

THE ODYSSEY SCHOOL
BASIC FINANCIAL STATEMENTS
June 30, 2012

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FINANCIAL SECTION



**JOHN CUTLER
& ASSOCIATES**

Board of Directors
The Odyssey School
Denver, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities and each major fund of The Odyssey School, component unit of the Denver Public School District, as of and for the year ended June 30, 2012, which collectively comprise the basic financial statements of The Odyssey School, as listed in the table of contents. These financial statements are the responsibility of The Odyssey School's management. 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. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Odyssey School, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages i- vi and 15 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.

John Cutler & Associates, LLC

August 27, 2012

Management's Discussion and Analysis

As management of The Odyssey School, we offer readers of The Odyssey School's financial statements our narrative overview and analysis of the financial activities of The Odyssey School for the fiscal year ended June 30, 2012.

Financial Highlights

Unlike the 2010-11 school year, The Odyssey School Board of Directors did not elect to continue serving as the School Food Authority (SFA) for charter schools wishing to participate in the *National School Lunch Program*. The 2010-11 audited financial reports include the activities for 14 charter participants and the 2011-12 audited financial reports do not include SFA activities.

For 2011-12, the assets of The Odyssey School exceeded its liabilities at the close of the most recent fiscal year by \$572,590 (net assets).

At the close of the fiscal year The Odyssey School's governmental funds reported a combined ending fund balance of \$470,337, a decrease of \$48,717 all of which was in General Fund. This was a planned decrease by the Board of Directors, to support a new teacher pay salary structure implemented during 2011-12.

Overview of Financial Statements

This discussion and analysis are intended to serve as an introduction to The Odyssey School's basic financial statements. The Odyssey School'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 Odyssey School's finances, in a manner similar to a private-sector business.

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

The statement of activities presents information showing how the School's net assets changed during the most recent fiscal year. All changes in net assets 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 statement of activities distinguishes functions/programs of The Odyssey School supported primarily by Per Pupil Operating Revenue or other revenues passed through from the District (Denver Public Schools). The governmental activities of The Odyssey School include instruction and supporting services.

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. The Odyssey School, like other governmental units or schools, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of The Odyssey School 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 School'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 School'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.

The Odyssey School 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.

The Odyssey School 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 5-10.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the School's financial position. In the case of The Odyssey School, assets exceeded liabilities by \$600,085 in FY 2010-11 and \$572,590 in FY 2011/2012, the close of the most recent fiscal year.

The Odyssey School's Net Assets		
Governmental		
Activities		
	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Current and other assets	\$479,119	\$561,823
Capital assets, net of accumulated depreciation	102,253	81,031
	-----	-----
Total Assets	\$581,372	\$642,854
Long-term liabilities	-	-
Other liabilities	8,782	42,769
	-----	-----
Total Liabilities	8,782	42,769
Net assets		
Invested in capital assets, Net of related debt	102,253	81,031
Restricted for		
Emergencies	59,000	59,000
Unrestricted	411,337	460,054
	-----	-----
Total Net Assets	\$572,590	\$600,085
	=====	=====

The largest portion of The Odyssey School's assets is in cash and investments; 82% in 2012, and 87% in 2011. Capital assets, less accumulated depreciation, were 18% in 2012 and 14% in 2011. The School's net assets decreased in 2012 by \$27,495 and increased in 2011 by \$73,090.

The Odyssey School's Statement of Activities

Governmental
Activities

	Year Ended <u>June 30, 2012</u>	Year Ended <u>June 30, 2011</u>
Revenue		
Per Pupil Revenue	\$1,474,207	\$1,558,630
Mill Levy Override	125,468	124,264
Capital Construction	8,470	9,704
Operating Grants	97,612	884,832
Charges for Services	72,857	98,307
Charges for Svcs-SFA	-	446,776
Investment Earnings	4,912	7,731
Other	180,841	309,625
	-----	-----
Total Revenue	\$1,964,367	\$3,438,869
Expenses		
Instructional	1,241,335	1,198,004
Supporting Services	750,527	777,679
Interest on LT debt	-	1,119
Expenses-SFA	-	1,388,977
	-----	-----
Total Expenses	1,991,862	3,365,779
Changes in Net Assets	(27,495)	73,090
Net Assets Beginning	600,085	526,995
	-----	-----
Net Assets Ending	\$ 572,590	\$ 600,085
	=====	=====

The largest portion of The Odyssey School's revenues come from per pupil funding – 75% in 2012 and 45% in 2011. In 2012, 50% of revenues came from operating grants, and in 2011, 26% of revenues came from operating grants. The School's revenue decreased by \$1,474,502 and expenses decreased by \$1,373,917 in 2011-2012. The large variances between FY11 and FY12 are directly related to the reported activities of the SFA.

