

Lake George Charter School

Financial Report

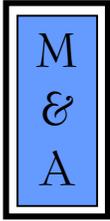
June 30, 2014



**Lake George Charter School
June 30, 2014**

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Lake George Charter School
Lake George, CO**

We have audited the accompanying financial statements of the governmental activities and the general fund of the Lake George Charter School (the "School"), as of and for the year ended June 30, 2014, 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 U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund information of the Lake George Charter School as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Member: American Institute of Certified Public Accountants

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*To the Board of Directors
Lake George Charter School*

Other Matters

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis in Section B be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Management's Discussion and Analysis in Section B in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**McMahan and Associates, L.L.C.
October 7, 2014**

MANAGEMENT'S DISCUSSION AND ANALYSIS



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

As management of the Lake George Charter School (the "School"), we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2014.

Financial Highlights

- The assets of the School exceeded its liabilities as of June 30, 2014 \$160,996 (net position).
- The School had a change in fund balance of \$2,764.

Overview of the Financial Statements

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

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

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

The Statement of Activities presents information showing how the School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and changes in long-term compensated absences).

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

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

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

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

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

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

The School adopts an annual appropriated budget for all of its funds. The budgetary comparison statement has been provided to demonstrate compliance with state budget statutes.

The basic major governmental fund financial statements can be found on pages C1 - C3.

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

School-wide Financial Analysis:

The following table provides a comparative summary of the School's net position as of June 30, 2014 and 2013:

Lake George Charter School Summary of Net Position

	2014	2013
Assets:		
Current and other assets	\$ 410,254	\$ 238,556
Total Assets	410,254	238,556
Liabilities:		
Other liabilities	249,258	79,970
Total Liabilities	249,258	79,970
Net Position:		
Restricted for emergency	36,000	36,000
Unrestricted	124,996	122,586
Total Net Position	\$ 160,996	\$ 158,586

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, 2014 and 2013:

Lake George Charter School Summary of Activities and Changes in Net Position

	<u>2014</u>	<u>2013</u>
Revenues:		
Per pupil funding	\$ 889,323	\$ 828,495
Investment income	446	376
Federal sources	45,584	55,526
State sources	164,468	229,988
Capital projects	0	-
Other	52,496	35,991
Total Revenues	<u>1,152,317</u>	<u>1,150,376</u>
Expenditures/Expenses:		
Direct instruction	688,939	643,778
General administration	183,443	180,183
Support services	8,353	6,659
Custodial maintenance	183,857	159,259
Transportation	1,131	566
Community service	4,412	114
Food Service Operations	79,772	74,301
Total Expenditures/Expenses	<u>1,149,907</u>	<u>1,064,860</u>
Change in Net Position	2,410	85,516
Net Position - July 1	158,586	73,070
Net Position - June 30	<u>\$ 160,996</u>	<u>\$ 158,586</u>

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

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

Financial Analysis of the School's Funds

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

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

As of the end of the current fiscal year, the School's governmental funds reported ending fund balances of \$174,541 an increase change of \$2,764 from the prior year ending fund balances.

Budget Variances in the General Fund: The School's budget is prepared according to Colorado law and is based on accounting for certain transactions on a basis of cash receipts and disbursements. Original and final adopted budgets, as well as variances between actual revenues, expenditures, and final budgeted amounts are reflected in the Statement of Revenues and Expenditures on page C3 of the audited financial statements. The most significant budgeted variances are noted as follows:

Account	Final Budget	Actual Amount	Reason
Revenues:			
District funding	889,012	889,323	Higher pupil count than expected.
Capital projects	56,500	0	Received unexpected grant money.
Expenditures/Expenses:			
Direct instruction	724,814	688,585	Salaries are budgeted high in case of need to hire a teacher at a higher pay rate.
Custodial maintenance	205,960	183,857	Variety of smaller variances.

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

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

Next Year's Budget and Fund Balance: The School's General Fund's equity balance at the end of fiscal year totaled \$174,541. The subsequent year's budget for fiscal year ended June 30, 2015 budget is fiscally balanced.

Request for Information

This financial report is designed to provide a general overview of the School's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Lake George Charter School, School Headmaster, P.O. Box 420, Lake George, Colorado 80827.

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



**Lake George Charter School
Balance Sheet/Statement of Net Position
June 30, 2014**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Assets:			
Cash and cash equivalents	410,254	-	410,254
Total Assets	<u>410,254</u>	<u>-</u>	<u>410,254</u>
Liabilities:			
Accounts payable	-	-	-
Accrued payroll and related liabilities	85,713	13,545	99,258
Deferred revenue	-	-	-
Loan payable:			
Due within one year	-	-	-
Due in more than one year	-	-	-
Total Liabilities	<u>85,713</u>	<u>13,545</u>	<u>99,258</u>
Deferred Inflows:			
Deferred playground revenue	150,000		150,000
Total Deferred Inflows	<u>150,000</u>	<u>-</u>	<u>150,000</u>
Fund Balances/Net Position:			
Fund balance:			
Restricted for emergencies	36,000	(36,000)	
Unassigned	138,541	(138,541)	
Total Fund Balance	<u>174,541</u>	<u>(174,541)</u>	
Total Liabilities and Fund Balance	<u>410,254</u>		
Net Position:			
Restricted for emergencies		36,000	36,000
Unrestricted		124,996	124,996
Total Net Position		<u>160,996</u>	<u>160,996</u>

