

COLORADO HIGH SCHOOL CHARTER

FINANCIAL STATEMENTS

June 30, 2010

COLORADO HIGH SCHOOL CHARTER

ROSTER OF SCHOOL OFFICIALS

June 30, 2010

SCHOOL BOARD

Chairperson	Kelly Grable
Vice-Chair	Angelo Spataro
Member	Michele Brown
Member	Genevie Frederick
Member	Joel Green
Member	Susan Motika
Member	Tamela Lee
Member	Dick Peterson
Member	Mary Helen Sandoval

SCHOOL MANAGEMENT

Cyndi Bush-Luna, Principal

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School Board
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 Denver School District, as of and for the year ended June 30, 2010, which collectively comprise the basic financial statements of the 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, 2010, 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 are not a required part of the basic financial statements but are 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.

Swanhorst & Company LLC
September 14, 2010

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, 2010.

Financial Highlights

The assets of the Colorado High School Charter exceeded its liabilities at the close of the most recent fiscal year by \$614,517 (net assets). The School's total assets at the end of their eighth year are \$655,074. Liabilities total \$101,889, most of which are accrued salaries and benefits paid in July.

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. 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. Colorado High School Charter, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. CHSC uses one governmental fund.

Governmental funds. 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.

Colorado High School Charter adopts an annual appropriated budget for its fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

Instruction vs. Supporting 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. Supporting Services*.

Instruction service programs include direct activities between staff and students and can include teaching activities and the assistance of paraprofessionals or classroom assistants. *Supporting* 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, over time net assets may serve as a useful indicator of the School’s financial position. Colorado High School Charter’s assets increased by \$284,097. The School’s cash balance increased as a result of a higher pupil count. The Board elected to increase savings so that the school would be in a strong financial position and able to weather potential funding decreases in the future without sacrificing programs. Liabilities increased by \$32,342 over June 30, 2009. All of the increase was in accrued salaries and benefits that were paid in July.

Colorado High School Charter’s Net Assets:

	<u>08-09</u>	<u>09-10</u>
Assets		
Current Assets	\$317,970	\$608,215
Deposit held by Denver Public Schools	37,944	46,859
Capital Assets, net of depreciation	76,395	61,332
Total Assets	<u>432,309</u>	<u>716,406</u>
Liabilities	69,547	101,889
Net Assets		
Invested in Capital Assets	76,395	61,332
Restricted for Emergencies	32,944	42,430
Unrestricted	253,423	510,755
Total Net Assets	<u>\$362,762</u>	<u>\$614,517</u>

Colorado High School Charter's Change in Net Assets:

	<u>08-09</u>	<u>09-10</u>
Revenues:		
Charges for Services	\$ 5,971	\$ 11,507
Operating Grants and Contributions	133,661	210,398
Per Pupil Operating Revenue	1,183,105	1,538,546
Mill Levy	16,498	17,743
Technology Bond	0	16,000
Capital Construction	17,410	20,001
Investment Earnings	5,292	2,221
Other	352	3,111
Total Revenues	<u>1,362,289</u>	<u>1,819,527</u>
Expenses:		
Instructional	699,446	849,676
Supporting Services	692,708	718,096
Total Expenses	<u>1,392,154</u>	<u>1,567,772</u>
Increase (Decrease) in Net Assets	(29,865)	251,755
Net Assets, beginning of year	<u>392,627</u>	<u>362,762</u>
Net Assets, end of year	<u>\$ 362,762</u>	<u>\$ 614,517</u>

Colorado High School's pupil count increased from 178 to 205, resulting in higher Per Pupil and Grant revenue. Expenses increased due to increased staff and expenses associated with more students and computer hardware and software expenses funded by the Technology Bond. Additionally, CHSC implemented a new school lunch program causing increases in both revenue and expenses.

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 reported an ending unreserved fund balance of \$503,803.

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. The budget was amended during the year as a result of higher than projected student count and to provide for additional staff.

The School ended the year with expenditures below budget.

Capital Assets

Colorado High School Charter's investment in capital assets as of June 30, 2009, amounts to \$61,332 (net of accumulated depreciation). This investment in capital assets consists of school renovations and equipment. The detail of this investment is in Note 3 to the financial statements.

The Year Ahead

For the school year ended June 30, 2010, the funded population was 205 students. For the coming year, Colorado High School Charter expects to have an actual population of 180-190 students (day and night school). In August 2010, the Board approved an extension of the school's building lease for an additional five years.

