

BATTLE ROCK CHARTER SCHOOL

Independent Accountants' Reports
and
Basic Financial Statements

June 30, 2014

BATTLE ROCK CHARTER SCHOOL

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
Battle Rock Charter School
Cortez, Colorado 81321

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Battle Rock Charter School, component unit of Montezuma County (Cortez) School District RE-1 as of and for the year ended June 30, 2014, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate fund information of the

Battle Rock Charter School, as of June 30, 2014, and the respective changes in financial position and General Fund budgetary comparison schedule for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 12 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Battle Rock Charter School's basic financial statements. The budgetary comparison schedules and Supplemental Schedule of Auditors' Electronic Data Integrity Check Figures are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedules and the Supplemental Schedule of Auditors' Electronic Data Integrity Check Figures are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules and the Supplemental Schedule of Auditors' Electronic Data Integrity Check Figures are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Majors and Haley, P.C.
November 17, 2014

BATTLE ROCK CHARTER SCHOOL

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

For the Year Ended June 30, 2014

FINANCIAL HIGHLIGHTS

Key financial highlights for the School in 2014 are as follows:

- In total, net position decreased \$33,035, which represents a 51 percent decrease from 2013.
- General revenues accounted for \$241,115 in revenue or 91 percent of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$25,536 or 9 percent of total revenues of \$266,651.
- Governmental activities total assets decreased by \$30,566. Total liabilities increased by \$2,469.
- The School incurred \$299,686 in expenses related to government activities. \$25,536 of these expenses were offset by program specific charges for services, grant and contributions. General revenues (primarily per pupil charter school allocation) of \$241,115 were adequate to cover all but \$33,035 of the costs of these programs.
- Among the major funds, the General Fund had \$263,035 in revenues and \$296,070 in expenditures. It's fund balance decreased by \$33,035 from \$61,469 to \$28,434.

BATTLE ROCK CHARTER SCHOOL

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

For the Year Ended June 30, 2014

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School.

- The first two statements are School-wide financial statements that provide both short-term and long-term information about the School's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School, reporting the School's operations in more detail than the School-wide statements.
- The governmental funds statements tell how basic services such as instruction were financed in the short-term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplemental information that further explains and supports the financial statements with a comparison of the School's budget for the year.

School-wide Statements

The School-wide statements report information about the School as a whole using accounting methods similar to those used by private companies. The statement of net assets includes all of the School's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two School-wide statements report the School's net position and how it has changed. Net position (the difference between the School's assets, deferred outflows of resources, liabilities and deferred inflows of resources) is one way to measure the School's financial position.

BATTLE ROCK CHARTER SCHOOL

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

For the Year Ended June 30, 2014

- Over time, increases or decreases in the School's net position are an indicator of whether its financial position is improving or deteriorating.
- To assess the School's overall health, you need to consider additional non-financial factors such as changes in the School's student count and the condition of school facilities.

In the School-wide financial statements, the School's activities are presented in the following categories:

- **Governmental activities-** All of the School's basic services are included here, such as instruction, transportation, maintenance and operations, and administration. These activities are financed mainly through per pupil charter school allocations from Montezuma County (Cortez) School District RE-1.

Fund Financial Statements

The fund financial statements provide more detailed information about the School's funds, focusing on its most significant or "major" funds, not the School as a whole. Funds are accounting devices the School uses to keep track of specific sources of funding and spending on particular programs. Some funds are required to be established by state law. However, the School establishes many other funds to help it manage and control its finances to achieve certain results.

The School uses one type of fund:

- **Governmental funds-** All of the School's basic services are included in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School's general operations and the services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the additional long-term focus of the School-wide statements, additional information at the bottom of the

BATTLE ROCK CHARTER SCHOOL

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

For the Year Ended June 30, 2014

governmental funds statements explains the relationship (or difference) between them.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Total assets decreased by \$30,566. Total liabilities increased by \$2,469.

The School's combined net position was smaller on June 30, 2014 than it was at June 30, 2013, decreasing by 51 percent to \$32,414.

Table 1 provides a summary of the School's net position for 2014 compared to 2013

***Table 1
Condensed Statement of Net Position***

	Governmental Activities	
	2014	2013
Assets		
Current assets	\$ 48,325	\$ 78,891
Capital assets	-	-
Total assets	<u>48,325</u>	<u>78,891</u>
Liabilities		
Current liabilities	<u>15,911</u>	<u>13,442</u>
Net Position		
Restricted	9,000	7,700
Unrestricted	23,414	57,749
Total net position	<u>\$ 32,414</u>	<u>\$ 65,449</u>

BATTLE ROCK CHARTER SCHOOL

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

For the Year Ended June 30, 2014

Table 2 shows the changes in net position for fiscal year 2014 as compared to 2013.

