

Guffey Community Charter School

Financial Report

June 30, 2012

The logo consists of a dark green rectangular box with a thin orange border. Inside the box, the text "Guffey Community Charter School" is written in a white, sans-serif font.

Guffey Community Charter School

**Guffey Community Charter School
June 30, 2012**

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MCMAHAN AND ASSOCIATES, L.L.C.

Certified Public Accountants and Consultants

CHAPEL SQUARE, BLDG C
245 CHAPEL PLACE, SUITE 300
P.O. Box 5850, AVON, CO 81620

WEB SITE: WWW.MCMAHANCPA.COM
MAIN OFFICE: (970) 845-8800
FACSIMILE: (970) 845-8108
E-MAIL: MCMAHAN@MCMAHANCPA.COM

INDEPENDENT AUDITOR'S REPORT

Board of Directors Guffey Community Charter School Guffey, Colorado

We have audited the accompanying basic financial statements of the governmental activities, and each major fund of the Guffey Community Charter School (the "School"), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the School. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. 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 and each major fund of the Guffey Community Charter School, as of June 30, 2012, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with U.S. generally accepted accounting principles.

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis in Section B 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 required supplementary information in accordance with U.S. generally accepted auditing standards, 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.

McMahan and Associates, L.L.C.

Member: American Institute of Certified Public Accountants

D. JERRY MCMAHAN, C.P.A.
PAUL J. BACKES, C.P.A.

DANIEL R. CUDAHY, C.P.A.
MICHAEL N. JENKINS, C.A., C.P.A.

AVON
(970) 845-8800

ASPEN
(970) 544-3996

FRISCO
(970) 668-3481

MANAGEMENT'S DISCUSSION AND ANALYSIS

Guffey Community Charter School

**Guffey Community Charter School
Management's Discussion and Analysis
As of and for the fiscal year ended June 30, 2012**

As management of the Guffey Community Charter School (the "School"), we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2012.

Financial Highlights

- The assets of the School exceeded its liabilities as of June 30, 2012 by \$129,588 (net assets). The School was unable to report a positive amount for unrestricted asset, which would be used to fund the School's ongoing obligations.
- The School had a change in fund balance of \$5,693.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements have three components: 1) School-wide financial statements; 2) Fund financial statements; and 3) Notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

School-wide Financial Statements: The School-wide financial statements are designed to provide readers with a broad overview of the School's finances, using accounting methods similar to those used by a private-sector business.

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

The Statement of Activities presents information showing how the School's net assets changed during the most recent fiscal 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 related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and changes in long-term compensated absences).

The School-wide financial statements distinguish functions of the School that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion their costs through user fees and charges (business-type activities). The school only reports governmental activities.

- **Governmental activities:** Most of the School's basic services are included here, such as instructional services, support services and student activities. Other services include activities relating to building maintenance and operations, student transportation, technology and administration.

The School-wide financial statements can be found on pages C1 and C2 of this report.

Fund Financial Statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The fund financial statements provide more detailed information about the operations of the School by fund instead of the School as a whole. All of the funds of the School are governmental funds.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the School-wide financial statements. However, unlike the School-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. The School's most significant, or "major", governmental fund is the General Fund. The School also reports the Capital Reserve Fund as a non-major governmental fund.

Because the focus of governmental funds is narrower than that of the School-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the School-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School adopts an annual appropriated budget for all of its funds. Budgetary comparison statements have been provided to demonstrate compliance with state budget statutes.

The basic major governmental fund financial statements can be found on page C3.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the School-wide and fund financial statements. The Notes to the Financial Statements can be found at section D this report.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents supplementary information concerning the School's annual appropriated budgets.