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

June 30, 2010

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS	
Cash and Investments	\$ 576,997
Accounts Receivable	28,695
Prepaid Expenses	2,523
ERS Deposit Held by Denver School District	4,429
Emergency Reserves Held by Denver School District	42,430
Capital Assets, Net of Accumulated Depreciation	<u>61,332</u>
TOTAL ASSETS	<u>716,406</u>
LIABILITIES	
Accounts Payable	12,398
Accrued Salaries and Benefits	<u>89,491</u>
TOTAL LIABILITIES	<u>101,889</u>
NET ASSETS	
Invested in Capital Assets	61,332
Restricted for Emergencies	42,430
Unrestricted	<u>510,755</u>
TOTAL NET ASSETS	<u>\$ 614,517</u>

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

COLORADO HIGH SCHOOL CHARTER

STATEMENT OF ACTIVITIES

Year Ended June 30, 2010

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	
PRIMARY GOVERNMENT				
Governmental Activities				
Instruction	\$ 849,676	\$ 11,507	\$ 125,680	\$ (712,489)
Supporting Services	<u>718,096</u>	<u>-</u>	<u>84,718</u>	<u>(633,378)</u>
Total Governmental Activities	\$ <u>1,567,772</u>	\$ <u>11,507</u>	\$ <u>210,398</u>	<u>(1,345,867)</u>
GENERAL REVENUES				
				1,538,546
				33,743
				20,001
				2,221
				<u>3,111</u>
				<u>1,597,622</u>
				251,755
				<u>362,762</u>
				<u>\$ 614,517</u>

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

COLORADO HIGH SCHOOL CHARTER

BALANCE SHEET
GOVERNMENTAL FUND

June 30, 2010

	<u>GENERAL</u>
ASSETS	
Cash and Investments	\$ 576,997
Accounts Receivable	28,695
Prepaid Expenditures	2,523
ERS Deposit Held by Denver School District	4,429
Emergency Reserves Held by Denver School District	42,430
TOTAL ASSETS	\$ 655,074
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts Payable	\$ 12,398
Accrued Salaries and Benefits	89,491
TOTAL LIABILITIES	101,889
FUND BALANCE	
Reserved for Prepaid Expenditures	2,523
Reserved for Deposit	4,429
Reserved for Emergencies	42,430
Unreserved, Reported in General Fund	503,803
TOTAL FUND BALANCE	553,185
TOTAL LIABILITIES AND FUND BALANCE	\$ 655,074
 Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:	
Total Fund Balance of the Governmental Fund	\$ 553,185
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	61,332
Total Net Assets of Governmental Activities	\$ 614,517

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

COLORADO HIGH SCHOOL CHARTER
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
Year Ended June 30, 2010

	<u>GENERAL</u>
REVENUES	
Local Sources	\$ 1,611,430
State Sources	73,347
Federal Sources	134,750
 TOTAL REVENUES	 1,819,527
EXPENDITURES	
Instruction	834,613
Supporting Services	718,096
 TOTAL EXPENDITURES	 1,552,709
 NET CHANGE IN FUND BALANCE	 266,818
FUND BALANCE, Beginning	286,367
FUND BALANCE, Ending	\$ 553,185
 Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
Net Change in Fund Balance of the Governmental Fund	\$ 266,818
 Capital outlays to purchase or construct capital assets are reported in the governmental fund as expenditures. However, for governmental activities those costs are capitalized in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This amount represents depreciation expense in the current year.	 (15,063)
Change in Net Assets of Governmental Activities	\$ 251,755

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Colorado High School Charter (the “School”) began operations on July 1, 2002, pursuant to the Colorado Charter Schools Act to form and operate a charter school within the Denver School District (the “District”).

The accounting policies of the School conform to generally accepted accounting principles as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. 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 this criteria, the School does not include additional organizations within its reporting entity.

The School is a component unit of the District. The majority of the School’s funding is provided by the 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 activities of the School. *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 revenues not properly included among program revenues are reported instead as *general revenues*. Internally dedicated resources are reported as general revenues rather than as program revenues.

Major individual 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 year or soon enough thereafter to pay liabilities of the current year. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current year. Intergovernmental revenues, grants, and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered to be measurable and available only when cash is received by the School. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

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 currently used to account for all financial activities of the School.

Assets, Liabilities and Net Assets/Fund Balance

Investments - Investments are reported at fair value.

Prepaid Expenses - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

Capital Assets - Capital assets, which include building improvements and equipment, are reported in the government-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of more than \$3,000 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. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset lives are not capitalized.

Capital assets of the School are depreciated using the straight-line method over the following estimated useful lives.