Table 2
Changes in Net Position

	Governmental Activities	
	2014	2013
Revenues		
Program revenues		
Operating grants & contributions	\$ 21,920	\$ 28,966
Capital grants & contributions	3,616	4,369
General revenues		
Per pupil charter school allocation	238,883	210,458
Other	2,232	1,509
Total revenues	<u>266,651</u>	<u>245,302</u>
Expenses		
Instruction	143,574	138,898
Pupil and instructional services	1,058	4,292
Administration and business	111,498	110,653
Maintenance and operations	25,366	8,713
Transportation	10,180	9,409
Other	8,010	12,243
Total expenses	<u>299,686</u>	<u>284,208</u>
Increase (decrease) in net position	<u>\$ (33,035)</u>	<u>\$ (38,906)</u>

BATTLE ROCK CHARTER SCHOOL

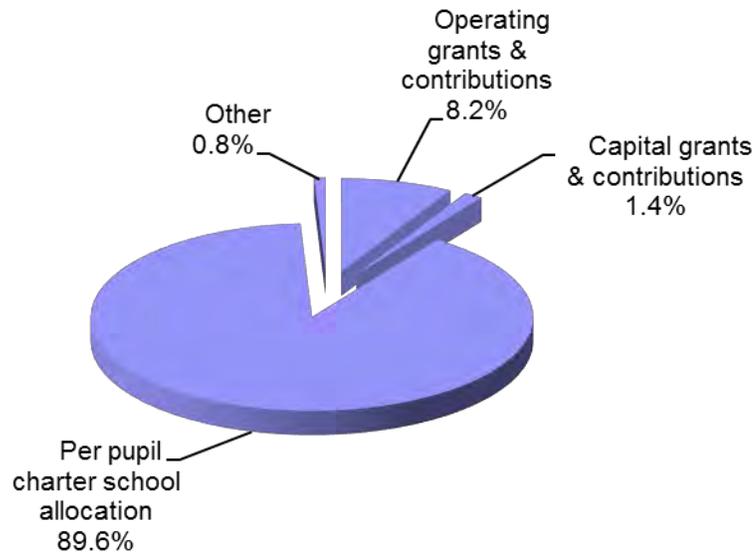
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

For the Year Ended June 30, 2014

Per pupil charter school allocation accounted for most of the School's total revenue, contributing 89.6 percent (See Table 3). Another 9.6 percent came from state and federal grants and the remainder from miscellaneous sources.

The School's expenses are predominately related to instruction, 47.9 percent and Administration and business, 37.2 percent (See Table 4).

