



MCMAHAN AND ASSOCIATES, L.L.C.

Certified Public Accountants and Consultants

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**Board of Directors
Guffey Community Charter School
P.O. Box 147
Guffey, CO 80820**

We have audited the financial statements of Guffey Community Charter School for the year ended June 30, 2014. Professional standards require that we provide you with the following information related to our audit.

Qualitative Aspects of Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Guffey Community Charter School (the "School") are described in the Notes to the Financial Statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the School during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Pupil Count: Management makes a count of all pupils every October. If that count differs upon audit by CDE, the Schools per pupil funding could retroactively change.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no material uncorrected misstatements.

Member: American Institute of Certified Public Accountants

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Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit

Management Representations

As is required in an audit engagement we have requested certain representations from management that are included in the management representation letter.

We noted the following items for your consideration:

Governmental Accounting Standards Board Statement 68:

Financial reporting standards for the School are promulgated by the Governmental Accounting Standards Board ("GASB"). GASB has issued Statement 68 which requires employers to recognize their long-term obligation for pension benefits as a liability on the Statement of Net Assets. The Statement also requires revised and new note disclosures and required supplementary information (RSI). Recording the District's share of PERA's net pension liability will have a material impact on the School's financial statements. GASB 68 is required to be implemented for periods beginning after June 15, 2014.

This report is intended solely for the information and use of the Board of Directors, management, and others within the organization and is not intended to be, and should not be, used by anyone other than those specified parties.

Sincerely,



McMahan and Associates, L.L.C.
December 26, 2014

GUFFEY COMMUNITY CHARTER SCHOOL
BOOKKEEPER MEMORANDUM

TO: FOR THE FILE
FROM: KIM MCALEAR
SUBJECT: COMMUNICATION WITH THE GOVERNING BOARD LETTER
DATE: FEBRUARY 8, 2015

This memo serves as a record of an explanation I received from the Auditor regarding the portion of the Letter regarding PERA (page 2).

I asked if we had any duties or responsibilities at this time.

The answer I received on 2/3/15 from Paul Backes was:

[The section in question] is a notice that GASB68 will have a significant impact on Guffey's 2015 financial statements. Basically [you] will need to show Guffey's portion of PERA's underfunding on your financial statements. PERA will provide you with certain data and we will need to assist you in how to reflect this on your reports. There isn't anything you can do about it (or prepare for it), it's just an FYI.

To summarize – no action will be taken at this time.

Thank you!!!

Kim McAlear



Guffey Community Charter School

Financial Report

June 30, 2014

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, serif font.

Guffey Community Charter School

MANAGEMENT'S DISCUSSION AND ANALYSIS

Guffey Community Charter School

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

Guffey Community Charter School

NOTES TO THE FINANCIAL STATEMENTS

Guffey Community Charter School

**Guffey Community Charter School
June 30, 2014**

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Guffey Community Charter School**

We have audited the accompanying financial statements of the Guffey Community Charter School (the "School"), as of and for the year ended June 30, 2014, as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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.

Auditor's Responsibility

Our responsibility is to express opinions 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 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 audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Guffey Community Charter School as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

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Other Matters

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 Management's Discussion and Analysis in Section B 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the School's basic financial statements. The individual fund budgetary comparison information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The individual fund budgetary comparison is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

McMahan and Associates, L.L.C.

**McMahan and Associates, L.L.C.
Avon, Colorado
December 26, 2014**

**Guffey Community Charter School
Management's Discussion and Analysis
As of and for the fiscal year ended June 30, 2014**

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, 2014.

Financial Highlights

- The assets of the School exceeded its liabilities as of June 30, 2014 by \$144,797 (net position).
- The School had a change in fund balance of \$30,214.

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 Position presents information on all the School's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 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 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 position as of June 30, 2014 and 2013:

Guffey Community Charter School Summary of Net Position

	<u>2014</u>	<u>2013</u>
Assets:		
Current and other assets	\$ 174,018	\$ 212,739
Capital assets	39,999	-
Total Assets	<u>214,017</u>	<u>212,739</u>
Liabilities:		
Other liabilities	11,770	20,277
Long-term liabilities	57,450	64,600
Total Liabilities	<u>69,220</u>	<u>84,877</u>
Net Position:		
Invested in capital assets	39,999	-
Restricted for emergency	12,000	12,000
Restricted for employee benefits	10,000	-
Unrestricted	82,798	115,862
Total Net Position	<u>\$ 144,797</u>	<u>\$ 127,862</u>

Note that net position may serve as an indicator of the School's financial position over time. The School's net position 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 position for the fiscal years ended June 30, 2014 and 2013:

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

	<u>2014</u>	<u>2013</u>
Revenues:		
Per pupil funding	\$ 267,127	\$ 279,500
Investment income	173	344
Other	72,957	36,865
Total Revenues	<u>340,257</u>	<u>316,709</u>
Expenditures/Expenses:		
Direct instruction	181,805	169,457
Indirect instruction	231	651
General administration	91,979	85,717
Custodial maintenance	39,217	50,118
Transportation	3,667	4,172
Community service	497	2,182
Food Service Operations	5,926	6,137
Total Expenditures/Expenses	<u>323,322</u>	<u>318,434</u>
Change in Net Position	16,935	(1,725)
Net Position - July 1	<u>127,862</u>	<u>129,587</u>
Net Position - June 30	<u>\$ 144,797</u>	<u>\$ 127,862</u>

Governmental Activities: A significant portion of 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 School does own a lot and some equipment.

