



Financial Statements
June 30, 2014

Frontier Academy

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Independent Auditor's Report

To the Board of Directors
Frontier Academy
Greeley, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Frontier Academy, a component unit of Weld County School District 6, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Frontier Academy's basic financial statements 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 an opinion 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 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, each major fund, and the aggregate remaining fund information of Frontier Academy, as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Adoption of New Accounting Standard

As described in NOTE 2 to the financial statements, the School adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. As discussed in NOTE 2 to the financial statements, the School has retroactively restated the previously reported net position to account for bond issuance costs in accordance with this Statement. Our opinions are not modified with respect to this matter.

Correction of Error

As described in NOTE 2 to the financial statements, the facility corporation identified an error in its restricted fund balance as previously reported in the prior year. Accordingly, the facility corporation fund balance previously reported has been restated. Our opinions are not modified for this matter.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 8 and budgetary comparison information on pages 27 through 28 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 (GASB), who considers it to be an essential part of the 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.



November 4, 2014
Fort Collins, Colorado

Frontier Academy
An authorized charter school of Weld County School District 6
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014

This section of the financial report is a required component of the annual audit for governmental organizations and is intended to help explain the financial activity for the fiscal year ended June 30, 2014, through a brief narrative overview and analysis of financial statements. All interested persons are encouraged to read this report and to review the financial statements in conjunction with the descriptions of activity as highlighted below.

Financial Highlights

- For fiscal year 2014, Frontier Academy (the School) experienced an increase of approximately \$525,000 in net position.
- Total unrestricted cash and investments was \$1,668,257 at June 30, 2014, as compared to \$1,569,172 at June 30, 2013.
- The School did not exceed its operating budget for the General Fund realizing over 100% of budgeted revenues while spending 99% of budgeted expenditures.

Overview of Financial Statements

This report generally follows the guidelines as set forth by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. This rule was intended to help make reports easier to understand for oversight bodies, in particular the Frontier Academy Board of Directors, and for the general public. The report consists of three parts: Management's Discussion and Analysis (this section), the Basic Financial Statements, and Required Supplementary Information. The Basic Financial Statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements which provide additional and more detailed information. Included as Required Supplementary Information is budget-to-actual information related to the School's General Fund and the Facility Corporation, a blended component unit.

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

The *statement of net position* presents information on all of the School's assets, liabilities and deferred outflows and inflows of resources 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 School is improving or deteriorating.

The *statement of activities* presents information showing how the School'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 result in cash flows in future fiscal periods.

The government-wide financial statements include not only the School itself (known as the *primary government*), but also the component unit of the School. The Frontier Academy Facility Corporation (the Facility Corporation), although also legally separate, functions, for all practical purposes, as a department of the School, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 9 – 10 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 School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The School reports three funds, the general fund and two special revenue funds (the Facility Corporation and the Foundation Fund), all 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 School's near-term financing requirements.

Because the focus of the 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 government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

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

The basic governmental fund financial statements can be found on pages 11 – 14 of this report.

Notes to financial statements. The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 15 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position.

Table A-1
Condensed Statement of Net Position

	2014	(Restated) 2013
Assets:		
Current assets	\$ 1,679,848	\$ 1,603,926
Noncurrent assets	12,668,047	12,893,575
Deferred outflows of resources	<u>898,716</u>	<u>951,581</u>
Total assets and deferred outflows of resources	<u>15,246,611</u>	<u>15,449,082</u>
Liabilities:		
Current liabilities	775,212	802,633
Noncurrent liabilities	<u>13,955,000</u>	<u>14,655,000</u>
Total liabilities	<u>14,730,212</u>	<u>15,457,633</u>
Net position:		
Net investment in capital assets	(2,813,249)	(2,335,905)
Restricted	1,727,520	1,712,410
Unrestricted	<u>1,602,128</u>	<u>614,944</u>
Total net position	<u>\$ 516,399</u>	<u>\$ (8,551)</u>

Frontier Academy's Executive Committee passed two special resolutions during 2013-2014 to spend up to \$200,000 toward the payment on the purchase of 21 acres of land near the secondary school. The purchase took place on April 30, 2013. The second resolution was up to \$240,000 to remodel part of the building at 2500 W. 29th Street adding classroom and office space. Though the resolutions were to allow expending up to \$440,000, the actual impact on the fund balance was less, as the School had revenues above expected budget levels and was able to keep expenses below budgeted amounts and some of the remodel carried over to next fiscal year.

