

HIGH POINT ACADEMY
BASIC FINANCIAL STATEMENTS
June 30, 2013

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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, the business-type activities, and each major fund of High Point Academy, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Academy, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, and each major fund of High Point Academy, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on page 21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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 Luttler & Associates, LLC

October 1, 2013

HIGH POINT ACADEMY

Management's Discussion and Analysis

Introduction

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, 2013.

Financial Highlights

The assets of High Point Academy exceeded its liabilities at the close of the most recent fiscal year by \$1,026,864 (net position).

The general fund ending fund balance increased from \$795,690 to \$1,370,031. This increase was largely caused by a close-out of the Project Fund in the Building Corporation and the return of excess lease payments to the Academy. These funds will provide a reserve to draw upon during future years.

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 position presents information on all of the Academy’s assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 per pupil revenue (PPR) or property taxes passed 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 position, changes in net position 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 9-20.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Academy, assets exceeded liabilities by \$1,026,864 at the close of the most recent fiscal year.

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

	<u>June 30, 2012</u>	<u>June 30, 2013</u>
Current assets and other assets	\$ 584,388	\$ 411,849
Cash and Investments	2,465,993	2,662,027
Capital Assets	10,135,749	9,916,422
Total Assets	<u>13,186,130</u>	<u>12,990,298</u>
Current liabilities	646,142	700,678
Other Liabilities	11,460,352	11,262,756
Total Liabilities	<u>12,106,494</u>	<u>11,963,434</u>
Net Position		
Net Investment in Capital Assets	362,728	(253,500)
Restricted for:		
Emergencies Tabor	135,000	135,000
Debt Service	(78,782)	(89,667)
Unrestricted	660,690	1,235,031
Total Net Position	<u>\$ 1,079,636</u>	<u>\$1,026,864</u>

A portion of the Academy's Governmental and Business-Type assets (20.5%) is cash and investments and 76.3% are net capital assets. The majority of the remaining assets represent debt issuance costs.

**High Point Academy's Change in Net Position
For the Years Ended June 30, 2012 and June 30, 2013
Governmental and Business-Type Activities**

	<u>June 30, 2012</u>	<u>June 30, 2013</u>
Program Revenue:		
Charges for Services	\$ 355,036	\$ 485,297
Operating Grants and Contributions	335,274	569,608
Capital Grants and Contributions	39,525	60,974
Total Program Revenue	<u>729,835</u>	<u>1,115,879</u>
General Revenue:		
Per Pupil Revenue	4,135,005	4,355,833
Other	77,957	69,042
Total General Revenue	<u>4,212,962</u>	<u>4,424,875</u>
 Total Revenue	 <u>4,942,797</u>	 <u>5,540,754</u>
Expenses:		
Current:		
Instruction	2,815,362	2,877,906
Supporting Services	1,313,047	1,793,616
Business-type activities	278,293	305,621
Interest on Long-term Debt	618,758	616,383
Total Expenses	<u>5,025,460</u>	<u>5,593,526</u>
 Increase (Decrease) in Net Position	 (82,663)	 (52,772)
Beginning Net Position, June 30	<u>1,162,299</u>	<u>1,079,636</u>
Ending Net Position, June 30	<u>\$ 1,079,636</u>	<u>\$ 1,026,864</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, unrestricted, unassigned 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 by 5.3% or \$220,828 due to an increase of 58 students and a 4.8% decrease per pupil funding from the state. Salary and benefit expenditures increased by 14.0% or \$399,618. This was the result of an increase in staff due to the increase in enrollment and an increase in employee retirement and benefits. Special Education, Title I and other grant funding increased by approximately \$228,476 and the corresponding expenditures increased by the same amount. The number of special education students served increased.

Supporting services purchased services decreased by \$220,898 due to the return of excess lease payments made to the Corporation. During fiscal year 2013, the Corporation closed out the project fund since the building was completed. Under the terms of the bond agreements, excess project funds were moved to the interest fund and the bond trustee calculated an excess of lease payments which were returned to the Academy in the amount of \$518,605.

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
2012 / 2013	814

As of the end of the current fiscal year, the Academy’s governmental fund reported an ending fund balance of \$1,370,031, an increase of \$574,341

Proprietary Fund. The High Point Academy Building Corporation net position decreased to deficit balance of \$405,614 from a balance of \$209,189 or a decrease of \$614,803. 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 \$1,092,834 in restricted cash and investments required to be held for future debt service.

