

**PLATTE RIVER ACADEMY**

**FINANCIAL STATEMENTS**

**June 30, 2011**

**PLATTE RIVER ACADEMY**

**ROSTER OF SCHOOL OFFICIALS**

**June 30, 2011**

**BOARD OF DIRECTORS**

|                |                |
|----------------|----------------|
| President      | Michael Rourke |
| Vice-President | Ken Whatmore   |
| Secretary      | Marc Shupe     |
| Treasurer      | Andy Jones     |
| Governor       | Ed Brenneman   |
| Governor       | Matthew Sauter |
| Governor       | Cheryl Lutz    |

**SCHOOL MANAGEMENT**

Dr. Gary Stueven, Principal

Bob Barber, Assistant Principal

Jackie Cote, Business Manager

## TABLE OF CONTENTS

|  | <u>PAGE</u> |
|--|-------------|
| Independent Auditors' Report   |             |
| Management's Discussion and Analysis   | i - v       |
| <b>Basic Financial Statements</b>  |             |
| Statement of Net Assets  | 1           |
| Statement of Activities  | 2           |
| Balance Sheet - Governmental Fund  | 3           |
| Statement of Revenues, Expenditures and Changes in Fund Balance -<br>Governmental Fund | 4           |
| Statement of Net Assets - Proprietary Fund   | 5           |
| Statement of Revenues, Expenses and Changes in Net Assets -<br>Proprietary Fund        | 6           |
| Statement of Cash Flows - Proprietary Fund   | 7           |
| Notes to Financial Statements  | 8 - 14      |
| <b>Required Supplementary Information</b>  |             |
| Budgetary Comparison Schedule - General Fund   | 15          |
| Notes to Required Supplementary Information  | 16          |



Board of Directors  
Platte River Academy  
Highlands Ranch, Colorado

### INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Platte River Academy, component unit of Douglas County School District, as of and for the year ended June 30, 2011, which collectively comprise the basic financial statements of Platte River Academy, as listed in the table of contents. These financial statements are the responsibility of Platte River Academy's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Platte River Academy as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and required supplementary information listed in the table of contents are not a required part of the basic financial statements but are 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 required supplementary information. However, we did not audit the information and express no opinion on it.

*Swanhorst & Company LLC*

September 28, 2011

**PLATTE RIVER ACADEMY**  
Management's Discussion and Analysis  
Fiscal Year Ending June 30, 2011

As management of Platte River Academy (PRA), we offer readers of the Academy's basic financial statements this narrative and analysis of the financial activities of PRA for the year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information provided in the accompanying financial statements.

**Financial Highlights**

The year ending June 30, 2011 is the 14<sup>th</sup> year of operations for PRA. The general fund balance decreased to \$1,956,857 from \$2,004,699 at June 30, 2010.

The operations of PRA are funded primarily by tax revenue received under the State School Finance Act (the Act). Tax revenue for the year from Per Pupil Revenue was \$3,176,858 down from \$3,265,766 in the year ending June 30, 2010.

**Overview of Financial Statements**

This discussion and analysis are intended to serve as an introduction to PRA'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 PRA's finances in a manner similar to a private-sector business.

The statement of net assets presents information on all PRA'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 PRA is improving or deteriorating. The statement of activities presents information showing how PRA'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, revenues 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. PRA keeps track of these monies 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.

**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 resources, as well as on balances of unrestricted resources available at the end of the fiscal year. Such information may be useful in evaluating PRA's near-term financing requirements.

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

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

**Proprietary Fund.** The Building Corporation enterprise fund shows income and expense and balance sheet information as it relates to the assets purchased with tax-exempt financing.

## **Notes to Financial Statements**

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

## **Government-wide Financial Analysis**

As noted previously, net assets may serve over time as a useful indicator of PRA's financial position. For the year ending June 30, 2011, PRA's combined assets exceeded liabilities by \$2,336,198 down from \$2,402,275 in the year ending June 30, 2010. Of the June 30, 2011 amount, \$1,549,981 is unrestricted and is available to meet PRA's ongoing financial obligations. \$109,000 funds are restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment.

