

Guffey Community Charter School

Financial Report

June 30, 2016

Guffey Community Charter School

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**Guffey Community Charter School
June 30, 2016**

Table of Contents

	Page
INDEPENDENT AUDITOR'S REPORT	A1- A2
Management's Discussion and Analysis	B1 - B4
Basic Financial Statements:	
Balance Sheet / Statement of Net Position	C1
Statement of Revenues, Expenditures and Changes in Fund Balance / Statement of Activities	C2
Statement of Revenues and Expenditures - Budget and Actual - General Fund	C3
Notes to the Financial Statements	D1 – D16
Required Supplementary Information:	
Schedule of Employer's Proportionate Share of the net Pension Liability	E1
Schedule of School Contributions	E2



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

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the General Fund, and the General Fund budgetary comparison of the Guffey Community Charter School (the "School"), as of and for the year ended June 30, 2016, which collectively comprise the School's basic financial statements 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

Member: American Institute of Certified Public Accountants

PAUL J. BACKES, CPA, CGMA
MICHAEL N. JENKINS, CA, CPA, CGMA
DANIEL R. CUDAHY, CPA, CGMA

AVON: (970) 845-8800
ASPEN: (970) 544-3996
FRISCO: (970) 668-3481

INDEPENDENT AUDITOR'S REPORT
To the Board of Directors
Guffey Community Charter School
Guffey, Colorado

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, 2016, and the respective changes in financial position thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis in Section B, and the Schedule of Employer's Proportionate Share of the Net Pension Liability and the Schedule of School Contributions in Section E, 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
December 27, 2016

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, 2016**

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, 2016.

Financial Highlights

- The School's liabilities and deferred inflows of resources exceeded its assets and deferred outflow of resources as of June 30, 2016 by (\$362,803), resulting in a deficit net position.
- The School had a change in fund balance of \$15,265.

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 four components: 1) Government-wide financial statements; 2) Fund financial statements; 3) General Fund budget and actual statement; and 4) Notes to the financial statements.

Government-wide Financial Statements: The government-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, deferred outflows of resources, liabilities, and deferred inflows of resources, 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 government-wide financial statements distinguish functions of the School that are principally supported by taxes and intergovernmental revenues (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 government-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. The School has one governmental fund.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of 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 only governmental fund is the General Fund

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term 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 pages C1 – C2.

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

Government-wide Financial Analysis:

The following table provides a comparative summary of the School's net position as of June 30, 2016 and 2015:

Guffey Community Charter School Summary of Net Position

	<u>2016</u>	<u>2015</u>
Assets:		
Current and other assets	\$ 277,856	263,911
Capital assets	53,448	49,138
Total Assets	<u>331,304</u>	<u>313,049</u>
Deferred Outflows of Resources:		
Pension related deferred outflow	120,950	87,865
Total Deferred Outflows of Resources	<u>120,950</u>	<u>87,865</u>
Liabilities:		
Other liabilities	23,740	26,260
Long-term liabilities	761,786	710,455
Total Liabilities	<u>785,526</u>	<u>736,715</u>
Deferred Inflows of Resources:		
Pension related deferred inflow	29,531	50
Total Deferred Inflows of Resources	<u>29,531</u>	<u>50</u>
Net Position:		
Invested in capital assets	53,448	49,138
Restricted for emergency	15,000	15,000
Restricted for employee benefits	-	8,000
Unrestricted	(431,251)	(407,989)
Total Net Position	<u>\$ (362,803)</u>	<u>(335,851)</u>

Government-wide Financial Analysis (continued):

Of total assets, 16% are capital assets (e.g. land, fixtures and equipment). The increase is comprised of current year depreciation expense of \$1,240 and the addition of fixtures and equipment of \$5,550.