General Fund 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 \$617,470.

Capital Asset and Debt Administration

Capital assets. Capital assets include the land and building in the Building Corporation Fund of \$9,853,975 and other capital assets in the governmental activities fund of \$62,447. Depreciation expense of \$12,310 and \$271,834 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 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 2013/2014 budget projects the Academy's general fund balance will decrease by \$170,650. Enrollment is projected to increase by 23 students in FY 2013/2014.

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 POSITION

As of June 30, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 1,529,142	\$ -	\$ 1,529,142
Restricted Cash and Investments	40,051	1,092,834	1,132,885
Accounts Receivable, net of Allowance	5,594	-	5,594
Foundation and Grants Receivable	66,838	-	66,838
Prepaid Expenses	22,046	-	22,046
Deposits	100	-	100
Bond Issuance Costs, net of accumulated amortization	-	317,271	317,271
Capital Assets, not depreciated	-	1,535,000	1,535,000
Capital Assets, depreciated, net of accumulated depreciation	62,447	8,318,975	8,381,422
	<u>1,726,218</u>	<u>11,264,080</u>	<u>12,990,298</u>
TOTAL ASSETS			
LIABILITIES			
Accounts Payable	63,374	-	63,374
Accrued Expenses	70,099	-	70,099
Accrued Salaries and Benefits	137,276	-	137,276
Accrued Interest	-	201,938	201,938
Unearned Revenue	22,991	-	22,991
Noncurrent Liabilities			
Due in One Year	-	205,000	205,000
Due in More Than One Year	-	11,262,756	11,262,756
	<u>293,740</u>	<u>11,669,694</u>	<u>11,963,434</u>
TOTAL LIABILITIES			
NET POSITION			
Invested in Capital Assets net of Related Debt	62,447	(315,947)	(253,500)
Restricted for Emergencies	135,000	-	135,000
Restricted for Debt Service	-	(89,667)	(89,667)
Unrestricted	1,235,031	-	1,235,031
	<u>1,432,478</u>	<u>(405,614)</u>	<u>1,026,864</u>
TOTAL NET POSITION			

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

HIGH POINT ACADEMY

STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

FUNCTIONS/PROGRAMS	Expenses	PROGRAM REVENUES		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental Activities				
Instructional	\$ 2,877,906	\$ 485,297	\$ -	\$ -
Supporting Services	1,793,616	-	569,608	60,974
Total Governmental Activities	4,671,522	485,297	569,608	60,974
Business-Type Activities				
Building Corporation	305,621	-	-	-
Interest on Long-term Debt	616,383	-	-	-
Total Business-type Activities	922,004	-	-	-
TOTAL PRIMARY GOVERNMENT	\$ 5,593,526	\$ 485,297	\$ 569,608	\$ 60,974

GENERAL REVENUES

Per Pupil Revenue
Grants and Donations
Investment Revenue
Other
Transfers

TOTAL GENERAL REVENUES

CHANGE IN NET POSITION

NET POSITION, Beginning

NET POSITION, Ending

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

NET (EXPENSE)
REVENUE AND CHANGES
CHANGE IN NET POSITION

Governmental Activities	Business-type Activities	Total
\$ (2,392,609)	\$ -	\$ (2,392,609)
(1,163,034)	-	(1,163,034)
(3,555,643)	-	(3,555,643)
-	(305,621)	(305,621)
-	(616,383)	(616,383)
-	(922,004)	(922,004)
(3,555,643)	(922,004)	(4,477,647)
4,355,833	-	4,355,833
46,686	-	46,686
1,283	3,097	4,380
17,976	-	17,976
(304,104)	304,104	-
4,117,674	307,201	4,424,875
562,031	(614,803)	(52,772)
870,447	209,189	1,079,636
<u>\$ 1,432,478</u>	<u>\$ (405,614)</u>	<u>\$ 1,026,864</u>