Table 3
Sources of Revenue for Fiscal Year 2014

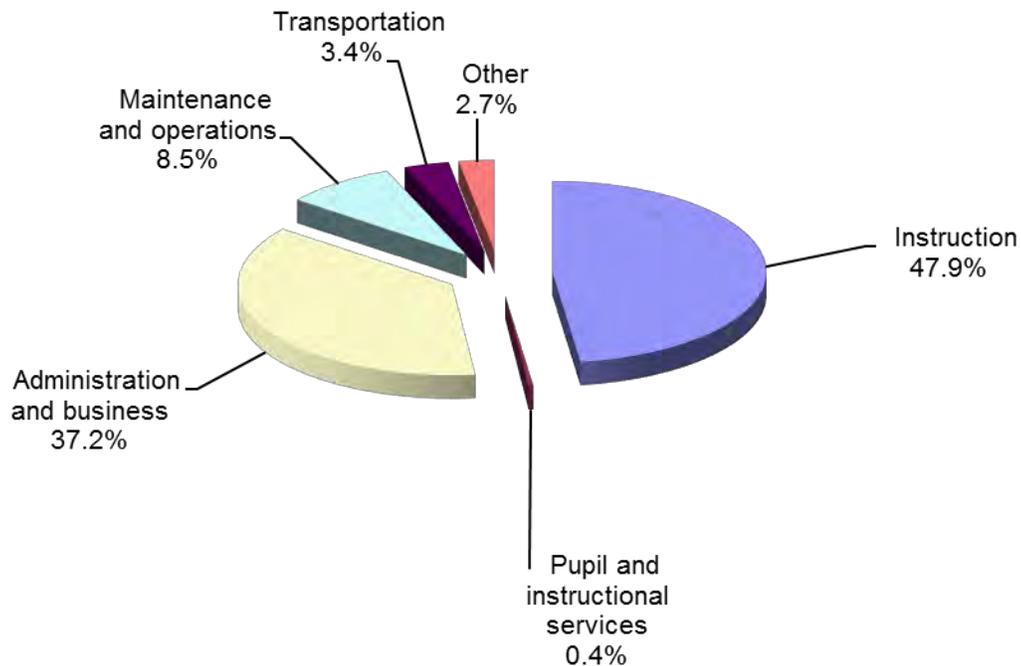


BATTLE ROCK CHARTER SCHOOL

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

For the Year Ended June 30, 2014

Table 4
Expenses for Fiscal Year 2014



Governmental Activities

The primary source of operating revenue for the School comes from per pupil charter school allocation from Montezuma County (Cortez) School District RE-1. The School received \$6,374 per funded student. In fiscal year 2014 the funded pupil count was 37.5. Funding for the charter school allocation comes from property taxes, specific ownership taxes and state equalization.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those service costs. Table 5 shows, for governmental activities, the total cost of services and net cost of services. That is, it identifies the cost of these services supported by unrestricted state equalization and property taxes.

BATTLE ROCK CHARTER SCHOOL

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

For the Year Ended June 30, 2014

**Table 5
Government Activities**

	Total Cost of Services		Net Cost of Services	
	2014	2013	2014	2013
Instruction	\$ 143,574	\$ 138,898	\$ 121,654	\$ 109,932
Pupil and instructional services	1,058	4,292	1,058	4,292
Administration and business	111,498	110,653	111,498	110,653
Maintenance and operations	25,366	8,713	25,366	8,713
Transportation	10,180	9,409	10,180	9,409
Other	8,010	12,246	4,394	7,877
Total	<u>\$ 299,686</u>	<u>\$ 284,211</u>	<u>\$ 274,150</u>	<u>\$ 250,876</u>

- The cost of all governmental activities during the year was \$299,686.
- Federal and state government subsidized certain programs with grants and contributions (\$25,536).
- However, most of the School's costs (\$238,883) were financed by per pupil charter school allocations.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

Information about the School's governmental funds starts on page 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds have total revenues of \$266,651 and expenditures of \$299,686.

BATTLE ROCK CHARTER SCHOOL

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

For the Year Ended June 30, 2014

General Fund Budgetary Highlights

The School's budget is prepared according to Colorado law and is based on accounting for certain transactions on a basis of cash receipts and disbursements. The most significant budgeted fund is the General Fund.

Over the course of the year, the School revised the annual operating budget by making a increase in appropriations.

- Increases in appropriations were due primarily to additional required expenditures that were not known at the time the original budget was prepared.
- Actual expenditures, were \$25,144 above budget.

CAPITAL ASSET ADMINISTRATION

By the end of fiscal year 2014, the School has invested \$54,731 buildings.

Table 6 shows capital assets for 2014 compared to 2013:

***Table 6
Capital Assets (net of depreciation) at June 30***

	Governmental Activities	
	2014	2013
Buildings	\$ 54,731	\$ 54,731
Accumulated Depreciaton	(54,731)	(54,731)
Total	<u>\$ -</u>	<u>\$ -</u>

BATTLE ROCK CHARTER SCHOOL

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

For the Year Ended June 30, 2014

Additional information on the School's capital assets can be found in Note 4 on page 24 of this report.

FACTORS BEARING ON THE SCHOOL'S FUTURE

At the time these financial statements were prepared and audited, the School is not aware of any existing circumstances that could significantly affect its financial health in the future.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide the School's citizens, taxpayers, parents, and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Battle Rock Charter School 11351 County Road G Cortez, Colorado 81321.

BATTLE ROCK CHARTER SCHOOL
Statement of Net Position

June 30, 2014

	Governmental Activities
Assets	
Cash	\$ 17,333
Due from school district	6,992
Prepaid expenses	24,000
Capital assets	54,731
Accumulated depreciation	(54,731)
Total capital assets net of depreciation	-
Total Assets	48,325
Liabilities	
Accounts payable	436
Accrued salaries and benefits payable	15,475
Total Liabilities	15,911
Net Position	
Restricted	
TABOR	9,000
Unrestricted	23,414
Total Net Position	\$ 32,414

The accompanying notes are an integral part of this statement.

