

COLORADO HIGH SCHOOL CHARTER

BASIC FINANCIAL STATEMENTS

June 30, 2011

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FINANCIAL SECTION



**JOHN CUTLER
& ASSOCIATES**

Board of Directors
Colorado High School Charter
Denver, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities and each major fund of the Colorado High School Charter, component unit of the Denver Public School District, as of and for the year ended June 30, 2011, which collectively comprise the basic financial statements of Colorado High School Charter, as listed in the table of contents. These financial statements are the responsibility of the Colorado High School Charter'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. 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 Colorado High School Charter, as of June 30, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and required supplementary information listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

John Cutler & Associates, LLC

September 1, 2011

Management's Discussion and Analysis

As management of Colorado High School Charter, we offer readers of our financial statements this narrative overview and analysis of the financial activities of Colorado High School Charter for the fiscal year ended June 30, 2011.

Financial Highlights

The assets of the Colorado High School Charter exceeded its liabilities at the close of the most recent fiscal year by \$496,272 (net assets). The School's total assets at the end of the year were \$624,497. The general fund ending fund balance reached \$450,003.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Colorado High School Charter's basic financial statements. These basic financial statements comprise three components: 1) government-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 to give the reader a more detailed view of the school's financial performance.

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of Colorado High School Charter's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of Colorado High School Charter'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 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 flow changes in future fiscal periods (e.g., items purchased but not paid for). The government-wide financial statements include Colorado High School Charter's instruction and supporting services.

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. Colorado High School Charter, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of CHSC's funds are governmental funds.

Governmental funds. Governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well 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.

Colorado High School Charter maintains one governmental funds, the general fund.

Colorado High School Charter adopts an annual appropriated budget for its funds. Budgetary comparison schedules have been provided for the general fund to demonstrate compliance with this budget.

Instruction vs. Support Expenses. Under the Colorado Department of Education Chart of Accounts for use by Colorado Public School Districts, Colorado High School Charter is required to identify expenses directly related to *Instruction vs. Support*.

Instruction service programs include direct activities between staff and students and can include teaching activities and the assistance of paraprofessionals or classroom assistants. *Support* service programs are those activities which facilitate and enhance instruction and may include administrative functions and centralized operations for the benefit of students, staff, and the school community.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the School’s financial position. Colorado High School Charter’s assets decreased by \$91,909 and liabilities increased by \$26,336 over June 30, 2010.

Colorado High School Charter’s Net Assets:

	<u>2009-10</u>	<u>2010-11</u>
Assets		
Current Assets	\$ 608,215	\$ 545,159
Deposit held by Denver Public Schools	46,859	33,069
Capital Assets, net of depreciation	61,332	46,269
Total Assets	<u>716,406</u>	<u>624,497</u>
Liabilities	101,889	128,225
Net Assets		
Invested in Capital Assets	61,332	
Restricted for Emergencies	42,430	24,100
Unrestricted	510,755	472,172
Total Net Assets	<u>\$ 614,517</u>	<u>\$ 496,272</u>

Colorado High School Charter's Change in Net Assets:

	<u>2009-10</u>	<u>2010-11</u>
Revenues:		
Charges for Services	\$ 11,507	\$ 13,602
Operating Grants and Contributions	244,141	266,926
Per Pupil Operating Revenue	1,538,546	1,404,382
Capital Construction	20,001	17,111
Investment Earnings	2,221	1,601
Other	3,111	
Total Revenues	<u>1,819,527</u>	<u>1,703,622</u>
Expenses:		
Instructional	849,676	887,518
Supporting Services	718,096	934,349
Total Expenses	<u>1,567,772</u>	<u>1,821,867</u>
Increase (Decrease) in Net Assets	251,755	(118,245)
Net Assets, beginning of year	<u>362,762</u>	<u>614,517</u>
Net Assets, end of year	<u>\$ 614,517</u>	<u>\$ 496,272</u>

Colorado High School's funded pupil count decreased from 205 to 190, resulting in lower Per Pupil and Grant revenue.

Financial Analysis of the School's Funds

Governmental funds. Unreserved fund balance is 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 Colorado High School Charter's governmental fund had an ending unreserved fund balance of \$472,172. This represents approximately 28% of the total year's funding which will be available to the School in subsequent years.

General Fund Budgetary Highlights

The District approves a budget in June based on enrollment projections for the following school year. In November after enrollment stabilizes, adjustments are made to the budget. Expenditures were over budget for the year, due to an adjustment by DPS to the school's 2008 pupil count. That adjustment resulted in an unexpected charge of \$168,932. Without that charge, the school would have ended the year with expenditures \$67,920 below budget.

Capital Assets

Colorado High School Charter's investment in capital assets as of June 30, 2011, amounts to \$46,269 (net of accumulated depreciation). This investment in capital assets consists of school renovations and equipment. The detail of this investment is in Note 4 to the financial statements.