HIGH POINT ACADEMY

BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2013

	<u>GENERAL FUND</u>
ASSETS	
Cash and Investments	\$ 1,529,142
Restricted Cash and Investments	40,051
Grants and Accounts Receivable	72,432
Deposit	100
Prepaid Expenses	<u>22,046</u>
TOTAL ASSETS	<u><u>\$ 1,663,771</u></u>
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts Payable	\$ 63,374
Accrued Salaries and Benefits	137,276
Accrued Expenses	70,099
Unearned Revenues	<u>22,991</u>
TOTAL LIABILITIES	<u>293,740</u>
FUND EQUITY	
Nonspendable	22,046
Restricted for Emergencies	135,000
Unassigned	<u>1,212,985</u>
TOTAL FUND BALANCES	<u>1,370,031</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,663,771</u></u>
Amounts reported for governmental activities in the statement of net position are different because:	
Fund Balance	1,370,031
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.	<u>62,447</u>
Net position of governmental activities	<u><u>\$ 1,432,478</u></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 FUND
Year Ended June 30, 2013

	GENERAL FUND
REVENUES	
Local Sources	\$ 4,907,075
State and Federal Sources	630,582
TOTAL REVENUES	5,537,657
EXPENDITURES	
Current	
Instruction	2,877,906
Supporting Services	2,085,410
TOTAL EXPENDITURES	4,963,316
NET CHANGE IN FUND BALANCE	574,341
FUND BALANCES, Beginning	795,690
FUND BALANCES, Ending	\$ 1,370,031

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, 2013

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

Net change in fund balances - total governmental funds	\$ 574,341
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 position 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 position of governmental activities	<u>\$ 562,031</u>

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

HIGH POINT ACADEMY
STATEMENT OF NET POSITION
PROPRIETARY FUND TYPES
As of June 30, 2013

	<u>BUILDING CORPORATION</u>
ASSETS	
Current Assets	
Cash and Investments	<u>\$ 1,092,834</u>
Total Current Assets	<u>1,092,834</u>
Noncurrent Assets	
Capital Assets, net of accumulated depreciation	9,853,975
Bond Issuance Cost, net of amortization	<u>317,271</u>
Total Noncurrent Assets	<u>10,171,246</u>
TOTAL ASSETS	<u>11,264,080</u>
LIABILITIES	
Current Liabilities	
Accrued Interest	201,938
Current Portion of Long-term Debt	<u>205,000</u>
Total Current Liabilities	<u>406,938</u>
Noncurrent Liabilities	
Due in More than One Year	<u>11,262,756</u>
TOTAL LIABILITIES	<u>11,669,694</u>
NET POSITION	
Invested in Capital Assets, Net of Related Debt	(315,947)
Restricted for Debt Service	<u>(89,667)</u>
TOTAL NET POSITION	<u>\$ (405,614)</u>

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

HIGH POINT ACADEMY
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUND TYPES
Year Ended June 30, 2013

	<u>BUILDING CORPORATION</u>
OPERATING REVENUES	
Lease revenue	<u>\$ 304,104</u>
TOTAL OPERATING REVENUES	<u>304,104</u>
OPERATING EXPENSES	
Property	22,720
Depreciation	271,834
Amortization	<u>11,067</u>
TOTAL OPERATING EXPENSES	<u>305,621</u>
OPERATING (LOSS)	<u>(1,517)</u>
NON-OPERATING REVENUES (EXPENSE)	
Interest Income	3,097
Interest Expense	<u>(616,383)</u>
TOTAL NON-OPERATING REVENUE (EXPENSE)	<u>(613,286)</u>
NET (LOSS)	(614,803)
NET POSITION, Beginning	<u>209,189</u>
NET POSITION, Ending	<u><u>\$ (405,614)</u></u>

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

HIGH POINT ACADEMY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES
Year Ended June 30, 2013
Increase (Decrease) in Cash and Cash Equivalents

	<u>BUILDING CORPORATION</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received	\$ 822,709
Cash Returned for Excess Lease Payments	(518,605)
Cash Paid to Suppliers	<u>(26,320)</u>
Net Cash Provided by Operating Activities	<u>277,784</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of Capital Assets	<u>(64,817)</u>
CASH FLOWS FROM NON CAPITAL AND RELATED FINANCING ACTIVITIES	
Bond Principal Paid	<u>(200,000)</u>
Net Cash Used by Noncapital and Related Financing Activities	<u>(200,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Received	3,097
Interest Paid	<u>(610,561)</u>
Net Cash Used by Investing Activities	<u>(607,464)</u>
Net Decrease in Cash and Cash Equivalents	(594,497)
CASH AND CASH EQUIVALENTS, Beginning	<u>1,687,331</u>
CASH AND CASH EQUIVALENTS, Ending	<u><u>\$ 1,092,834</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating (Loss)	<u>\$ (1,517)</u>
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities	
Depreciation	271,834
Amortization of Issuance Costs	11,067
Changes in Assets and Liabilities	
Accounts Payable	<u>(3,600)</u>
Total Adjustments	<u>279,301</u>
Net Cash Provided by Operating Activities	<u><u>\$ 277,784</u></u>