BATTLE ROCK CHARTER SCHOOL
Statement of Activities

For the Year Ended June 30, 2014

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instructional Program Services					
Salaries	\$ 88,283		\$ 21,920		\$ (66,363)
Employee benefits	28,005				(28,005)
Purchased services					
Property	5,711				(5,711)
Other	11,158				(11,158)
Supplies	5,543				(5,543)
Property	2,999				(2,999)
Other	1,875				(1,875)
Total Instructional Program	143,574	-	21,920	-	(121,654)
Support Program Services					
Instructional staff	1,058				(1,058)
General administration	12,848				(12,848)
School administration	93,985				(93,985)
Business	4,665				(4,665)
Operation and maintenance of plant	25,366				(25,366)
Student transportation	10,180				(10,180)
Central	4,394				(4,394)
Facilities acquisition	3,616			\$ 3,616	-
Total Support Programs	156,112	-	-	3,616	(152,496)
Total Governmental Activities	299,686	-	21,920	3,616	(274,150)
Total School	\$ 299,686	\$ -	\$ 21,920	\$ 3,616	(274,150)
General Revenues					
Per pupil charter school allocation					238,883
Public lands					1,670
Other					562
Total General Revenues					241,115
Changes in Net Position					(33,035)
Net Position Beginning of the Year					65,449
Net Position End of the Year					\$ 32,414

The accompanying notes are an integral part of this statement.

BATTLE ROCK CHARTER SCHOOL

Balance Sheet
Governmental Funds

June 30, 2014

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Assets			
Cash	\$ 13,353	\$ 3,980	\$ 17,333
Due from school district	6,992		6,992
Prepaid expenses	24,000		24,000
Total Assets	<u>\$ 44,345</u>	<u>\$ 3,980</u>	<u>\$ 48,325</u>
Liabilities			
Accounts payable	\$ 436		\$ 436
Accrued salaries and benefits payable	15,475		15,475
Total Liabilities	<u>15,911</u>	<u>-</u>	<u>15,911</u>
Fund Balance			
Restricted			
TABOR	9,000		9,000
Unrestricted			
Assigned for next year's expenditures	19,434	\$ 3,980	23,414
Total Fund Balances	<u>28,434</u>	<u>3,980</u>	<u>32,414</u>
Total Liabilities and Fund Balances	<u>\$ 44,345</u>	<u>\$ 3,980</u>	<u>\$ 48,325</u>

Reconciliation of the Governmental Funds Balance Sheet with the Statement of Net Position

Total Fund Balance Governmental Funds \$ 32,414

Amounts reported for governmental activities in the Statement of Net Position are different because

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Capital assets	\$ 54,731	
Accumulated depreciation	(54,731)	
	<hr/>	-

Total Net Position Governmental Activities \$ 32,414

The accompanying notes are an integral part of this statement.

BATTLE ROCK CHARTER SCHOOL
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds

For the Year Ended June 30, 2014

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues			
Per-pupil charter school allocation	\$ 238,883		\$ 238,883
Other local sources	562		562
State sources		\$ 3,616	3,616
Federal sources	23,590		23,590
Total Revenues	263,035	3,616	266,651
Expenditures			
Instructional Program			
Salaries	88,283		88,283
Employee benefits	28,005		28,005
Purchased services			
Property	5,711		5,711
Other	11,158		11,158
Supplies	5,543		5,543
Property	2,999		2,999
Other	1,875		1,875
Total Instructional Program	143,574	-	143,574
Support Programs			
Instructional staff	1,058		1,058
General administration	12,848		12,848
School administration	93,985		93,985
Business	4,665		4,665
Operation and maintenance of plant	25,366		25,366
Student transportation	10,180		10,180
Central	4,394		4,394
Facilities acquisition		3,616	3,616
Total Support Programs	152,496	3,616	156,112
Total Expenditures	296,070	3,616	299,686
Excess revenues over (under) expenditures	(33,035)	-	(33,035)
Fund Balances beginning of the year	61,469	3,980	65,449
Fund Balances end of the year	\$ 28,434	\$ 3,980	\$ 32,414

The accompanying notes are an integral part of this statement.