Table A-2
Condensed Statement of Activities

	2014	(Restated) 2013
Program revenues:		
Charges for services	\$ 221,876	\$ 663,340
Operating grants and contributions	114,175	72,197
Capital grants and contributions	130,326	116,873
General revenues:		
Per pupil funding	9,458,259	8,419,720
Interest income	2,055	3,009
Other income	119,182	53,408
Total revenues	10,045,873	9,328,547
Expenses:		
Instruction	6,430,851	6,166,883
Support services	2,457,407	2,273,614
Interest on long-term debt	632,665	653,664
Total expenses	9,520,923	9,094,161
Change in net position	524,950	234,386
Net position - beginning, as restated	(8,551)	(242,937)
Net position - ending	\$ 516,399	\$ (8,551)

The 2014 statements of Revenues, Expenses and Changes in Net Assets reflect growth in several areas. There was increased enrollment (FTE) mainly through the addition of a 5th track of third grade and some growth in the Junior and Senior classes. Enrollment in the Home School Access program also increased. Frontier Academy added a second class of full day Kindergarten. This program is offered on a fee basis (to cover the time not paid for through CDE). The state PPR increased slightly in 2013-2014. Aside from the land purchase and building remodel, there were not any abnormal expenses. Staff did receive an increase in pay for the year.

General Fund

The general fund is used to capture all operating activities of the School. As of the end of the current fiscal year, the School's general fund reported an ending fund balance of \$950,748, an increase of \$101,144. Of this balance, approximately 27% is *restricted* to indicate that it is not available for spending primarily because it is required to be maintained to comply with the TABOR amendment. An additional .1% is *nonspendable* as it represents amounts which have already been spent to benefit future periods.

General Fund Budgetary Highlights

The 2014 final fiscal year budget was adopted in June 2014. Actual revenue exceeded budgeted revenue. Expenditures were less than budgeted.

Capital Asset and Debt Administration

Capital assets. The School's investment in capital assets as of June 30, 2014, amounts to \$11,141,751. This investment in capital assets includes land, buildings and building improvements, furniture and equipment. The total net decrease in School capital assets was \$225,763 (2.0%) as a result of depreciation charges in excess of acquiring additional equipment and additional building improvements.

Additional information on the School's capital assets can be found in NOTE 4 on page 22 of this report.

Long-term debt. The Facility Corporation carries total bonded debt outstanding of \$13,740,000. The \$13,740,000 represents Series 2006 Charter School Revenue Refunding Bonds. Additional information on long-term debt and the related facility lease can be found in NOTES 5 and 7 on page 23 - 24 of this report.

During fiscal year 2013, the School purchased land and borrowed an additional \$375,000 to fund part of the cost of the land. Additional information on this note can be found in NOTE 6 on page 24 of this report.

Economic Factors and Next Year's Budgets

State funding is again expected to increase for the 2014-2015 school year. The school will have increased enrollment, increased salary and benefit costs and expects increased materials and utility costs. All will impact 2014-2015 fiscal plans and operations. Another resolution has been passed to make a final payment on the land purchased in the 2012-2013 fiscal year on May 1st 2015 and complete the remodel of the building located at 2500 W. 29th Street.

Requests for Information

This financial report is designed to provide a general overview of the School's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the School Administration or Executive Committee Officers.

FRONTIER ACADEMY
STATEMENT OF NET POSITION
June 30, 2014

Assets:	
Cash	\$ 1,668,257
Restricted cash and investments	1,526,296
Accounts receivable	2,385
Prepaid expenses	9,206
Capital assets not being depreciated	1,398,334
Capital assets, net of accumulated depreciation	<u>9,743,417</u>
Total assets	14,347,895
Deferred outflows of resources:	
Deferred charges on bond refunding	<u>898,716</u>
Total assets and deferred outflows of resources	<u>15,246,611</u>
Liabilities:	
Accounts payable and accrued expenses	106,926
Accrued salaries and benefits	511,665
Accrued interest payable	50,515
Unearned revenue	106,106
Noncurrent liabilities:	
Due within one year	780,000
Due in more than one year	<u>13,175,000</u>
Total liabilities	<u>14,730,212</u>
Net position:	
Bond debt in excess of net capital assets	(2,813,249)
Restricted for:	
Emergencies	251,739
Debt service	1,475,781
Unrestricted	<u>1,602,128</u>
Total net position	<u>\$ 516,399</u>

