

**CHARTER CHOICE FOOD SERVICE COLLABORATIVE
BASIC FINANCIAL STATEMENTS**

June 30, 2016



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FINANCIAL SECTION



JOHN CUTLER & ASSOCIATES

Board of Directors
Charter Choice Food Service Collaborative
Littleton, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Charter Choice Food Service Collaborative, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Collaborative, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 expression an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluation 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Charter Choice Food Service Collaborative as of June 30, 2016 and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 12-13 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Collaborative's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information 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 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 auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2016 on our consideration of Charter Choice Food Service Collaborative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Charter Choice Food Service Collaborative's internal control over financial reporting and compliance.

John Luttrell & Associates, LLC

December 16, 2016

Management's Discussion and Analysis

As management of Charter Choice Food Service Collaborative (CCSFA), we offer readers of the Collaborative financial statements our narrative overview and analysis of the financial activities of CCSFA for the fiscal year ended June 30, 2016.

Financial Highlights

The year ended June 30, 2016 is the third year of operations with CCSFA acting as the School Food Authority (SFA) under the National School Lunch Program. The assets of Charter Choice Food Service Collaborative exceeded its liabilities at the close of the most recent fiscal year by \$52,908 (net position).

At the close of the fiscal year, the Charter Choice Food Service Collaborative's governmental funds also reported a combined ending fund balance of \$52,908.

Overview of Financial Statements

This discussion and analysis are intended to serve as an introduction to Charter Choice Food Service Collaborative's basic financial statements. Charter Choice Food Service Collaborative's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Charter Choice Food Service Collaborative finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Charter Choice Food Service Collaborative'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 Charter Choice Food Service Collaborative is improving or deteriorating.

The statement of activities presents information showing how the organization'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 grant expenses and earned but unpaid salary and benefits).

The government-wide financial statements can be found on pages 1-2 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. Charter Choice Food Service Collaborative, like other governmental units or organizations, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Charter Choice Food Service Collaborative are governmental funds.

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 the organization's near-term financing requirements.

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 organization's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Charter Choice Food Service Collaborative maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the capital reserve fund, because both are considered to be major funds.

Charter Choice Food Service Collaborative adopts an annual appropriated budget for its funds. Budgetary comparison statements have been provided for the funds to demonstrate compliance with the budget.

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. This information is provided in pages 5-11.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the organization's financial position. In the case of Charter Choice Food Service Collaborative, assets exceeded liabilities by \$52,908 in FY 2015-2016, a \$1,263 increase over the prior year.

Charter Choice Food Service Collaborative's Net Position Governmental Activities

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
ASSETS		
Cash and Cash Equivalents	\$ 50,322	\$ 53,323
Accounts Receivable	473,788	386,638
Total Assets	524,110	439,961
LIABILITIES		
Accounts Payable	471,202	388,316
Total Liabilities	471,202	388,316
NET POSITION		
Restricted for Emergencies	3,300	2,100
Unrestricted	49,608	49,545
Total Net Position	\$ 52,908	\$ 51,645

The largest portion of Charter Choice Food Service Collaborative's assets as of June 30, 2016 is receivables at 90% of total assets, based on the timing of Federal and State program reimbursements.

**Charter Choice Food Service Collaborative's Change in Net Position
Governmental Activities**

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Program Revenue:		
Charges for Services	\$ 379,090	\$ 294,133
Operating Grants and Contributions	2,111,885	1,803,134
Total Program Revenue	2,490,975	2,097,267
 General Revenue:		
Other	248,879	107,129
Total General Revenue	248,879	107,129
Total Revenue	2,739,854	2,204,396
 Expenses:		
Current:		
Supporting Services	2,738,591	2,218,534
Total Expenses	2,738,591	2,218,534
Increase/(Decrease) in Net Position	1,263	(14,138)
Net Position, Beginning	51,645	65,783
Net Position, Ending	\$ 52,908	\$ 51,645

The largest portion of Charter Choice Food Service Collaborative's revenues came from operating grants & contributions – 77%, of total revenue in 2016.

Financial Analysis of the Government's Funds

As noted earlier, Charter Choice Food Service Collaborative uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

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

As of the end of the current fiscal year, the organization's General Fund reported an ending fund balance of \$52,908, an increase of \$1,263 from prior year.

General Fund Budgetary Highlights

CCSFA approves a budget in May based on projections for the next fiscal year. Budget amendments may occur during the year based on the number of schools participating in the National School Lunch Program or based on grants received to expand programs.

Capital Assets & Long-Term Debt

Charter Choice Food Service Collaborative does not have any capital assets or long-term debt obligations.