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 has 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, 2016 and 2015:

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

	<u>2016</u>	<u>2015</u>
Revenues:		
Per pupil funding	\$ 325,331	436,819
Investment income	949	209
Other	35,080	51,912
Total Revenues	<u>361,360</u>	<u>488,940</u>
Expenses:		
Direct instruction	235,700	250,580
Indirect instruction	-	360
General administration	114,347	103,263
Custodial maintenance	30,801	51,819
Transportation	1,673	2,934
Community service	531	16,410
Food service operations	5,260	10,237
Total Expenses	<u>388,312</u>	<u>435,603</u>
Change in Net Position	(26,952)	53,337
Net Position - July 1	<u>(335,851)</u>	<u>(389,188)</u>
Net Position - June 30	<u>\$ (362,803)</u>	<u>(335,851)</u>

Governmental Activities: Net position from governmental activities increased \$26,951. This increase was primarily a result of an increase in per pupil funding

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, unassigned 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 balance of \$252,916 a change of \$15,265 from the prior year ending fund balance.

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 on page C3 of the audited financial statements. The most significant budgeted variances are noted as follows:

Account	Final Budget	Actual	Reason
Revenues:			
District funding	\$ 298,194	325,331	Increase pupil count than expected
Total Revenues	<u>313,194</u>	<u>361,360</u>	
Expenditures:			
Repairs and maintenance	3,935	12,926	New oven purchased
Operational contingency	15,000	-	Budgeted but unused
	<u>348,694</u>	<u>346,094</u>	

Capital Assets: The School's capital assets, net of accumulated depreciation, totaled \$53,448 as of June 30, 2016. A significant portion of the School's building and significant assets are owned by Park County School District.

Additional information as well a detailed classification of the School's net capital assets can be found in the Notes to the Financial Statement section of this report.

Long-Term Liabilities: As of the end of the current fiscal year, the School has long-term debt of \$815,057. This includes the School's net pension liability of \$718,106 at the end of the fiscal year 2016.

Additional information as well a detailed classification of the School's long-term liabilities can be found in the Notes to the Financial Statement section of this report.

Next Year's Budget and Fund Balance: The School's General Fund balance at the end of fiscal year 2016 totaled \$252,916. The subsequent year's budget for fiscal year ended June 30, 2017 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.

BASIC FINANCIAL STATEMENTS

Guffey Community Charter School

Guffey Community Charter School
Balance Sheet / Statement of Net Position
June 30, 2016

	General Fund	Adjustments	Statement of Net Position
Assets:			
Cash and cash equivalents	274,656	-	274,656
Accounts receivable	3,200	-	3,200
Capital assets, net of accumulated depreciation	-	53,448	53,448
Total Assets	277,856	53,448	331,304
Deferred Outflow of Resources:			
Pension related deferred outflow	-	120,950	120,950
Total Deferred Outflow of Resources	-	120,950	120,950
Current Liabilities:			
Accounts payable	35	-	35
Accrued payroll and related liabilities	24,904	(1,200)	23,704
Total Current Liabilities	24,939	(1,200)	23,739
Noncurrent Liabilities:			
Accrued compensated absences	-	3,150	3,150
Retirement payable:			
Due within one year	-	5,200	5,200
Due in more than one year	-	35,330	35,330
Net pension liability	-	718,107	718,107
Total Noncurrent Liabilities	-	761,787	761,787
Deferred Inflow of Resources:			
Pension related deferred inflow	-	29,531	29,531
Total Deferred Inflow of Resources	-	29,531	29,531
Fund Balances/Net Position:			
Fund balance:			
Reserved for emergencies	15,000	(15,000)	
Assigned for employee benefits	48,091	(48,091)	
Unassigned	189,826	(189,826)	
Total Fund Balance	252,917	(252,917)	
Total Liabilities and Fund Balance	277,856		
Net position:			
Invested in capital assets, net of related debt		53,448	53,448
Restricted for emergencies		15,000	15,000
Unrestricted		(431,251)	(431,251)
Total Net Position		(362,803)	(362,803)