Financial Analysis of the Government's Funds

As noted earlier, The Odyssey School uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds. The focus of The Odyssey 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 Odyssey School's financing requirements. In particular, unreserved fund balance 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 General Fund reported an ending fund balance of \$470,337, a decrease of \$48,717. The Board of Directors approved this decrease in an effort to invest in the teaching staff salary model.

General Fund Budgetary Highlights.

The School approves a final budget in May based on enrollment projections for the following school year. In October, after enrollment stabilizes, adjustments are made to the budget. At year-end, the school had small variances between its budgeted and actual activities. On the revenue side, the school recognized approximately \$20,288 in additional revenues in the General Fund due to conservative budgeting practices used to determine Per Pupil Revenue and Mill Levy estimates and increases in tuition and fees. Additionally, expenses remained \$36,187 under budget due to budgeting for a conservative contingency and in an effort to remain compliant with Statute.

Capital Asset and Debt Administration.

Capital assets. The Odyssey School's investment in capital assets at June 30, 2012 was \$183,667. Accumulated depreciation was \$81,414 resulting in net capital assets of \$102,253. During 2011/2012, one vehicle was purchased and another sold. At June 30, 2012, the school owned 5 vehicles for transporting students.

Long-Term Debt. The school has no long-term debt obligations.

Economic Factors and Next Year's Budget

In November of 2000 voters in Colorado approved a provision to the Colorado constitution providing that K-12 funding would increase at pupil growth, plus inflation, plus 1% for 10 years and thereafter, growth plus inflation. This provision stabilizes and removes funding from the political process. As a result of this provision the single most important factor in projecting School revenues is estimated future inflation. During 2011/2012, the school had a funded pupil count of 214.5 and is approving a budget based on 214.5 funded pupils for 2012/2013.

Requests for Information

This financial report is designed to provide a general overview of The Odyssey School's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to The Odyssey School - CFO, 6550 East 21st Avenue, Denver, CO 80207.

BASIC FINANCIAL STATEMENTS

THE ODYSSEY SCHOOL
STATEMENT OF NET ASSETS
As of June 30, 2012

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 424,231
Cash Held by the District	40,213
Accounts Receivable	4,246
Prepaid Expenses	10,429
Capital Assets, Depreciated, Net of Accumulated Depreciation	<u>102,253</u>
TOTAL ASSETS	<u>581,372</u>
LIABILITIES	
Accounts Payable	8,142
Accrued Expenses	<u>640</u>
TOTAL LIABILITIES	<u>8,782</u>
NET ASSETS	
Invested in Capital Assets	102,253
Restricted for Emergencies	59,000
Unrestricted	<u>411,337</u>
TOTAL NET ASSETS	<u><u>\$ 572,590</u></u>

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

THE ODYSSEY SCHOOL

STATEMENT OF ACTIVITIES

Year Ended June 30, 2012

FUNCTIONS/PROGRAMS	Expenses	PROGRAM REVENUES			NET (EXPENSE)
		Charges for	Operating	Capital	REVENUE AND
PRIMARY GOVERNMENT		Services	Grants and	Grants and	CHANGES IN
Governmental Activities			Contributions	Contributions	<u>NET ASSETS</u>
					<u>Governmental</u>
					<u>Activities</u>
Instructional	\$ 1,241,335	\$ 72,857	\$ 16,652	\$ -	\$ (1,151,826)
Supporting Services	750,527	-	80,960	8,470	(661,097)
Total Governmental Activities	<u>\$ 1,991,862</u>	<u>\$ 72,857</u>	<u>\$ 97,612</u>	<u>\$ 8,470</u>	<u>(1,812,923)</u>
GENERAL REVENUES					
					1,474,207
					125,468
					4,912
					<u>180,841</u>
					<u>1,785,428</u>
					(27,495)
					<u>600,085</u>
					<u>\$ 572,590</u>

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

THE ODYSSEY SCHOOL

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2012

	<u>GENERAL FUND</u>
ASSETS	
Cash	\$ 424,231
Cash Held by District	40,213
Accounts Receivable	4,246
Prepaid Expenses	<u>10,429</u>
 TOTAL ASSETS	 <u><u>\$ 479,119</u></u>
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts Payable	\$ 8,142
Deferred Revenue	<u>640</u>
 TOTAL LIABILITIES	 <u>8,782</u>
FUND EQUITY	
Fund Balance	
Nonspendable	10,429
Restricted for Emergencies	59,000
Unassigned	<u>400,908</u>
 TOTAL FUND BALANCES	 470,337
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.	<u>102,253</u>
Net assets of governmental activities	<u><u>\$ 572,590</u></u>