Economic Factors and Next Year's Budget

The primary factors driving the budget for Charter Choice Food Service Collaborative are the number of school participants, operating grants, and long-term plans for expansion.

Requests for Information

This financial report is designed to provide a general overview of Charter Choice Food Service Collaborative's finances for all those with an interest in the Organization's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the organization:

Charter Choice Food Service Collaborative
1869 W. Littleton Blvd.
Littleton, CO 80120

BASIC FINANCIAL STATEMENTS

CHARTER CHOICE FOOD SERVICE COLLABORATIVE

STATEMENT OF NET POSITION

As of June 30, 2016

	Governmental Activities	
	2016	2015
ASSETS		
Cash and Cash Equivalents	\$ 50,322	\$ 53,323
Accounts Receivable	473,788	386,638
	<u>524,110</u>	<u>439,961</u>
LIABILITIES		
Accounts Payable	471,202	388,316
	<u>471,202</u>	<u>388,316</u>
NET POSITION		
Restricted for Emergencies	3,300	2,100
Unrestricted	49,608	49,545
	<u>\$ 52,908</u>	<u>\$ 51,645</u>

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

CHARTER CHOICE FOOD SERVICE COLLABORATIVE

STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>PROGRAM REVENUES</u>		<u>Net Expense (Revenue) and Change in Net Position Governmental Activities</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>2016</u>	<u>2015</u>
PRIMARY GOVERNMENT					
Governmental Activities					
Supporting Services	<u>\$ 2,738,591</u>	<u>\$ 379,090</u>	<u>\$ 2,111,885</u>	<u>\$ (247,616)</u>	<u>\$ (121,267)</u>
Total Governmental Activities	<u>2,738,591</u>	<u>379,090</u>	<u>2,111,885</u>	<u>(247,616)</u>	<u>(121,267)</u>
			<u>GENERAL REVENUE</u>		
			Other	<u>248,879</u>	<u>107,129</u>
			CHANGE IN NET POSITION	1,263	(14,138)
			NET POSITION, Beginning	<u>51,645</u>	<u>65,783</u>
			NET POSITION, Ending	<u>\$ 52,908</u>	<u>\$ 51,645</u>

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

CHARTER CHOICE FOOD SERVICE COLLABORATIVE

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2016

	2016			2015 ACTUAL
	GENERAL FUND	SCHOOL FOOD AUTHORITY	TOTAL GOVERNMENTAL FUNDS	
ASSETS				
Cash and Cash Equivalents	\$ 50,322	\$ -	\$ 50,322	\$ 53,323
Accounts Receivable	6,727	467,061	473,788	386,638
TOTAL ASSETS	\$ 57,049	\$ 467,061	\$ 524,110	\$ 439,961
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts Payable	\$ 4,141	\$ 467,061	\$ 471,202	\$ 388,316
TOTAL LIABILITIES	4,141	467,061	471,202	388,316
FUND BALANCES				
Restricted for Emergencies	3,300	-	3,300	2,100
Unassigned	49,608	-	49,608	49,545
TOTAL FUND BALANCE	52,908	-	52,908	51,645
TOTAL LIABILITIES AND FUND BALANCE	\$ 57,049	\$ 467,061	\$ 524,110	\$ 439,961

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

CHARTER CHOICE FOOD SERVICE COLLABORATIVE

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2016

	2016			2015 ACTUAL
	GENERAL FUND	SCHOOL FOOD AUTHORITY	TOTAL GOVERNMENTAL FUNDS	
REVENUES				
Local Sources	\$ 191,937	\$ 521,032	\$ 712,969	\$ 477,852
State and Federal Sources	-	2,026,885	2,026,885	1,726,544
TOTAL REVENUES	191,937	2,547,917	2,739,854	2,204,396
EXPENDITURES				
Supporting Services	190,674	2,547,917	2,738,591	2,218,534
TOTAL EXPENDITURES	190,674	2,547,917	2,738,591	2,218,534
EXCESS OF REVENUES UNDER EXPENDITURES	1,263	-	1,263	(14,138)
NET CHANGE IN FUND BALANCE	1,263	-	1,263	(14,138)
FUND BALANCE, Beginning	51,645	-	51,645	65,783
FUND BALANCE, Ending	\$ 52,908	\$ -	\$ 52,908	\$ 51,645

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

CHARTER CHOICE FOOD SERVICE COLLABORATIVE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Charter Choice Food Service Collaborative (the “Collaborative”) is a Colorado nonprofit corporation which was incorporated in July 2009. The Collaborative’s mission is to provide its members administrative functions relating to the provision of food service under the National School Lunch Program. The Collaborative assists its members to comply with the National School Lunch Act, 42 U.S.C. §1751, and to engage in all activities necessary, customary, convenient, or incident to any of the foregoing.