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 \$162,248 an change of \$30,214 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 variances are noted as follows

<u>Account</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Reason</u>
Revenues:			
District funding	299,835	267,127	Lower pupil count than expected.
Other	20,900	72,957	Revenue raised as a result of fundraising used to purchase land.
Payroll	197,231	187,996	A teacher left during the year and was replaced by a lower paid substitute.

Capital Assets: A significant portion of the School's building and significant assets are owned by the District. The School does own a lot and some equipment. 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 \$162,248. The subsequent year's budget for fiscal year ended June 30, 2015 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.

**Guffey Community Charter School
Balance Sheet/Statement of Net Assets
June 30, 2014**

	General Fund	Adjustments	Statement of Net Position
Assets:			
Cash and cash equivalents	173,218	-	173,218
Accounts receivable	800	-	800
Capital assets, net of accumulated depreciation	-	39,999	39,999
Total Assets	174,018	39,999	214,017
Liabilities:			
Accounts payable	664	-	664
Accrued payroll and related liabilities	11,106	57,450	68,556
Total Liabilities	11,770	57,450	69,220
Fund Balances/Net Position:			
Fund balance:			
Reserved for emergencies	12,000	(12,000)	
Assigned for employee benefits	73,550	(73,550)	
Unassigned	76,698	(76,698)	
Total fund balance	162,248	(162,248)	
Total Liabilities and Fund Balance	174,018		
Net position:			
Invested in capital assets, net of related debt		39,999	39,999
Restricted for emergencies		12,000	12,000
Restricted for HRA		10,000	10,000
Unrestricted		82,798	82,798
Total Net Position		144,797	144,797

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, 2014**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues:			
Per pupil funding	267,127	-	267,127
Investment income	173	-	173
Other	72,957	-	72,957
Total Revenues	<u>340,257</u>	<u>-</u>	<u>340,257</u>
Expenditures/Expenses:			
Direct instruction	188,955	(7,150)	181,805
Indirect instruction	231	-	231
General administration	91,979	-	91,979
Custodial maintenance	39,217	-	39,217
Transportation	3,667	-	3,667
Community service	497	-	497
Food Service Operations	5,926	-	5,926
Capital Outlay	39,999	(39,999)	-
Total Expenditures/Expenses	<u>370,471</u>	<u>(47,149)</u>	<u>323,322</u>
Change in Net Position	(30,214)	47,149	16,935
Fund Balance/Net Position:			
Beginning of the Year	<u>192,462</u>		<u>127,862</u>
End of the Year	<u>162,248</u>		<u>144,797</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, 2014
(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014			Variance Positive (Negative)	2013
	Original Budget	Final Budget	Actual		Actual
Revenues:					
District funding	299,835	299,835	267,127	(32,708)	279,500
Investment income	275	275	173	(102)	344
Other	20,900	20,900	72,957	52,057	36,865
Total Revenues	321,010	321,010	340,257	19,247	316,709
Expenditures/Expenses:					
Bookkeeping	7,550	7,550	7,643	(93)	4,800
Computer expense	800	800	1,468	(668)	1,894
Office expense	9,803	9,803	8,703	1,100	7,187
Instructional Supplies	5,000	5,000	12,014	(7,014)	10,205
Insurance	33,752	33,752	31,754	1,998	28,137
Legal	4,500.00	3,527	3,527	-	3,825
Food and supplies	6,000	6,000	5,926	74	6,137
Payroll	197,231	197,231	187,996	9,235	167,795
PERA and related taxes	35,027	35,027	35,368	(341)	30,037
Repairs	3,500	513	3,255	(2,742)	19,727
Custodial supplies	-	-	1,831	(1,831)	2,112
Miscellaneous expense	6,200	4,901	14,806	(9,905)	10,652
Trash	1,500	1,500	1,430	70	1,415
Transportation	6,300	6,300	7,495	(1,195)	9,621
Utilities	6,500	6,500	7,256	(756)	6,890
Capital outlay	12,000	-	39,999	(39,999)	-
Total Expenditures/Expenses	335,663	318,404	370,471	(52,067)	310,434
Change in Net Position	(14,653)	2,606	(30,214)	(32,820)	6,275
Fund Balance/Net Position:					
Beginning of the Year			192,462		186,187
End of the Year			162,248		192,462

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

Guffey Community Charter School
Notes to the Financial Statements
June 30, 2014

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, 2014
(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 Position, the Statement of Net Position 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 position is reported in three parts—invested in capital assets, net of related debt; restricted net position; and unrestricted net position.

