

HORIZONS K-8 SCHOOL

FINANCIAL STATEMENTS

June 30, 2013

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Horizons Council
Horizons K-8 School
Boulder, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities and the major fund of the Horizons K-8 School, component unit of Boulder Valley School District RE-2, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements of Horizons K-8 School, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 auditor considers internal control relevant to the 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 internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Horizons K-8 School as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters (Required Supplementary Information)

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a 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 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.

Swanburn & Company LLC

November 18, 2013

HORIZONS K-8 SCHOOL

Management's Discussion and Analysis

Fiscal Year Ended June 30, 2013

As management of Horizons K-8 School ("Horizons"), we offer readers of our financial statements this narrative overview and analysis of the financial activities of Horizons for the year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information provided in the financial statements.

Horizons was founded as the second charter school in the Boulder Valley School District RE-2 ("BVSD"), in July 1997.

Financial Highlights

- The assets of Horizons exceeded its liabilities at the close of the most recent fiscal year by \$553,182 (net position). Of this amount, \$430,739 represents the unrestricted net position, which may be used to meet Horizons' ongoing obligations.
- At the close of the current fiscal year, Horizons governmental fund reported a fund balance of \$536,227, an increase of \$11,021 from with the prior year. Approximately 80.2% of this amount (\$430,144) is available for spending at the school's discretion (unrestricted, unassigned fund balance). This amount represents 7.2% of General Fund expenditures.

Overview of Financial Statements

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

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

The statement of activities presents information showing how Horizons' net position changed during the most recent fiscal year. All changes in net position are reported as

soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements can be found on pages 1-2 of this report.

Fund Financial Statements. Fund financial statements are designed to demonstrate compliance with finance-related legal requirements. 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. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements, except that the focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Both the balance sheet and the statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between the governmental fund and the governmental activities.

The governmental fund financial statements can be found on pages 3-5 of this report.

Notes to Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 6-11 of this report.

Government-Wide Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of Horizons, assets exceeded liabilities by \$553,182, at the close of the most recent fiscal year.

A portion of Horizons' net position (\$16,955 or 3.0%) reflects its investment in capital assets (e.g., equipment). Horizons uses these capital assets to provide a variety of services to its students. Accordingly, these assets are not available for future spending. It should be noted that the facility that houses Horizons is owned by BVSD and is used by Horizons as provided in its charter school contract with the district.

An additional portion of Horizons net position (\$105,488 or 19.1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance (\$430,739 or 77.9%) is unrestricted and may be used to meet the government's ongoing obligations.

At the end of the current and prior fiscal years, Horizons is able to report positive balances in all reported categories of net position.

**Horizons K-8 School
Net Position**

| | Governmental Activities | |
|----------------------------------|--------------------------------|--------------------|
| | <u>2013</u> | <u>2012</u> |
| Assets | | |
| Current and other assets | \$ 722,315 | \$ 1,936,824 |
| Capital Assets | 16,955 | 18,085 |
| Total assets | <u>739,270</u> | <u>1,954,909</u> |
| Liabilities | | |
| Current liabilities | 186,088 | 1,411,618 |
| Noncurrent liabilities | - | 392,000 |
| Total Liabilities | <u>186,088</u> | <u>1,803,618</u> |
| Net Position | | |
| Net investment in capital assets | 16,955 | 18,085 |
| Restricted | 105,488 | 100,055 |
| Unrestricted | <u>430,739</u> | <u>33,151</u> |
| Total net position | <u>\$ 553,182</u> | <u>\$ 151,291</u> |

Total assets decreased by \$1,215,639 in 2013 due primarily to a decrease in accounts receivable of \$1,243,605 related to a construction grant and an increase in cash of \$34,076.

Total liabilities decreased by \$1,617,530 due primarily to a \$1,243,605 decrease in accounts payable related to a construction project and a \$392,000 decrease in loans payable.

Horizons net position increased \$401,891 from the prior fiscal year. The reasons for this increase are discussed on the next page.

**Horizons K-8 School
Changes in Net Position**

| | Governmental Activities | |
|--|--------------------------------|--------------------|
| | <u>2013</u> | <u>2012</u> |
| Revenues: | | |
| Program Revenues | | |
| Charges for services | \$ 187,538 | \$ 614,686 |
| Operating grants and contributions | 65,393 | 425,277 |
| Capital grants and contributions | 2,634,803 | 2,881,029 |
| General revenues | | |
| Per pupil revenues | 2,071,237 | 2,020,238 |
| District Mill Levy | 703,515 | 666,305 |
| Capital construction | - | 12,514 |
| Grants and contributions not restricted to specific programs | 307,592 | 2,034 |
| Other | 2,419 | 1,685 |
| Extinguishment of Debt | 343,000 | - |
| Total Revenues | <u>6,315,497</u> | <u>6,623,768</u> |
| Expenses: | | |
| Instruction | 2,285,382 | 2,723,204 |
| Support | 3,625,728 | 4,581,643 |
| Other | 2,496 | 6,941 |
| Total Expenses | <u>5,913,606</u> | <u>7,311,788</u> |
| Increase (decrease) in net position | 401,891 | (688,020) |
| Net Position, Beginning | <u>151,291</u> | <u>839,311</u> |
| Net Position, Ending | <u>\$ 553,182</u> | <u>\$ 151,291</u> |

Total revenues decreased by \$308,271 from the prior year. Horizons' primary source of revenue, per pupil revenues and mill levy overrides, flow from BVSD based upon Horizons' enrollment. 2013 per pupil revenue increased by \$50,999, based upon eight additional students in the annual October Pupil Count. Horizons' shares in BVSD's mill levy override revenues on a per pupil basis and received an additional \$37,210 in 2013.