The accounting policies of the Collaborative conform to generally accepted accounting principles as applicable to governmental units. Following is a summary of the more significant policies.

Reporting Entity

The financial reporting entity consists of the Collaborative and organizations for which the Collaborative is financially accountable. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the Collaborative. In addition, any legally separate organizations for which the Collaborative is financially accountable are considered part of the reporting entity. Financial accountability exists if the Collaborative appoints a voting majority of the organization’s governing board and is able to impose its will on the organization, or if the organization provides benefits to, or imposes financial burdens on the School.

School Food Authority

The Collaborative has entered into an agreement with the Colorado Department of Education to act as a School Food Authority (“SFA”) for several charter schools. Federal funds were dispersed to the Authority based upon meals served at each school and counts turned into the Colorado Department of Education. The Collaborative is the reporting vehicle so that charter schools could participate in the NSLP and SBPs. Participating charter schools maintain revenues and expenses at their own sites, on behalf of the SFA. The activities of the SFA are reported as a special revenue fund in the Collaborative’s financial statements.

Government-Wide and Fund Financial Statements

The Collaborative’s financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Collaborative. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported in a single column.

CHARTER CHOICE FOOD SERVICE COLLABORATIVE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Program revenues include 1) charges to members who directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted intergovernmental revenues not properly included among program revenues are reported instead as general revenues. Major individual governmental funds are reported in separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide and business-type financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period, not to exceed 60 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Intergovernmental revenues, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Collaborative.

Internally dedicated resources are reported as general revenues rather than as program revenues.

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

CHARTER CHOICE FOOD SERVICE COLLABORATIVE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

The Collaborative reports the following major governmental fund:

General Fund – This fund is the general operating fund of the Collaborative. It is used to account for all financial resources.

The *Food Service Fund* accounts for the financial activities associated with the Collaborative’s School Food Authority.

Assets, Liabilities and Fund Balance/Net Position

Investments – Investments are recorded at fair value.

Receivables – All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Net Position

The government-wide financial statements, utilize a net position presentation. Net position is categorized as investment in capital assets, restricted, and unrestricted.

Net Investment in Capital Assets includes the Collaborative’s capital assets (net of accumulated depreciation) reduced by the outstanding balances of bonds that are attributable to the acquisition, construction, or improvement of those assets. The Collaborative does not report any Capital Assets or related debt as of June 30, 2016.

Restricted Net Position includes assets that have third-party (statutory, bond covenant, or granting agency) limitations on their use. The Collaborative typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project.

Unrestricted Net Position typically includes unrestricted liquid assets. The Board has the authority to revisit or alter this designation.

CHARTER CHOICE FOOD SERVICE COLLABORATIVE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Balance/Net Position (Continued)

Fund Balance Classification – The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Collaborative is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The Collaborative has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Collaborative did not have any committed resources as of June 30, 2016.
- Unassigned – This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The Collaborative would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned fund balances.

CHARTER CHOICE FOOD SERVICE COLLABORATIVE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of Risk

Collaborative receives a substantial amount of its support from the Colorado League of Charter Schools which acts as a fiscal agent on behalf of the Collaborative in order for it to pursue Foundation grants. The Colorado League of Charter Schools provides this service to developing charter school support non-profits that have not yet obtained their 501(c)3 designation. The League's inability to provide this service could result in a significant reduction in the level of contributions revenue, which, if it were to occur, may have an effect on the Collaborative's programs and activities.

Compensated Absences

The Collaborative's policy allows employees to accumulate paid time off based on the employee's years of service. Upon termination of employment, financial compensation is paid for unused paid time off up to the employee's maximum accrued amount. At June 30, 2016, no material amounts of unused paid time off were accrued. Therefore, no liability for accumulated paid time off is reported in the financial statements.

Risk Management

The Collaborative is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The Collaborative carries commercial insurance for these risks of loss. Settled claims have not exceeded coverage in the last three years.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

A budget is adopted for the General Fund and Food Service Authority on a basis consistent with generally accepted accounting principles.

Collaborative's management submits to the Board of Directors a proposed budget for the fiscal year commencing the following July 1. The budget is adopted by the Board of Directors prior to June 30. Expenditures may not legally exceed appropriations at the fund level. Revisions must be approved by the Board of Directors. The budget includes proposed expenditures and the means of financing them. All appropriations lapse at fiscal year-end.