**NET ASSETS**

|                               | <b>Governmental<br/>Activities</b> |                     | <b>Business-Type<br/>Activities</b> |                     |
|-------------------------------|------------------------------------|---------------------|-------------------------------------|---------------------|
|                               | <b>2010-11</b>                     | <b>2009-10</b>      | <b>2010-11</b>                      | <b>2009-10</b>      |
| <b><u>Assets</u></b>          |                                    |                     |                                     |                     |
| Cash and Investments          | \$ 2,167,813                       | \$ 2,274,937        | \$ -                                | \$ -                |
| Restricted Cash               | -                                  | -                   | 819,308                             | 815,381             |
| Accounts Receivable           | 38,186                             | 14,874              | -                                   | -                   |
| Land                          | -                                  | -                   | 553,332                             | 553,332             |
| Capital Assets                | -                                  | -                   | 4,479,940                           | 4,603,693           |
| Bond Issuance Cost            | -                                  | -                   | <u>283,629</u>                      | <u>297,135</u>      |
| Total Assets                  | <u>\$ 2,205,999</u>                | <u>\$ 2,289,811</u> | <u>\$ 5,136,209</u>                 | <u>\$ 6,269,541</u> |
| <b><u>Liabilities</u></b>     |                                    |                     |                                     |                     |
| Current Liabilities           | \$ 249,142                         | \$ 285,112          | \$ 103,747                          | \$ 105,547          |
| Due In One Year               | -                                  | -                   | 185,000                             | 180,000             |
| Long Term Debt                | <u>13,365</u>                      | <u>7,149</u>        | <u>5,454,756</u>                    | <u>5,579,269</u>    |
| Total Liabilities             | <u>\$ 262,507</u>                  | <u>\$ 292,261</u>   | <u>\$ 5,743,503</u>                 | <u>\$ 5,864,816</u> |
| <b><u>Net Assets</u></b>      |                                    |                     |                                     |                     |
| Invested in Capital Assets    | \$ -                               | -                   | \$ (322,855)                        | \$( 305,109)        |
| Restricted for Debt Service   | -                                  | -                   | 651,205                             | 649,429             |
| Restricted for R&R            | -                                  | -                   | 64,356                              | 60,405              |
| Restricted for Capital Outlay | 284,511                            | 284,511             | -                                   | -                   |
| Reserved for Emergencies      | 109,000                            | 116,000             | -                                   | -                   |
| Unrestricted                  | <u>1,549,981</u>                   | <u>1,597,039</u>    | <u>-</u>                            | <u>-</u>            |
| Total Net Assets              | <u>\$ 1,943,492</u>                | <u>\$ 1,997,550</u> | <u>\$ 392,706</u>                   | <u>\$ 404,725</u>   |

## CHANGE IN NET ASSETS

|                          | Governmental<br>Activities |                    | Business-Type<br>Activities |                   |
|--------------------------|----------------------------|--------------------|-----------------------------|-------------------|
|                          | 2010-11                    | 2009-10            | 2010-11                     | 2009-10           |
| <b>Revenues</b>          |                            |                    |                             |                   |
| Charges for Services     | \$ 172,481                 | \$ 146,726         | \$ -                        | \$ -              |
| Operating Grants         | 0                          | 5,314              | -                           | -                 |
| Per Pupil Revenues       | 3,176,858                  | 3,265,766          | -                           | -                 |
| Mill Levy Overrides      | 164,997                    | 163,747            | -                           | -                 |
| District Capital Funding | 0                          | 131,730            | -                           | -                 |
| Capital Construction     | 43,731                     | 46,764             | -                           | -                 |
| Earnings on Investments  | 3,863                      | 5,342              | 4,027                       | 265               |
| Other                    | <u>62,773</u>              | <u>46,628</u>      | -                           | -                 |
| Total Revenue            | \$3,624,703                | \$3,812,017        | \$ 4,027                    | \$ 265            |
| <b>Expenses</b>          |                            |                    |                             |                   |
| Instruction              | \$ (2,466,038)             | \$(2,222,558)      | \$ -                        | \$ -              |
| Supporting Services      | (716,182)                  | (654,951)          | -                           | -                 |
| Building Corporation     |                            |                    | <u>(512,587)</u>            | <u>(517,991)</u>  |
| Total Expenses           | \$ (3,182,220)             | \$(2,877,509)      | \$ (512,587)                | \$ (517,991)      |
| Transfers                | <u>(496,541)</u>           | <u>(496,808)</u>   | <u>496,541</u>              | <u>496,808</u>    |
| Increase in Net Assets   | \$ (54,058)                | \$ 437,700         | \$ (12,019)                 | \$ (20,918)       |
| Net Assets, Beginning    | <u>1,997,550</u>           | <u>1,559,850</u>   | <u>404,725</u>              | <u>425,643</u>    |
| Total Net Assets         | <u>\$1,943,492</u>         | <u>\$1,997,550</u> | <u>\$ 392,706</u>           | <u>\$ 404,725</u> |

### Analysis of Significant Changes

The most notable significant change that has taken place has been the decrease in Per Pupil funding (PPR) that is received from the State of Colorado. For the 2009-10 fiscal year, PPR funding was \$6,913.32. This amount decreased to \$6,541.59 for fiscal year 2010-11. The current amount being paid for the 11-12 fiscal year is \$6,227.48. Platte River Academy will continue to be diligent in budgeting and trimming expenses to help offset these decreases.