Building Improvements	10 years
Equipment	5 years

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 approximately nine to ten months. The salaries and benefits earned, but unpaid, are reported as a liability of the General Fund.

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. The majority of the payments are made before the end of the fiscal year. Any unpaid compensated absences are reported as a liability of the General Fund at the end of the fiscal year, because they are due.

COLORADO HIGH SCHOOL CHARTER

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Net Assets/Fund Balance - In the government-wide financial statements, net assets are restricted when constraints placed on the net assets are externally imposed. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

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 insurance for these risks of loss.

NOTE 2: CASH AND INVESTMENTS

At June 30, 2010, the School had the following cash and investments.

Petty Cash	\$	570
Deposits		29,593
Investments		<u>546,834</u>
Total	\$	<u>576,997</u>

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The 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 uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

Investments

The School is required to comply with State statutes which specify investment instruments meeting defined rating, maturity, and concentration risk criteria in which local governments may invest, which include the following. State statutes generally limit the maturity of investments securities to five years from the date of purchase, unless the governing board authorizes an investment in excess of five years. State statutes do not address custodial risk.

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

COLORADO HIGH SCHOOL CHARTER

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments (Continued)

Local Government Investment Pool - At June 30, 2010, the School had \$546,834 invested in the Colorado Local Government Liquid Asset Trust (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating Colotrust. Colotrust operates similarly to a money market fund with each share equal in value to \$1.00. Colotrust is rated AAAM by Standard and Poor's. Investments of Colotrust are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

NOTE 3: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010, is summarized below.

	Balances 6/30/09	Additions	Deletions	Balances 6/30/10
Governmental Activities				
Capital Assets, Being Depreciated				
Building Improvements	\$ 150,633	\$ -	\$ -	\$ 150,633
Equipment	30,198	-	-	30,198
Total Capital Assets, Being Depreciated	180,831	-	-	180,831
Less Accumulated Depreciation				
Building Improvements	(74,238)	(15,063)	-	(89,301)
Equipment	(30,198)	-	-	(30,198)
Total Accumulated Depreciation	(104,436)	(15,063)	-	(119,499)
Capital Assets, Net	\$ 76,395	\$ (15,063)	\$ -	\$ 61,332

Depreciation expense was charged to the instruction program of the School.

NOTE 4: PENSION PLAN

Defined Benefit Pension Plan

Prior to January 1, 2010, the School participated in the Denver Public Schools Retirement System ("DPSRS"). Effective January 1, 2010, the State Legislature mandated the merger of the DPSRS into the Public Employees' Retirement Association of Colorado (PERA).

Plan Description - The Denver Public Schools Division (DPSD) is a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). The DPSD provides retirement and disability, annual increases, and death benefits for members or their beneficiaries. All employees of the School are members of the DPSD. 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. That report may be obtained by contacting PERA at www.copera.org, 1301 Pennsylvania Street, Denver, Colorado 80203, or by calling PERA at 303-832-9550 or 1-800-759-7372.

NOTE 4: PENSION PLAN (Continued)

Defined Benefit Pension Plan (Continued)

Funding Policy - 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 rates while participating in the DPSRS were based on the funding policy approved by the District's Board of Education. The contribution rate for members was 8% of covered salaries for the past three years. The School's contribution rate for the fiscal years ended June 30, 2009 and 2008, was 7.58% and 12.83%, respectively, and was .49% through December 31, 2009. Effective January 1, 2010, Title 24, Article 51, Part 4 of the CRS, as amended, allowed the School to offset its contribution rate of 17.45% by an amount equal to the obligations of the District with respect to the outstanding PCOPs (See Note 5). As a result, the School's contribution rate beginning January 1, 2010, was 2.41%. Also, a portion of the School's contribution (1.02% of covered salaries) was allocated to the Denver Public Schools Health Care Trust Fund (See Note 6). The School's pension contributions for the years ended June 30, 2010, 2009 and 2008 were \$12,196, \$48,474 and \$73,985, respectively.

NOTE 5: PENSION CERTIFICATES OF PARTICIPATION

The District issued Taxable Pension Certificates of Participation (the "PCOPs") to fully fund the unfunded actuarial accrued liability of its pension plan (See Note 4). For the years ended June 30, 2010, 2009 and 2008, the School contributed 13.72%, 13.72% and 12.13% of covered salaries, respectively, to the District to cover its obligation relating to the PCOPs.

During the years ended June 30, 2010, 2009 and 2008, the School contributed \$103,260, \$80,909 and \$69,936, respectively, to the District towards its PCOPs obligation.

