

DOLORES HUERTA PREPARATORY HIGH

FINANCIAL STATEMENTS

June 30, 2011

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Board of Directors
Dolores Huerta Preparatory High
Pueblo, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities and each major fund of Dolores Huerta Preparatory High, component unit of Pueblo School District No. 60, as of and for the year ended June 30, 2011, which collectively comprise the basic financial statements of Dolores Huerta Preparatory High, as listed in the table of contents. These financial statements are the responsibility of Dolores Huerta Preparatory High'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 Dolores Huerta Preparatory High 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 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 required supplementary information. However, we did not audit the information and express no opinion on it.

Swanhorst & Company LLC

October 11, 2011

DOLORES HUERTA PREPARATORY HIGH

MANAGEMENT DISCUSSION AND ANALYSIS

As management of Dolores Huerta Preparatory High, we offer readers of the Dolores Huerta Preparatory High financial statements this narrative overview and analysis of the financial activities of Dolores Huerta Preparatory High for the fiscal year ended June 30, 2011.

FINANCIAL HIGHLIGHTS

Net assets from governmental activities of Dolores Huerta Preparatory High (also referred to as “DHPH”) exceeded its liabilities at the close of the most recent fiscal year by \$229,067 (net assets) compared to \$185,074 the prior year, an increase of \$43,993. Liabilities total \$216,044 at June 30, 2011 compared to \$177,052 the prior year, an increase of \$38,992.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to basic financial statements. The 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 DHPH’s finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of DHPH’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 DHPH is improving or deteriorating.

The statement of activities presents information showing how DHPH’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 DHPH supported primarily by per pupil revenue (PPR) or property taxes and state equalization passed through from the District (Pueblo City Schools). Governmental activities 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. Dolores Huerta Preparatory High, like other governmental units or charter schools, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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 DPH'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 DPH's near-term financing decisions. When applicable, 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.

Dolores Huerta Preparatory High maintains one governmental fund and adopts an annual appropriated budget. Budgetary comparison statements have been provided 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 on pages 5 through 11.

GOVERNMENT-WIDE FINANCIAL STATEMENT ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Dolores Huerta Preparatory High, assets exceeded liabilities by \$229,067 as of the close of the most recent fiscal year compared to \$185,074 the prior year, an increase of \$43,993.

Statement of Net Assets Governmental and Business Type Activities

	30-Jun-11	30-Jun-10	Net Change
Current and other assets	\$ 255,913	\$ 162,147	\$ 78,613
Capital assets	<u>\$ 189,198</u>	<u>\$ 199,979</u>	<u>\$ (10,781)</u>
Total Assets	<u>\$ 445,111</u>	<u>\$ 362,126</u>	<u>\$ 67,535</u>
Current liabilities	\$ 192,883	\$ 144,300	\$ 33,133
Non-Current liabilities	<u>\$ 23,161</u>	<u>\$ 32,752</u>	<u>\$ (9,591)</u>
Total Liabilities	<u>\$ 216,044</u>	<u>\$ 177,052</u>	<u>\$ 23,542</u>
 Net assets			
Invested in capital assets, (Net of related debt)	\$ 156,446	\$ 158,758	\$ (2,312)
Restricted for Emergencies Tabor	\$ 77,000	\$ 96,000	\$ (19,000)
Unrestricted	<u>\$ (4,379)</u>	<u>\$ (69,684)</u>	<u>\$ 65,305</u>
Total Net Assets	<u>\$ 229,067</u>	<u>\$ 185,074</u>	<u>\$ 43,993</u>

Cash makes up 40.3% of Dolores Huerta Preparatory High's total assets. Capital assets, which reflect the DHPH's investment in real and personal property and equipment, currently make up 42.5% of total assets compared to 55.2% the previous year. The remaining assets include grant and accounts receivable including receivables from related parties totaling \$77,292.

Liabilities increased \$23,542 primarily due to payroll withholdings that were not paid to the respective vendors until July offset by principal paid on long-term debt. Accounts payable at June 30, 2011 totaled \$143,379 compared to \$120,750 the prior years. Payables included amounts due to related parties of \$76,444 compared to \$43,221 the prior year. Non-current liabilities are from debt incurred under a lease purchase arrangement related to the purchase of modular classrooms.

**Dolores Huerta Preparatory High
Statement of Activities
For the Years Ended June 30, 2011 and June 30, 2010**

	<u>30-Jun-11</u>	<u>30-Jun-10</u>	<u>Net Change</u>
Program Revenue:			
Charges for Services	\$ 71,539	\$ 82,425	\$ (10,886)
Operating Grants & Contributions	\$ 49,585	\$ 81,242	\$ (31,657)
Total Program Revenue	<u>\$ 121,124</u>	<u>\$ 163,667</u>	<u>\$ (42,543)</u>
General Revenue:			
Per Pupil Operating Revenue	\$ 2,395,042	\$ 3,011,078	\$ (616,036)
Capital Construction Grant	\$ 32,240	\$ 43,222	\$ (10,982)
Grants and Contributions Not Restricted to Specific Programs	\$ 18,479	\$ 22,899	\$ (4,420)
Miscellaneous	\$ 20,763	\$ 12,819	\$ 7,944
Total General Revenue	<u>\$ 2,466,524</u>	<u>\$ 3,090,018</u>	<u>\$ (623,594)</u>
Total Revenue	<u>\$ 3,253,685</u>	<u>\$ 3,253,685</u>	<u>\$ (666,037)</u>
Expenses:			
Current:			
Instruction	\$ 1,076,639	\$ 1,319,176	\$ (242,537)
Supporting Services	\$ 1,467,016	\$ 1,857,379	\$ (390,363)
Total Expenses	<u>\$ 2,543,655</u>	<u>\$ 3,176,555</u>	<u>\$ (632,900)</u>
Increase (Decrease) in Net Assets	\$ 43,993	\$ 77,130	\$ (33,137)
Beginning Net Assets	<u>\$ 185,074</u>	<u>\$ 107,944</u>	<u>\$ 77,130</u>
Ending Net Assets	<u>\$ 229,067</u>	<u>\$ 185,074</u>	<u>\$ 43,993</u>

Per pupil operating revenue decreased \$616,036 due to a 6.8% cut in per pupil funding from \$7,085 to \$6,675 by the State and a decrease in enrollment from 443 to 355. Capital Construction grant funds continue to decrease as limited funding is being allocated over an increasing number of students enrolled in charter schools.