### Financial Analysis of the Academy's Funds

#### Governmental Funds

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

The general fund is the major operating fund of PRA. During the current fiscal year, the fund balance decreased by \$47,842 from \$2,004,699 to \$1,956,857. PRA is confident that they will be able to continue to increase the fund balance with fiscally responsible budgeting. Due to the financial uncertainty at the State level, PRA held salaries for the 2011-12 school year at the current 2010-11 levels. If funding is deemed stable in the 4<sup>th</sup> quarter of 2011-12, the Board of Directors may solicit the opportunity to consider a one-time payout to current staff that would not be added to their current base salary.

### **Proprietary Fund – Building Corporation**

The Building Corporation activities consisted of Depreciation Expense amounting to \$123,753 and Interest Expense totaling \$375,328.

### **General Fund Budgetary Highlights**

PRA's 2010-11 Final Budget budgeted for General Fund expenditures of \$3,830,481 for the year ended June 30, 2011. Actual expenditures were \$3,672,545. Remaining funds are reflected in the new fund balance.

### **Long-Term Debt**

As of June 30, 2011, PRA was obligated to pay on a tax-exempt debt in the amount of \$6,910,000. The total due within one year is \$185,000. The bonds accrue interest at rates ranging from 2% to 5.125%. Interest payments are due on September 1 and March 1 each year through 2034. There is no other long-term debt other than compensated absences payable.

### **Economic Factors and Next Year's Budget**

The primary factor driving the budget for PRA is student enrollment. Enrollment for the 2010-11 school year was 485.64. The enrollment projected for the 2011-12 school year is expected to be 481.0. This factor was considered in preparing PRA's budget for 2011-12. PRA has been diligent in their budget to reflect the unstable economic status of the State. The Academy has also created a conservative 4-year budget that the Board of Directors has approved.

### **Request for Information**

This financial report is designed to provide a general overview of PRA'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 Jackie Cote, Business Manager, Platte River Academy, 4085 Lark Sparrow Street, Highlands Ranch, CO, 80126.

## **BASIC FINANCIAL STATEMENTS**

PLATTE RIVER ACADEMY

STATEMENT OF NET ASSETS

June 30, 2011

|  | <u>GOVERNMENTAL<br/>ACTIVITIES</u> | <u>BUSINESS-TYPE<br/>ACTIVITIES</u> | <u>TOTAL</u> |
|--|------------------------------------|-------------------------------------|--------------|
| <b>ASSETS</b>  |                                    |                                     |              |
| Cash and Investments                                 | \$ 2,167,813                       | \$ -                                | \$ 2,167,813 |
| Restricted Cash and Investments                      | -                                  | 819,308                             | 819,308      |
| Accounts Receivable                                  | 38,186                             | -                                   | 38,186       |
| Debt Issuance Costs, Net of Accumulated Amortization | -                                  | 283,629                             | 283,629      |
| Capital Assets, Not Being Depreciated                | -                                  | 553,332                             | 553,332      |
| Capital Assets, Net of Accumulated Depreciation      | -                                  | 4,479,940                           | 4,479,940    |
|  | <hr/>                              | <hr/>                               | <hr/>        |
| TOTAL ASSETS   | 2,205,999                          | 6,136,209                           | 8,342,208    |
| <b>LIABILITIES</b>                                   |                                    |                                     |              |
| Accounts Payable                                     | 5,471                              | -                                   | 5,471        |
| Accrued Liabilities                                  | 870                                | -                                   | 870          |
| Accrued Salaries and Benefits                        | 235,746                            | -                                   | 235,746      |
| Deferred Revenue                                     | 7,055                              | -                                   | 7,055        |
| Accrued Interest Payable                             | -                                  | 103,747                             | 103,747      |
| Noncurrent Liabilities                               |                                    |                                     |              |
| Due Within One Year                                  | -                                  | 185,000                             | 185,000      |
| Due in More Than One Year                            | 13,365                             | 5,454,756                           | 5,468,121    |
|  | <hr/>                              | <hr/>                               | <hr/>        |
| TOTAL LIABILITIES                                    | 262,507                            | 5,743,503                           | 6,006,010    |
| <b>NET ASSETS</b>                                    |                                    |                                     |              |
| Invested in Capital Assets, Net of Related Debt      | -                                  | (322,855)                           | (322,855)    |
| Restricted for Debt Service                          | -                                  | 651,205                             | 651,205      |
| Restricted for Repairs and Replacement               | -                                  | 64,356                              | 64,356       |
| Restricted for Capital Outlay                        | 284,511                            | -                                   | 284,511      |
| Restricted for Emergencies                           | 109,000                            | -                                   | 109,000      |
| Unrestricted   | 1,549,981                          | -                                   | 1,549,981    |
|  | <hr/>                              | <hr/>                               | <hr/>        |
| TOTAL NET ASSETS                                     | \$ 1,943,492                       | \$ 392,706                          | \$ 2,336,198 |