See accompanying notes to financial statement

FRONTIER ACADEMY
STATEMENT OF ACTIVITIES
For the year ended June 30, 2014

	<u>Program Revenues</u>				<u>Net (Expense) Revenue & Changes in Net Position</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental Activities					
Instruction	\$ 6,430,851	\$ 221,876	\$ 114,175	\$ -	\$ (6,094,800)
Support services	2,457,407	-	-	130,326	(2,327,081)
Interest on long-term debt	632,665	-	-	-	(632,665)
	<u>9,520,923</u>	<u>221,876</u>	<u>114,175</u>	<u>130,326</u>	<u>(9,054,546)</u>
General revenues:					
Per pupil funding					9,458,259
Interest income					2,055
Other income					119,182
					<u>9,579,496</u>
Change in net position					524,950
Net position - beginning, as restated (NOTE 2)					<u>(8,551)</u>
Net position - ending					<u>\$ 516,399</u>

See accompanying notes to financial statement

FRONTIER ACADEMY
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2014

	General Fund	Facility Corporation	(nonmajor) Foundation Fund	Total
Assets:				
Cash	\$ 1,665,684	\$ -	\$ 2,573	\$ 1,668,257
Restricted cash and investments	-	1,526,296	-	1,526,296
Accounts receivable	555	-	1,830	2,385
Prepaid expenses	9,206	-	-	9,206
Total assets	1,675,445	1,526,296	4,403	3,206,144
Liabilities:				
Accounts payable and accrued expenses	106,926	-	-	106,926
Accrued salaries and benefits	511,665	-	-	511,665
Unearned revenue	106,106	-	-	106,106
Total liabilities	724,697	-	-	724,697
Fund Balance:				
Nonspendable fund balance	9,206	-	-	9,206
Restricted fund balance	251,739	1,526,296	4,403	1,782,438
Unassigned fund balance	689,803	-	-	689,803
Total fund balance	950,748	1,526,296	4,403	2,481,447
Total liabilities and fund balance	\$ 1,675,445	\$ 1,526,296	\$ 4,403	\$ 3,206,144

See accompanying notes to financial statement

FRONTIER ACADEMY
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2014

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

Total fund balance - governmental funds		\$ 2,481,447
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$15,678,409 and the accumulated depreciation is \$4,536,658.		11,141,751
Deferred charges, net of accumulated amortization		898,716
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Bonds payable	(13,740,000)	
Interest accrued on bonds payable	(50,515)	
Note payable	(215,000)	(14,005,515)
Total net position		\$ 516,399

See accompanying notes to financial statement

FRONTIER ACADEMY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
For the year ended June 30, 2014

	General Fund	Facility Corporation	(nonmajor) Foundation Fund	Total
Revenue:				
Local sources	\$ 358,294	\$ 184	\$ 60,147	\$ 418,625
State sources	9,627,248	-	-	9,627,248
Total revenue	<u>9,985,542</u>	<u>184</u>	<u>60,147</u>	<u>10,045,873</u>
Expenditures:				
Current:				
Instruction	6,036,948	-	-	6,036,948
Support services	2,354,339	38,559	11,644	2,404,542
Capital Outlay	-	168,140	-	168,140
Debt service	-	1,334,511	-	1,334,511
Total expenditures	<u>8,391,287</u>	<u>1,541,210</u>	<u>11,644</u>	<u>9,944,141</u>
Excess of revenues over (under) expenditures	<u>1,594,255</u>	<u>(1,541,026)</u>	<u>48,503</u>	<u>101,732</u>
Other financing sources (uses):				
Transfers in	48,150	1,541,261	-	1,589,411
Transfers (out)	(1,541,261)	-	(48,150)	(1,589,411)
Total other financing sources (uses)	<u>(1,493,111)</u>	<u>1,541,261</u>	<u>(48,150)</u>	<u>-</u>
Net change in fund balance	101,144	235	353	101,732
Fund balance - beginning as restated	<u>849,604</u>	<u>1,526,061</u>	<u>4,050</u>	<u>2,379,715</u>
Fund balance - ending	<u>\$ 950,748</u>	<u>\$ 1,526,296</u>	<u>\$ 4,403</u>	<u>\$ 2,481,447</u>

See accompanying notes to financial statement

FRONTIER ACADEMY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the year ended June 30, 2014

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

Net change in fund balance - governmental funds	\$ 101,732
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeds capital outlay in the current period.</p>	
	(225,763)
<p>Governmental funds report the effect of deferred charges on bonds payable when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of deferred charges.</p>	
Deferred charge amortization	(52,865)
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>	
Bond principal	540,000
Note payable	160,000
Decrease in accrued interest payable	<u>1,846</u>
Change in net position	<u><u>\$ 524,950</u></u>

See accompanying notes to financial statement

FRONTIER ACADEMY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Frontier Academy (the School) conform to accounting principles generally accepted in the United States of America. The following is a summary of the School's significant accounting policies:

Reporting Entity

The School is a charter school organized under the Colorado Charter Schools Act (Colorado Revised Statutes §22-30.5-101). This Act permits school districts to contract with individuals and organizations for the operation of schools within the district. The statutes define these contracted schools as "charter schools." Charter schools are financed from a portion of the school district's School Finance Act revenues and from revenues generated by the charter schools within limits established by the Charter School Act. Charter schools have separate governing boards; however, the school district's board of education must approve all charter school applications and budgets.