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, 2016**

	General Fund	Adjustments	Statement of Activities
Revenues:			
Per pupil funding	325,331	-	325,331
Investment income	949	-	949
Other	35,080	-	35,080
Total Revenues	361,360	-	361,360
Expenditures/Expenses:			
Direct instruction	202,958	32,743	235,701
General administration	99,321	15,025	114,346
Custodial maintenance	36,351	(5,550)	30,801
Transportation	1,673	-	1,673
Community service	531	-	531
Food service operations	5,260	-	5,260
Total Expenditures/Expenses	346,094	42,218	388,312
Excess (Deficiency) of Revenues Over Expenditures	15,266	(15,266)	-
Change in Net Position	-	(26,952)	(26,952)
Fund Balance/Net Position:			
Beginning of the year	237,651		(335,851)
End of the year	<u>252,917</u>		<u>(362,803)</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, 2016
(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	<u>2016</u>		Variance Positive (Negative)	<u>2015</u>
	Final Budget	Actual		Actual
Revenues:				
District funding	298,194	325,331	27,137	436,819
Investment income	150	949	799	209
Other	14,850	35,080	20,230	51,912
Total Revenues	<u>313,194</u>	<u>361,360</u>	<u>48,166</u>	<u>488,940</u>
Expenditures/Expenses:				
Bookkeeping	8,525	8,187	338	7,604
Computer expense	7,570	2,253	5,317	16,790
Office expense	3,600	4,855	(1,255)	5,212
Instructional supplies	6,000	11,650	(5,650)	18,718
Insurance	26,912	26,071	841	25,706
Legal	5,700	6,850	(1,150)	3,633
Food and supplies	8,000	5,260	2,740	10,237
Payroll	202,131	206,342	(4,211)	221,868
PERA and related taxes	41,871	39,778	2,093	43,280
Repairs and maintenance	3,935	12,926	(8,991)	29,128
Custodial supplies	1,000	1,924	(924)	2,446
Miscellaneous expense	3,900	9,744	(5,844)	12,921
Trash	1,500	1,435	65	1,415
Transportation	6,550	2,435	4,115	6,280
Utilities	6,500	6,384	116	8,299
Operational contingency	15,000	-	15,000	-
Total Expenditures	<u>348,694</u>	<u>346,094</u>	<u>2,600</u>	<u>413,537</u>
Change in Fund Balance	<u>(35,500)</u>	15,266	<u>50,766</u>	75,403
Fund Balance:				
Beginning of the year		<u>237,651</u>		<u>162,248</u>
End of the year		<u>252,917</u>		<u>237,651</u>

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

Guffey Community Charter School
Notes to the Financial Statements
June 30, 2016

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 (the "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, non-home-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, 2016
(Continued)

I. Summary of Significant Accounting Policies (continued)

B. Government-wide and Fund Financial Statements

1. Government-wide Financial Statements

The School's basic financial statements include both government-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 government-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, 2016
(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, retirement payable, 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, 2016, as all amounts were considered collectible.

3. Capital Assets

Capital assets, which include land, furniture, fixtures, and equipment, are reported in the government-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, 2016
(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.

Furniture, fixtures and equipment are depreciated using the straight-line method over the useful life of 10 years.

The building occupied by the School is owned by the District. It had an insurable value of \$255,000 at June 30, 2016.

4. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statements of Net Position.

5. Pensions

The School participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

6. 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.

Guffey Community Charter School
Notes to the Financial Statements
June 30, 2016
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

7. Deferred Outflows and Inflows 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 has one item that qualifies for this type of reporting; the collective deferred outflows related to the School's net pension obligation. Pension contributions made after the measurement date and the net difference between projected and actual earnings will be recognized as a reduction of the net pension liability in future periods; see Note IV.D.

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 has one item that qualified for this type of reporting; pension related deferred inflows. Collective deferred inflows related to the School's net pension obligation are reported on the Statement of Net Position and are amortized over the average service lives of participants. See Note IV.D.

8. 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.