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

Lake George Charter School
Statement of Revenues, Expenditures and
Changes in Fund Balance/Statement of Activities
For the Year Ended June 30, 2014

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues:			
Per pupil funding	889,323	-	889,323
Investment income	446	-	446
Federal sources	45,584	-	45,584
State sources	164,468	-	164,468
Capital projects			
Other	52,496	-	52,496
Total Revenues	<u>1,152,317</u>	<u>-</u>	<u>1,152,317</u>
Expenditures/Expenses:			
Direct instruction	688,585	354	688,939
General administration	183,443	-	183,443
Support services	8,353	-	8,353
Custodial maintenance	183,857	-	183,857
Transportation	1,131	-	1,131
Community service	4,412	-	4,412
Food Service Operations	79,772	-	79,772
Total Expenditures/Expenses	<u>1,149,553</u>	<u>354</u>	<u>1,149,907</u>
Change in Fund Balance/Net Position	2,764	(354)	2,410
Fund Balance/Net Position:			
Beginning of the Year (Restated)	<u>171,777</u>		<u>158,586</u>
End of the Year	<u>174,541</u>		<u>160,996</u>

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

Lake George Charter School
Statement of Revenues and Expenditures
Budget and Actual
General Fund
For the Year Ended June 30, 2014
(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	<u>2014</u>		<u>Variance Positive (Negative)</u>	<u>2013</u>
	<u>Final Budget</u>	<u>Actual</u>		<u>Actual</u>
Revenues:				
District funding	889,012	889,323	311	828,495
Investment income	330	446	116	376
Federal sources	45,584	45,584	-	55,526
State sources	140,342	164,468	24,126	229,988
Capital projects	56,500	-	(56,500)	-
Other	17,262	52,496	35,234	35,991
Total Revenues	<u>1,149,030</u>	<u>1,152,317</u>	<u>3,287</u>	<u>1,150,376</u>
Expenditures/Expenses:				
Direct instruction	724,814	688,585	36,229	644,574
General administration	191,189	183,443	7,746	180,183
Support services	9,000	8,353	647	6,659
Custodial maintenance	205,960	183,857	22,103	159,259
Transportation	3,400	1,131	2,269	566
Community service	4,412	4,412	-	114
Food Service Operations	85,343	79,772	5,571	74,301
Contingency	106,788	-	106,788	-
Total Expenditures/Expenses	<u>1,330,906</u>	<u>1,149,553</u>	<u>181,353</u>	<u>1,065,656</u>
Change in Fund Balance	(181,876)	2,764	184,640	84,720
Fund Balance:				
Beginning of the Year	181,857	171,777	(10,080)	87,057
End of the Year	<u>(19)</u>	<u>174,541</u>	<u>174,560</u>	<u>171,777</u>

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

NOTES TO THE FINANCIAL STATEMENTS



Lake George Charter School
Notes to the Financial Statements
June 30, 2014

I. Summary of Significant Accounting Policies

Lake George Charter School (the "School") was formed September 29, 1999 and 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, nonhome-based schools to operate within a public school district. The schools, known as charter schools, allow for groups of parents, teachers, and community members to operate a school in a semi-autonomous environment. Under the Act, charter schools operate according to an approved charter application that serves as a contract between the charter school and the District's Board.

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

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

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

A. Reporting Entity

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

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

Lake George Charter School
Notes to the Financial Statements
June 30, 2014
(Continued)

I. Summary of Significant Accounting Policies (continued)

B. School-wide and Fund Financial Statements

1. School-wide Financial Statements

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

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

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

2. Fund Financial Statements

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

The School reports the following major governmental fund:

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

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

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

Lake George Charter School
Notes to the Financial Statements
June 30, 2014
(Continued)

I. Summary of Significant Accounting Policies (continued)

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

1. Long-term Economic Focus and Accrual Basis

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

2. Current Financial Focus and Modified Accrual Basis

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

D. Financial Statement Accounts

1. Cash and Cash Equivalents

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

2. Receivables

The School uses the allowance method for recognition of uncollectible receivables, whereby an allowance for possible uncollectibility is established when collection becomes doubtful. No allowance was established at June 30, 2014, as all amounts were considered collectible.

3. Capital Assets

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

Lake George Charter School
Notes to the Financial Statements
June 30, 2014
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

3. Capital Assets (continued)

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

Capital outlay for projects is capitalized as projects are constructed. Interest incurred during the construction phase, if applicable, is capitalized as part of the value of the assets.

Buildings and improvements, furniture, fixtures and equipment are depreciated using the straight line method over estimated useful lives. The building occupied by the School is owned and depreciated by the District. The School had no other assets with a cost meeting the statutory capitalization policy referred to above.

4. Long-term Obligations

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

5. Deferred Inflows and Outflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resource (revenue) until that time.

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.