School-wide Financial Analysis:

The following table provides a comparative summary of the School's net assets as of June 30, 2012 and 2011:

Guffey Community Charter School Summary of Net Assets

	<u>2012</u>	<u>2011</u>
Assets:		
Current and other assets	\$ 208,338	\$ 225,882
Total Assets	<u>208,338</u>	<u>225,882</u>
Liabilities:		
Other liabilities	22,150	34,001
Long-term liabilities	56,600	53,600
Total Liabilities	<u>78,750</u>	<u>87,601</u>
Net Assets:		
Restricted for emergency	12,000	-
Unrestricted	117,588	138,281
Total Net Assets	<u>\$ 129,588</u>	<u>\$ 138,281</u>

Note that net assets may serve as an indicator of the School's financial position over time. The School's net assets for governmental activities have increased during the current year (see further discussion below).

The following table presents a summary of activities and changes in net assets for the fiscal years ended June 30, 2012 and 2011:

Guffey Community Charter School Summary of Activities and Changes in Net Assets

	<u>2012</u>	<u>2011</u>
Revenues:		
Per pupil funding	\$ 284,415	\$ 310,486
Investment income	221	335
Other	12,554	32,146
Total Revenues	<u>297,190</u>	<u>342,967</u>
Expenditures/Expenses:		
Direct instruction	176,950	269,666
Indirect instruction	-	336
General administration	83,126	15,755
Custodial maintenance	31,626	39,789
Transportation	4,692	3,156
Community service	3,147	4,810
Food Service Operations	6,343	5,420
Total Expenditures/Expenses	<u>305,884</u>	<u>338,932</u>
Change in Net Assets	(8,694)	4,035
Net Assets - January 1	138,281	134,246
Net Assets - December 31	<u>\$ 129,587</u>	<u>\$ 138,281</u>

Governmental Activities: Because the School's building and significant assets are owned by the District and the School has no debt, the governmental activities do not differ in any significant way from the School Fund activities.

The majority of School's operating revenues are generated from Total Program Funding as determined by the School Finance Act of 1994. Per pupil funding is comprised of general fund property taxes, specific ownership taxes, and state equalization as enumerated above.

Financial Analysis of the School's Funds

The School utilizes fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, the School's governmental funds reported ending fund balances of \$186,188 an change of (\$5,693) from the prior year ending fund balances.

Budget Variances in the General Fund: 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. Original and final adopted budgets, as well as variances between actual revenues, expenditures, and final budgeted amounts are reflected in the Required Supplementary Information on page C3 of the audited financial statements. The most significant budgeted variance are noted as follows

<u>Account</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Reason</u>
Payroll	209,447	176,966	Staffing level changed after budget completed
PERA and related taxes	39,188	31,023	Staffing level changed after budget completed

Capital Assets: The School's capital assets are owned by the Park County School District.

Long-Term Debt: The School has no long term debt as of the end of the current fiscal year.

Next Year's Budget and Fund Balance: The School's General Fund's equity balance at the end of fiscal year totaled \$186,188. The subsequent year's budget for fiscal year ended June 30, 2013 budget is fiscally balanced.

Request for Information

This financial report is designed to provide a general overview of the School's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Guffey Community Charter School, School Administrator, P.O. Box 147, Guffey, Colorado 80820.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS/
FUND FINANCIAL STATEMENTS**

Guffey Community Charter School

**Guffey Community Charter School
Balance Sheet/Statement of Net Assets
June 30, 2012**

	General Fund	Adjustments	Statement of Net Assets
Assets:			
Cash and cash equivalents	208,338	-	208,338
Total Assets	208,338	-	208,338
Liabilities:			
Accounts payable	842	-	842
Accrued payroll and related liabilities	21,308	56,600	77,908
Total Liabilities	22,150	56,600	78,750
Fund Balances/Net Assets:			
Fund balance:			
Reserved for emergencies	12,000	(12,000)	
Unassigned	174,188	(174,188)	
Total fund balance	186,188	(186,188)	
Total Liabilities and Fund Balance	208,338		
Net assets:			
Restricted for emergencies		12,000	12,000
Unrestricted		117,588	117,588
Total Net Assets		129,588	129,588

