES	<u>278,293</u>
OPERATING (LOSS)	<u>255,343</u>
NON-OPERATING REVENUES (EXPENSE)	
Interest Income	2,263
Interest Expense	<u>(618,758)</u>
TOTAL NON-OPERATING REVENUE (EXPENSE)	<u>(616,495)</u>
NET (LOSS)	(361,152)
NET ASSETS, Beginning	<u>570,341</u>
NET ASSETS, Ending	<u><u>\$ 209,189</u></u>

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

HIGHPOINT ACADEMY

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPES

Year Ended June 30, 2012

Increase (Decrease) in Cash and Cash Equivalents

	<u>BUILDING CORPORATION</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received	\$ 533,636
Cash Paid to Suppliers	(42,352)
Net Cash Provided by (Used by) Operating Activities	<u>491,284</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of Capital Assets	<u>(152,786)</u>
CASH FLOWS FROM NON CAPITAL AND RELATED FINANCING ACTIVITIES	
Bond Principal Paid	(50,000)
Net Cash Provided by Noncapital and Related Financing Activities	<u>(50,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Received	2,263
Interest Paid	(611,750)
Net Cash Used by Investing Activities	<u>(609,487)</u>
Net Decrease in Cash and Cash Equivalents	(320,989)
CASH AND CASH EQUIVALENTS, Beginning	<u>2,008,320</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 1,687,331</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Income (Loss)	<u>\$ 255,343</u>
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation	254,336
Amortization of Issuance Costs	11,067
Changes in Assets and Liabilities	
Accounts Payable	(29,462)
Total Adjustments	<u>235,941</u>
Net Cash Provided by (Used by) Operating Activities	<u>\$ 491,284</u>
Capital Assets Purchased by Other Fund	<u>\$ 3,600</u>

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

HIGH POINT ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

High Point Academy (the “Academy”) was formed pursuant to the Colorado Charter Schools Act to form and operate a charter school under the guidance of the Charter School Institute. The Academy previously operated under the name “Academy at High Point” but changed its name to “High Point Academy” in September of 2008.

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.

High Point Academy Building Corporation

The High Point Academy Building Corporation (the “Corporation”) is considered to be financially accountable to the Academy. The purpose of the Corporation is to provide a mechanism to issue and pay debt on behalf of the Academy. The Corporation is considered to be part of the Academy for financial reporting purposes because its resources are entirely for the direct benefit of the Academy and is blended into the Academy’s financial statements as a proprietary fund. Separate financial statements are not available.

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.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

HIGH POINT ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

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 and grants associated with the current fiscal period are 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.

HIGH POINT ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operations.

Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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 fund:

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 major proprietary fund:

The Building Corporation Fund – This fund is used to account for the activity of the Building Corporation.

Assets, Liabilities and Fund Balance/Net Assets

Investments – Investments are reported at fair value.

Receivables – Receivable consists primarily of amounts owed from State and local governments and other local entities. They are reported at their gross value, and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Prepaid Expenses – Payments made to vendors for services that will benefit future periods are recorded as prepaid expenses. An expenditure is reported in the year in which the services are consumed.

HIGH POINT ACADEMY

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Capital Assets – Capital assets, which include property and equipment, 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 35 years and equipment 5 to 10 years.

Deferred Revenues – The deferred revenues include amounts received but not yet available for expenditure.

Long-term Debt – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. 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.

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:

- Nonspendable – This classification includes amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact. Prepaid expenses are classified as nonspendable.

HIGH POINT ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

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

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

- **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 School has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies.
- **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, 2012.
- **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 fund balance.

Compensated Absences

The Academy's policy allows employees to accumulate Paid Time Off (PTO). Upon termination of each agreement, employees can carry up to four days into the succeeding year. As the amount of unused PTO is insignificant, no liability for PTO is reported in the financial statements.

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 purchases commercial insurance for these risks of loss. Settled claims have not exceeded insurance coverage in the last three years.

HIGH POINT ACADEMY

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

A budget is adopted for all funds except for the Building Corporation 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 prior to June 30. Expenditures may not legally exceed appropriations at the fund level. Revisions must be approved by the Board. 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, 2012 consisted of the following:

Deposits	\$ 118,355
Investments	<u>2,347,638</u>
Total	<u>\$ 2,465,993</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, 2012, 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, 2012, the Academy had deposits with financial institutions with a carrying amount of \$118,355. The bank balances with the financial institutions were \$163,219, all of which was covered by federal depository insurance.

HIGH POINT ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

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

The Academy had invested \$2,347,638 in the Colorado Government Liquid Asset Trust and the Colorado Surplus Asset Fund Trust (COLOTRUST and CSAFE), investment vehicles established for local government entities in Colorado to pool surplus funds and are registered with the State Securities Commissioner. They operate 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. Colotrust is rated AAA and CSAFE is rated AAAM by Standard and Poor's.

Restricted Cash and Investments

Cash in the amount of \$1,687,331 is restricted in the Building Corporation for debt service requirements.

HIGH POINT ACADEMY

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 4: CAPITAL ASSETS

Capital Assets activity for the year ended June 30, 2012 is summarized below.

