

Financial Statements and Report of
Independent Certified Public Accountants
Carbon Valley Academy Charter School
(A Component Unit of the Joint School District No. RE-1J
of the County of Boulder, Colorado)
June 30, 2007

Carbon Valley Academy Charter School

ROSTER OF SCHOOL OFFICIALS

June 30, 2007

BOARD OF DIRECTORS

<u>Office</u>	<u>Members</u>
President	Wes LaVanchy
Vice President	Merrie Harper
Secretary	John Mohr
Treasurer	Monique Miller
Director	Dustin Jones

SCHOOL MANAGEMENT

Principal, Chad Auer

Chief Operations Officer, Tony Carey

Contract CPA, Bart Skidmore

MANAGEMENT'S DISCUSSION AND ANALYSIS

As of and for the Year Ended June 30, 2007

As management of Carbon Valley Academy Charter School (the Academy), we offer readers of the Academy's basic financial statements this narrative and analysis of the financial activities of the Academy as of and for the year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with additional information provided in the basic financial statements.

Financial Highlights

The year ended June 30, 2007 is the second year of operation for the Academy. For the year ended June 30, 2007 net assets increased to \$962,597. The operations of the Academy are funded primarily by tax revenue received under the State School Finance Act (the Act). State categorical revenue for the year was \$2,070,425. The school operated within its budget and there were no significant budget revisions during the year with the exception of the building fund.

Overview of Basic Financial Statements

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

Government-Wide Financial Statements

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

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

The statement of activities presents information showing how the Academy's net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenue and expenses are reported in the statement for some items that will only result in cash flows in future periods (for example, salaries and benefits earned but unpaid as of year end).

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 local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. The Academy ended the year maintaining six governmental funds, its General Fund, Preschool Fund, Grants Fund, Capital Projects Fund, Capital Reserve Fund and Pupil Activities. During the year the Trust and Agency Fund was closed. The Capital Projects Fund was closed effective July 1st 2007. The Building Corporation, a component unit, was established in December, when the building was purchased.

Carbon Valley Academy Charter School

MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2007

The Academy adopts annual budgets for its funds. Budgetary comparisons have been provided for each governmental fund and the component unit to demonstrate compliance with these budgets.

Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Government-Wide Financial Analysis

As noted previously, net assets may serve over time as a useful indicator of the Academy's financial position. For the year ended June 30, 2007, the Academy's assets exceeded liabilities by approximately \$962,597. \$68,342 of these funds is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment. Accordingly, these funds are not available to satisfy general operating expenses of the Academy. The unrestricted balance of approximately \$1,390,680 was a planned increase.

Net Assets as of:

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Assets:		
Cash and cash equivalents	\$ 1,289,264	\$ 422,432
Receivables, and other current assets	21,865	525
Deposits	0	60,000
Restricted Assets Investments	367,991	33,571
Capital assets, LHI, Deferred Chg., net	<u>4,783,616</u>	<u>198,447</u>
Total assets	<u>6,462,736</u>	<u>714,975</u>
Liabilities:		
Accounts payable and due to pooled cash	97305	9,380
Accrued salaries and benefits	72,967	54,137
Accrued Interest Payable	24,867	1,176
Deferred Revenue	0	5,985
Debt due within one year	70,000	38,259
Long-term debt	<u>5,235,000</u>	<u>178,784</u>
Total liabilities	<u>5,500,139</u>	<u>287,721</u>
Net assets:		
Invested in capital assets, net	(646,702)	(18,596)
Restricted for TABOR	68,342	57,623
Restricted for Instructional Supplies	28,855	0
Restricted for Other Purposes	121,422	0
Unrestricted	<u>1,390,680</u>	<u>388,227</u>
Total net assets	<u>\$ 962,597</u>	<u>\$ 427,254</u>

Change in Net Assets for the Years Ended:

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Revenue:		
Program revenue:		
Charges for services	\$ 626,533	\$ 113,389
Operating grant	219,223	208,026
Capital grant	66,587	36,564
General revenue:		
State categorical revenue	2,070,425	1,527,412
Earnings on investments	34,489	1,327
Other	<u>294,288</u>	<u>30,155</u>
Total revenue	<u>3,311,545</u>	<u>1,916,873</u>
Expenditures:		
Current:		
Instruction	1,115,851	955,092
Preschool program	70,867	38,595
School supporting Service	159,567	71,370
School administration	259,143	126,815
Operations and maintenance	607,932	226,837
Facilities administration	187,818	20,794
Interest	7,867	15,189
Depreciation	6,541	4,050
Internal Service Fund	<u>388,151</u>	<u>0</u>
Total expenses	<u>2,803,737</u>	<u>1,476,750</u>
Increase in net assets	507,808	440,123
Special Item: Fund conversion	27,535	0
Net assets, beginning of year	<u>427,254</u>	<u>(12,869)</u>
Net assets, end of year	<u>\$ 962,597</u>	<u>\$ 427,254</u>

Financial Analysis of the Academy's Funds

The Academy has six governmental funds, the General, Preschool, Grants, Capital Projects, Capital Reserve, and Student Activity Funds. The Academy also has one blended component unit which is being reported as an Internal Service Fund. The General Fund is considered a major fund and is used to account for the Academy's general operations. The General Fund began the year with a fund balance of \$342,974. As a result of operating within the budget, fund balance in the General Fund was increased to \$422,966 at year-end. Seventy seven percent of fund balance is unrestricted. The Preschool Fund is considered a non-major fund and increased its fund balance to \$115,989. The Grants fund expended what was recognized as revenue. The capital projects fund ended the year with a fund balance of zero, due to winding down the fund and paying off the debt.

The remaining funds Capital Reserve, and Pupil Activities are also considered non-major funds. The Capital Reserve Fund had transfers in excess of expenditures of \$1,210. The Student Activity fund ended the year with a fund balance of \$14,416.

General Fund, Preschool Fund, Grants and Capital Projects Fund Budgetary Highlights

The Academy budgeted General Fund expenditures of \$2,235,000 for the year ended June 30, 2007. Actual expenditures were \$2,093,273. The Preschool Fund budgeted \$130,000 and expended \$70,867. The Grants Fund had actual expenses of \$285,810 with a budget of \$300,000. The Building Fund budgeted \$300,000 and expended \$211,193. No major or non-major fund had a negative expenditure variance.

There only significant budget amendments during the year were to the Building Fund and the Building Corporation due to debt retirement and debt issuance respectively. Supplemental budget and appropriating resolutions were approved in June, 2007 for both funds.

Capital Assets and Debt Administration

The Academy leases its school under a sub-lease with FMC. Ogilvie Properties the owner of the building had an existing lease with FMC. FMC now sub-leases the building to the Academy for approximately \$16,890 per month for three years beginning August 1, 2005. The lease is renewable in annual installments beginning each July 1st (subject to TABOR restrictions) and will expire in June 2008. The School will then lease directly from the Building Corporation in annually renewable periods beginning each July 1st.

During FY 05/06 Carbon Valley Academy's Board of Directors renovated the existing facility at a cost of approximately \$223,536. Ogilvie Properties also contributed a matching amount of improvements costing approximately \$250,000. The School's portion of the debt is financed at 6.5% payable over five years and was paid in full on January 8, 2007.

An option agreement existed to purchase the facility form Ogilvie Properties. The Board of Director made the decision to exercise its option to purchase the facility. The purchase of the facility was executed in December 2006 and was financed through the issuance of debt by the CVA Building Corporation, a component unit. The cost of the facility was \$4,175,000. Approximately \$595,000 of the \$5,305,000 in bond proceeds was transferred into a project fund to further improve the facility and grounds. The Building Corporation will have annual debt service requirements ranging from \$363,0000 to \$391,000 until June 30, 2037.

Economic Factors and Next Year's Budget

The primary factor driving the budget for the Academy is student enrollment. Funded Pupil Count (FPC) for the FY 06/07 school year was 331. The FPC projected for the 2007-2008 school year is expected to be 340. This factor was considered in preparing the Academy's budget for fiscal year 2007-2008. The projected General ending fund balance is expected to decrease during the year.

Requests for Information

The financial report is designed to provide a general overview of the Academy's finances for all those with an interest in the Academy. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Carbon Valley Academy Charter School
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Frederick, Colorado 80010