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

**Guffey Community Charter School
Statement of Revenues, Expenditures and
Changes in Fund Balance/Statement of Activities
For the Year Ended June 30, 2012**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues:			
Per pupil funding	284,415	-	284,415
Investment income	221	-	221
Other	12,554	-	12,554
Total Revenues	<u>297,190</u>	<u>-</u>	<u>297,190</u>
Expenditures/Expenses:			
Direct instruction	173,950	3,000	176,950
General administration	83,126	-	83,126
Custodial maintenance	31,626	-	31,626
Transportation	4,692	-	4,692
Community service	3,147	-	3,147
Food Service Operations	6,343	-	6,343
Total Expenditures/Expenses	<u>302,884</u>	<u>3,000</u>	<u>305,884</u>
Change in Net Assets	(5,694)	(3,000)	(8,694)
Fund Balance/Net Assets:			
Beginning of the Year	<u>191,881</u>		<u>138,281</u>
End of the Year	<u>186,187</u>		<u>129,587</u>

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

Guffey Community Charter School
Statement of Revenues and Expenditures
Budget and Actual
General Fund
For the Year Ended June 30, 2012
(With Comparative Actual Amounts for the Year Ended June 30, 2011)

	<u>2012</u>			<u>Variance</u>	<u>2011</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive</u>	<u>Actual</u>
	<u>Budget</u>	<u>Budget</u>		<u>(Negative)</u>	
Revenues:					
District funding	229,275	280,889	284,415	3,526	310,486
Investment income	200	200	221	21	335
Other	5,600	15,586	12,554	(3,032)	32,146
Total Revenues	<u>235,075</u>	<u>296,675</u>	<u>297,190</u>	<u>515</u>	<u>342,967</u>
Expenditures/Expenses:					
Bookkeeping	7,200	7,200	6,000	1,200	7,200
Computer expense	500	8,500	4,338	4,162	1,790
Office expense	6,500	6,900	3,911	2,989	4,893
Instructional Supplies	7,000	15,500	8,208	7,292	10,301
Insurance	37,711	37,792	36,502	1,290	34,197
Legal	0	3,000	1,875	1,125	4,130
Food and supplies	6,000	8,500	6,343	2,157	5,420
Payroll	189,747	209,447	176,966	32,481	192,068
PERA and related taxes	36,655	39,188	31,023	8,165	35,966
Repairs	2,000	5,500	536	4,964	1,279
Custodial supplies	0	2,000	1,729	271	2,000
Miscellaneous expense	2,950	9,400	4,158	5,242	23,666
Trash	2,000	2,000	1,415	585	1,478
Transportation	6,250	15,000	12,062	2,938	5,946
Utilities	9,500	9,500	7,817	1,683	8,598
Total Expenditures/Expenses	<u>314,013</u>	<u>379,427</u>	<u>302,883</u>	<u>76,544</u>	<u>338,932</u>
Change in Net Assets	(78,938)	(82,752)	(5,693)	77,059	4,035
Fund Balance/Net Assets:					
Beginning of the Year	<u>80,000</u>	<u>85,000</u>	<u>191,881</u>	<u>106,881</u>	<u>187,846</u>
End of the Year	<u>1,062</u>	<u>2,248</u>	<u>186,188</u>	<u>183,940</u>	<u>191,881</u>

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

NOTES TO THE FINANCIAL STATEMENTS

Guffey Community Charter School

Guffey Community Charter School
Notes to the Financial Statements
June 30, 2012
(Continued)

I. Summary of Significant Accounting Policies

Guffey Community Charter School (the "School") was formed in September 29, 1999 to serve as a place of learning and service that nurtures the light of the individual spirit by treasuring our countryside, the classroom, and the community, both local and global, in an atmosphere of safety, kindness, and joy.