The School operates under a charter granted by the Weld County School District 6 (the District) Board of Education. The School is funded based on the level of per pupil operating revenue (PPR) as defined by the State of Colorado Legislature and the number of full-time equivalent (FTE) students. As of the designated count day (October 1, 2013), there were 1,323 FTE students enrolled. The PPR rate for the fiscal year ended June 30, 2014, was approximately \$6,300.

The accompanying financial statements present the School and its component units, entities for which the School is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the School's operations. The Frontier Academy Facilities Corporation (the Facility Corporation) and the Frontier Academy Foundation (the Foundation) meet the requirements for blending. The Facility Corporation was established for the purpose of holding title to the School facilities and to accumulate resources from the collection of rents from the School to make payments for the Facility Corporation's capital and debt service costs. The Facility Corporation is included in the School's financial statements as a special revenue fund. The Facility Corporation does not issue separate financial statements. The Foundation was formed in 2001 for the purpose of receiving, maintaining, and administering funds received as gifts for the benefit of the School. The Foundation does not issue separate financial statements.

The School is a component unit of the District and is included in the District's Comprehensive Annual Financial Report.

FRONTIER ACADEMY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

Major individual 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 the related cash flows. Revenue from per pupil operating revenue is recognized in the fiscal year for which the funding is provided. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Revenue from donations is recognized when the funds are pledged to the School.

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*. *Measurable* means that the amount of the transaction can be determined. *Available* means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

Charges for services are considered revenue once the service is rendered, and as such are considered susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the government.

FRONTIER ACADEMY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

The accounts of the School are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The major funds presented in the accompanying basic financial statements are as follows:

Major Governmental Funds

General Fund: The General Fund is the School's primary operating fund. It accounts for all financial resources of the School, except those required legally or by sound financial management to be accounted for in another fund.

Special Revenue – Facility Corporation: Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. The School reports one special revenue fund for the Facility Corporation.

The School reports the following nonmajor fund:

Special Revenue – Frontier Academy Foundation Fund: Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. The School reports one special revenue fund for the Foundation.

Interfund Transfers

Interfund transfers are generally made between the general fund and the Facility Corporation fund in accordance with the terms of the building lease (NOTE 7). Transfers between the Foundation and general fund are made for discretionary spending.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. The estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from these estimates.

FRONTIER ACADEMY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Investments

Cash and investments include cash on hand, demand deposits, saving accounts and money market funds. Investments are carried at cost which approximates fair value.

Capital Assets

Capital assets purchased by the Facility Corporation or the School, which include land, buildings and building improvements, furniture and equipment are reported in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. An annual capital asset inventory is performed in accordance with state law (Colorado Revised Statute 29-1-506).

All reported capital assets, except for land, are depreciated. Depreciation on all assets is provided using the straight-line method over estimated useful lives of three to thirty-eight years.

Deferred Outflows of Resources

For the year ended June 30, 2014, the School implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which clarifies the use of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. As a result of implementing this statement, the School changed the classification of certain assets to deferred outflows of resources. For current refundings and advance refundings resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow (or inflow) of resources. Those amounts are amortized over the life of the old debt or the life of the new debt, whichever is shorter.

Accrued Salaries and Benefits

Salaries of teachers and certain other employees are paid over a 12-month period ending July 31. However, most salaries are earned over the traditional school year of September through May. The difference between salary and related benefit amounts earned from July 1 through June 30 and the corresponding amounts paid during this period is shown as a liability for accrued salaries and benefits in the amount of \$511,665.

The School's policy allows employees to accumulate paid time off. A portion of this leave may be carried forward to the succeeding year. Upon termination of employment, employees are compensated at rates ranging from \$70 to \$80 per day for unused days. A liability for this paid time off is recorded in the general fund.

Long-Term Obligations

In the government-wide financial statements, long-term debt is reported as a liability on the statement of net position. Deferred charges related to the bonds payable are amortized over the life of the bonds using the straight-line method.

FRONTIER ACADEMY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position/Fund Balance

In the government-wide financial statements, net position is restricted when constraints placed on the net position are externally imposed. Net position invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets.

In the fund financial statements, fund equity of the School's governmental funds is classified as nonspendable, restricted, committed, assigned or unassigned.