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

THE ODYSSEY SCHOOL
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2012

	GENERAL FUND
REVENUES	
Local Sources	\$ 1,939,245
State and Federal Sources	25,122
TOTAL REVENUES	1,964,367
EXPENDITURES	
Current	
Instruction	1,241,335
Supporting Services	771,749
TOTAL EXPENDITURES	2,013,084
NET CHANGE IN FUND BALANCES	(48,717)
FUND BALANCES, Beginning	519,054
FUND BALANCES, Ending	\$ 470,337

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

THE ODYSSEY SCHOOL

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	(48,717)
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlay \$44,588 exceeded depreciation (\$23,366) for the period.	<u>21,222</u>
Change in net assets of governmental activities	<u>\$ (27,495)</u>

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

THE ODYSSEY SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Odyssey School (the “School”) was organized pursuant to the Colorado Charter Schools Act to form and operate a charter school within the Denver Public School District (the “District”) in the State of Colorado. The School is a non-profit organization as defined in Section 501(c)(3) of the Internal Revenue Code.

The accounting policies of the School 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 School and organizations for which the School is financially accountable. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the School. In addition, any legally separate organizations for which the School is financially accountable are considered part of the reporting entity. Financial accountability exists if the School 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.

Based on the application of these criteria, the School does not include additional organizations within its reporting entity. However, the School is a component unit of the Denver Public School District.

School Food Authority

For the year ended June 30, 2011, the School entered into an agreement with the Colorado Department of Education to act as a School Food Authority for several charter schools. As of July 1, 2011, this activity was transferred to another charter school. Therefore, this activity is no longer reported in the financial statements of the School.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the School. 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.

THE ODYSSEY SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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 students or others who purchase, use, or 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.

The government-wide 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 School.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

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 School's policy to use restricted resources first and the unrestricted resources as they are needed.

THE ODYSSEY SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The School reports the following major governmental fund:

General Fund – This fund is the general operating fund of the School. It is used to account for all financial resources except those required to be accounted for in another fund.

Assets, Liabilities and Fund Balance/Net Assets

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

Prepaid Expenses – Payments made to vendors for services that will benefit future periods are recorded as prepaid expense. An expenditure is reported in the year in which the services are consumed.

Capital Assets – Capital assets, which include leasehold improvements, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported on the statement of net assets in the government-wide financial statements. Depreciation has been provided over the following estimated useful lives of the capital assets using the straight-line method: Equipment over 8 years.

Net Assets/Fund Equity – In the government-wide financial statements, net assets are restricted when constraints placed on the net assets are externally imposed.

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 School 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:

THE ODYSSEY SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

- Nonspendable – This classification includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported at June 30, 2012, by the School are nonspendable in form as Prepaid Expenses.
- 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 School 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 School did not have any committed resources as of June 30, 2012.
- 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 School 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.

Compensated Absences

The School's policy allows employees to accumulate vacation leave. Employees are not compensated for any unused leave. Therefore, no liability for accumulated sick leave is reported in the financial statements.

THE ODYSSEY SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Risk Management

The School 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 School carries commercial coverage for these risks of loss. The School has not had claims that exceeded insurable amounts in the last three years.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

A budget is adopted for all funds on a basis consistent with generally accepted accounting principles.

School 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 by June 1. 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.

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, 2012, 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 School has no policy regarding custodial credit risk for deposits.

THE ODYSSEY SCHOOL

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 3: CASH AND INVESTMENTS (Continued)

Deposits (Continued)

At June 30, 2012, the School had deposits with financial institutions with a carrying amount of \$424,231. The bank balances with the financial institutions were \$436,799. Of these balances, \$250,000 was covered by federal depository insurance and \$186,799 was covered by collateral held by authorized escrow agents in the financial institution's name (PDPA).

Pooled Cash with the District

Cash deposits are pooled with the District cash and investments which were held by several banking institutions. Pooled investments represent investments in local government investment pools or in money market funds. At June 30, 2012 the School's balance in equity in pooled cash of the District totaled \$40,213.

Investments

Interest Rate Risk

The School 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
- Certain money market funds
- Guaranteed investment contracts

The School had no investments at June 30, 2012.

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

THE ODYSSEY SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

NOTE 4: CAPITAL ASSETS

Capital Assets activity for the year ended June 30, 2012 is summarized below.

