

**CIVA CHARTER HIGH SCHOOL**  
**BASIC FINANCIAL STATEMENTS**  
**June 30, 2009**

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**JOHN CUTLER  
& ASSOCIATES**

Board of Directors  
CIVA Charter High School  
Colorado Springs, Colorado

**INDEPENDENT AUDITORS' REPORT**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of CIVA Charter High School, component unit of Colorado Springs School District 11, as of and for the year ended June 30, 2009, which collectively comprise the basic financial statements of the School, as listed in the table of contents. These financial statements are the responsibility of CIVA Charter High School's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of CIVA Charter High School, as of June 30, 2009, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

The required supplementary information is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

*John Cutler & Associates, LLC*

August 18, 2009

## **BASIC FINANCIAL STATEMENTS**

CIVA CHARTER HIGH SCHOOL

STATEMENT OF NET ASSETS  
As of June 30, 2009

	Governmental Activities	
	2009	2008
ASSETS		
Cash	\$ 511,788	\$ 526,249
Accounts Receivable	-	4,074
TOTAL ASSETS	<u>511,788</u>	<u>530,323</u>
LIABILITIES		
Accounts Payable	11,015	2,998
Accrued Expenses	12,772	13,597
Accrued Salaries and Benefits	<u>27,824</u>	<u>24,451</u>
TOTAL LIABILITIES	<u>51,611</u>	<u>41,046</u>
NET ASSETS		
Restricted for Emergencies	34,000	32,000
Unrestricted	<u>426,177</u>	<u>457,277</u>
TOTAL NET ASSETS	<u>\$ 460,177</u>	<u>\$ 489,277</u>

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

CIVA CHARTER HIGH SCHOOL

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2009

FUNCTIONS/PROGRAMS	Expenses	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
PRIMARY GOVERNMENT					2009	2008
<b>Governmental Activities</b>						
Instructional	\$ 597,335	\$ 60,465	\$ 9,930	\$ -	\$ (526,940)	\$ (596,667)
Supporting Services	559,290	-	-	9,755	(549,535)	(292,814)
<b>Total Governmental Activities</b>	<u>\$ 1,156,625</u>	<u>\$ 60,465</u>	<u>\$ 9,930</u>	<u>\$ 9,755</u>	(1,076,475)	(889,481)
		GENERAL REVENUES				
					969,335	891,799
					69,536	69,536
					4,273	9,407
					4,231	5,941
					<u>1,047,375</u>	<u>976,683</u>
					CHANGE IN NET ASSETS	(29,100) 87,202
					NET ASSETS, Beginning	489,277 402,075
					NET ASSETS, Ending	\$ 460,177 \$ 489,277

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

CIVA CHARTER HIGH SCHOOL

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2009

	GENERAL FUND	Non-Major CAPITAL RESERVE FUND	TOTAL GOVERNMENTAL FUNDS	
			2009	2008
<b>ASSETS</b>				
Cash	\$ 511,788	\$ -	\$ 511,788	\$ 526,249
Accounts Receivable	-	-	-	4,074
<b>TOTAL ASSETS</b>	<b>\$ 511,788</b>	<b>\$ -</b>	<b>\$ 511,788</b>	<b>\$ 530,323</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 11,015	\$ -	\$ 11,015	\$ 2,998
Accrued Expenses	12,772	-	12,772	13,597
Accrued Salaries and Benefits	27,824	-	27,824	24,451
<b>TOTAL LIABILITIES</b>	<b>51,611</b>	<b>-</b>	<b>51,611</b>	<b>41,046</b>
<b>FUND BALANCES</b>				
Reserved for Emergencies	34,000	-	34,000	32,000
Reserved for Inventory and Prepaid Expenses	-	-	-	4,074
Unreserved, reported in General Fund	426,177	-	426,177	453,203
<b>TOTAL FUND BALANCES</b>	<b>460,177</b>	<b>-</b>	<b>460,177</b>	<b>489,277</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 511,788</b>	<b>\$ -</b>	<b>\$ 511,788</b>	<b>\$ 530,323</b>