The School operates under a charter from the Park County School District and is a public entity. The School also created a non-profit 501(c) 3 corporation which is utilized for grants and large charitable contributions. The financial statements include both transactions of the non-profit and public entity.

On June 3, 1993, the Colorado State Legislature passed a statute, known as the Charter School Act (the "Act"), allowing the creation of public, non-sectarian, non-religious, nonhome-based schools to operate within a public school district. The schools, known as charter schools, allow for groups of parents, teachers, and community members to operate a school in a semi-autonomous environment. Under the Act, charter schools operate according to an approved charter application that serves as a contract between the charter school and the District's Board.

In 1995 the District approved a charter application through a resolution, allowing for the creation of the Lake George / Guffey Community Charter School. The charter contract was later amended to separate the schools into the Lake George Charter School and the Guffey Community Charter School.

Charter Schools are financed from a portion of School Finance Act revenues and from revenues generated by the School, within the limits established by the Charter School Act, *CRS Section 22-30-101*. The School operates under an elected Board of Directors and follows state and federal accounting and reporting requirements in compliance with the terms of its approved charter.

The School's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established by GAAP used by the School are discussed below.

A. Reporting Entity

The reporting entity consists of (a) the primary government; i.e., the School, and (b) organizations for which the School is financially accountable. The School is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization's governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the School. Consideration is also given to other organizations, which are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the School. Organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

Based on the criteria above, the School is not financially accountable for any other organization. The School is included in the District's reporting entity because of the nature and significance of their operational and financial relationships with the District. The School's financial transactions are consolidated and reported within the District's General Fund.

Guffey Community Charter School
Notes to the Financial Statements
June 30, 2012
(Continued)

I. Summary of Significant Accounting Policies (continued)

B. School-wide and Fund Financial Statements

1. School-wide Financial Statements

The School's basic financial statements include both School-wide (financial activities of the overall School) and fund financial statements (reporting the School's major funds). Both the School-wide and fund financial statements categorize primary activities as either governmental or business type. The School does not have any business-type activities, only governmental activities. Governmental activities generally are financed through per pupil revenue allocations from the State Department of Education, fees charged for services, intergovernmental revenues, and other non-exchange transactions.

In the School-wide Balance Sheet/Statement of Net Assets, the Statement of Net Assets column is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The School's net assets are reported in three parts—invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The School-wide focus is on the sustainability of the School as an entity and the change in the School's net assets resulting from the current year's activities.

2. Fund Financial Statements

The financial transactions of the School are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The fund focus is on current available resources and budget compliance.

The School reports the following major governmental fund:

The *General Fund* is the School's primary operating fund. It accounts for all financial resources of the School, except those required to be accounted for in another fund.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements. Financial statement presentation refers to classification of revenues by source and expenses by function.

Guffey Community Charter School
Notes to the Financial Statements
June 30, 2012
(Continued)

I. Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

1. Long-term Economic Focus and Accrual Basis

Governmental activities in the school-wide financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

2. Current Financial Focus and Modified Accrual Basis

The School fund financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. The School considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

D. Financial Statement Accounts

1. Cash and Cash Equivalents

Cash and cash equivalents are defined as deposits that can be withdrawn at any time without notice or penalty and investments with original maturities of three months or less.

2. Receivables

The School uses the allowance method for recognition of uncollectible receivables, whereby an allowance for possible uncollectibility is established when collection becomes doubtful. No allowance was established at June 30, 2012, as all amounts were considered collectible.

3. Capital Assets

Capital assets, which include buildings and improvements, furniture, fixtures, and equipment, are reported in the school-wide financial statements. The School defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost where historical records are available and at an estimated historical cost where no historical record exists. Donated capital assets are recorded at estimated fair value at the date of donation.

Guffey Community Charter School
Notes to the Financial Statements
June 30, 2012
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

3. Capital Assets (continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed asset, as applicable.

Capital outlay for projects is capitalized as projects are constructed. Interest incurred during the construction phase, if applicable, is not capitalized as part of the value of the assets.

