

Marble Charter School

Financial Report

June 30, 2013



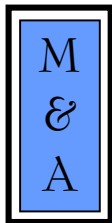
**Marble Charter School
June 30, 2013**

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MANAGEMENT'S DISCUSSION AND ANALYSIS





McMAHAN AND ASSOCIATES, L.L.C.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors Marble Charter School

We have audited the accompanying financial statements of the governmental activities and each major fund of the Marble Charter School (the "School"), as of and for the year ended June 30, 2013, 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 each major fund of the Marble Charter School as of June 30, 2013, 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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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.

The budgetary comparison information in section C is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. The budgetary comparison 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 statement or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

McMahan and Associates, L.L.C.
Avon, Colorado
December 17, 2013

Marble Charter School
Management's Discussion and Analysis
As of and for the fiscal year ended June 30, 2013

As management of the Marble 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, 2013.

Financial Highlights

- The assets of the School exceeded its liabilities as of June 30, 2013 by \$1,595,221 (net position).
- The School reported unrestricted assets of \$177,588, which will be used to fund the School's ongoing obligations.
- The School had a decrease in fund balance of \$2,975.

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 is 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. The School only reports governmental funds.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the School-wide financial statements. However, unlike the School-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. The School's most significant, or "major", governmental fund is the General Fund. The School does not report any other funds.

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

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

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

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

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

School-wide Financial Analysis:

The following table provides a comparative summary of the School's net position as of June 30, 2013 and 2012:

Marble Charter School Summary of Net Position

	2013	2012
Assets:		
Current and other assets	\$ 228,690	\$ 222,798
Capital assets	1,406,383	1,436,169
Total Assets	1,635,073	1,658,967
Liabilities:		
Other liabilities	39,852	30,985
Total Liabilities	39,852	30,985
Net Position:		
Net investment in capital assets	1,406,383	1,436,169
Restricted for emergency	11,250	12,743
Unrestricted	177,588	179,070
Total Net Position	\$ 1,595,221	\$ 1,627,982

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 decreased 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, 2013 and 2012:

Marble Charter School Summary of Activities and Changes in Net Position

	2013	2012
Revenues:		
Per pupil funding	\$ 307,627	\$ 313,951
State sources	5,670	80,530
Contributed capital assets	-	1,257,548
Other	54,773	93,078
Total Revenues	368,070	1,745,107
Expenditures/Expenses:		
Direct instruction	275,625	322,262
Indirect instruction	10,562	-
General administration	15,419	32,878
Support services	11,103	2,149
Custodial maintenance	34,192	33,750
Transportation	13,250	16,393
Food Service operations	10,894	7,850
Depreciation	29,786	28,097
Total Expenditures/Expenses	400,831	443,379
Change in Net Position	(32,761)	1,301,728
Net Position - January 1 (restated)	1,627,982	326,254
Net Position - December 31	\$ 1,595,221	\$ 1,627,982

Governmental Activities: The primary differences between the fund financial statements and the governmental activities relate to capital assets. The School has no debt.

The majority of School's operating revenues are generated from Per Pupil 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 \$188,838, a change of \$2,975 from the prior year ending fund balances.

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

Account	Final Budget	Actual Amount	Reason
Revenues:			
State sources	-	5,670	<i>Funding not originally budgeted</i>
Other	49,405	54,773	<i>More fundraising than expected</i>
Total Revenues	<u>355,243</u>	<u>368,070</u>	
Expenditures/Expenses:			
General administration	23,852	15,419	<i>Less office staff expense than budgeted</i>
Custodial maintenance	20,000	33,761	<i>Natural gas higher; Capital Reserve Expenditures</i>
Total Expenditures/Expenses	<u>369,730</u>	<u>371,045</u>	

Capital Assets: The School's capital assets represent the school building itself. Details are provided in the footnotes.

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 fund balance at the end of the fiscal year totaled \$188,838. The subsequent year's budget for fiscal year ended June 30, 2014 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 Marble Charter School, School Headmaster, 418 West Main St., Marble, Colorado 81623.

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



Marble Charter School
Balance Sheet/Statement of Net Position
June 30, 2013

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Assets:			
Cash and cash equivalents	46,708	-	46,708
Accounts receivable	6,630	-	6,630
Due from other governments	175,351	-	175,351
Capital assets, net of accumulated depreciation	-	1,406,383	1,406,383
Total Assets	<u>228,689</u>	<u>1,406,383</u>	<u>1,635,072</u>
Liabilities:			
Accounts payable	3,838	-	3,838
Accrued payroll and related liabilities	36,013	-	36,013
Total Liabilities	<u>39,851</u>	<u>-</u>	<u>39,851</u>
Fund Balances/Net Position:			
Fund balance:			
Reserved for emergencies	11,250	(11,250)	
Unassigned	177,588	(177,588)	
Total fund balance	<u>188,838</u>	<u>(188,838)</u>	
Total Liabilities and Fund Balance	<u>228,689</u>		
Net Position:			
Net investment in capital assets		1,406,383	1,406,383
Restricted for emergencies		11,250	11,250
Unrestricted		177,588	177,588
Total Net Position		<u>1,595,221</u>	<u>1,595,221</u>