Nonspendable fund balances indicate amounts that cannot be spent either a) due to form; for example, inventories and prepaid amounts or b) due to legal or contractual requirements to be maintained intact.

Restricted fund balances indicate amounts constrained for a specific purpose by external parties, constitutional provision or enabling legislation.

Committed fund balances indicate amounts constrained for a specific purpose by a government using its highest level of decision-making authority. It would require an ordinance by the School's board to remove or change the constraints placed on the resources. This action must occur prior to year-end; however, the amount can be determined in the subsequent period.

Assigned fund balances indicate amounts for governmental funds, other than the general fund, any remaining positive amounts not classified in the above categories. For the general fund, amounts constrained for the intent to be used for a specific purpose has been delegated to the Business Manager.

Unassigned fund balances indicate amounts in the general fund that are not classified as nonspendable, restricted, committed or assigned. The general fund is the only fund that would report a positive amount in unassigned fund balance. When both unassigned and committed or assigned resources are available for use, it is the School's policy to use committed, then assigned resources first, then unassigned resources as needed.

Self Insurance

The School is partially self insured for employee medical costs. Self-insurance liabilities are determined based on claims filed and estimates for claims incurred but not reported. The School purchases insurance for significant claims incurred. The School's stop-loss limit under this policy is \$35,000 per person with an aggregate max of approximately \$463,000. Total costs for self insurance during the fiscal year ended June 30, 2014, were approximately \$640,000. The liability for self-insurance is reported within accrued expenses at June 30, 2014.

FRONTIER ACADEMY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements

The GASB has issued statement 68, *Accounting and Financial Reporting for Pensions* which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The School provides its employees with pension benefits through a multiple employer cost-sharing defined benefit retirement program, the Public Employees Retirement Association of Colorado (PERA), as further discussed in NOTE 8.

Statement 68 requires employers participating in the PERA program to record their proportionate share of PERA’s unfunded pension liability. The School has no legal obligation to fund this shortfall nor does it have any ability to affect funding benefits, investment, or annual contribution decisions made by PERA. The requirements of GASB 68 will have a negative impact on the net position of the School after the provisions of the statement are implemented. Statement 68 is effective for fiscal years beginning after December 15, 2014. At this time, the School is unable to estimate the magnitude of the impact of this statement. Information regarding PERA’s unfunded obligations can be obtained from the PERA website or its Comprehensive Annual Financial Report.

NOTE 2 – RESTATEMENT OF NET POSITION AND CORRECTION OF ERROR

Restatement

The GASB has issued Statement 65, *Items Previously Reported as Assets and Liabilities* which address certain classification of assets and liabilities. The statement concludes that debt issuance costs should be recognized as expense in the period incurred. GASB 65 is effective for fiscal years beginning after December 15, 2012. The School has implemented GASB 65 and has written off its previously incurred net unamortized deferred bond issuance costs to the beginning net position in the Frontier Academy Facility Corporation. The following table sets forth the impact of the implementation of this standard in the School’s net position:

	As Previously Stated	Write-off of Deferred Bond Issuance Costs, Net of Accumulated Amortization	As Restated
Net position at June 30, 2013	\$ 387,241	\$ (395,792)	\$ (8,551)

Correction of error in previously reported amounts

The Facility Corporation liabilities have been restated as of June 30, 2013, to eliminate interest accrued on bonds payable. The impact of this was to reduce accrued interest payable and increase fund balance (previously reported amount was \$1,473,700) in the amount of \$52,361 as of June 30, 2013.

FRONTIER ACADEMY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 3 – CASH AND INVESTMENTS

Colorado statutes govern the School's deposits of cash and investments. The Colorado Public Deposit Protection Act (PDPA) requires that all units of a local government deposit cash in eligible public depositories; eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. 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 one hundred and two percent of the uninsured deposits. At June 30, 2014, the School's carrying amount of deposits was \$1,668,257 and the bank balance was \$1,766,817.

The terms of the bond agreement require the Facility Corporation to maintain certain cash and investment reserve accounts. These accounts are held by a trustee. Monthly rent payments from the School (NOTE 7) are deposited in the accounts and the semi-annual bond payments are made from the accounts. At June 30, 2014, \$1,178,112 is held in a reserve account required by the bond agreement which is to be used for the payment of principal and interest on the bond in the event that sufficient funds are not available to make such payments when due. In addition, \$98,160 is held in reserve accounts required by the bond agreement which are to be used for the current principal and interest payments on the bond.

In addition to the accounts described above, \$250,000 is held in a repair and replacement fund. Withdrawals from the fund will be allowed for maintenance and repair of the School facility.