Buildings and improvements, furniture, fixtures and equipment are depreciated using the straight line method over the following estimated useful lives. The building occupied by the School is owned by the District. It had an insurable value of \$255,000 at June 30, 2012. The School had no other assets with a cost meeting the statutory capitalization policy referred to above.

4. Long-term Obligations

In the school-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statements of Net Assets. In the fund financial statements, the School records the face amount of debt issued as other financing sources.

5. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the School's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

6. Fund Balance

The School classifies governmental fund balances as follows:

Non-spendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority which is the Board of Directors.

Guffey Community Charter School
Notes to the Financial Statements
June 30, 2012
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

6. Fund Balance (continued)

Assigned – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Board of Directors or its management designee.

Unassigned - includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

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

II. Reconciliation of School-wide and Fund Financial Statements

A. Explanation of differences between the governmental fund Balance Sheet and the school-wide Statement of Net Assets

The School had a total earned retirement liability of \$50,000. \$6,000 of the liability relates to retired employees and is reflected as a liability on the General Fund. \$44,000 of the liability relates to current employees who have earned the benefit but have not yet retired. The School also has a liability for sick pay of \$12,600. This portion of the liability is accounted for on the Statement of Net Assets.

B. Explanation of differences between the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and the school-wide Statement of Activities

The governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance/school-wide Statement of Activities includes an adjustment column. The only adjustment noted is the increase in retirement liability for current employees.

Guffey Community Charter School
Notes to the Financial Statements
June 30, 2012
(Continued)

III. Stewardship, Compliance, and Accountability

A. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles. As required by Colorado Statutes, all funds have legally adopted budgets and appropriations. The total expenditures for each fund may not exceed the amount appropriated. Appropriations for a fund may be increased if unanticipated revenues offset them. All appropriations lapse at year-end.

As required by Colorado Statutes, the School followed the required timetable noted below in preparing, approving, and enacting its budget for 2012.

1. The proposed budget was submitted to the School Board and the District's Board of Education by May 31 of the year preceding the budget year. The proposed budget must include a description of major educational objectives and how the proposed budget fulfills those objectives.
2. Notice was published within ten (10) days which contained: availability of proposed budget for inspection, date and time of budget adoption meeting, and that any County taxpayer may file objections prior to the adoption of the budget.
3. The District's Board of Education certified revenue requirements to the local County Commissioners prior to December 15.
4. The final budget was adopted prior to June 30, along with an appropriation resolution.

B. TABOR Amendment – Revenue and Spending Limitation Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20; commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenues gain to any local government.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

Guffey Community Charter School
Notes to the Financial Statements
June 30, 2012
(Continued)

III. Stewardship, Compliance, and Accountability (continued)

B. TABOR Amendment – Revenue and Spending Limitation Amendment

TABOR also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year revenues. The School has reserved a portion of its June 30, 2012 year-end fund balance in the General Fund for emergencies as required under TABOR in the amount of \$12,000.

On November 3, 1998, the District’s electorate approved to: *“allow the District to collect, keep, and expend revenue from any sources received without regard to any spending, revenue raising, or other limitation on Article X, Section 20 of the Colorado constitution or other laws of the State.”*

The School’s management believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions, including the interpretation of how to calculate fiscal year spending limits, will require judicial interpretation.

IV. Detailed Notes on all Funds

A. Deposits

The School’s deposits are entirely covered by federal depository insurance (FDIC) or by collateral held under Colorado’s Public Deposit Protection Act (“PDPA”). The FDIC insures the first \$250,000 of the School’s interest-bearing deposits at each financial institution. Non-interest bearing deposits are fully insured by the FDIC. Interest-bearing deposit balances over \$250,000 are collateralized as required by PDPA.