Lake George Charter School
Notes to the Financial Statements
June 30, 2014
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

7. Fund Balance

The School classifies governmental fund balances as follows:

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

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

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

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

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

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

II. Reconciliation of School-wide and Fund Financial Statements

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

The governmental fund Balance Sheet and school-wide Statement of Net Position includes a reconciling column. Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund. The adjustment of \$13,545 represents additional accrued compensation.

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 Revenue, Expenditures and Changes in Fund Balance and the school-wide Statement of Activities includes a reconciling column. The accrual for accrued compensation resulted in an adjustment of \$354.

Lake George Charter School
Notes to the Financial Statements
June 30, 2014
(Continued)

III. Stewardship, Compliance, and Accountability

A. Budgets and Budgetary Accounting

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

As required by Colorado Statutes, the School followed the required timetable noted below in preparing, approving, and enacting its budget for 2014.

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

B. TABOR Amendment – Revenue and Spending Limitation Amendment

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

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

TABOR also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year revenues. The School has reserved a portion of its June 30, 2014 year-end fund balance in the General Fund for emergencies as required under TABOR in the amount of \$36,000.

**Lake George Charter School
Notes to the Financial Statements
June 30, 2014
(Continued)**

III. Stewardship, Compliance, and Accountability (continued)

B. TABOR Amendment – Revenue and Spending Limitation Amendment (continued)

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 (the “FDIC”) or by collateral held under Colorado’s Public Deposit Protection Act (“PDPA”). The FDIC insures the first \$250,000 of the School’s deposits at each financial institution. Deposit balances over \$250,000 are collateralized as required by PDPA.

The deposits held by the School at June 30, 2014, were as follows:

	Standard and Poors Rating	Carrying Amounts	Maturities	
			Less than One Year	Less than Five Years
Deposits:				
Petty	Not rated	\$ 200	200	-
Checking	Not rated	213,592	213,592	-
Pools	AAAm	196,462	196,462	-
		<u>\$ 410,254</u>	<u>410,254</u>	<u>-</u>

The District has addressed the following risks as noted:

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

Lake George Charter School
Notes to the Financial Statements
June 30, 2014
(Continued)

IV. Detailed Notes on all Funds (continued)

A. Deposits (continued)

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

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

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

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

B. Receivables

The School had no receivables as of year-end June 30, 2014 for the governmental funds.

C. Changes in Long-term Obligations

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Compensated absences	\$ 13,191	-	(354)	13,545	
	<u>\$ 13,191</u>	<u>-</u>	<u>(354)</u>	<u>13,545</u>	<u>-</u>

Lake George Charter School
Notes to the Financial Statements
June 30, 2014
(Continued)

V. Other Information

A. Defined Benefit Pension Plan

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

Funding Policy: The School is required to contribute member and employer contributions to PERA at a rate set by statute. The contribution requirements of plan members and the School are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The contribution rate for members is 8.0 percent and for the School it is 10.15 percent of covered salary. A portion of the School’s contribution (1.02 percent of covered salary) is allocated to the Health Care Trust Fund (see subsequent note). The School is also required to pay an amortization equalization disbursement (AED) equal to 3.80 percent of the total payroll for the calendar year 2014 (3.40 percent of total payroll for the calendar year 2013, and 3.00 percent of total payroll for the calendar year 2012). Additionally, the School is required to pay a supplemental amortization equalization disbursement (SAED) equal to 3.50 percent of the total payroll for the calendar year 2014 (3.00 percent of total payroll for the calendar year 2013, and 2.50 percent of total payroll for the calendar year ended 2012). The total employer contribution including AED and SAED equals 17.45 percent. If the School rehires a PERA retiree as an employee or under any other work arrangement, it is required to report and pay employer contributions (including the AED and SAED) on the amounts paid for the retiree; however no member contributions are required. For the years ending June 30, 2014, 2013, and 2012, the School’s employer contributions to the SDTF were \$112,731, \$100,760, and \$72,203, respectively, equal to their required contributions for each year.

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

Lake George Charter School
Notes to the Financial Statements
June 30, 2014
(Continued)

V. Other Information (continued)

B. Postemployment Healthcare Benefits (continued)

Funding Policy: The School is required to contribute at a rate of 1.02 percent of covered salary for all PERA members at rates set by statute. No member contributions are required. The contribution requirements for the School are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contribution to the HCTF from the defined benefit plan employer contribution (see previous note) is established under Title 24, Article 51, Section 208 of the C.R.S., as amended. The School's contributions to the HCTF for the years ended June 30, 2014, 2013, and 2012 were \$6,589, \$6,210 and \$4,706, respectively, equal to their required contributions for each year.

C. Defined Contribution Pension Plan

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

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

D. Risk Management

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

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

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

Lake George Charter School
Notes to the Financial Statements
June 30, 2014
(Continued)

V. Other Information (continued)

D. Risk Management (continued)

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

E. Lease Agreement

The School entered into a lease agreement with Park County School District, effective July 1, 2009. The agreement provides for the School to occupy the School Building at no cost for a period of five years. Effective July 1, 2014 the agreement was renewed for a period of two years.