Guffey Community Charter School
Notes to the Financial Statements
June 30, 2016
(Continued)

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 governmental fund Balance Sheet includes reconciliation between Fund balance – General Fund and Net Position – Governmental activities as reported in the government-wide Statement of Net Position. The School adds capital assets net of depreciation of \$53,448 and pension related deferred outflow of \$120,950. Another element of this reconciliation adds long-term obligations and pension related deferred inflows of \$29,531. Long-term obligations consist of the net pension liability of \$718,106; a total earned retirement liability of \$40,530, of which \$1,200 is already reflected on the Balance Sheet, and a liability for accrued compensated absences of \$3,150.

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 includes reconciliation between Net change in fund balance – General Fund and Changes in net position – Governmental activities as reported in the government-wide Statement of Activities. The School reduces capital outlay and maintenance in the amount of \$5,550 for assets which have been capitalized, and a net decrease of \$4,050 in retirement payable and accrued compensated absences. The School adds \$50,577 for the net changes in the net pension liability, pension related deferred outflow, and pension related deferred inflow. The School also adds depreciation expense of \$1,240.

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 2016.

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.

Guffey Community Charter School
Notes to the Financial Statements
June 30, 2016
(Continued)

III. Stewardship, Compliance, and Accountability (continued)

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.

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, 2016 year-end fund balance in the General Fund for emergencies as required under TABOR in the amount of \$15,000.

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.

Guffey Community Charter School
Notes to the Financial Statements
June 30, 2016
(Continued)

IV. Detailed Notes on all Funds (continued)

A. Deposits (continued)

The deposits held by the School at June 30, 2016, were as follows:

	Standard and Poors Rating	Carrying Amounts	Maturities	
			Less than One Year	One to Five Years
Deposits:				
Petty	Not rated	\$ 66	-	-
Checking	Not rated	70,861	70,861	-
Investment pool	AAAm	203,729	203,729	-
		<u>\$ 274,656</u>	<u>274,590</u>	<u>-</u>

The investment pool represents an investment in COLOTRUST which is a 2a7-like pool. The fair value of the pool is determined by the pool's share price. The School has no regulatory oversight for the pool.

The School has addressed the following risks as noted:

Credit Risk – State statutes authorize the School 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 School'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 School's investments consist entirely of deposits within two 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 School'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 School's investment policy is to follow the State Statute in order to reduce interest rate risk.

Guffey Community Charter School
Notes to the Financial Statements
June 30, 2016
(Continued)

IV. Detailed Notes on all Funds (continued)

B. Capital Assets

The School's capital asset activity for the year ended June 30, 2016 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	<u>39,999</u>	<u>-</u>	<u>-</u>	<u>39,999</u>
Capital assets, being depreciated:				
Furniture, fixtures and equipment	9,620	5,550	-	15,170
Total capital assets, being depreciated	<u>9,620</u>	<u>5,550</u>	<u>-</u>	<u>15,170</u>
Less accumulated depreciation for:				
Furniture, fixtures and equipment	(481)	(1,240)	-	(1,721)
Total accumulated depreciation	<u>(481)</u>	<u>(1,240)</u>	<u>-</u>	<u>(1,721)</u>
Total Capital Assets, Net	<u>\$ 49,138</u>	<u>4,310</u>	<u>-</u>	<u>53,448</u>

Depreciation expense relates to the direct instruction function.

C. Long-Term Liabilities

The School had the following long-term liabilities at June 30, 2016:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Accrued compensated absences	\$ 4,200	-	1,050	3,150	-
Retirement payable	44,730	1,000	5,200	40,530	5,200
Net pension liability	663,925	54,182	-	718,107	-
	<u>\$ 712,855</u>	<u>55,182</u>	<u>6,250</u>	<u>761,787</u>	<u>5,200</u>

D. Pension Liabilities, Pension Expense, and Deferred Outflows or Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the School reported a liability of \$718,106 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The School proportion of the net pension liability was based on School contributions to the SCHDTF for the calendar year 2015 relative to the total contributions of participating employers to the SCHDTF.

Guffey Community Charter School
Notes to the Financial Statements
June 30, 2016
(Continued)

IV. Detailed Notes on all Funds (continued)

D. Pension Liabilities, Pension Expense, and Deferred Outflows or Resources and Deferred Inflows of Resources Related to Pensions (continued)

At December 31, 2015, the School proportion was 0.00470% as compared to its proportion of 0.00490% measured as of December 31, 2014.