Capital grants and contributions decreased by \$246,226 in 2013. In 2012 Horizons received a Building Excellent Schools Today (BEST) Grant. In 2013, Horizons received \$246,226 less BEST Grant revenue than in 2012.

Total expenditures decreased \$1,398,182 from the prior year, primarily due to spending from the BEST Grant proceeds.

Financial Analysis of the General Fund

As noted earlier, Horizons uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of Horizons' general fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing Horizons' financing requirements. In particular, an unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as it represents the portion of fund balance that has not yet been limited to use for a particular purpose by either an external party, the school itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes.

At the end of the current fiscal year, the unassigned fund balance of the general fund was \$430,144, while the total fund balance increased by \$11,021 to \$536,227. As a measure of the general fund's liquidity, it may be useful to compare both the unassigned fund balance and the total fund balance to total general fund expenditures. The unassigned fund balance represents approximately 7.2% of total general fund expenditures, while the total fund balance represents approximately 9.0% of that same amount.

General Fund Budgetary Highlights

A General Fund Budgetary Schedule is located on page 12 of the financial statements.

Actual revenues fell short of budgeted revenues by \$44,014. The variance is due to fundraising, fees, and student activity revenue coming in slightly less than budgeted.

Actual expenditures is under budget by \$574,666. Of this amount, \$488,444 is Horizons' unallocated expenditures and emergency reserves.

Capital Assets and Debt Administration

Capital Assets. Horizons' investment in capital assets (net of depreciation) as of June 30, 2013, and 2012 are as follows.

| | Governmental Activities | |
|-----------|-------------------------|-----------|
| | 2013 | 2012 |
| Equipment | \$ 16,955 | \$ 18,085 |

As noted earlier, Horizons contract with BVSD allows Horizons to use buildings owned by the district. Horizons only capital asset is playground equipment located on the Horizon campus.

Additional information on Horizons' capital assets can be found in Note 3 of this report.

Long-Term Debt. Horizons long-term debt as of June 30, 2013 is as follows.

| | <u>Governmental Activities</u> | | | |
|--------------|--------------------------------|------------------|------------------|------------------|
| | <u>Balance</u> | | <u>Balance</u> | |
| | <u>6/30/2012</u> | <u>Additions</u> | <u>Deletions</u> | <u>6/30/2013</u> |
| Loan Payable | \$392,000 | \$ - | \$392,000 | \$ - |

During the current year, BVSD forgave the debt because the BEST grant improved a district owned facility that BVSD would have had to remodel. Additional information on Horizons' long-term debt can be found in Note 4 of this report.

Economic Factors and Next Year's Budget

The primary factor driving the budget for Horizons is student enrollment. Enrollment for the 2012-13 school year was 324.9 full-time equivalent (FTE) students. The enrollment projected for the 2013-14 school year is 332.9 FTE students, which is lower than the 348 maximum enrollment allowed by Horizons' contract with BVSD. Horizons contract with BVSD provides funding of \$6,375 per student in 2012-13 and \$6,546 in 2013-14. Additionally, Horizons receives override and categorical revenues from BVSD on a per pupil basis. While these revenue sources can expect small increases, Horizons funding is essentially flat. Since operating expenditures continue to increase, Horizons will need to use the fund balance or seek other local sources to balance its budget.

Requests for Information

The financial report is designed to provide a general overview of Horizons' finances for interested parties. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Horizons K-8 School
 John McCluskey, Principal
 4545 Sioux Drive
 Boulder, CO 80303

BASIC FINANCIAL STATEMENTS

Horizons K-8 School
STATEMENT OF NET POSITION
June 30, 2013

| | GOVERNMENTAL ACTIVITIES |
|---|------------------------------------|
| ASSETS | |
| Cash and Investments | \$ 721,720 |
| Inventory | 595 |
| Capital Assets, Net of Accumulated Depreciation | 16,955 |
| TOTAL ASSETS | 739,270 |
| LIABILITIES | |
| Accrued Summer Salaries | 158,751 |
| Accrued Salaries and Benefits | 13,095 |
| Unearned Revenue | 14,242 |
| TOTAL LIABILITIES | 186,088 |
| NET POSITION | |
| Net Investment in Capital Assets | 16,955 |
| Restricted for Capital Renewal | 5,000 |
| Restricted for Emergencies | 100,488 |
| Unrestricted | 430,739 |
| TOTAL NET POSITION | \$ 553,182 |