NOTE 6: POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description - The School contributes to the Denver Public Schools Division Health Care Trust Fund (HCTF), a cost-sharing multiple-employer postemployment healthcare plan administered by PERA. The HCTF provides a health care premium subsidy to DPSD 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 as described previously.

Funding Policy - The School is required to contribute at a rate of 1.02% of covered salaries for all DPSD members. No member contributions are required. The apportionment of the contributions to the HCTF are established under Title 24, Article 51, Section 208 of the CRS, as amended. The School's apportionment to the HCTF for the year ended June 30, 2010, was \$4,350.

NOTE 7: 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 entities. 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. At June 30, 2010, 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.

COLORADO HIGH SCHOOL CHARTER

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 7: COMMITMENTS AND CONTINGENCIES (Continued)

Operating Lease

The School entered into an operating lease agreement for classrooms and office space with a company partially owned by related parties. Lease payments ranging from \$8,000 to \$8,500 were due monthly through August 31, 2007. On September 1, 2007, the School renewed the lease agreement through August 31, 2010, including monthly payments of \$10,000 plus “add ons” such as utilities. Effective September 1, 2010, the lease agreement was extended to August 31, 2013. Future minimum lease payments are as follows.

Year Ended June 30,

2011	\$ 122,000
2012	126,400
2013	128,200
2014	<u>21,400</u>
Total	<u><u>\$ 398,000</u></u>

Tabor Amendment

In November 1992, Colorado voters approved the Tabor Amendment to the State Constitution which limits state and local government tax powers and imposes spending limitations. Revenue received in excess of the limitations may be required to be refunded. The School believes it has complied with the Amendment. The Amendment requires the School to establish a reserve for emergencies representing 3% of qualifying expenditures. At June 30, 2010, the District held \$42,430 on behalf of the School for this reserve. The School has also reported a reservation of fund balance in the General Fund for this reserve.

Colorado Department of Education Audit

The Colorado Department of Education conducted an audit of the School’s student counts and assessed the School for a correction of revenues for the year ended June 30, 2009. The School is contesting the assessment, and the amount of this potential assessment, if any, has not been determined. No liability has been reported in the financial statements for this contingency.

REQUIRED SUPPLEMENTARY INFORMATION

COLORADO HIGH SCHOOL CHARTER

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2010

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE Positive (Negative)</u>
REVENUES				
Local Sources				
Per Pupil Revenue	\$ 1,287,020	\$ 1,576,282	\$ 1,538,546	\$ (37,736)
District Mill Levy	16,810	33,743	33,743	-
Food Services	-	24,210	22,302	(1,908)
Student Activities	10,680	10,680	11,507	827
Investment Income	6,872	3,000	2,221	(779)
Other	-	1,000	3,111	2,111
Total Local Sources	<u>1,321,382</u>	<u>1,648,915</u>	<u>1,611,430</u>	<u>(37,485)</u>
State Sources				
Capital Construction	10,406	20,017	20,001	(16)
Grants	50,990	57,218	53,346	(3,872)
Total State Sources	<u>61,396</u>	<u>77,235</u>	<u>73,347</u>	<u>(3,888)</u>
Federal Sources				
Grants	<u>114,841</u>	<u>114,700</u>	<u>134,750</u>	<u>20,050</u>
TOTAL REVENUES	<u>1,497,619</u>	<u>1,840,850</u>	<u>1,819,527</u>	<u>(21,323)</u>
EXPENDITURES				
Instruction and Supporting Services	<u>1,473,002</u>	<u>1,560,134</u>	<u>1,552,709</u>	<u>7,425</u>
NET CHANGE IN FUND BALANCE	24,617	280,716	266,818	(13,898)
FUND BALANCE, Beginning	<u>-</u>	<u>-</u>	<u>286,367</u>	<u>286,367</u>
FUND BALANCE, Ending	<u>\$ 24,617</u>	<u>\$ 280,716</u>	<u>\$ 553,185</u>	<u>\$ 272,469</u>

See the accompanying Independent Auditors' Report.

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

The School adheres to the following procedures in establishing the budgetary data reflected in the financial statements.

- Budgets are required by State statute for all funds and are adopted on a basis consistent with generally accepted accounting principles (GAAP). By June 30, management submits to the School Board a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. All budgets lapse at year end.
- Prior to June 30, the budget is adopted by the School Board.
- Expenditures may not legally exceed appropriations at the fund level.
- Revisions that alter the total expenditures of any fund must be approved by the School Board.