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

PLATTE RIVER ACADEMY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2011

| FUNCTIONS/PROGRAMS                              | EXPENSES            | PROGRAM REVENUES<br>CHARGES FOR SERVICES | NET (EXPENSE) REVENUE<br>AND CHANGE IN NET ASSETS |                             |                     |
|---|---------------------|--|---|-----------------------------|---------------------|
|   |                     |  | GOVERNMENTAL<br>ACTIVITIES                        | BUSINESS-TYPE<br>ACTIVITIES | TOTAL               |
| <b>PRIMARY GOVERNMENT</b>                       |                     |  |   |                             |                     |
| <b>Governmental Activities</b>                  |                     |  |   |                             |                     |
| Instruction                                     | \$ 2,466,038        | \$ 172,481                               | \$ (2,293,557)                                    | \$ -                        | \$ (2,293,557)      |
| Supporting Services                             | 716,182             | -  | (716,182)   | -                           | (716,182)           |
| Total Governmental Activities                   | 3,182,220           | 172,481                                  | (3,009,739)                                       | -                           | (3,009,739)         |
| <b>Business-Type Activities</b>                 |                     |  |   |                             |                     |
| Building Corporation                            | 512,587             | -  | -   | (512,587)                   | (512,587)           |
| <b>TOTAL PRIMARY GOVERNMENT</b>                 | <b>\$ 3,694,807</b> | <b>\$ 172,481</b>                        | <b>(3,009,739)</b>                                | <b>(512,587)</b>            | <b>(3,522,326)</b>  |
| <b>GENERAL REVENUES</b>                         |                     |  |   |                             |                     |
| Per Pupil Revenue                               |                     |  | 3,176,858   | -                           | 3,176,858           |
| District Mill Levy                              |                     |  | 164,997   | -                           | 164,997             |
| Capital Construction                            |                     |  | 43,731  | -                           | 43,731              |
| Investment Income                               |                     |  | 3,863   | 4,027                       | 7,890               |
| Other   |                     |  | 62,773  | -                           | 62,773              |
| TRANSFERS                                       |                     |  | (496,541)   | 496,541                     | -                   |
| <b>TOTAL GENERAL REVENUES<br/>AND TRANSFERS</b> |                     |  | <b>2,955,681</b>                                  | <b>500,568</b>              | <b>3,456,249</b>    |
| <b>CHANGE IN NET ASSETS</b>                     |                     |  | <b>(54,058)</b>                                   | <b>(12,019)</b>             | <b>(66,077)</b>     |
| <b>NET ASSETS, Beginning</b>                    |                     |  | <b>1,997,550</b>                                  | <b>404,725</b>              | <b>2,402,275</b>    |
| <b>NET ASSETS, Ending</b>                       |                     |  | <b>\$ 1,943,492</b>                               | <b>\$ 392,706</b>           | <b>\$ 2,336,198</b> |

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

PLATTE RIVER ACADEMY

BALANCE SHEET  
GOVERNMENTAL FUND

June 30, 2011

|   | <u>GENERAL</u>             |
|---|----------------------------|
| <b>ASSETS</b>   |                            |
| Cash and Investments  | \$ 2,167,813               |
| Accounts Receivable   | <u>38,186</u>              |
| <b>TOTAL ASSETS</b>   | <b>\$ <u>2,205,999</u></b> |
| <b>LIABILITIES AND FUND BALANCE</b>   |                            |
| <b>LIABILITIES</b>  |                            |
| Accounts Payable  | \$ 5,471                   |
| Accrued Liabilities   | 870                        |
| Accrued Salaries and Benefits   | 235,746                    |
| Deferred Revenue  | <u>7,055</u>               |
| <b>TOTAL LIABILITIES</b>  | <b><u>249,142</u></b>      |
| <b>FUND BALANCE</b>   |                            |
| Restricted for Capital Outlay   | 284,511                    |
| Restricted for Emergencies  | 109,000                    |
| Unrestricted, Unassigned  | <u>1,563,346</u>           |
| <b>TOTAL FUND BALANCE</b>   | <b><u>1,956,857</u></b>    |
| <b>TOTAL LIABILITIES AND FUND BALANCE</b>   | <b>\$ <u>2,205,999</u></b> |
| <br>Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:                    |                            |
| Total Fund Balance of the Governmental Fund   | \$ 1,956,857               |
| Long-term liabilities are not due and payable in the current year and, therefore, are not reported in governmental funds. | <u>(13,365)</u>            |
| <b>Total Net Assets of Governmental Activities</b>  | <b>\$ <u>1,943,492</u></b> |

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

PLATTE RIVER ACADEMY

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUND  
 Year Ended June 30, 2011

|                            | <u>GENERAL</u>             |
|----------------------------|----------------------------|
| REVENUES                   |                            |
| Local Sources              | \$ 3,580,972               |
| State Sources              | <u>43,731</u>              |
| TOTAL REVENUES             | <u>3,624,703</u>           |
| EXPENDITURES               |                            |
| Instruction                | 2,459,822                  |
| Supporting Services        | <u>1,212,723</u>           |
| TOTAL EXPENDITURES         | <u>3,672,545</u>           |
| NET CHANGE IN FUND BALANCE | (47,842)                   |
| FUND BALANCE, Beginning    | <u>2,004,699</u>           |
| FUND BALANCE, Ending       | \$ <u><u>1,956,857</u></u> |