BATTLE ROCK CHARTER SCHOOL

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2014

Net Change in Fund Balances Governmental Funds \$ (33,035)

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

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period:

Capital outlay	\$	-
Depreciation expense		-
		-

Change in Net Position of Governmental Activities \$ (33,035)

The accompanying notes are an integral part of this statement.

BATTLE ROCK CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

- 1. Summary of Significant Accounting Policies** – The accounting policies of the Battle Rock Charter School (“School”) conform to generally accepted accounting principles, as applicable to school districts. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements of Interpretations). In fiscal year 2013, the School adopted GASB Statement 63. Accordingly, the statement of net assets is renamed the statement of net position and includes four components, if applicable, assets, deferred outflows of resources, liabilities and deferred inflows of resources.

The following significant accounting policies were applied in the preparation of the accompanying financial statements.

Reporting Entity - The Battle Rock Charter School is governed by a five member Board of Education and operates in accordance with Colorado statutes. The Board of Education members are elected by the citizens within the School’s service area, not appointed by any other governing body. The Board is solely responsible for the School’s budget adoption process. The School received its charter from the Montezuma County (Cortez) School District RE-1 Board of Education. Therefore, the School is combined with Montezuma County (Cortez) School District RE-1 in regards to all reporting to and funding from the Colorado Department of Education. The School is included as a blended component unit of Montezuma County (Cortez) School District RE-1.

Fund Accounting – The accounts of the School are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and in the means by which spending activities are controlled. The various funds are grouped, into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate “fund types”.

Governmental Funds- are used to account for all or most of a government’s general activities, including the collection and disbursement of earmarked funds (special revenue funds). The following are the School’s major governmental funds:

General 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. Major revenue sources include local property taxes, specific ownership taxes, and State of Colorado equalization funding, as determined by the School Finance Act of 1994, as amended.

Expenditures include all costs associated with the daily operation of the school, except for certain capital outlay expenditures.

BATTLE ROCK CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

Capital Projects Fund- is used to account for the accumulation of resources and expenditure of resources for capital improvements within the School.

Basis of Presentation-

School-wide Financial Statements- The statement of net position and the statement of activities display information about the School as a whole. These statements include the financial activities of the primary government except for fiduciary funds. The statements distinguish between those activities of the School that are governmental and those that are considered business-type activities.

The School-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with a brief explanation to better identify the relationship between the School-wide financial statements and the statements for governmental funds.

The School-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School and for each function or program of the School's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the School, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School.

Fund Financial Statements- Fund financial statements report detailed information about the School. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

BATTLE ROCK CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

Basis of Accounting – determines when transactions are recorded in the financial records and reported on the financial statements. School-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

Revenues- Exchange and Non-exchange Transactions- Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value are recorded on the accrual basis when the exchange takes place. On a modified accrual basis revenues are recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School, available means expected to be received within sixty days of fiscal year-end.

Non-exchange transactions, in which the School receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. State equalization monies are recognized as revenues during the period which they are appropriated. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when used is first permitted, matching requirements, in which the School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: interest, tuition, grants and student fees.

Deferred Revenue- arises when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when resources are received by the School before it has a legal claim to them, as when grant monies are received prior to meeting eligibility requirements. In subsequent periods, when both revenue recognition criteria are met, or when the School has a legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized.

Expenses/Expenditures- On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses and changes in fund net assets as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

BATTLE ROCK CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

Budgets and Budgetary Accounting – The School is required by Colorado Statutes to adopt annual budgets for all funds. Each budget is prepared on the same basis (GAAP basis) as that used for accounting purposes, except for the Lunch Fund, which is prepared essentially on the modified accrual basis of accounting. This basis of accounting is at variance with GAAP.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

Prior to June 1, the Superintendent's staff submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1.

The operating budget includes proposed expenditures and the means of financing them.

Public hearings are conducted to obtain comments.

Prior to June 30, the budget is legally adopted through passage of a resolution by the Board of Education. However, the Board can review and change the adopted budget through December 31.

Formal budgetary integration is employed as a management control device during the year.

Budgeted amounts reported in the accompanying financial statements are as originally adopted and as amended by the Board of Education throughout the year. Following is a summary of the original budget, total revisions and revised budget for those funds with amended budgets in fiscal year 2014.

	<u>Original Budget</u>	<u>Total Revisions</u>	<u>Revised Budget</u>
Governmental Funds:			
General Fund	\$ 269,884	\$ 1,042	\$ 270,926
Capital Projects Fund	\$ 2,245	\$ 3,616	\$ 5,861

Appropriations are adopted by resolution for each fund in total and lapse at the end of each year. Over-expenditures are not deemed to exist unless the fund as a total has expenditures in excess of appropriations.