Credit Risk - The School does not hold investments. The cash and investment reserve accounts owned by the Facility Corporation is in the custody of the Trustee, these funds are used primarily to make bond principal and interest payments. These funds are invested by the Trustee as directed by the Facility Corporation; investments are limited to investments as allowed by the State of Colorado. The statutes define the permissible rating, maturity, custodial and concentration risk criteria in which local governments may invest to include:

- Obligations of the United States and certain U.S. government agency securities.
- Certain international agency securities.
- General obligation and revenue bonds of local government entities.
- Banker's acceptance of certain banks.
- Commercial paper.
- Local government investment pools.
- Obligations of the School.
- Written repurchase agreements collateralized by certain authorized securities.
- Certain money market funds.
- Guaranteed investment contracts.

The School has no investment policy beyond State statute. All investments are held in money market funds. The money market funds are not rated for credit risk.

FRONTIER ACADEMY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 3 – CASH AND INVESTMENTS (continued)

Interest rate risk- The Trustee is required to maintain liquidity of the investment funds held so as to meet cash requirements of the principal and interest requirements of the bonds on a semiannual basis.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 1,398,334	\$ -	\$ -	\$ 1,398,334
Total capital assets, not being depreciated	<u>1,398,334</u>	<u>-</u>	<u>-</u>	<u>1,398,334</u>
Capital assets, being depreciated:				
Buildings and building improvements	13,636,752	131,640	-	13,768,392
Furniture and equipment	475,183	36,500	-	511,683
Total capital assets, being depreciated	<u>14,111,935</u>	<u>168,140</u>	<u>-</u>	<u>14,280,075</u>
Less accumulated depreciation:				
Buildings and building improvements	(3,667,572)	(393,903)	-	(4,061,475)
Furniture and equipment	(475,183)	-	-	(475,183)
Total accumulated depreciation	<u>(4,142,755)</u>	<u>(393,903)</u>	<u>-</u>	<u>(4,536,658)</u>
Total capital assets being depreciated, net	<u>9,969,180</u>	<u>(225,763)</u>	<u>-</u>	<u>9,743,417</u>
Capital assets, net	<u>\$ 11,367,514</u>	<u>\$ (225,763)</u>	<u>\$ -</u>	<u>\$ 11,141,751</u>

Depreciation expense of \$393,903 was charged to instructional activities for the year ended June 30, 2014.

FRONTIER ACADEMY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 5 – BONDS PAYABLE

The Colorado Educational and Cultural Facilities Authority (the Authority) has issued its Charter School Revenue Bonds as the Frontier Academy Project. The bonds were issued for the Facility Corporation's use in acquiring the land and building that are the school facility. The Authority and the Building Corporation have entered into a loan agreement wherein the proceeds of the Authority bonds have been loaned to the Building Corporation. The bonds are payable solely from the loan rights pledged to the Authority under the loan agreement, pledges of funds and revenue by the Trustee to the Authority, and the assignment of the Authority's mortgage on the facility and the security interest in the pledged revenues of the Facility Corporation. The bonds do not constitute a debt of the Authority and are considered the obligation of the Facility Corporation.

The Facility Corporation has granted the Authority a mortgage lien on the real estate and a security interest in the lease revenues from the School. The Authority's rights under the agreement have been assigned to the Trustee.

The lease revenue which are the basis of the pledged revenues are described in NOTE 7. The lease revenue over the term of the School lease agreement is equal to the expected principal and interest payments to be made over the life of the bonds, approximately \$20,000,000. 100% of the lease revenues have been pledged under the agreement. Lease revenue was approximately equal to the debt service requirements of the bond for the year ended June 30, 2014, approximately \$1,200,000.

Bonds payable consisted of the following at June 30, 2014:

Charter School Revenue Refunding Bonds dated October 4, 2006, due in annual installments ranging from \$430,000 to \$1,115,000 through June 2031; interest rates from 3.5% to 5.125%. Payable semi-annually on December 1 and June 1. Revenue from the rental of the building (NOTE 7) has been pledged to pay bond principal and interest.	\$ 13,740,000
Less current portion	(565,000)
	<u>\$ 13,175,000</u>

FRONTIER ACADEMY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 5 – BONDS PAYABLE (continued)

The following schedule represents the School’s debt service requirements to maturity for outstanding revenue bonds at June 30, 2014:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30, 2015	\$ 565,000	\$ 612,912	\$ 1,177,912
June 30, 2016	585,000	590,313	1,175,313
June 30, 2017	615,000	561,063	1,176,063
June 30, 2018	635,000	530,313	1,165,313
June 30, 2019	665,000	502,531	1,167,531
June 30, 2020 - 2024	3,790,000	2,049,781	5,839,781
June 30, 2025 - 2029	4,700,000	1,141,250	5,841,250
June 30, 2030 - 2031	2,185,000	148,500	2,333,500
Total	<u>\$ 13,740,000</u>	<u>\$ 6,136,663</u>	<u>\$ 19,876,663</u>

Changes in Long-Term Debt

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Amounts</u> <u>Due</u> <u>Within</u> <u>One Year</u>
Bonds payable	\$ 14,280,000	\$ -	\$ (540,000)	\$ 13,740,000	\$ 565,000

Defeased bonds in the amount of \$13,035,000 remain outstanding as of June 30, 2014.