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

|   |                           |
|---|---------------------------|
| Net Change in Fund Balance of the Governmental Fund   | \$ (47,842)               |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This includes the change in accrued compensated absences. | <u>(6,216)</u>            |
| Change in Net Assets of Governmental Activities   | \$ <u><u>(54,058)</u></u> |

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

PLATTE RIVER ACADEMY

STATEMENT OF NET ASSETS  
PROPRIETARY FUND

June 30, 2011

|  | <u>BUILDING<br/>CORPORATION</u> |
|--|---------------------------------|
| ASSETS   |                                 |
| CURRENT ASSETS                                       |                                 |
| Restricted Cash and Investments                      | \$ <u>819,308</u>               |
| NONCURRENT ASSETS                                    |                                 |
| Debt Issuance Costs, Net of Accumulated Amortization | 283,629                         |
| Capital Assets, Not Being Depreciated                | 553,332                         |
| Capital Assets, Net of Accumulated Depreciation      | <u>4,479,940</u>                |
| TOTAL NONCURRENT ASSETS                              | <u>5,316,901</u>                |
| TOTAL ASSETS   | <u>6,136,209</u>                |
| LIABILITIES  |                                 |
| CURRENT LIABILITIES                                  |                                 |
| Accrued Interest Payable                             | 103,747                         |
| Lease Payable, Current Portion                       | <u>185,000</u>                  |
| TOTAL CURRENT LIABILITIES                            | 288,747                         |
| NONCURRENT LIABILITIES                               |                                 |
| Lease Payable  | <u>5,454,756</u>                |
| TOTAL LIABILITIES                                    | <u>5,743,503</u>                |
| NET ASSETS   |                                 |
| Invested in Capital Assets, Net of Related Debt      | (322,855)                       |
| Restricted for Debt Service                          | 651,205                         |
| Restricted for Repairs and Replacement               | <u>64,356</u>                   |
| TOTAL NET ASSETS                                     | <u>\$ <u>392,706</u></u>        |

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

PLATTE RIVER ACADEMY  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
Year Ended June 30, 2011

|                          | <u>BUILDING<br/>CORPORATION</u> |
|--------------------------|---------------------------------|
| OPERATING REVENUES       |                                 |
| Rental Income            | \$ <u>496,541</u>               |
| OPERATING EXPENSES       |                                 |
| Depreciation             | 123,753                         |
| Amortization             | 13,506                          |
| Debt Service             |                                 |
| Interest                 | <u>375,328</u>                  |
| TOTAL OPERATING EXPENSES | <u>512,587</u>                  |
| OPERATING INCOME (LOSS)  | (16,046)                        |
| NONOPERATING INCOME      |                                 |
| Investment Income        | <u>4,027</u>                    |
| CHANGE IN NET ASSETS     | (12,019)                        |
| NET ASSETS, Beginning    | <u>404,725</u>                  |
| NET ASSETS, Ending       | \$ <u><u>392,706</u></u>        |

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

PLATTE RIVER ACADEMY

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

Year Ended June 30, 2011

Increase (Decrease) in Cash and Cash Equivalents

|  | <u>BUILDING<br/>CORPORATION</u> |
|--|---------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                                 |
| Lease Payments Received  | \$ 496,541                      |
| Lease Interest and Fees Paid   | (316,641)                       |
| Lease Principal Payments   | <u>(180,000)</u>                |
| Net Cash Provided (Used) by Operating Activities   | <u>(100)</u>                    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                                 |
| Investment Income Received   | <u>4,027</u>                    |
| <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>   | 3,927                           |
| <b>CASH AND CASH EQUIVALENTS, Beginning</b>  | <u>815,381</u>                  |
| <b>CASH AND CASH EQUIVALENTS, Ending</b>   | <u>\$ 819,308</u>               |
| <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO<br/>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b> |                                 |
| Operating Income (Loss)  | \$ (16,046)                     |
| Adjustments to Reconcile Operating Income (Loss) to<br>Net Cash Provided (Used) by Operating Activities  |                                 |
| Depreciation Expense   | 123,753                         |
| Amortization of Issuance Costs   | 13,506                          |
| Amortization of Discount and Loss on Refunding   | 60,487                          |
| Changes in Assets and Liabililites   |                                 |
| Accrued Interest Payable   | (1,800)                         |
| Lease Payable  | <u>(180,000)</u>                |
| Net Cash Provided (Used) by Operating Activities   | <u>\$ (100)</u>                 |

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

PLATTE RIVER ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

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

The Platte River Academy (the “Academy”) was organized pursuant to the Colorado Charter Schools Act to form and operate a charter school within the Douglas County School District (the “District”). The Academy began operations in 1997.

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Academy’s accounting policies are described below.