The School-wide focus is on the sustainability of the School as an entity and the change in the School's net position 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, 2014
(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, 2014, 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, 2014
(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, 2014.

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 Position. 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. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for "deferred outflows of resources." Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resource (expense/expenditure) until then. This School does not have any items that qualify for reporting in this category at June 30, 2014.

In addition to liabilities, the statement of financial position will sometimes report a separate section for "deferred inflows of resources." Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School does not have any items that qualify for reporting in this category at June 30, 2014.

Guffey Community Charter School
Notes to the Financial Statements
June 30, 2014
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

7. 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.

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 Position

The School had a total earned retirement liability of \$51,600. \$3,600 of the liability relates to retired employees and is reflected as a liability on the General Fund. \$48,000 of the liability relates to current employees who have earned the benefit but have not yet retired. In addition to the earned retirement liability the School has a liability for sick pay of \$9,450. The School also purchased land for \$39,999 in 2014 that land is classified as a capital asset. These liabilities and capital assets are accounted for on the Statement of Net Position.

Guffey Community Charter School
Notes to the Financial Statements
June 30, 2014
(Continued)

II. Reconciliation of School-wide and Fund Financial Statements (continued)

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 \$7,150 adjustment is the decrease in retirement liability for current employees. The \$39,999 adjustment is for the purchase of land, which will be classified as a capital asset on the School-wide financial statements.

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 2014.

1. The proposed budget was submitted to the School Board and the District's Board of Education by May 31 of the year proceeding 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, 2014
(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, 2014 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 deposits at each financial institution. Deposit balances over \$250,000 are collateralized as required by PDPA.

The deposits held by the School at June 30, 2014, 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	50		-
Checking	Not rated	43,619	43,619	-
Pools	AAAm	129,549	129,549	-
		<u>\$ 173,218</u>	<u>\$ 173,168</u>	<u>\$ -</u>

Guffey Community Charter School
Notes to the Financial Statements
June 30, 2014
(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. Capital Assets

The School’s capital asset activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ -	39,999	-	39,999
Total capital assets, not being depreciated	-	39,999	-	39,999
Total Capital Assets, Net	<u>\$ -</u>	<u>39,999</u>	<u>-</u>	<u>39,999</u>

Guffey Community Charter School
Notes to the Financial Statements
June 30, 2014
(Continued)

IV. Detailed Notes on all Funds (continued)

C. Long-Term Liabilities

The School had the following long-term liabilities at June 30, 2014.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Sick pay	\$ 12,600	\$ -	\$ 3,150	\$ 9,450	
Retirement Payable	52,000	-	4,000	48,000	-
	<u>\$ 64,600</u>	<u>\$ -</u>	<u>\$ 7,150</u>	<u>\$ 57,450</u>	<u>\$ -</u>

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: The School is required to contribute member and employer contributions to PERA 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 C.R.S., as amended. The contribution rate for members is 8.0 percent and for the School it is 10.15 percent of covered salary. A portion of the School’s contribution (1.02 percent 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 3.80 percent of the total payroll for the calendar year 2014 (3.40 percent of total payroll for the calendar year 2013, and 3.00 percent of total payroll for the calendar year 2012). Additionally, the School is required to pay a supplemental amortization equalization disbursement (SAED) equal to 3.50 percent of the total payroll for the calendar year 2014 (3.00 percent of total payroll for the calendar year 2013, and 2.50 percent of total payroll for the calendar year ended 2012). The total employer contribution including AED and SAED equals 17.45 percent. 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, 2014, 2013 and 2012 were \$32,043, \$27,030 and \$27,470, respectively..

Guffey Community Charter School
Notes to the Financial Statements
June 30, 2014
(Continued)

V. Other Information (continued)

B. Postemployment Healthcare Benefits

Plan Description: The Guffey Community Charter School 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, 2014, 2013 and 2012 were \$2,216, \$1,869 and \$1,900, 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.

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.).

Guffey Community Charter School
Notes to the Financial Statements
June 30, 2014
(Continued)

V. Other Information (continued)

D. Risk Management

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. Related Party Transactions

In the fiscal year ending June 30, 2014 one member of the School Board was an employee of the School. He received gross pay of \$30,000 during the fiscal year.

One member of the Board owns an excavation company which provided work for the school, total payments to this company for the year ended June 30, 2014 was \$459.

F. Subsequent Events

Management has evaluated subsequent events through December 26, 2014, the date these financial statements were available to be issued.

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**Guffey Community Charter School
Notes to the Financial Statements
June 30, 2014
(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 (\$3,150). 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 \$9,450.