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

Marble Charter School
Statement of Revenues, Expenditures and
Changes in Fund Balance/Statement of Activities
For the Year Ended June 30, 2013

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues:			
Per pupil funding	307,627	-	307,627
State sources	5,670	-	5,670
Other	54,773	-	54,773
Total Revenues	<u>368,070</u>	<u>-</u>	<u>368,070</u>
Expenditures/Expenses:			
Direct instruction	275,625	-	275,625
Indirect instruction	10,562	-	10,562
General administration	15,419	-	15,419
Support services	11,103	-	11,103
Custodial maintenance	33,761	431	34,192
Transportation	13,250	-	13,250
Food Service Operations	10,894	-	10,894
Capital Outlay	431	(431)	-
Depreciation	-	29,786	29,786
Total Expenditures/Expenses	<u>371,045</u>	<u>29,786</u>	<u>400,831</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,975)</u>	<u>(29,786)</u>	<u>(32,761)</u>
Change in Net Position	(2,975)	(29,786)	(32,761)
Fund Balance/Net Position:			
Beginning of the Year	<u>191,813</u>		<u>1,627,982</u>
End of the Year	<u><u>188,838</u></u>		<u><u>1,595,221</u></u>

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

Marble Charter School
Statement of Revenues and Expenditures
Budget and Actual
General Fund
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Per pupil funding	270,427	305,838	307,627	1,789
State sources	-	-	5,670	5,670
Other	36,625	49,405	54,773	5,368
Total Revenues	<u>307,052</u>	<u>355,243</u>	<u>368,070</u>	<u>12,827</u>
Expenditures/Expenses:				
Direct instruction	242,499	280,087	275,625	4,462
Indirect instruction	9,000	10,850	10,562	288
General administration	34,152	23,852	15,419	8,433
Support services	9,150	9,450	11,103	(1,653)
Custodial maintenance	17,600	20,000	33,761	(13,761)
Transportation	13,917	13,917	13,250	667
Food Service operations	7,000	11,374	10,894	480
Capital outlay	200	200	431	(231)
Total Expenditures/Expenses	<u>333,518</u>	<u>369,730</u>	<u>371,045</u>	<u>(1,315)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(26,466)</u>	<u>(14,487)</u>	<u>(2,975)</u>	<u>11,512</u>
Change in Net Position	<u>(26,466)</u>	<u>(14,487)</u>	<u>(2,975)</u>	<u>11,512</u>
Fund Balance/Net Position:				
Beginning of the Year			191,813	
End of the Year			<u>188,838</u>	

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

NOTES TO THE FINANCIAL STATEMENTS



Marble Charter School
Notes to the Financial Statements
June 30, 2013
(Continued)

I. Summary of Significant Accounting Policies

Marble Charter School (the "School") is located in Marble, Colorado and is a component unit of Gunnison Watershed School District RE-1J (the "District") with a mission of the students that the School meet or exceed state academic standards in a vibrant and nurturing school community where they are given time and space to discover their passions. The School operates an "other-level" public school serving the educational needs of children in grades kindergarten through 9th grade.

The School operates under a charter from the Gunnison Watershed School District RE-1J.

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 Marble Charter School. The School renewed its contract with District on July 1, 2013.

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 contracts with the District for payment of maintenance, insurance, staff training, and other accounting services. The School and the District have entered into an agreement whereby the District funds 100 percent of the School's per pupil funding based on the schools' enrollment, less automatically withheld funding according to *Charter Schools Act 22-30.5-112*, up to five percent to cover central administrative services. During the year ended June 30, 2013 the School received \$307,627.

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.

Marble Charter School
Notes to the Financial Statements
June 30, 2013
(Continued)

I. Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

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 on the District's financial statement as a discretely presented component unit.

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—net investment in capital asset; 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.

Marble Charter School
Notes to the Financial Statements
June 30, 2013
(Continued)

I. Summary of Significant Accounting Policies (continued)

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.

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, 2013, as all amounts were considered collectible.

Marble Charter School
Notes to the Financial Statements
June 30, 2013
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

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.

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. There was no interest capitalized during the fiscal year.

Buildings and improvements, furniture, fixtures and equipment are depreciated as follows (in years):

Buildings and improvements	50
Furniture, fixtures, and equipment	5 - 7

4. 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.

5. Income Tax

The School is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and therefore has made no provision for income tax expense. There was no unrelated business income for the year ended June 30, 2013. See Note V.E for additional details of tax status.

Marble Charter School
Notes to the Financial Statements
June 30, 2013
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

6. Fund Balance

The School classifies governmental fund balances as follows:

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

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

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

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

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

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

II. Reconciliation of School-wide and Fund Financial Statements

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

The School had capital assets with a total of \$1,838,314. Accumulated depreciation on capital assets totaled \$431,931. The net capital assets are accounted for on the Statement of Net Position.