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

Horizons K-8 School
STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

| FUNCTIONS/PROGRAMS | EXPENSES | PROGRAM REVENUES | | | NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION |
|---|---------------------|-------------------------|--|--|---|
| | | CHARGES FOR SERVICES | OPERATING GRANTS AND CONTRIBUTIONS | CAPITAL GRANTS AND CONTRIBUTIONS | |
| PRIMARY GOVERNMENT | | | | | |
| Governmental Activities | | | | | |
| Instruction | \$ 2,285,382 | \$ 105,058 | \$ 54,221 | \$ - | \$ (2,126,103) |
| Supporting Services | 3,625,728 | 82,480 | 11,172 | 2,634,803 | (897,273) |
| Interest Expense | 2,496 | | | | (2,496) |
| Total Governmental Activities | \$ 5,913,606 | \$ 187,538 | \$ 65,393 | \$ 2,634,803 | (3,025,872) |
| GENERAL REVENUES | | | | | |
| Per Pupil Revenue | | | | | 2,071,237 |
| District Mill Levy | | | | | 703,515 |
| Grants and Contributions not Restricted to Specific Programs | | | | | 307,592 |
| Other | | | | | 2,419 |
| SPECIAL ITEM | | | | | |
| Extinguishment of Debt | | | | | 343,000 |
| TOTAL GENERAL REVENUES AND SPECIAL ITEM | | | | | 3,427,763 |
| CHANGE IN NET POSITION | | | | | 401,891 |
| NET POSITION, Beginning | | | | | 151,291 |
| NET POSITION, Ending | | | | | \$ 553,182 |

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

Horizons K-8 School
BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2013

GENERAL

ASSETS

Cash and Investments
Inventory

\$ 721,720
595

TOTAL ASSETS

\$ 722,315

LIABILITIES AND FUND BALANCE

LIABILITIES

Accrued Summer Salaries
Accrued Salaries and Benefits
Unearned Revenue

\$ 158,751
13,095
14,242

TOTAL LIABILITIES

186,088

FUND BALANCE

Nonspendable Inventory
Restricted for Capital Renewal
Restricted for Emergencies
Unrestricted, Unassigned

595
5,000
100,488
430,144

TOTAL FUND BALANCE

536,227

TOTAL LIABILITIES AND FUND BALANCE

\$ 722,315

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

Total Fund Balance of the Governmental Fund

\$ 536,227

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

16,955

Total Net Position of Governmental Activities

\$ 553,182

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

Horizons K-8 School
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
Year Ended June 30, 2013

| | GENERAL |
|-----------------------------------|-------------------|
| REVENUES | |
| Local Sources | \$ 3,283,801 |
| State Sources | 2,688,696 |
| | <u>5,972,497</u> |
| TOTAL REVENUES | |
| EXPENDITURES | |
| Current | |
| Instruction | 2,285,382 |
| Supporting Services | 3,624,598 |
| Debt Service | |
| Principal | 49,000 |
| Interest and Fiscal Charges | 2,496 |
| | <u>5,961,476</u> |
| TOTAL EXPENDITURES | |
| NET CHANGE IN FUND BALANCE | 11,021 |
| FUND BALANCE, Beginning | <u>525,206</u> |
| FUND BALANCE, Ending | <u>\$ 536,227</u> |

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

Horizons K-8 School
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

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

| | | |
|--|----|----------------|
| Net Change in Fund Balance of the Governmental Fund | \$ | 11,021 |
| Capital outlays to purchase or construct capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized in the statement of net position and are allocated over their estimated useful lives as depreciation expense in the statement of activities. This amount represents depreciation expense in the current year. | | (1,130) |
| Repayments of long-term loans are expenditures in governmental funds, but they reduce long-term liabilities in the statement of net position and do not effect the statement of activities. | | 49,000 |
| Debt extinguishment is not reported in governmental funds, but is reported as a special item in the statement of activities. | | <u>343,000</u> |
| Change in Net Position | \$ | <u>401,891</u> |

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

Horizon's K-8 School
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1:

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Horizon's K-8 School (the "School") was organized pursuant to the Colorado Charter Schools Act to form and operate a charter school within the Boulder Valley School District RE-2 (the "District"). The School began operations in the fall of 1997.

The accounting policies of the School conform to generally accepted accounting principles 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. Following is a summary of the more significant policies.

Reporting Entity

The financial reporting entity consists of the School, organizations for which the School is financially accountable, and organizations that raise and hold economic resources for the direct benefit of the School. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the School. Legally separate organizations for which the School is financially accountable are considered part of the reporting entity. Financial accountability exists if the School appoints a voting majority of the organization's governing board and is able to impose its will on the organization, or if the organization provides benefits to, or imposes financial burdens on, the School. Based upon the application of this criteria, the School does not include additional organizations within its reporting entity.

The School is a component unit of the District. The District granted the School's charter and the majority of the School's funding is provided by the District.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the School. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported in a single column.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment 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*.

Major individual governmental funds are reported as separate columns in the fund financial statements.