For the year ended June 30, 2016, the School recognized pension expense of \$86,186. At June 30, 2016, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Deferred between expected and actual experience	\$ 9,483	30
Change of assumptions or other inputs	-	10,148
Net difference between projected and actual earnings on pension plan investments	61,059	-
Changes in proportionate share of contributions	33,630	19,353
Difference between actual and reported contributions recognized	81	-
Contributions subsequent to the measurement date	<u>16,697</u>	<u>-</u>
Total	<u>\$ 120,950</u>	<u>29,531</u>

Contributions subsequent to the measurement date of December 31, 2015, which are reported as deferred outflows of resources related to pensions, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	12,453
2018	6,488
2019	33,952

Actuarial assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 – 10.10 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50 percent
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Guffey Community Charter School
Notes to the Financial Statements
June 30, 2016
(Continued)

IV. Detailed Notes on all Funds (continued)

D. Pension Liabilities, Pension Expense, and Deferred Outflows or Resources and Deferred Inflows of Resources Related to Pensions (continued)

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

Changes to assumptions or other inputs since the December 31, 2013 actuarial valuation are as follows:

- The following programming changes were made:
 - Valuation of the full survivor benefit without any reduction for possible remarriage.
 - Reflection of the employer match on separation benefits for all eligible years.
 - Reflection of one year of service eligibility for survivor annuity benefit.
 - Refinement of the 18 month annual increase timing.
 - Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.

- The following methodology changes were made:
 - Recognition of merit salary increases in the first projection year.
 - Elimination of the assumption that 35% of future disabled members elect to receive a refund.
 - Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
 - Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year.

The SCHDTF's long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the most recent analysis of the long-term expected rate of return, presented to the PERA Board on November 15, 2013, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

**Guffey Community Charter School
Notes to the Financial Statements
June 30, 2016
(Continued)**

IV. Detailed Notes on all Funds (continued)

D. Pension Liabilities, Pension Expense, and Deferred Outflows or Resources and Deferred Inflows of Resources Related to Pensions (continued)

Asset Class	Target Allocation	10 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	26.76%	5.00%
U.S. Equity – Small Cap	4.40%	5.19%
Non U.S. Equity – Developed	22.06%	5.29%
Non U.S. Equity – Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov't/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	100.00%	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.50%.

Discount rate. The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.90%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

Guffey Community Charter School
Notes to the Financial Statements
June 30, 2016
(Continued)

IV. Detailed Notes on all Funds (continued)

D. Pension Liabilities, Pension Expense, and Deferred Outflows or Resources and Deferred Inflows of Resources Related to Pensions (continued)

- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above actuarial cost method and assumptions, the SCHDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

Sensitivity of the School's proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Collective net pension liability	\$ 19,825,875,000	15,294,294,000	11,524,864,000
Proportionate share of net pension liability	\$ 930,876	718,106	541,122

Pension plan fiduciary net position. Detailed information about the SCHDTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

Guffey Community Charter School
Notes to the Financial Statements
June 30, 2016
(Continued)

V. Other Information (continued)

A. Defined Benefit Pension Plan (continued)

Plan Description – Eligible employees of the School are provided with pensions through the School Division Trust Fund (SCHDTF)—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided – PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

The lifetime retirement benefit for all eligible retiring employees under the Denver Public Schools (DPS) Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- \$15 times the first 10 years of service credit plus \$20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100 percent of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA

Guffey Community Charter School
Notes to the Financial Statements
June 30, 2016
(Continued)

V. Other Information (continued)

A. Defined Benefit Pension Plan (continued)

benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve for the SCHDTF.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

Benefits provided (continued) – Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

Contributions – Eligible employees and the School are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq.* Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below with rates expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42):

	For the Year Ended December 31, 2015	For the Year Ended December 31, 2016
Employer Contribution Rate ¹	10.15%	10.15%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) ¹	(1.02)%	(1.02)%
Amount Apportioned to the SCHDTF ¹	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹	4.20%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	4.00%	4.50%
Total Employer Contribution Rate to the SCHDTF ¹	17.33%	18.13%

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the School were \$35,609 for the year ended June 30, 2016.