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

CIVA CHARTER HIGH SCHOOL

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2009

	GENERAL FUND	Non-Major CAPITAL RESERVE FUND	TOTAL GOVERNMENTAL FUNDS	
			2009	2008
REVENUES				
Local Sources	\$ 1,107,840	\$ -	\$ 1,107,840	\$ 1,053,566
State and Federal Sources	19,685	-	19,685	9,530
TOTAL REVENUES	1,127,525	-	1,127,525	1,063,096
EXPENDITURES				
Current				
Instruction	597,335	-	597,335	606,197
Supporting Services	516,378	42,912	559,290	369,697
TOTAL EXPENDITURES	1,113,713	42,912	1,156,625	975,894
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	13,812	(42,912)	(29,100)	87,202
OTHER FINANCING SOURCES (USES)				
Transfers In	-	42,912	42,912	26,247
Transfers Out	(42,912)	-	(42,912)	(26,247)
TOTAL OTHER FINANCING SOURCES (USES)	(42,912)	42,912	-	-
NET CHANGE IN FUND BALANCES	(29,100)	-	(29,100)	87,202
FUND BALANCES, Beginning	489,277	-	489,277	402,075
FUND BALANCES, Ending	\$ 460,177	\$ -	\$ 460,177	\$ 489,277

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

# CIVA CHARTER HIGH SCHOOL

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

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

CIVA Charter High School (the "School") was formed pursuant to the Colorado Charter Schools Act to form and operate a charter school with Colorado Springs School District No. 11.

The accounting policies of the School 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 School and organizations for which the School is financially accountable. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the School. In addition, any legally separate organizations for which the School is financially accountable are considered part of the reporting entity. Financial accountability exists if the School 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 School.

Based upon the application of these criteria, no additional organizations are includable in the School's reporting entity. However, it is a component unit of the Colorado Springs School District No. 11.

#### **Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the School. 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.

CIVA CHARTER HIGH SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

**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 School.

CIVA CHARTER HIGH SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

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

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

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

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

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

The School reports the following major governmental fund:

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

**Assets, Liabilities and Fund Balance/Net Assets**

*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 School 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. The School does not have any assets that are required to be capitalized at June 30, 2009.

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

CIVA CHARTER HIGH SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

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

**Risk Management**

The School 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 School purchases commercial insurance for these risks of loss.

**Comparative Data**

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the School's financial position and operations. However, complete comparative data in accordance with generally accepted accounting principles has not been presented since its inclusion would make the financial statements unduly complex and difficult to read.

Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

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

**Budgets and Budgetary Accounting**

A budget is adopted for the General Fund on a basis consistent with generally accepted accounting principles.

School 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.

CIVA CHARTER HIGH SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

**NOTE 3: CASH AND INVESTMENTS**

**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, 2009, State regulatory commissioners have indicated that the majority of the financial institutions holding deposits for the School 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 School has no policy regarding custodial credit risk for deposits.

At June 30, 2009, the School had deposits with financial institutions with a carrying amount of \$511,788. The bank balances with the financial institutions were \$525,807. All of these balances were covered by federal depository insurance.

**Investments**

Interest Rate Risk

The School 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.

CIVA CHARTER HIGH SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

**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
- \$ Local government investment pools
- \$ Written repurchase agreements collateralized by certain authorized securities
- \$ Certain money market funds
- \$ Guaranteed investment contracts

The School had no investments as of June 30, 2009.

**NOTE 4:** ACCRUED SALARIES AND BENEFITS

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve month period from August to July, but are earned during a school year of nine months. The salaries and benefits earned, but unpaid, as of June 30, 2009, were \$27,824 in the General Fund.

**NOTE 5:** INTERFUND ACCOUNTS AND TRANSFERS

The School made the following transfers during the year.

<u>Transfer to</u>	<u>Transfer From</u>	<u>Amount</u>
Capital Reserve Fund	General Fund	<u>\$ 42,912</u>

The General Fund is required by State statute to transfer \$298 per pupil to the Capital Reserve fund or use this amount for insurance costs.

CIVA CHARTER HIGH SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

**NOTE 6:** *DEFINED BENEFIT PENSION PLAN*

**Plan Description.** 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, post-retirement annual increases, and death benefits for members or their beneficiaries. All employees of the School are members of the SDTF. Title 24, Article 51 of the Colorado Revised Statutes (CRS), as amended, assigns the authority to establish benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the SDTF. That report may be obtained online at [www.copera.org](http://www.copera.org) or by writing to Colorado PERA, 1300 Logan Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

**Funding Policy.** The School is required to contribute member and employer contributions to PERA at a rate set by statute. The contribution requirements of plan members and the School 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 School it is 10.15 % of covered salary. A portion of the School's contribution (1.02 % of covered salary) is allocated to the Health Care Trust Fund (See Note 7). If the School rehires a PERA retiree as an employee or under any other work arrangement, it is required to report and pay employer contributions on the amounts paid for the retiree, however no member contributions are required. The School is also required to pay an amortization equalization disbursement equal to 2.8 % of the total payroll for the calendar year 2009, (1.9 % of total payroll for the calendar year 2008). For the years ending June 30, 2007, 2008, and 2009, the School's employer contributions for the SDTF were \$68,297, and \$56,117 and \$62,622, respectively, equal to their required contributions for each year.