**Reporting Entity**

The financial reporting entity consists of the Academy and organizations for which the Academy is financially accountable. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the Academy. In addition, any legally separate organizations for which the Academy is financially accountable are considered part of the reporting entity. Financial accountability exists if the Academy appoints a voting majority of the organization’s governing board and is able to impose its will on the organization, or if the organization provides benefits to, or imposes financial burdens on, the Academy.

The Academy includes the Platte River Academy Building Corporation (the “Corporation”) within its reporting entity. The Corporation was formed to support and assist the Academy to perform its function or to carry out its purpose, specifically to assist in the financing of the Academy’s facilities. The Corporation is blended into the Academy’s financial statements as an enterprise fund. The Corporation does not issue separate financial statements.

The Academy is a component unit of the District. The Academy’s charter was granted by the District and the majority of the Academy’s funding is provided by the District.

**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 activities of the Academy. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges for interfund services that are reasonably equivalent to the services provided. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of the 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 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 revenues not properly included among program revenues are reported instead as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

Separate financial statements are provided for the governmental fund and the proprietary fund. Major individual funds are reported as separate columns in the fund financial statements.

PLATTE RIVER ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

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

**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 as is the proprietary fund in the fund financial statements. 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 year or soon enough thereafter to pay liabilities of the current year, not to exceed 60 days. Intergovernmental revenues, grants, and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered to be measurable and available only when cash is received by the Academy. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

The Academy reports the following major governmental fund:

*General Fund* - This fund is the general operating fund of the Academy. It is currently used to account for all financial activities of the Academy.

The Academy reports one major proprietary fund, as follows:

*Building Corporation Fund* - This fund is used to account for the capital and debt service activities of the Corporation.

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

*Cash and Investments* - Investments are reported at fair value. Cash equivalents are defined as investments with an original maturity of ninety days or less.

*Accounts Receivable* - All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

PLATTE RIVER ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

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

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

*Capital Assets* - Capital assets, which include land and buildings, are reported in the government-wide financial statements and the proprietary fund in the fund financial statements. Capital assets are defined by the Academy as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported on the statement of net assets in the government-wide financial statements and the proprietary fund in the fund financial statements. Depreciation has been provided over the following estimated useful lives of the capital assets using the straight-line method.

|                            |              |
|----------------------------|--------------|
| Buildings and Improvements | 5 - 45 years |
|----------------------------|--------------|

*Deferred Revenue* - Deferred revenues include fees collected for the subsequent year's extended day care program.

*Accrued Salaries and Benefits* - Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve month period from September to August, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, are reported as a liability of the General Fund.

*Long-Term Debt* - In the government-wide financial statements and the proprietary fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the straight-line method.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received are reported as current expenditures.

*Compensated Absences* - The Academy's policy allows employees to use personal and sick leave. Any unused leave may be accumulated and accrued into a leave bank. Upon termination of employment, no financial compensation is paid for unused personal leave. If an employee leaves the Academy after ten years of service, accrued sick leave to a maximum of 70 days will be paid at the rate of \$45 per day. A long-term liability has been reported in the government-wide financial statements for the earned and accrued sick leave, which is expected to be liquidated with revenues of the General Fund.

*Net Assets/Fund Balance* - In the government-wide and fund financial statements, net assets and fund balance are restricted when constraints placed on the use of resources are externally imposed. The Academy has not established a formal policy for its use of restricted and unrestricted fund balance. However, if both restricted and unrestricted fund balances are available, the Academy uses restricted fund balance first.

PLATTE RIVER ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

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

**Risk Management**

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. For these risks of loss, the Academy participates in the District's risk management program.

**NOTE 2: CASH AND INVESTMENTS**

**Deposits**

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The 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 uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

**Investments**

The Academy is required to comply with State statutes which specify investment instruments meeting defined rating, maturity and concentration risk criteria in which local governments may invest, which include the following. State statutes generally limit investments to an original maturity of five years unless the governing board authorizes the investment for a period in excess of five years. State statutes do not address custodial risk.

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

At June 30, 2011, the Academy had \$2,059,787 invested in the Colorado Local Government Liquid Asset Trust (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating Colotrust. Colotrust operates in conformity with the Securities and Exchange Commission's Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Colotrust is rated AAAM by Standard and Poor's. Investments of Colotrust are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

PLATTE RIVER ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
 June 30, 2011

**NOTE 2: CASH AND INVESTMENTS**

**Investments (Continued)**

At June 30, 2011, the Corporation had \$819,308 invested in a money market fund. The fund invests solely in U.S. Treasury obligations and is rated AAAM by Standard & Poor's and Aaa by Moody's Investors Service.

**Restricted Cash and Investments**

At June 30, 2011, the Corporation had cash and investments of \$819,308 restricted by its lease agreement for future debt service and building repairs.