The deposits held by the School at June 30, 2012, were as follows:

	<u>Standard and Poors Rating</u>	<u>Carrying Amounts</u>	<u>Maturities</u>	
			<u>Less than One Year</u>	<u>Less than Five Years</u>
Deposits:				
Petty	Not rated	100	100	-
Checking	Not rated	23,454	23,454	-
Pools	AAAm	184,784	184,784	-
		<u>\$ 208,338</u>	<u>\$ 208,338</u>	<u>\$ -</u>

Guffey Community Charter School
Notes to the Financial Statements
June 30, 2012
(Continued)

IV. Detailed Notes on all Funds

A. Deposits

The District has addressed the following risks as noted:

Credit Risk – State statutes authorize the District to only invest in bank deposits, general obligations of the U.S. Government and its agencies, repurchase agreements of less than 180 days and collateralized by U.S. Treasury or Federal Instrumentality Securities with a maturity not exceeding 5 years, highest rated commercial paper, certain bankers acceptances, local government investment pools, money market funds and certificates of deposit. The District’s policy is to restrict investments to only those permitted by state statute.

Colorado statutes specify instruments in which local governments may invest, including:

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

Concentration Risk – Investment diversification is utilized to avoid unreasonable risks inherent in overinvesting in specific instruments, individual financial institutions or maturities. The District’s investments consist entirely of certificates of deposit within three financial institutions. However, these deposits are made with varied maturity dates and are collateralized for amounts over insured limits as required under Colorado State Statutes.

Interest Rate Risk – Colorado Revised Statutes limit the District’s investment maturities to 5 years or less from the date of purchase. This limit on investment maturities is a means of limiting exposure to fair values arising from interest rates. The District’s investment policy is to follow the State Statute in order to reduce interest rate risk

B. Long-Term Liabilities

The School had the following long-term liabilities at June 30, 2012.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Sick pay	\$ 12,600	\$ -	\$ -	\$ 12,600	
Retirement Payable	41,000	3,000	-	44,000	-
	<u>\$ 53,600</u>	<u>\$ 3,000</u>	<u>\$ -</u>	<u>\$ 56,600</u>	<u>\$ -</u>

Guffey Community Charter School
Notes to the Financial Statements
June 30, 2012
(Continued)

V. Other Information

A. Defined Benefit Pension Plan

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

Funding Policy: Plan members and the School are required to contribute to the SDTF 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 the contribution rate for the School is 10.15% of covered salary. A portion of the School's contribution (1.02% of covered salary) is allocated to the Health Care Trust Fund (see subsequent note). The School is also required to pay an amortization equalization disbursement (AED) equal to 2.60 percent of the total payroll for the calendar year 2012. Additionally, the School is required to pay a supplemental amortization equalization disbursement (SAED) equal to 2.00 percent of the total payroll for the calendar year 2012. The total employer contribution including AED and SAED equals 14.75%. If the School rehires a PERA retiree as an employee or under any other work arrangement, it is required to report and pay employer contributions (including the AED and SAED) on the amounts paid for the retiree; however, no member contributions are required.

The School's contributions to SDTF for the years ended June 30, 2012 and 2011 were \$27,470 and \$26,604.

Guffey Community Charter School
Notes to the Financial Statements
June 30, 2012
(Continued)

V. Other Information (continued)

B. Postemployment Healthcare Benefits

Plan Description: The XYZ School District contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF provides a health care premium subsidy to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, assigns the authority to establish the HCTF benefit provisions to the State Legislature. PERA issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplementary information for the HCTF. That report may be obtained online at www.copera.org or by writing to Colorado PERA, 1301 Pennsylvania Street, Denver, Colorado 80203, or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

Funding Policy: The School is required to contribute at a rate of 1.02 percent of covered salary for all PERA members at rates set by statute. No member contributions are required. The contribution requirements for the School are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contribution to the HCTF from the defined benefit plan employer contribution (see previous note) is established under Title 24, Article 51, Section 208 of the C.R.S., as amended. The School's contributions to the HCTF for the years ended June 30, 2012 and 2011 were \$1,900 and \$1,840, respectively, equal to their required contributions for each year.