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

HIGH POINT ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

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 position 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, 2013

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.

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

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.

HIGH POINT ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 Net Position/Fund Balances

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.

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.

HIGH POINT ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position/Fund Balances (Continued)

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported on the statement of net position 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.

Unearned Revenues – The unearned 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 Position– The government-wide and business-type fund financial statements utilize a net position presentation. Net position is categorized as investment in capital assets, restricted, and unrestricted.

- Investment in Capital Assets is intended to reflect the portion of net position which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost.
- Restricted Net Position are liquid assets, which have third party limitations on their use.
- Unrestricted Net Position represents assets that do not have any third party limitation on their use. While Academy management may have categorized and segmented portion for various purposes, the School Board has the unrestricted right to revisit or alter these managerial decisions.

HIGH POINT ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The Academy has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies.
- 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, 2013.
- 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.

HIGH POINT ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

- Investment in Capital Assets is intended to reflect the portion of net position which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost.
- Restricted Net Position are liquid assets, which have third party limitations on their use.
- Unrestricted Net Position represents assets that do not have any third party limitation on their use. While Academy management may have categorized and segmented portion for various purposes, the School Board has the unrestricted right to revisit or alter these managerial decisions.

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. Settlements have not exceeded insured amounts in the last three years.

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.

HIGH POINT ACADEMY

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY(Continued)

Accountability

The Building Corporation has a negative net position of \$405,614. Management expects this deficit to be eliminated in future years as they repay its debt.

NOTE 3: CASH AND INVESTMENTS

Cash and Investments at June 30, 2013 consisted of the following:

Deposits	\$ 264,804
Investments	<u>2,397,223</u>
Total	<u>\$ 2,662,027</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, 2013, 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, 2013, the Academy had deposits with financial institutions with a carrying amount of \$264,804. The bank balances with the financial institutions were \$283,592, all of which was covered by federal depository insurance.

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.

HIGH POINT ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

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

The Academy had invested \$2,397,223 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 AAAM and CSAFE is rated AAAM by Standard and Poor's.

Restricted Cash and Investments

Cash in the amount of \$1,092,834 is restricted in the Building Corporation for debt service requirements. At June 30, 2013, the Academy held restricted cash and investments of \$40,051 for building repairs as required by the building lease agreement.

HIGH POINT ACADEMY

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE 4: CAPITAL ASSETS

Capital Assets activity for the year ended June 30, 2013 is summarized below.

	Balance <u>June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2013</u>
Governmental Activities				
Capital assets, depreciated				
Machinery and Equipment	\$ 100,118	\$ -	\$ -	\$ 100,118
Accumulated Depreciation				
Machinery and Equipment	25,361	12,310	-	37,661
Net Capital Assets	<u>\$ 74,757</u>	<u>\$ 12,310</u>	<u>\$ -</u>	<u>\$ 62,447</u>
Business-type activities				
Capital Assets, not depreciated				
Land	\$ 1,535,000	\$ -	\$ -	\$ 1,535,000
Capital Assets, depreciated				
Building	8,905,365	64,817	-	8,970,182
Accumulated Depreciation				
Building	379,373	271,834	-	651,207
Total Capital Assets, Being Depreciated, Net	<u>8,525,992</u>	<u>207,017</u>	<u>-</u>	<u>8,318,975</u>
Net Capital Assets	<u>\$ 10,060,992</u>	<u>\$ 207,017</u>	<u>\$ -</u>	<u>\$ 9,853,975</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, 2013, were \$137,276 in the General Fund.