Requests for Information

This financial report is designed to provide a general overview of Colorado High School Charter'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 CHSC Business Manager, 1175 Osage Street, Suite #100, Denver, Colorado 80204.

BASIC FINANCIAL STATEMENTS

COLORADO HIGH SCHOOL CHARTER

STATEMENT OF NET ASSETS

As of June 30, 2011

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 495,676
Cash Held by the District	33,069
Accounts Receivable	24,109
Prepaid Expenses	24,874
Deposits	500
Capital Assets, Depreciated	
Net of Accumulated Depreciation	<u>46,269</u>
 TOTAL ASSETS	 <u>624,497</u>
LIABILITIES	
Accounts Payable	7,799
Accrued Salaries and Benefits	<u>120,426</u>
 TOTAL LIABILITIES	 <u>128,225</u>
NET ASSETS	
Restricted for Emergencies	24,100
Unrestricted	<u>472,172</u>
 TOTAL NET ASSETS	 <u><u>\$ 496,272</u></u>

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

COLORADO HIGH SCHOOL CHARTER

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

	<u>GENERAL FUND</u>
ASSETS	
Cash and Investments	\$ 495,676
Cash Held by District	33,069
Accounts Receivable	24,109
Prepaid Expenses	24,874
Deposits	<u>500</u>
 TOTAL ASSETS	 <u><u>\$ 578,228</u></u>
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts Payable	\$ 7,799
Accrued Salaries and Benefits	<u>120,426</u>
 TOTAL LIABILITIES	 <u>128,225</u>
FUND BALANCES	
Nonspendable	25,374
Restricted for Emergencies	24,100
Unassigned	<u>400,529</u>
 TOTAL FUND BALANCES	 <u>450,003</u>
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>46,269</u>
Net Assets of governmental funds	<u><u>\$ 496,272</u></u>

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

COLORADO HIGH SCHOOL CHARTER

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2011

	<u>GENERAL FUND</u>
REVENUES	
Local Sources	\$ 1,509,138
State and Federal Sources	<u>194,484</u>
TOTAL REVENUES	<u>1,703,622</u>
EXPENDITURES	
Current	
Instruction	887,518
Supporting Services	<u>919,286</u>
TOTAL EXPENDITURES	<u>1,806,804</u>
NET CHANGE IN FUND BALANCES	(103,182)
FUND BALANCES, Beginning	<u>553,185</u>
FUND BALANCES, Ending	<u><u>\$ 450,003</u></u>

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

COLORADO HIGH SCHOOL CHARTER

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

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

Net change in fund balances - total governmental funds	\$ (103,182)
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 amount is the depreciation expense for the year.	<u>(15,063)</u>
Change in net assets of governmental activities	<u>\$ (118,245)</u>

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

COLORADO HIGH SCHOOL CHARTER

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Colorado High School Charter (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 began classes in the fall of 2002.

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.

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 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.

COLORADO HIGH SCHOOL CHARTER
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

Major individual governmental funds are reported in separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide 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 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.

COLORADO HIGH SCHOOL CHARTER
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Balance/Net Assets

Investments – Investments are reported at fair value.

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

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 property and equipment, 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: buildings improvements, 10 years, and vehicles and equipment, 5 years.

Long-Term Debt – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenditures. The School has no long-term debt as of June 30, 2011.

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

COLORADO HIGH SCHOOL CHARTER
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Balance Classification – The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the 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:

- Nonspendable – This classification includes amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact. The School considers Prepaid Expenses and Deposits as nonspendable.
- 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, 2011.
- 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.

COLORADO HIGH SCHOOL CHARTER

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

School employees are allowed to use six personal days each school year. Employees are paid for any unused personal days at \$90 per day at the end of the school year. Therefore, no liabilities for unused personal days are reported in the financial statements.

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.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

A budget is adopted for the General Fund 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 July1. The budget is adopted by the Board of Directors prior to June 30. Expenditures may not legally exceed appropriations at the fund level. Revisions must be approved by the Board of Directors. The budget includes proposed expenditures and the means of financing them. All appropriations lapse at fiscal year end.

Legal Compliance

The actual expenditures of the General Fund exceeded the budgeted amount by \$116,132. This may be a violation of State statute.

COLORADO HIGH SCHOOL CHARTER
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

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, 2011, 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.

At June 30, 2011, the School had deposits with financial institutions with a carrying amount of \$21,557. The bank balances with the financial institutions were \$37,427, which was covered by federal depository insurance.

Pooled Cash with the District

Cash deposits are pooled with the District's 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, 2011 the School's balance in equity in pooled cash of the District totaled \$33,069.

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.