CHARTER CHOICE FOOD SERVICE COLLABORATIVE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 3: CASH AND INVESTMENTS

Deposits

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations.

At June 30, 2016, State regulatory commissioners have indicated that all financial institutions holding deposits for the School are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The Collaborative has no policy regarding custodial credit risk for deposits.

At June 30, 2016, the Collaborative had deposits with financial institutions with a carrying amount of \$50,322. The bank balances with the financial institutions were \$77,961, all of which was covered by federal depository insurance.

Investments

Interest Rate Risk

The Collaborative does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Colorado statutes specify in which instruments units of local government may invest, which include:

- Obligations of the United States and certain U.S. Government Agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds

CHARTER CHOICE FOOD SERVICE COLLABORATIVE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 3: CASH AND INVESTMENTS

Investments (Continued)

Credit Risk (Continued)

- Guaranteed investment contracts

The Collaborative has no policy for managing credit risk or interest rate risk.

The Collaborative reported no investments as of June 30, 2016.

NOTE 4: COMMITMENTS AND CONTINGENCIES

Claims and Judgments

The Collaborative participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Collaborative may be required to reimburse the grantor government. As of June 30, 2016, significant amounts of grant expenditures have not been audited, but the Collaborative believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Collaborative.

Tabor Amendment

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution, which limits state and local government tax powers and imposes spending limitations. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded. The Collaborative believes it has complied with the Amendment.

As required by the Amendment, the Collaborative has established a reserve for emergencies. At June 30, 2016, the reserve of \$3,300 was recorded as a reservation of fund balance in the General Fund.

REQUIRED SUPPLEMENTARY INFORMATION

CHARTER CHOICE FOOD SERVICE COLLABORATIVE

GENERAL FUND
 BUDGETARY COMPARISON STATEMENT
 Year Ended June 30, 2016

	2016			VARIANCE Positive (Negative)	2015 Actual
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
REVENUES					
Local Sources					
Grants and Donations	\$ 113,000	\$ 113,000	\$ 85,000	\$ (28,000)	\$ 76,590
Charges for Services	106,625	106,625	106,937	312	71,038
TOTAL REVENUES	219,625	219,625	191,937	(27,688)	147,628
EXPENDITURES					
Salaries and Benefits	141,000	141,000	142,429	(1,429)	131,239
Purchased Services	64,462	64,462	47,223	17,239	29,851
Supplies and Materials	14,163	14,163	1,022	13,141	676
Appropriated Reserves	-	25,000	-	25,000	
TOTAL EXPENDITURES	219,625	244,625	190,674	53,951	161,766
NET CHANGE IN FUND BALANCE	-	(25,000)	1,263	(81,639)	(14,138)
FUND BALANCE, Beginning	53,323	53,323	51,645	(1,678)	65,783
FUND BALANCE, Ending	\$ 53,323	\$ 28,323	\$ 52,908	\$ (83,317)	\$ 51,645

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

CHARTER CHOICE FOOD SERVICE COLLABORATIVE

SCHOOL FOOD AUTHORITY
 BUDGETARY COMPARISON STATEMENT
 Year Ended June 30, 2016

	2016		VARIANCE Positive (Negative)	2015 Actual
	ORIGINAL AND FINAL BUDGET	ACTUAL		
REVENUES				
Local Sources				
Charges for Services	\$ -	\$ 272,153	\$ 272,153	\$ 223,095
Miscellaneous	-	248,879	248,879	107,129
State and Federal Sources				
Grants and Donations	2,547,917	2,026,885	(521,032)	1,726,544
 TOTAL REVENUES	 2,547,917	 2,547,917	 -	 2,056,768
EXPENDITURES				
Salaries and Benefits	-	57,064	(57,064)	25,407
Supplies	2,547,917	2,365,541	182,376	1,962,252
Property	-	23,101	(23,101)	344
Other	-	102,211	(102,211)	68,765
Contingency	-	-	-	-
 TOTAL EXPENDITURES	 2,547,917	 2,547,917	 -	 2,056,768
 NET CHANGE IN FUND BALANCE	 -	 -	 -	 -
FUND BALANCE, Beginning	-	-	-	-
FUND BALANCE, Ending	\$ -	\$ -	\$ -	\$ -

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

COMPLIANCE



JOHN CUTLER & ASSOCIATES

Board of Directors
Charter Choice Food Service Collaborative
Littleton, Colorado

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Charter Choice Food Service Collaborative as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Charter Choice Food Service Collaborative's basic financial statements, and have issued our report thereon dated December 16, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Charter Choice Food Service Collaborative's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Charter Choice Food Service Collaborative's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter Choice Food Service Collaborative's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a *material weakness*, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Charter Choice Food Service Collaborative's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose

John Luttrell & Associates, LLC

December 16, 2016



JOHN CUTLER & ASSOCIATES

Board of Directors
Charter Choice Food Service Collaborative
Littleton, Colorado

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY UNIFORM GUIDANCE

Report on Compliance for Each Major Federal Program

We have audited Charter Choice Food Service Collaborative's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Charter Choice Food Service Collaborative's major federal programs for the year ended June 30, 2016. Charter Choice Food Service Collaborative's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Charter Choice Food Service Collaborative's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Charter Choice Food Service Collaborative's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Charter Choice Food Service Collaborative's compliance.

Opinion on Each Major Federal Program

In our opinion, Charter Choice Food Service Collaborative complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of Charter Choice Food Service Collaborative is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Charter Choice Food Service Collaborative's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Charter Choice Food Service Collaborative's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose

John Luther & Associates, LLC

December 16, 2016

CHARTER CHOICE FOOD SERVICE COLLABORATIVE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2016

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unqualified

Internal control over financial reporting:

- Material weaknesses identified? _____ yes x no
- Significant Deficiencies Noted? _____ yes x none reported

Noncompliance material to financial statements noted?

_____ yes x no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? _____ yes x no
- Significant Deficiencies Noted? _____ yes x none reported

Type of auditor's report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?

_____ yes x no

Identification of major program:

10.553 School Breakfast Program
10.555 National Food Lunch Program
10.559 Summer Food Service Program for Children

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? _____ yes x no

Findings Related to Financial Statements

The audit of the financial statements did not disclose any significant deficiencies in internal control that would be considered a material weakness, and did not disclose any instances of noncompliance with requirements of certain provisions of laws, regulations, and grants that were material to those financial statements.

Findings and Questioned Costs for Federal Awards

The audit of federal awards did not disclose any significant deficiencies in internal control that would be considered a material weakness, and did not disclose any instances of noncompliance with requirements of certain provisions of laws, regulations, and grants that were material to those federal awards

CHARTER CHOICE FOOD SERVICE COLLABORATIVE
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2016

	<u>Major Program ?</u>	<u>C DFA #</u>	<u>Pass-through Entity Identifying #</u>	<u>Total Expenditures</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Passed through the Colorado Department of Education				
National School Breakfast Program	Yes (1)	10.553	4553	\$ 400,689
National School Lunch Program	Yes (1)	10.555	4555	1,472,413
Summer Food Service Program for Children	Yes (1)	10.559	4559	16,345
National School Lunch Equipment Assistance	No	10.579	5579	8,713
Passed through the Colorado Department of Human Services				
Food Distribution	Yes (1)	10.555	4555	<u>73,027</u>
Total Federal Financial Assistance				<u>\$ 1,971,187</u>

(1) Part of the Child Nutrition Cluster

NOTES

1. Basis of Presentation

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the School and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the

See the accompanying independent auditors' report.



JOHN CUTLER & ASSOCIATES

Board of Directors
Charter Choice Food Service Collaborative
Littleton, Colorado

INDEPENDENT AUDITORS' REPORT ON ELECTRONIC FINANCIAL DATA INTEGRITY CHECK FIGURES

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Charter Choice Food Service Collaborative, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Collaborative's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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. programs for the year ended June 30, 2016.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Collaborative's basic financial statements. The electronic data integrity check figures listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information 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 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 auditing standards generally accepted in the United States of America. In our opinion, the electronic data integrity check figures are fairly stated in all material respects in relation to the financial statements as a whole.

John Luthr & Associates, LLC

December 16, 2016



Colorado Department of Education
Auditors Integrity Report
 District: 8042 - CHARTER CHOICE COLLABORATIVE
 Fiscal Year 2015-16
 Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental	+		-	=
10 General Fund	51,833	191,937	190,862	52,907
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	0	0	0	0
Sub- Total	51,833	191,937	190,862	52,907
11 Charter School Fund	0	0	0	0
20,26-29 Special Revenue Fund	0	0	0	0
21 Food Service Spec Revenue Fund	0	2,547,917	2,547,917	0
22 Govt Designated-Purpose Grants Fund	0	0	0	0
23 Pupil Activity Special Revenue Fund	0	0	0	0
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	0	0	0	0
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	0	0	0	0
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	0	0	0	0
Totals	51,833	2,739,854	2,738,779	52,907
Proprietary				
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	0	0	0	0
Totals	0	0	0	0
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	0	0	0	0
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
Totals	0	0	0	0

FINAL

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