**NOTE 3: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2011, is summarized below.

|  | <u>Balances</u><br>6/30/10 | <u>Additions</u>    | <u>Deletions</u> | <u>Balances</u><br>6/30/11 |
|--|----------------------------|---------------------|------------------|----------------------------|
| <b>Business-Type Activities</b>                    |                            |                     |                  |                            |
| Capital Assets, Not Being Depreciated              |                            |                     |                  |                            |
| Land   | \$ 553,332                 | \$ -                | \$ -             | \$ 553,332                 |
| Capital Assets, Being Depreciated                  |                            |                     |                  |                            |
| Buildings and Improvements                         | 5,454,383                  | -                   | -                | 5,454,383                  |
| Accumulated Depreciation                           | <u>(850,690)</u>           | <u>(123,753)</u>    | <u>-</u>         | <u>(974,443)</u>           |
| Capital Assets, Being Depreciated, Net             | <u>4,603,693</u>           | <u>(123,753)</u>    | <u>-</u>         | <u>4,479,940</u>           |
| Total Business-Type Activities Capital Assets, Net | <u>\$ 5,157,025</u>        | <u>\$ (123,753)</u> | <u>\$ -</u>      | <u>\$ 5,033,272</u>        |

**NOTE 4: LONG-TERM DEBT**

Following is a summary of long-term debt transactions for the year ended June 30, 2011.

|                                 | <u>Balances</u><br>6/30/10 | <u>Additions</u> | <u>Payments</u>   | <u>Balances</u><br>6/30/11 | <u>Due Within</u><br><u>One Year</u> |
|---------------------------------|----------------------------|------------------|-------------------|----------------------------|--------------------------------------|
| <b>Governmental Activities</b>  |                            |                  |                   |                            |                                      |
| Compensated Absences            | <u>\$ 7,149</u>            | <u>\$ 6,216</u>  | <u>\$ -</u>       | <u>\$ 13,365</u>           | <u>\$ -</u>                          |
| <b>Business-Type Activities</b> |                            |                  |                   |                            |                                      |
| 2004 Building Lease             | \$ 7,090,000               | \$ -             | \$ 180,000        | \$ 6,910,000               | \$ 185,000                           |
| Discount                        | (54,016)                   | -                | (2,455)           | (51,561)                   | -                                    |
| Loss on Refunding               | <u>(1,276,715)</u>         | <u>-</u>         | <u>(58,032)</u>   | <u>(1,218,683)</u>         | <u>-</u>                             |
| Total                           | <u>\$ 5,759,269</u>        | <u>\$ -</u>      | <u>\$ 119,513</u> | <u>\$ 5,639,756</u>        | <u>\$ 185,000</u>                    |

PLATTE RIVER ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
 June 30, 2011

**NOTE 4: LONG-TERM DEBT** (Continued)

In November, 2004, the Colorado Educational and Cultural Facilities Authority (“CECFA”) issued \$8,025,000 Charter School Revenue Refunding Bonds. Bond proceeds were used to refund the CECFA Charter School Revenue Bonds, Series 2002, originally issued to finance the construction of educational facilities. The Academy is obligated under a lease agreement to make monthly lease payments to the Corporation for the use of the facilities. The Corporation is required to make equal lease payments to the Trustee, for payment of the bonds. The bonds accrue interest at rates ranging from 2% to 5.125%. Interest payments are due semi-annually on September 1 and March 1. Principal payments are due annually on March 1, through 2034. Future debt service requirements for the bonds are as follows:

| <u>Year Ended June 30,</u> | <u>Principal</u>    | <u>Interest</u>     | <u>Total</u>         |
|----------------------------|---------------------|---------------------|----------------------|
| 2012                       | \$ 185,000          | \$ 311,241          | \$ 496,241           |
| 2013                       | 190,000             | 305,229             | 495,229              |
| 2014                       | 195,000             | 298,816             | 493,816              |
| 2015                       | 205,000             | 291,991             | 496,991              |
| 2016                       | 210,000             | 284,560             | 494,560              |
| 2017 - 2021                | 1,185,000           | 1,291,629           | 2,476,629            |
| 2022 - 2026                | 1,500,000           | 976,125             | 2,476,125            |
| 2027 - 2031                | 1,885,000           | 660,150             | 2,545,150            |
| 2032 - 2034                | <u>1,355,000</u>    | <u>214,700</u>      | <u>1,569,700</u>     |
| Total                      | <u>\$ 6,910,000</u> | <u>\$ 4,634,441</u> | <u>\$ 11,544,441</u> |

**NOTE 5: DEFINED BENEFIT PENSION PLAN**

*Plan Description* - The Academy contributes to the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees’ Retirement Association of Colorado (PERA). The SDTF provides retirement and disability, annual increases, and death benefits for members or their beneficiaries. All employees of the Academy are members of the SDTF. Title 24, Article 51 of the Colorado Revised Statutes (CRS), as amended, assigns the authority to establish benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the SDTF. That report may be obtained by writing to PERA of Colorado, 1301 Pennsylvania Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

*Funding Policy* - The contribution requirements of members and the Academy are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members was 8% of covered salaries. The Academy’s contribution rate for calendar years 2009, 2010 and 2011 was 12.95%, 13.85% and 14.75% of covered salaries, respectively. A portion of the Academy’s contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 6). The Academy’s contributions to the SDTF for the years ended June 30, 2011, 2010 and 2009 were \$247,661, \$224,179 and \$208,440, respectively, equal to the required contributions for each year.