C. Defined Contribution Pension Plan

Plan Description: Employees of the School who are members of the SDTF may voluntarily contribute to the Voluntary Investment Program ("401(k) Plan"), an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Plan participation is voluntary, and contributions are separate from others made to PERA. Title 24, Article 51, Part 14 of the CRS, as amended, assigns the authority to establish the 401(k) Plan to the State Legislature. PERA issues a publicly available annual financial report for the 401(k) Plan. That report may be obtained online at www.copera.org or by writing to Colorado PERA, 1301 Pennsylvania Street, Denver, Colorado 80203 or by calling PERA at (303)-832-9550 or 1-(800)-759-PERA (7372).

Funding Policy: The 401(k) Plan is funded by voluntary member contributions of up to a maximum limit set by the IRS. The contribution requirements for the School are established under Title 24, Article 51, Section 1402 of the Colorado Revised Statutes, as amended.

Guffey Community Charter School
Notes to the Financial Statements
June 30, 2012
(Continued)

V. Other Information (continued)

D. Risk Management

Risk of Loss: The School is exposed to various risks of loss related to workers compensation; general liability; unemployment; torts; theft of, damage to, and destruction of assets; and errors and omissions. The School has acquired commercial coverage for these risks and claims, if any, are not expected to exceed the commercial insurance coverage.

Pupil Counts: Each year the District submits data regarding pupil counts to the Colorado Department of Education (CDE). The purpose of this data collection is to obtain required student level data as provided for by state statute (s), including information regarding students' funding eligibility as outlined in the Public School Finance Act of 1994 (22-54-101, C.R.S.).

The Student October Count is based on a one (1) day membership count in which districts are asked to report all students who are actively enrolled and attending classes through their district on that date. In an effort to ensure accurate reporting of those data fields associated with student funding, CDE conducts periodic compliance audits of each district's student October count data. This data not only determine per pupil funding, but also at risk and English Language Proficiency Act (ELPA) funding. CDE audits districts every one to four years, the frequency of which is determined by a number of factors including, but not limited to, the size and location of the district, as well as issues or concerns that might have arisen from prior audits.

The School believes its pupil count information is accurate and any adjustment would not be material.

E. Subsequent Events

Management has evaluated subsequent events through October 11, 2012, the date these financial statements were available to be issued.

**Guffey Community Charter School
Notes to the Financial Statements
June 30, 2012
(Continued)**

V. Other Information (continued)

F. Professional Staff Retirement / Departure Plan

For the purpose of rewarding professional staff of the school for years of faithful service, the Board has approved a retirement plan for all employees who have been employed as a ¾ time or full time staff person. The plan provides for the following:

<u>Years of Service</u>	<u>Total Amount</u>	<u>Length of Payout</u>	<u>Per Year</u>
10	\$ 5,000	5 years	\$ 1,000
11	6,000	5 years	1,200
12	7,000	5 years	1,400
13	8,000	5 years	1,600
14	9,000	5 years	1,800
15	10,000	5 years	2,000
16	12,000	5 years	2,400
17	14,000	5 years	2,800
18	16,000	5 years	3,200
19	18,000	5 years	3,600
20	20,000	5 years	4,000

Payments are made equally over a five – year payment plan. The first payment will be made on the September pay date of the calendar year following retirement /departure. Subsequent payments will be made on September pay date of each subsequent year. Items relating to this liability for retired employees are reflected on the School's General Fund. Liabilities that are earned on current employees are reflected on the Statement of Activities.

G. Sick Pay

The school pays \$35/day for any unused sick days up to 90 days (\$3150). Payment is made on the September pay date of the calendar year following retirement. At year end the School had a sick pay liability of \$12,600.