Encumbrance Accounting – under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed by the School as an extension of formal budgetary integration. Encumbrances outstanding at year-end are cancelled and represent neither a liability nor a reservation of equity.

Short-term Inter-fund Receivables/Payables- During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as internal balances on the School-wide

BATTLE ROCK CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

statement of net position and, classified as due from other funds or due to other funds on the balance sheet.

Capital Assets – General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the School-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the School-wide statements of net assets and in the respective fund financial statements.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. The School maintains a capitalization threshold of five thousand dollars. The School does not possess any infrastructure.

All reported capital assets are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Description	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Buildings and Improvements	20-50 Years	N/A
Furniture and Equipment	5-15 Years	5-15 Years
Vehicles	8 Years	15 Years

Accrued Liabilities and General Long-Term Obligations- All payables, accrued liabilities and long-term obligations are reported in the School-wide financial statements..

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the non-current portion of capital leases, compensated absences, and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payment made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Governmental Fund Balances- In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable- Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

BATTLE ROCK CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

Restricted- Amounts that can be used only for specific purposes because of state or federal laws, or externally imposed conditions by grantors or creditors. This includes the School's TABOR reserve for emergencies.

Committed- Amounts that can be used only for specific purposes determined by a formal action by the Board of Education.

Assigned- Amounts that are designated by the Board of Education for a particular purpose but are not spendable until appropriated. This includes assignments for subsequent year's expenditures.

Unassigned- All amounts not included in other spendable classifications.

Net Position- Net position represents the difference between assets, deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are liabilities imposed on its use either through the enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Inter-fund Transactions- Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

2. Cash and Investments – Cash and investments consist of demand accounts at local banks.

The Colorado Public Deposit Protection Act (PDPA) governs the School cash deposits. The statutes specify eligible depositories for public cash deposits, which must be Colorado institutions and must maintain federal insurance on deposits held. Each eligible depository with deposits in excess of the insured levels must pledge a collateral pool of defined eligible assets, to be maintained by another institution or held in trust for all of its local government depositors as a group, with a market value at least 102% of the uninsured deposits. The State Regulatory Commissions for banks and savings and loan associations are required by statute to monitor the naming of eligible depositories and the reporting of uninsured deposits and assets maintained in the collateral pools.

The School's bank balances at June 30, 2014 and during the year ended June 30, 2014 were entirely covered by FDIC insurance or pledged collateral held by the School's agent banks in the name of governmental accounts of which the School is a part.

BATTLE ROCK CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

3. Federal and State Administered Grants – are considered to be earned to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received they are recorded as deferred revenues until earned.

4. Capital Assets – Capital asset activity for the fiscal year ended June 30, 2014 follows:

	Capital Assets <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	Capital Assets <u>June 30, 2014</u>
Governmental Activities				
Capital assets, being depreciated:				
Buildings	\$ 54,731			\$ 54,731
Total capital assets being depreciated	<u>54,731</u>	<u>-</u>	<u>-</u>	<u>54,731</u>
Less accumulated depreciation for:				
Buildings	(54,731)			(54,731)
Total accumulated depreciation	<u>(54,731)</u>	<u>-</u>	<u>-</u>	<u>(54,731)</u>
Total capital assets, being depreciated, net	-	-	-	-
Governmental Activities Capital Assets, net	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

5. Retirement Commitments – The School contributes to the Combined State and School Division Trust Fund (CSSDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees’ Retirement Association of Colorado (PERA). The CSSDTF provides retirement and disability, annual increases, and death benefits for members or their beneficiaries. All employees of the School are members of the CSSDTF. 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 CSSDTF. That report may be obtained 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).

Plan members and the School are required to contribute to the CSSDTF 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 is 16.55% of covered salary. The School’s contributions to CSSDTF for the years ending June 30, 2014, 2013, 2012 were \$29,605, \$25,984 and \$14,984, respectively, equal to their required contributions for each year.