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

The governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance/school-wide Statement of Activities includes an adjustment column. The only adjustment noted relates to depreciation expense for the year.

Marble Charter School
Notes to the Financial Statements
June 30, 2013
(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 2013.

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.

The School spent \$1,315 more than was appropriated for the year ended June 30, 2013. This may be a violation of budget law.

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, 2013 year-end fund balance in the General Fund for emergencies as required under TABOR in the amount of \$11,250.

Marble Charter School
Notes to the Financial Statements
June 30, 2013
(Continued)

III. Stewardship, Compliance, and Accountability (continued)

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

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

IV. Detailed Notes on all Funds

A. Deposits

The School's deposits are entirely covered by federal depository insurance (FDIC) or by collateral held under Colorado's Public Deposit Protection Act ("PDPA"). The FDIC insures the first \$250,000 of the School's deposits at each financial institution. Deposit balances over \$250,000 are collateralized as required by PDPA.

The deposits held by the School at June 30, 2013, were as follows:

		Maturities		
	Standard and Poors Rating	Carrying Amounts	Less than One Year	Less than Five Years
Deposits:				
Checking / MM	Not rated	46,708	46,708	-
		<u>\$ 46,708</u>	<u>\$ 46,708</u>	<u>\$ -</u>

The School has addressed the following risks as noted:

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

Marble Charter School
Notes to the Financial Statements
June 30, 2013
(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 School'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 School's investment maturities to 5 years or less from the date of purchase. This limit on investment maturities is a means of limiting exposure to fair values arising from interest rates. The School's investment policy is to follow the State Statute in order to reduce interest rate risk

B. Capital Assets

The School's capital assets as of June 30, 2013 were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Buildings and Building improvements	1,838,314	-	-	1,838,314
Total capital assets, being depreciated	1,838,314	-	-	1,838,314
Less accumulated depreciation for:				
Buildings and Building improvements	(402,145)	(29,786)	-	(431,931)
Total accumulated depreciation	(402,145)	(29,786)	-	(431,931)
Total Capital Assets, Net	1,436,169	(29,786)	-	1,406,383

The School has not allocated its depreciation expense of \$29,786 to governmental functions/programs of the School for the year ended June 30, 2013.

Marble Charter School
Notes to the Financial Statements
June 30, 2013
(Continued)

V. Other Information

A. Employee Benefits

1. Defined Benefit Pension Plan – PERA

Plan Description. The District 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 District 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 annual financial report that includes financial statements and required supplementary information for the SDTF. That report may be obtained 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 District is required to contribute member and employer contributions to PERA at a rate set by statute. The contribution requirements of plan members and the District are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members is 8.00% and for the District is 10.15% of covered salary. A portion of the District’s contribution (1.02% of covered salary) is allocated to the Health Care Trust Fund (see subsequent note). The District is also required to pay an amortization equalization disbursement (“AED”) equal to 3.00% of the total payroll for the calendar year 2012 (3.00% of total payroll for the calendar year 2013). Additionally, the District is required to pay a supplemental amortization equalization disbursement (“SAED”) equal to 2.50% of the total payroll for the calendar year 2012 (3.00% of total payroll for the calendar year 2013). If the District 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, 2013 and 2012 the District’s employer contributions for the SDTF were \$35,621 and \$37,608, respectively, equal to their required contributions for each year.

2. Postemployment Healthcare Benefits – PERA

Plan Description. The District contributes to the Health Care Trust Fund (the “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 CRS, as amended, assigns the authority to establish the HCTF benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the HCTF. That report may be obtained by writing to PERA of Colorado, 1301 Pennsylvania Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

Marble Charter School
Notes to the Financial Statements
June 30, 2013
(Continued)

V. Other Information

A. Employee Benefits

2. Postemployment Healthcare Benefits – PERA

Funding Policy. The District is required to contribute at a rate of 1.02% of covered salary for all PERA members as set by statute. No member contributions are required. The contribution requirements of the District are established under Title 24, Part 4 of the CRS, as amended. The apportionment of the contribution to the HCTF is established under Title 24, Article 51, Section 208 of the CRS, as amended. The District's contributions to HCTF for the years ending June 30, 2013 and 2012 were \$363 and \$384 respectively, equal to their required contributions for each year.

3. Defined Contribution Pension Plan – PERA

Plan Description. The SDTF members (see Note above) of the District 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 provisions to the State Legislature.

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 District are established under Title 24, Article 51, Section 1402 of the CRS, as amended. The 401(k) Plan member contributions from the District for the year June 30, 2013 were \$0. The employer contributions to the 401(k) Plan from the District for the year ended June 30, 2013 were \$0.

D. Risk Management

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

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

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

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

Marble Charter School
Notes to the Financial Statements
June 30, 2013
(Continued)

E. Subsequent Events

Management is reevaluating its tax status as a I.R.C. 501(c)3 tax exempt organization. The School is more appropriately a public entity associated with and sharing the same Taxpayer Identification Number as the Gunnison Watershed School District.

Management has evaluated any other subsequent events through December 17, 2013, the date these financial statements were available to be issued.