CIVA CHARTER HIGH SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

**NOTE 7:**     *POSTEMPLOYMENT HEALTHCARE BENEFITS*

**Plan Description.** The School 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](http://www.copera.org) or by writing to Colorado PERA, 1300 Logan Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

**Funding Policy.** The School 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 School 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 year ending June 30, 2008 and 2009, the School's employer contributions to the HCTF was \$4,940 and \$5,111, respectively, equal to their required contribution for the years.

**NOTE 9:**     *COMMITMENTS AND CONTINGENCIES*

**Building Agreement**

The District issued bonds in November of 2005 for various capital projects. The School was able to obtain its current building and most improvements as part of this bond issue. On September 15, 2006, the District purchased the building for the School and because CIVA is not required to pay into the District's Major Capital Reinvestment fund, CIVA is responsible for the building and land improvements. The building and most improvements belong to the District.

CIVA CHARTER HIGH SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

**NOTE 9:** COMMITMENTS AND CONTINGENCIES (Continued)

**Claims and Judgments**

The School 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 School may be required to reimburse the grantor government. As of June 30, 2009, significant amounts of grant expenditures have not been audited, but the School believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the School.

**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 School believes it has complied with the Amendment. As required by the Amendment, the School has established a reserve for emergencies. At June 30, 2009, the reserve of \$34,000 was recorded as a reservation of fund balance in the General Fund.

**REQUIRED SUPPLEMENTARY INFORMATION**

CIVA CHARTER HIGH SCHOOL

GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
Year Ended June 30, 2009

	ORIGINAL BUDGET	FINAL BUDGET	2009 ACTUAL	VARIANCE Positive (Negative)	2008 ACTUAL
<b>REVENUES</b>					
Local Sources					
Per Pupil Revenue	\$ 1,010,276	\$ 968,424	\$ 969,335	\$ 911	\$ 891,799
Mill Levy Override	60,000	70,000	69,536	(464)	69,536
Tuition and Fees	63,825	46,200	60,465	14,265	76,883
Interest	2,500	3,600	4,273	673	9,407
Other	-	-	4,231	4,231	5,941
State and Federal Sources					
Grants and Donations	27,000	77,000	19,685	(57,315)	9,530
<b>TOTAL REVENUES</b>	<b>1,163,601</b>	<b>1,165,224</b>	<b>1,127,525</b>	<b>(37,699)</b>	<b>1,063,096</b>
<b>EXPENDITURES</b>					
Instruction					
Salaries	345,806	349,498	348,871	627	316,762
Employee Benefits	93,297	98,165	96,471	1,694	87,244
Purchased Services	178,057	119,623	114,693	4,930	91,418
Supplies and Materials	23,500	33,500	37,300	(3,800)	110,773
<b>Total Instruction</b>	<b>640,660</b>	<b>600,786</b>	<b>597,335</b>	<b>3,451</b>	<b>606,197</b>
Supporting Services					
School Administration					
Salaries	149,142	149,141	148,407	734	139,393
Employee Benefits	43,174	33,123	20,705	12,418	18,636
Purchased Services	144,675	152,200	155,691	(3,491)	118,733
Supplies and Materials	88,717	88,000	74,259	13,741	49,371
Property	15,000	15,000	19,361	(4,361)	12,490
Other	76,700	122,200	97,955	24,245	4,827
<b>Total Supporting Services</b>	<b>517,408</b>	<b>559,664</b>	<b>516,378</b>	<b>43,286</b>	<b>343,450</b>
<b>TOTAL EXPENDITURES</b>	<b>1,158,068</b>	<b>1,160,450</b>	<b>1,113,713</b>	<b>46,737</b>	<b>949,647</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>5,533</b>	<b>4,774</b>	<b>13,812</b>	<b>9,038</b>	<b>113,449</b>
<b>OTHER FINANCING USES</b>					
Transfers Out	-	-	(42,912)	(42,912)	(26,247)
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 5,533</b>	<b>\$ 4,774</b>	<b>(29,100)</b>	<b>\$ (33,874)</b>	<b>87,202</b>
FUND BALANCE, Beginning			489,277		402,075
FUND BALANCE, Ending			<b>\$ 460,177</b>		<b>\$ 489,277</b>

See the accompanying independent auditors' report.