BATTLE ROCK CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

- 6. Accrued Salaries** – Certified instructors of the School are contracted for nine months annually between Labor Day and June 1. These instructors, while only working nine months, are paid for their services in twelve equal monthly installments. On June 30 of each year they have completed their entire contract, but have only received 10/12 of the related compensation with the difference to be paid over the summer break. The difference, totaling \$15,475, is reflected as an accrued expense at June 30.
- 7. Fund Balance Restrictions and Assignments** – Restricted indicates that a portion of the fund balance can only be spent for specific purposes because of state or federal laws, or externally imposed conditions by grantors or creditors. Assigned indicates amounts that are designated for a specific purpose by the Board of Education but are not spendable until appropriated. The School uses the following restrictions and assignments:

Restricted

TABOR – indicates that a portion of the fund balance has been segregated for expenditures for declared emergencies only. Fund balance reserved for emergencies consists of \$9,000 in the General Fund.

Assigned

Assigned for future expenditures – indicates anticipated fund balance available for appropriation in the next budget year. Fund balances assigned for future expenditures consist of the following:

General Fund	\$	19,434
Capital Projects Fund		3,980
Total	\$	<u>23,414</u>

- 8. Risk Management** – The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School is a member of the Colorado School Schools Self-Insurance Pool (The Pool). The Pool was formed in 1981 to provide 93 member school Schools and related educational facilities with defined property and liability coverage through joint self-insurance and excess insurance. The School pays an annual premium for its general insurance coverage. The Pool is self-sustaining through member premiums and obtains excess insurance to limit per occurrence exposure to \$250,000.

The School continues to carry commercial insurance for all other risks of loss including worker’s compensation and employee health and accident insurance. There have been no settled claims that have exceeded insurance coverage in any of the past three fiscal years. There have been no significant decreases in insurance coverage from the prior year.

BATTLE ROCK CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

In addition, the School participates in the Montezuma County (Cortez) School District RE-1 Self Insurance Fund to account for and finance its uninsured risks of loss for employee health and accident insurance. Under this program, the Fund provides coverage from the purchase of commercial insurance for a specific deductible of \$95,000, with a maximum aggregate benefit of \$3,692,714.

- 9. Tax, Spending, and Debt Limitations** – Colorado Voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The people of the School voted to authorize the spending of all monies in existing funds and to collect, retain, and expend the full revenue, including state grants and taxes, generated during fiscal year 1998 and for each subsequent year regardless of any limitation contained in Article X, Section 20, of the Colorado Constitution. The Amendment is complex and subject to judicial interpretation. The School believes it is in compliance with all other requirements of the amendment. However, the School has made certain interpretations of the amendment's language in order to determine its compliance.
- 10. Commitments and Contingent Liabilities** – There were no commitments or contingent liabilities at June 30.
- 11. Compliance with Laws and Regulations-** The School may be in violation of State Statute. Expenditures exceeded appropriations in the General Fund.

BATTLE ROCK CHARTER SCHOOL
Required Supplementary Information

June 30, 2014

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements.

Such information includes:

Budgetary Comparison Schedules
General Fund

BATTLE ROCK CHARTER SCHOOL

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources				
Per-pupil Charter School allocation	\$ 229,716	\$ 239,288	\$ 238,883	\$ (405)
Other			562	562
Total local sources	<u>229,716</u>	<u>239,288</u>	<u>239,445</u>	<u>157</u>
Federal sources				
Services provided charter schools	27,244	27,244	21,920	(5,324)
Public school lands			1,670	1,670
Total federal sources	<u>27,244</u>	<u>27,244</u>	<u>23,590</u>	<u>(3,654)</u>
Total Revenues	<u>256,960</u>	<u>266,532</u>	<u>263,035</u>	<u>(3,497)</u>
Expenditures				
Instructional Program				
Salaries	72,048	79,454	88,283	(8,829)
Employee benefits	19,852	25,670	28,005	(2,335)
Purchased services				
Property	4,000	5,500	5,711	(211)
Other	13,940	11,276	11,158	118
Supplies	6,000	5,600	5,543	57
Property			2,999	(2,999)
Other	10,000	1,948	1,875	73
Total Instructional Program	<u>125,840</u>	<u>129,448</u>	<u>143,574</u>	<u>(14,126)</u>
Support Programs				
Instructional staff	4,849	1,349	1,058	291
General administration	13,150	13,150	12,848	302
School administration	95,100	94,540	93,985	555
Business	3,345	3,345	4,665	(1,320)
Operation and maintenance of plant	23,700	24,700	25,366	(666)
Student transportation			10,180	(10,180)
Central	3,900	4,394	4,394	-
Total Support Programs	<u>144,044</u>	<u>141,478</u>	<u>152,496</u>	<u>(11,018)</u>
Total Expenditures	<u>269,884</u>	<u>270,926</u>	<u>296,070</u>	<u>(25,144)</u>
Excess revenues over (under) expenditures	(12,924)	(4,394)	(33,035)	(28,641)
Fund Balances beginning of the year	12,924	61,469	61,469	-
Fund Balances end of the year	<u>\$ -</u>	<u>\$ 57,075</u>	<u>\$ 28,434</u>	<u>\$ (28,641)</u>