PLATTE RIVER ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

**NOTE 6: POSTEMPLOYMENT HEALTHCARE BENEFITS**

*Plan Description* - The Academy contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer postemployment healthcare plan administered by the 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 by contacting PERA as described previously.

*Funding Policy* - The Academy is required to contribute at a rate of 1.02% of covered salaries for all PERA members as set by State statute. No member contributions are required. The contribution requirements for the Academy are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contribution to the HCTF is established under Title 24, Article 51, Section 208 of the CRS, as amended. The Academy's apportionment to the HCTF for the years ended June 30, 2011, 2010 and 2009 was \$16,428, \$15,829 and \$15,733, respectively, equal to the required amounts for each year.

**NOTE 7: COMMITMENTS AND CONTINGENCIES**

**Claims and Judgments**

The Academy participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental entities. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Academy may be required to reimburse the grantor government. At June 30, 2011, significant amounts of grant expenditures have not been audited but the Academy believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Academy.

**Tabor Amendment**

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution which limits state and local government taxing powers and imposes spending limitations. The Academy believes it is in compliance with the Amendment. As required by the Amendment, the Academy has established a reserve for emergencies. At June 30, 2011, the reserve, of \$109,000, was reported as restricted fund balance in the General Fund.

**REQUIRED SUPPLEMENTARY INFORMATION**

PLATTE RIVER ACADEMY

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2011

|                                | <u>ORIGINAL<br/>BUDGET</u> | <u>FINAL<br/>BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE<br/>Positive<br/>(Negative)</u> |
|--------------------------------|----------------------------|-------------------------|---------------|---|
| <b>REVENUES</b>                |                            |                         |               |   |
| Local Sources                  |                            |                         |               |   |
| Per Pupil Revenue              | \$ 3,107,675               | \$ 3,141,120            | \$ 3,176,858  | \$ 35,738                                   |
| District Mill Levy             | 165,470                    | 164,654                 | 164,997       | 343   |
| Extended Day Programs          | 90,475                     | 90,475                  | 86,569        | (3,906)                                     |
| Pupil Activities               | 69,440                     | 69,440                  | 85,912        | 16,472                                      |
| Contributions                  | 10,205                     | 10,205                  | 7,686         | (2,519)                                     |
| Investment Income              | 6,000                      | 5,000                   | 3,863         | (1,137)                                     |
| Other                          | 32,319                     | 37,319                  | 55,087        | 17,768                                      |
| <br>Total Local Sources        | <br>3,481,584              | <br>3,518,213           | <br>3,580,972 | <br>62,759                                  |
| State Sources                  |                            |                         |               |   |
| Capital Construction           | 45,489                     | 45,489                  | 43,731        | (1,758)                                     |
| <br>TOTAL REVENUES             | <br>3,527,073              | <br>3,563,702           | <br>3,624,703 | <br>61,001                                  |
| <b>EXPENDITURES</b>            |                            |                         |               |   |
| Salaries                       | 1,848,259                  | 1,867,855               | 1,908,513     | (40,658)                                    |
| Employee Benefits              | 459,029                    | 465,133                 | 392,893       | 72,240                                      |
| Purchased Services             | 640,850                    | 727,737                 | 637,286       | 90,451                                      |
| Supplies and Materials         | 176,843                    | 167,740                 | 150,157       | 17,583                                      |
| Property                       | 82,650                     | 82,650                  | 73,263        | 9,387                                       |
| Other                          | 515,423                    | 519,366                 | 510,433       | 8,933                                       |
| <br>TOTAL EXPENDITURES         | <br>3,723,054              | <br>3,830,481           | <br>3,672,545 | <br>157,936                                 |
| <br>NET CHANGE IN FUND BALANCE | <br>(195,981)              | <br>(266,779)           | <br>(47,842)  | <br>218,937                                 |
| FUND BALANCE, Beginning        | 1,904,649                  | 2,004,699               | 2,004,699     | -   |
| FUND BALANCE, Ending           | \$ 1,708,668               | \$ 1,737,920            | \$ 1,956,857  | \$ 218,937                                  |

See the accompanying Independent Auditors' Report.

**NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgets and Budgetary Accounting**

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

Management submits to the Board of Directors a proposed budget for the fiscal year commencing the following July 1, for their approval. The budget includes proposed expenditures and the means of financing them. All annual appropriations lapse at fiscal year end.

Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures of any fund must be approved by the Board of Directors.