NOTE 6 – NOTES PAYABLE

The School has a note payable dated April 30, 2013 for \$375,000 which is collateralized by land owned by the School. The applicable interest rate is 6%. The School made principal payments of \$160,000 during the year ended June 30, 2014. The note matures on May 1, 2015, at which time the entire principal balance and interest, totaling \$215,000 is due.

Changes in notes payable for the year ended June 30, 2014, were as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Amounts</u> <u>Due</u> <u>Within</u> <u>One Year</u>
Notes payable	\$ 375,000	\$ -	\$ (160,000)	\$ 215,000	\$ 215,000

FRONTIER ACADEMY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 7 – LEASES

The School leases its building from the Facility Corporation. The lease requires monthly payments which approximate the Facility Corporation’s required payments on the bond (NOTE 5) and may be terminated in any year by non-appropriation of funds. The Facility Corporation has pledged the lease payments to pay bond principal and interest.

The School has a lease agreement to share certain facilities, including an auditorium, track and baseball field with University Schools. The lease commenced December 2002 with automatic renewal each year unless terminated, through June 2031. The two schools equally share the cost, management and profits of the shared facilities. At the conclusion of the lease, University Schools will convey to the School an undivided one-half interest in the shared properties.

Future projected lease payments as of June 30, 2014, are as follows:

	<u>School Facility</u>	<u>Shared Facilities</u>	<u>Total</u>
2015	\$ 1,190,144	\$ 83,133	\$ 1,273,277
2016	1,187,236	83,397	1,270,633
2017	1,186,411	83,277	1,269,688
2018	1,176,104	83,274	1,259,378
2019	1,177,546	83,417	1,260,963
2020-2024	5,878,323	416,893	6,295,216
2025-2029	5,858,244	417,479	6,275,723
2030-2031	2,237,082	243,914	2,480,996
Total	<u>\$ 19,891,090</u>	<u>\$ 1,494,784</u>	<u>\$ 21,385,874</u>

Rent expense was approximately \$1,271,000 for the year ended June 30, 2014 and is recorded as a transfer out from the general fund.

NOTE 8 – RETIREMENT PLAN

Defined Benefit Pension Plan

The School 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 benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan members and the School are required to contribute at a rate set by statute.

The contribution requirements of plan members are established under Title 24, Article 51, Part 4 of the Colorado Revised Statutes as amended. The contribution rate for the School for the calendar years 2014, 2013, and 2012 was 17.45% , 16.55%, and 15.65%, respectively. The School’s contribution rate will increase to 20.15% by 2018. The School’s contribution for the years ended June 30, 2014, 2013, and 2012 was approximately \$654,000, \$640,000 and \$575,000, respectively.

FRONTIER ACADEMY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 8 – RETIREMENT PLAN (continued)

Defined Benefit Pension Plan (continued)

PERA issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA, 1300 Logan, Denver, Colorado 80203 or by calling (800) 759-7372.

NOTE 9 – RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School carries commercial insurance for these and other risks of loss. Settled claims have not exceeded this coverage since inception.

NOTE 10 – RESTRICTION OF NET POSITION

At the general election held November 3, 1992, the voters of the State approved an amendment to the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR limits the ability of state and local governments such as the School to increase revenues, debt and spending and restricts property, income and other taxes. In addition, the amendment requires that the state and local governments obtain voter approval to create any multiple fiscal year direct or indirect debt or other financial obligations without adequate cash reserves pledged irrevocably and held for payments in all future fiscal years. In November 1998, voter approval was given to Weld County School District 6 to remove the restriction on growth in revenue, eliminating the restriction of revenue on the School. TABOR also requires local governments, including charter schools, to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, and salary or fringe benefit increases. These reserves are required to be 3 percent or more after 1994. At June 30, 2014, the School is in compliance with this requirement.

The Facility Corporation is required to hold funds in escrow accounts related to its bond obligations as identified in NOTE 3, net position / fund balance are restricted attributable to the restrictions on its cash and investments.