BATTLE ROCK CHARTER SCHOOL

Other Supplementary Information

June 30, 2014

Other supplementary information includes financial statements and schedules not required by the GASB, or a part of the basic financial statements, but are presented for purposes of additional analysis.

These statements and schedules include:

Budgetary Comparison Schedules
Capital Projects Fund

BATTLE ROCK CHARTER SCHOOL

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Capital Projects Fund

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
State sources	\$ 2,245	\$ 5,861	\$ 3,616	\$ (2,245)
Total Revenues	<u>2,245</u>	<u>5,861</u>	<u>3,616</u>	<u>(2,245)</u>
Expenditures				
Support programs				
Facilities acquisition		3,616	3,616	-
Other	2,245	2,245		2,245
Total Expenditures	<u>2,245</u>	<u>5,861</u>	<u>3,616</u>	<u>2,245</u>
Excess revenues over (under) expenditures	-	-	-	-
Fund Balances beginning of the year	-	-	3,980	3,980
Fund Balances end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,980</u>	<u>\$ 3,980</u>

INFORMATION REQUIRED BY OVERSIGHT AUTHORITIES

Majors and Haley, P.C.
Certified Public Accountants

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Chris L. Majors, CPA, MT

Lori Hasty Haley, CPA

INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTAL SCHEDULE
OF AUDITORS' ELECTRONIC FINANCIAL
DATA INTEGRITY CHECK FIGURES

To the Board of Education
Battle Rock Charter School
Cortez, Colorado 81321

We have audited the accompanying financial statements of Battle Rock Charter School, component unit of Montezuma County (Cortez) School District RE-1 as of and for the year ended June 30, 2014, and have issued our report thereon dated November 17, 2014. These financial statements are the responsibility of Battle Rock Charter School management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Our audit was made for the purpose of forming an opinion on the financial statements of Battle Rock Charter School, taken as a whole. The accompanying Supplemental Schedule of Auditors' Electronic Financial Data Integrity Check Figures is presented for purposes of additional analysis and is not a required part of the financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements taken as a whole.

With respect to the items tested, the results of those procedures disclosed no instances of noncompliance, and with respect to items not tested, nothing came to our attention that caused us to believe that, the Battle Rock Charter School, had not complied, in all material respects, with the Financial Policies and Procedures handbook of the Colorado Department of Education.



Majors and Haley, P.C.

Cortez, Colorado
November 17, 2014

Colorado Department of Education

Charter School Auditor's Integrity Report
 Colorado School District/BOCES
 District: 2035 - MONTEZUMA-CORTEZ RE-1
 Fiscal Year 2013-14

Revenues, Expenditures, & Fund Balance by Location and Fund

Location (900-969): 911

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001 - 0999 Total Expenditures & Other Uses	6700 - 6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental	+		-	=
10 General Fund	0	0	0	0
18 Risk Mgmt Sub-Fund of General Fund	0	4,394	4,394	0
19 Colorado Preschool Program Fund	0	0	0	0
Sub- Total	0	4,394	4,394	0
11 Charter School Fund	61,469	258,642	291,677	28,434
20,26-29 Special Revenue Fund	0	0	0	0
21 Capital Reserve Spec Revenue Fund	0	0	0	0
22 Govt Designated-Purpose Grants Fund	0	0	0	0
23 Pupil Activity Special Revenue Fund	0	0	0	0
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	0	0	0	0
39 Non-Voter Approved Debt Service Fund	0	0	0	0
41 Building Fund	0	0	0	0
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	3,980	3,616	3,616	3,980
Totals	65,449	266,652	299,687	32,414
Proprietary				
51 Food Service Fund	0	0	0	0
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	0	0	0	0
Totals	0	0	0	0
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	0	0	0	0
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
Totals	0	0	0	0

*If you have a prior period adjustment in any fund (Balance Sheet 6880), the amount of your prior period adjustment is added into both your ending and beginning fund balances on this report.