	Balance <u>June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2012</u>
Governmental Activities				
Capital assets, depreciated				
Machinery and Equipment	\$ 100,118	\$ -	\$ -	\$ 100,118
Accumulated Depreciation				
Machinery and Equipment	13,051	12,310	-	25,361
Net Capital Assets	<u>\$ 87,067</u>	<u>\$ 12,310</u>	<u>\$ -</u>	<u>\$ 74,757</u>
Business-type activities				
Capital Assets, not depreciated				
Land	\$ 1,535,000	\$ -	\$ -	\$ 1,535,000
Capital Assets, depreciated				
Building	8,752,580	149,185	-	8,901,765
Accumulated Depreciation				
Building	125,037	254,336	-	379,373
Total Capital Assets, Being Depreciated, Net	<u>8,627,543</u>	<u>105,151</u>	<u>-</u>	<u>8,522,392</u>
Net Capital Assets	<u>\$ 10,162,543</u>	<u>\$ 105,151</u>	<u>\$ -</u>	<u>\$ 10,057,392</u>

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

NOTE 5: ACCRUED SALARIES AND BENEFITS

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve month period from September to August, but are earned during a school year of nine months. The salaries and benefits earned, but unpaid, as of June 30, 2012, were \$125,983 in the General Fund.

HIGH POINT ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

NOTE 6: LONG-TERM DEBT

Following is a summary of the Academy's long-term debt transactions for the year ended June 30, 2012:

	Balance <u>June 30, 2011</u>	<u>Additions</u>	<u>Payments</u>	Balance <u>June 30, 2012</u>	Due In <u>One Year</u>
Bonds Payable	<u>\$ 11,930,000</u>	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ 11,880,000</u>	<u>\$ 200,000</u>

Bonds Payable

In February 2010, the Colorado Educational and Cultural Facilities Authority (CECFA) issued \$11,930,000 Charter School Revenue Bonds. Proceeds of the bonds were loaned to the Corporation to construct new educational facilities to be used by the Academy. The Academy is obligated under a lease agreement to make monthly lease payments to the Corporation for the use of educational facilities. The Corporation is required to make equal loan payments to the Trustee, for payment of the bonds. The bonds accrue interest ranging from 2.375% to 6.25% per annum. Interest payments are due semi-annually on March 1 and September 1. Principal payments are due annually on March 1, through 2040.

Future debt service requirements are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 200,000	\$ 610,562	\$ 810,562
2014	205,000	605,812	810,812
2015	210,000	598,638	808,638
2016	220,000	591,288	811,288
2017	230,000	581,388	811,388
2018 – 2022	1,315,000	2,741,087	4,056,087
2023 – 2027	1,680,000	2,385,188	4,065,188
2028 – 2032	2,155,000	1,919,625	4,074,625
2033 – 2037	2,780,000	1,308,450	4,088,450
2038 – 2040	<u>2,885,000</u>	<u>405,675</u>	<u>3,290,675</u>
Total	<u>\$ 11,880,000</u>	<u>\$ 11,747,713</u>	<u>\$ 23,627,713</u>

HIGH POINT ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

NOTE 7: 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 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 8). 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 5.5 % of the total payroll for the calendar year 2012, (4.6 % of total payroll for the calendar year 2011). For the years ending June 30, 2010, 2011, and 2012 the Academy's employer contributions for the SDTF were \$203,244, \$242,355, and \$317,184, respectively, equal to their required contribution for each year.

NOTE 8: POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description. The Academy contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer post employment 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 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).

HIGH POINT ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

NOTE 8: *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, 2010, 2011 and 2012, the Academy's employer contributions to the HCTF were \$15,444, \$18,571, and \$22,450, respectively, equal to their required contribution for each year.

NOTE 9: *COMMITMENTS AND CONTINGENCIES*

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, 2012, 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, 2012, the reserve of \$135,000 was recorded as a restriction of fund balance in the General Fund.

REQUIRED SUPPLEMENTARY INFORMATION

HIGH POINT ACADEMY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2012

	2012			VARIANCE Positive (Negative)	2011 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
REVENUES					
Local Sources					
Per Pupil Revenue	\$ 3,655,611	\$ 4,086,920	\$ 4,135,005	\$ 48,085	\$ 2,744,128
Tuition and Fees	301,850	353,120	355,036	1,916	262,169
Grants and Donations	30,000	47,000	11,180	(35,820)	-
Interest	1,000	500	898	398	978
Other	-	50,728	63,616	12,888	122,828
State and Federal Sources					
Grants and Donations	470,572	366,108	374,799	8,691	258,942
TOTAL REVENUES	4,459,033	4,904,376	4,940,534	36,158	3,389,045
EXPENDITURES					
Instruction					
Salaries	1,623,790	1,718,831	1,785,694	(66,863)	1,406,770
Employee Benefits	443,299	468,564	481,198	(12,634)	364,947
Purchased Services	128,676	247,050	223,359	23,691	13,466
Supplies and Materials	128,250	100,250	317,404	(217,154)	220,502
Property	36,165	31,000	7,707	23,293	-
Total Instruction	2,360,180	2,565,695	2,815,362	(249,667)	2,005,685
Supporting Services					
School Administration					
Salaries	562,700	572,950	524,508	48,442	379,670
Employee Benefits	154,890	160,967	167,189	(6,222)	108,631
Purchased Services	1,095,653	1,149,722	1,012,499	137,223	495,441
Supplies and Materials	319,985	248,220	115,135	133,085	140,630
Property	4,252	4,252	-	4,252	131,880
Other	4,500	4,500	15,042	(10,542)	7,240
Total Supporting Services	2,141,980	2,140,611	1,834,373	306,238	1,263,492
TOTAL EXPENDITURES	4,502,160	4,706,306	4,649,735	56,571	3,269,177
EXCESS OF REVENUES OVER EXPENDITURES	(43,127)	198,070	290,799	92,729	119,868
OTHER FINANCING SOURCES (USES)					
Transfers Out	-	-	-	-	(57,022)
NET CHANGE IN FUND BALANCE	(43,127)	198,070	290,799	92,729	62,846
FUND BALANCE, Beginning	605,084	504,891	504,891	-	442,045
FUND BALANCE, Ending	\$ 561,957	\$ 702,961	\$ 795,690	\$ 92,729	\$ 504,891

See the accompanying independent auditors' report.