	Balance <u>June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2012</u>
Governmental Activities				
Capital Assets, Depreciated				
Equipment	\$ 177,111	\$ 44,588	\$ 38,032	\$ 183,667
Accumulated Depreciation				
Equipment	<u>96,080</u>	<u>23,366</u>	<u>38,032</u>	<u>81,414</u>
Total Capital Assets, Depreciated	<u>\$ 81,031</u>	<u>\$ 21,222</u>	<u>\$ -</u>	<u>\$ 102,253</u>

Depreciation expense is charged to the supporting services program of the School.

NOTE 5: PENSION PLANS

Defined Benefit Pension Plan

Plan Description. The School contributes to the Denver Public Schools Retirement System Division of 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 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, 1300 Logan 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 CRS, as amended. The contribution rate for members is 8.0 % and for the School is 3.88% of covered salary for calendar year 2012 (3.63% for calendar year 2011). 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 on the amounts paid for the retiree, and members must contribute 8% of covered salary. For the year ending June 30, 2010, 2011, and 2012, the School's employer contributions for the SDTF were \$12,425, \$30,672, and \$37,874, respectively, equal to the required contributions for the year.

THE ODYSSEY SCHOOL

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 5: **PENSION PLANS** (Continued)

Taxable Pension Certificates of Participation (PCOPs)

The District issued Taxable Pension Certificates of Participation (PCOPs) on July 17, 1997 to fully fund the unfunded actuarial accrued liability (UAAL) of the Plan. Full funding of the UAAL reduced the employer contribution rate from the full funding rate of 15.75% to the normal cost rate of 4.98%. This rate is based upon actuarially determined contribution requirements, the approval and recommendation of the Plan's Board and approval of the District's Board of Education. The School contributed 12.21%, 10.39%, and 10.72%, of covered payroll for the fiscal years ended June 30, 2012, 2011, and 2010, respectively, to the District to cover its obligation relating to the PCOPs.

During the fiscal year ended June 30, 2012, 2011 and 2010, the School made contributions totaling \$123,165, \$110,096, and \$117,112, respectively, to the District towards its PCOPs obligation.

NOTE 6: **COMMITMENTS AND CONTINGENCIES**

Claims and Judgments

The School 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 School may be required to reimburse the grantor government. As of June 30, 2012, significant amounts of grant expenditures have not been audited, but the School believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the School.

Facility Rent

The School entered into an operating lease agreement with the District for their building. Monthly lease payments of \$10,532 are due through June 30, 2015. The rate can be adjusted annually as long as the District gives the School seven months notice.

THE ODYSSEY SCHOOL

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 6: *COMMITMENTS AND CONTINGENCIES* (Continued)

Future minimum lease payments are as follows:

Year Ended	
<u>June 30</u>	
2013	\$ 126,381
2014	126,381
2015	<u>126,381</u>
Total	<u>\$ 379,143</u>

Total rent expense for the year ended June 30, 2012 was \$112,452.

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 School believes it has complied with the Amendment.

As required by the Amendment, the School has established a reserve for emergencies. At June 30, 2012, the reserve of \$59,000 was recorded as a reservation of fund balance in the General Fund. The District also holds \$40,213 in pooled cash on behalf of the School for this reserve.

REQUIRED SUPPLEMENTARY INFORMATION

THE ODYSSEY SCHOOL
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2012

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Local Sources				
Per Pupil Revenue	\$ 1,466,537	\$ 1,468,716	\$ 1,474,207	\$ 5,491
Mill Levy Override	138,969	125,468	125,468	-
Tuition and Fees	-	48,000	72,857	24,857
Grants and Donations	23,400	85,600	80,960	(4,640)
Interest	6,000	3,500	4,912	1,412
Other	195,800	187,030	180,841	(6,189)
State and Federal Sources				
Grants and Donations	25,765	25,765	25,122	(643)
TOTAL REVENUES	<u>1,856,471</u>	<u>1,944,079</u>	<u>1,964,367</u>	<u>20,288</u>
EXPENDITURES				
Salaries	1,046,169	1,051,262	1,057,852	(6,590)
Employee Benefits	267,077	277,547	265,201	12,346
Purchased Services	430,223	478,007	463,394	14,613
Supplies and Materials	100,341	101,661	116,356	(14,695)
Property	63,480	106,980	106,764	216
Other	14,373	13,500	3,517	9,983
Contingency	-	20,314	-	20,314
TOTAL EXPENDITURES	<u>1,921,663</u>	<u>2,049,271</u>	<u>2,013,084</u>	<u>36,187</u>
CHANGE IN FUND BALANCES	(65,192)	(105,192)	(48,717)	56,475
FUND BALANCE, Beginning	-	-	519,054	519,054
FUND BALANCE, Ending	<u>\$ (65,192)</u>	<u>\$ (105,192)</u>	<u>\$ 470,337</u>	<u>\$ 575,529</u>

See the accompanying independent auditors' report.