Required Supplementary Information
June 30, 2014

Frontier Academy

FRONTIER ACADEMY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
For the year ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variances - Over (Under)</u>
Revenue:				
Local sources	\$ 304,100	\$ 354,495	358,294	\$ 3,799
State sources	9,401,949	9,588,258	9,627,248	38,990
Total revenue	<u>9,706,049</u>	<u>9,942,753</u>	<u>9,985,542</u>	<u>42,789</u>
Expenditures:				
Current:				
Instruction	5,622,021	5,616,831	6,036,948	420,117
Support services	2,789,988	2,832,619	2,354,339	(478,280)
Total expenditures	<u>8,412,009</u>	<u>8,449,450</u>	<u>8,391,287</u>	<u>(58,163)</u>
Excess of revenues over (under) expenditures	<u>1,294,040</u>	<u>1,493,303</u>	<u>1,594,255</u>	<u>100,952</u>
Other financing sources (uses):				
Transfers (out)	<u>(1,687,750)</u>	<u>(1,626,850)</u>	<u>(1,493,111)</u>	<u>133,739</u>
Total other financing sources (uses)	<u>(1,687,750)</u>	<u>(1,626,850)</u>	<u>(1,493,111)</u>	<u>133,739</u>
Net change in fund balance	(393,710)	(133,547)	101,144	234,691
Fund balance - beginning	<u>849,604</u>	<u>849,604</u>	<u>849,604</u>	<u>-</u>
Fund balance - ending	<u>\$ 455,894</u>	<u>\$ 716,057</u>	<u>\$ 950,748</u>	<u>\$ 234,691</u>

See accompanying notes to required supplementary information

FRONTIER ACADEMY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - FACILITY CORPORATION
For the year ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variances - Over (Under)</u>
Revenue:				
Local sources	\$ 145	\$ 170	\$ 184	\$ 14
Total revenue	<u>145</u>	<u>170</u>	<u>184</u>	<u>14</u>
Expenditures:				
Current:				
Support services	22,000	17,000	38,559	21,559
Debt service	1,174,513	1,174,513	1,334,511	159,998
Capital Outlay	<u>-</u>	<u>-</u>	<u>168,140</u>	<u>168,140</u>
Total expenditures	<u>1,196,513</u>	<u>1,191,513</u>	<u>1,541,210</u>	<u>349,697</u>
Excess of revenues over (under) expenditures	<u>(1,196,368)</u>	<u>(1,191,343)</u>	<u>(1,541,026)</u>	<u>(349,683)</u>
Other financing sources (uses):				
Transfers in	<u>1,196,368</u>	<u>1,191,343</u>	<u>1,541,261</u>	<u>349,918</u>
Total other financing sources (uses)	<u>1,196,368</u>	<u>1,191,343</u>	<u>1,541,261</u>	<u>349,918</u>
Net change in fund balance	-	-	235	235
Fund balance - beginning as restated	<u>1,473,700</u>	<u>1,473,700</u>	<u>1,526,061</u>	<u>52,361</u>
Fund balance - ending	<u><u>\$ 1,473,700</u></u>	<u><u>\$ 1,473,700</u></u>	<u><u>\$ 1,526,296</u></u>	<u><u>\$ 52,596</u></u>

See accompanying notes to required supplementary information

FRONTIER ACADEMY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE 1 – BUDGETS AND BUDGETARY ACCOUNTING

The School conducts all necessary budgeting procedures maintaining a budget for the general fund.

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

- a) A budget for the general fund is required by the District. During June, the proposed budget is submitted to the Board for consideration and approval at a public hearing. The budget includes proposed expenditures and the means of financing them.
- b) The Public hearings are conducted by the School's Board of Directors to obtain parents and other members of the public comment and recommendations.
- c) Prior to June 30, the budget is adopted by formal resolution.
- d) The School's contract with the District requires submission of the approval and amended budgets to the District.
- e) Expenditures may not legally exceed appropriations at the fund level. Authorization to transfer budgeted amounts between funds, reallocation of budget line items and revisions that alter the total appropriations of any fund must be approved by the School's Board of Directors. Appropriations are based on total funds expected to be available in each budget year which may include beginning fund balances and reserves as established by the Board of Directors. The School may be in violation of Colorado Revised Statutes due to over expenditure of budgeted appropriations in the Facility Corporation.
- f) The budget for the general fund is adopted on a basis consistent with GAAP.
- g) Budgeted amounts reported in the accompanying supplemental information are as originally adopted and as amended by the Board of Directors throughout the year. Budgeted amounts included in the financial statements are based on the final budget as adopted by the School's Board of Directors on June 14, 2014.
- h) All appropriations lapse at the end of each fiscal year.