COLORADO HIGH SCHOOL CHARTER
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

NOTE 3: CASH AND INVESTMENTS (Continued)

Credit Risk

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

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

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

The School had invested \$474,051 in the Colorado Government Liquid Asset Trust (COLOTRUST) which has a credit rating of AAA by Standard and Poor's. COLOTRUST is an investment vehicle established for local government entities in Colorado to pool surplus funds and is regulated by the State Securities Commissioner. It operates similarly to a money market fund and each share is equal in value to \$1.00.

Investments consist of U.S. Treasury and U.S. Agency securities, and repurchase agreements collateralized by U.S. Treasury and U.S. Agency securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the entities.

Restricted Cash and Investments

Cash in the amount of \$33,069 is restricted in the General Fund as an emergency reserve related to the TABOR amendment.

COLORADO HIGH SCHOOL CHARTER
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

NOTE 4: CAPITAL ASSETS

Capital Assets activity for the year ended June 30, 2011 is summarized below.

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
Governmental Activities				
Capital Assets, Being Depreciated				
Building Improvements	\$ 150,633	\$ -	\$ -	\$ 150,633
Equipment	<u>30,198</u>	<u>-</u>	<u>-</u>	<u>30,198</u>
 Total Capital Assets, Being Depreciated	 <u>180,831</u>	 <u>-</u>	 <u>-</u>	 <u>180,831</u>
 Accumulated Depreciation				
Building Improvements	89,301	15,063	-	104,364
Equipment	<u>30,198</u>	<u>-</u>	<u>-</u>	<u>30,198</u>
Total Accumulated Depreciation	<u>119,499</u>	<u>15,063</u>	<u>-</u>	<u>134,562</u>
 Net Capital Assets	 <u>\$ 61,332</u>	 <u>\$ (15,063)</u>	 <u>\$ -</u>	 <u>\$ 46,269</u>

Depreciation has been charged to the supporting services program of the School.

NOTE 5: ACCRUED SALARIES AND BENEFITS

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve month period from August to July, but are earned during a school year of nine months. The salaries and benefits earned, but unpaid, as of June 30, 2011, were \$120,426 in the General Fund.

COLORADO HIGH SCHOOL CHARTER
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

NOTE 6: 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 it is 3.63% of covered salary for calendar year 2011 (2.41% for calendar year 2010). 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, however no member contributions are required. For the year ending June 30, 2011 and 2010, the School's employer contributions for the SDTF was \$29,056 and \$12,196., equal to the required contributions for each year.

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 10.39%, 11.74%, and 13.72% of covered payroll for the fiscal years ended June 30, 2011, 2010, and 2009 to the District to cover its obligation relating to the PCOPs. During the fiscal year ended June 30, 2011, 2010, and 2009 the School made contributions totaling \$103,719, \$103,260, and \$80,909, to the District towards its PCOPs obligation.

COLORADO HIGH SCHOOL CHARTER
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

NOTE 7: COMMITMENTS AND CONTINGENCIES

Operating Lease

The School entered into an operating lease for their building with a company partially owned by related parties. Monthly lease payments of \$10,200 to \$10,700 are due monthly through August 31, 2013.

Future minimum lease payments are as follows:

Year Ended	
<u>June 30</u>	
2012	\$ 126,400
2013	128,200
2014	<u>21,400</u>
Total	<u>\$ 276,000</u>

Total rent expense for the year ended June 30, 2011 for this lease was \$122,000. This building is owned by an LLC in which the principal of the School is a member and therefore a related party.

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, 2011, 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.

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, 2011, the reserve of \$24,100 was recorded as a reservation of fund balance in the General Fund. The District also holds \$33,069 in pooled cash on behalf of the School for this reserve.

REQUIRED SUPPLEMENTARY INFORMATION

COLORADO HIGH SCHOOL CHARTER

GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended June 30, 2011

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Local Sources				
Per Pupil Revenue	\$ 1,289,015	\$ 1,429,360	\$ 1,404,382	\$ (24,978)
Mill Levy Override	21,271	21,271	21,271	-
Grants and Donations	1,000	51,636	68,282	16,646
Interest	2,323	1,915	1,601	(314)
Other	9,200	12,328	13,602	1,274
State and Federal Sources				
Grants and Donations	191,184	189,282	194,484	5,202
TOTAL REVENUES	1,513,993	1,705,792	1,703,622	(2,170)
EXPENDITURES				
Salaries	825,297	987,298	960,075	27,223
Employee Benefits	219,949	217,113	211,021	6,092
Purchased Services	379,007	390,886	420,488	(29,602)
Supplies and Materials	79,102	95,375	46,288	49,087
Other	10,638	15,120	168,932	(153,812)
TOTAL EXPENDITURES	1,513,993	1,705,792	1,806,804	(101,012)
CHANGE IN FUND BALANCES	-	-	(103,182)	(103,182)
FUND BALANCE, Beginning	-	-	553,185	553,185
FUND BALANCE, Ending	\$ -	\$ -	\$ 450,003	\$ 450,003

See the accompanying independent auditors' report.