B. Postemployment Healthcare Benefits

Plan Description – The School contributes to the Health Care Trust Fund ("HCTF"), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements

Guffey Community Charter School
Notes to the Financial Statements
June 30, 2016
(Continued)

V. Other Information (continued)

B. Postemployment Healthcare Benefits (continued)

necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports.

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, 2016, 2015 and 2014 were \$1,986, \$2,129, and \$1,970, respectively, equal to their required contributions for each year.

C. Defined Contribution Pension Plan

Plan Description – Employees of the School that are also members of the SCHDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S, as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report for the Plan. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy – Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions, employer contributions and investment earnings. There were no 401(k) Plan member contributions from the School for the year ended June 30, 2016, 2015 and 2014.

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 School 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

Guffey Community Charter School
Notes to the Financial Statements
June 30, 2016
(Continued)

V. Other Information (continued)

D. Risk Management (continued)

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

There were no related party transactions in the fiscal year ending June 30, 2016.

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 $\frac{3}{4}$ time or full time staff person for 10+ years. The plan provides for the following:

Years of Service	Total Amount	Length of Payout	Per Year
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.

H. Accrued Compensated Absences

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 \$3,150.

REQUIRED SUPPLEMENTARY INFORMATION

Guffey Community Charter School

Guffey Community Charter School
Schedule of Employer's Proportionate Share of the Net Pension Liability
Colorado Public Employees' Retirement Association School Division Trust Fund
Last 10 Fiscal Years *

	<u>2016</u>	<u>2015</u>	<u>2014</u>
School's proportion of the net pension liability	0.0047%	0.0049%	0.0043%
School's proportionate share of the net pension liability	\$ 718,106	663,925	551,344
School's covered payroll	\$ 254,411	\$ 205,216	\$ 174,257
School's proportionate share of the net pension liability as a percentage of its covered payroll	282%	324%	381%
Plan fiduciary net position as a percentage of the total pension liability	59.16%	62.84%	64.07%

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. Information is only available beginning in fiscal year 2014.

Notes to the Schedule of Employers Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2016:

Note 1. Changes of assumptions.

Changes to assumptions or other inputs since the December 31, 2013 actuarial valuation are as follows:

The following programming changes were made:

- o Valuation of the full survivor benefit without any reduction for possible remarriage.
- o Reflection of the employer match on separation benefits for all eligible years.
- o Reflection of one year of service eligibility for survivor annuity benefit.
- o Refinement of the 18 month annual increase timing.
- o Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.

The following methodology changes were made:

- o Recognition of merit salary increases in the first projection year.
- o Elimination of the assumption that 35% of future disabled members elect to receive a refund.
- o Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
- o Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year.

Note 2. Changes of benefit terms.

No changes during the years presented above.

Note 3. Changes of size or composition of population covered by benefit terms.

No changes during the years presented above.

Guffey Community Charter School
Schedule of School Contributions
Colorado Public Employees' Retirement Association School Division Trust Fund
Last 10 Fiscal Years *

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 35,460	\$ 33,717	\$ 27,062
Contributions in relation to the contractually required contribution	<u>\$ (35,460)</u>	<u>\$ (33,717)</u>	<u>\$ (27,062)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered payroll	\$ 254,411	\$ 205,216	\$ 174,257
Contributions as a percentage of covered payroll	13.94%	16.43%	15.53%

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. Information is only available beginning in fiscal year 2014.

Notes to the Schedule of School Contributions For the Year Ended June 30, 2016:

Note 1. Changes of assumptions.

No changes during the years presented above.

Note 2. Changes of benefit terms.

No changes during the years presented above.

Note 3. Changes of size or composition of population covered by benefit terms.

No changes during the years presented above.