HIGH POINT ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

NOTE 6: LONG-TERM DEBT

Following is a summary of the Academy's long-term debt transactions for the year ended June 30, 2013:

	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Due In</u> <u>One Year</u>
Bonds Payable	<u>\$ 11,880,000</u>	<u>\$ -</u>	<u>\$ 200,000</u>	<u>\$ 11,680,000</u>	<u>\$ 205,000</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>
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	240,000	571,038	811,038
2019 – 2023	1,380,000	2,679,087	4,059,087
2024 – 2028	1,765,000	2,301,187	4,066,187
2029 – 2033	2,265,000	1,810,719	4,075,719
2034 – 2038	2,930,000	1,163,781	4,093,781
2039 – 2040	<u>2,235,000</u>	<u>234,212</u>	<u>2,469,212</u>
Total	<u>\$ 11,680,000</u>	<u>\$ 11,137,150</u>	<u>\$ 22,817,150</u>

During fiscal year 2013, the Corporation closed out the project fund since the building was completed. Under the terms of the bond agreements, excess project funds were moved to the interest fund and the bond trustee calculated an excess of lease payments which were returned to the Academy in the amount of \$518,605.

HIGH POINT ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

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 6.4 % of the total payroll for the calendar year 2012, (5.5 % of total payroll for the calendar year 2012). For the years ending June 30, 2011, 2012, and 2013 the Academy's employer contributions for the SDTF were \$242,355, \$317,184, and \$414,560, 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, 2013

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, 2011, 2012 and 2013, the Academy's employer contributions to the HCTF were \$18,571, \$22,450, and \$26,532, 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, 2013, 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, 2013, 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, 2013

	2013			VARIANCE Positive (Negative)	2012 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
REVENUES					
Local Sources					
Per Pupil Revenue	\$ 4,365,440	\$ 4,358,743	\$ 4,355,833	\$ (2,910)	\$ 4,135,005
Tuition and Fees	494,213	491,300	485,297	(6,003)	355,036
Grants and Donations	15,000	49,225	46,686	(2,539)	11,180
Interest	1,000	1,500	1,283	(217)	898
Other	17,200	32,186	17,976	(14,210)	63,616
State and Federal Sources					
Grants and Donations	360,812	576,504	630,582	54,078	374,799
TOTAL REVENUES	<u>5,253,665</u>	<u>5,509,458</u>	<u>5,537,657</u>	<u>28,199</u>	<u>4,940,534</u>
EXPENDITURES					
Instruction					
Salaries	1,903,670	1,921,937	1,887,859	34,078	1,785,694
Employee Benefits	535,673	532,546	527,611	4,935	481,198
Purchased Services	200,000	246,735	253,040	(6,305)	223,359
Supplies and Materials	125,300	168,724	169,917	(1,193)	317,404
Property	37,267	40,000	39,479	521	7,707
Total Instruction	<u>2,801,910</u>	<u>2,909,942</u>	<u>2,877,906</u>	<u>32,036</u>	<u>2,815,362</u>
Supporting Services					
School Administration					
Salaries	597,014	743,298	736,816	6,482	524,508
Employee Benefits	167,993	205,962	205,922	40	167,189
Purchased Services	1,358,351	1,334,786	760,635	574,151	1,012,499
Supplies and Materials	353,227	377,299	375,471	1,828	115,135
Property	3,000	5,000	2,100	2,900	-
Other	4,500	4,500	4,466	34	15,042
Total Supporting Services	<u>2,484,085</u>	<u>2,670,845</u>	<u>2,085,410</u>	<u>585,435</u>	<u>1,834,373</u>
TOTAL EXPENDITURES	<u>5,285,995</u>	<u>5,580,787</u>	<u>4,963,316</u>	<u>617,471</u>	<u>4,649,735</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(32,330)</u>	<u>(71,329)</u>	<u>574,341</u>	<u>645,670</u>	<u>290,799</u>
NET CHANGE IN FUND BALANCE	<u>(32,330)</u>	<u>(71,329)</u>	<u>574,341</u>	<u>645,670</u>	<u>290,799</u>
FUND BALANCE, Beginning	<u>711,313</u>	<u>795,690</u>	<u>795,690</u>	<u>-</u>	<u>504,891</u>
FUND BALANCE, Ending	<u>\$ 678,983</u>	<u>\$ 724,361</u>	<u>\$ 1,370,031</u>	<u>\$ 645,670</u>	<u>\$ 795,690</u>

See the accompanying independent auditors' report.