Overall expenditures decreased \$632,900 in response to the cut in funding by the State. Support services decreased \$390,363 while instruction decreased \$242,537 primarily due to a reduction in staff in all areas, elimination of some co-curricular activities and cancellation of contracts for outsourcing services.

ANALYSIS OF THE FUND FINANCIAL STATEMENTS

As noted earlier, Dolores Huerta Preparatory High uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

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

This is the seventh full year of operations for Dolores Huerta Preparatory High. Total revenue for FY 2010-11 was \$2,587,648 compared to \$3,253,685 the prior year. Per pupil revenue, which makes up 97.1% of DPH's total revenue, decreased 20.5% due to a combination of decreased enrollment and significant cuts in per pupil funding from the State.

As of the end of the current fiscal year, DPH reported \$72,621 as the ending fund balance in its General Fund, an increase of \$46,305 over the prior year balance of \$26,316. Reserves are not adequate to meet the statutory requirement of the 3% emergency reserve of \$77,000.

BUDGETARY HIGHLIGHTS

DPH approves a budget in June based on enrollment projections for the following school year. In December, after enrollment is finalized and per pupil funding is updated, the budget is amended.

The majority of DPH's spending in the General Fund (42.5%) is for salaries and benefits. Purchased services, excluding rental and lease fees paid to Cesar Chavez Academy and centralized services purchased from Cesar Chavez Academy, make up 19.3% of total expenditures. Rental and lease fees totaling \$500,000 make up 19.7% of total General Fund expenditures while purchased centralized services are 10.3%.

Other Budgetary Highlights: Expenditures were within the approved budget as amended for fiscal year 2010-11.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets: DPH's investment in capital assets net of related debt at June 30, 2011 is \$156,446 compared to \$158,758 the prior year. The decrease is net effect of depreciation and the reduction in debt related to the purchase of modular classrooms. Capital assets include construction in progress, buildings, building improvements, and equipment. The detail of this investment is in Note 4 to the financial statements.

Long-term debt: DHPH entered into an operating lease agreement in April 2007 with Cesar Chavez Academy (CCA) for classroom and administrative space in a new school facility. The annual payments for this space may change each year based on the percentage of use of the physical facility. DHPH paid CCA \$500,000 for rent in fiscal year 2010-11. The terms of the combined agreements, both CCA and DHPH, require total payments of \$81,253 per month through 2037. Payments for the debt are intercepted by the State from school finance act funding before it reaches CCA. The intercepted funds are forwarded to a designated trustee that pays principal and interest when due.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

In November of 2000 voters in Colorado approved a provision to the Colorado constitution that provides annual funding increases for K-12 education at a rate equal to growth in student enrollment plus inflation plus 1% for 10 years and thereafter, growth plus inflation. As a result of this provision the single most important factor in projecting revenues is estimated future inflation. There was a significant recession during the 2008-09 that continued through the 2009-10 fiscal year resulting in deflation (negative growth). In an effort to balance its budget, the State rescinded 2.9% of the funding approved for public schools in 2009-10. Funding for 2010-11 was approved at the same level as 2009-10 after rescissions with a portion of the funding coming from one-time federal grants instead of current State revenues. The one-time funding was not available for 2011-12 resulting in an additional 6.7% decrease in per pupil funding for 2011-12.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Dolores Huerta Preparatory High's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be submitted in writing and addressed to Henry Roman, Executive Director, Dolores Huerta Preparatory High, 2727 W. 18th St., Pueblo, CO 81003.

BASIC FINANCIAL STATEMENTS

DOLORES HUERTA PREPARATORY HIGH

STATEMENT OF NET ASSETS

June 30, 2011

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS	
Cash	\$ 178,621
Accounts Receivable	70,497
Accounts Receivable - Related Party	5,274
Grants Receivable	1,521
Capital Assets, Net of Accumulated Depreciation	<u>189,198</u>
TOTAL ASSETS	<u>445,111</u>
LIABILITIES	
Accounts Payable	66,935
Accounts Payable - Related Party	76,444
Accrued Liabilities	27,926
Deferred Revenues	11,987
Noncurrent Liabilities	
Due Within One Year	9,591
Due in More Than One Year	<u>23,161</u>
TOTAL LIABILITIES	<u>216,044</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	156,446
Restricted for Emergencies	77,000
Unrestricted	<u>(4,379)</u>
TOTAL NET ASSETS	<u>\$ 229,067</u>

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

DOLORES HUERTA PREPARATORY HIGH

STATEMENT OF ACTIVITIES

Year Ended June 30, 2011

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>		<u>NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS</u>
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>GOVERNMENTAL ACTIVITIES</u>
PRIMARY GOVERNMENT				
Governmental Activities				
Instruction	\$ 1,076,639	\$ 71,539	\$ 49,585	\$ (955,515)
Supporting Services	<u>1,467,016</u>	<u>-</u>	<u>-</u>	<u>(1,467,016)</u>
Total Governmental Activities	<u>\$ 2,543,655</u>	<u>\$ 71,539</u>	<u>\$ 49,585</u>	<u>(2,422,531)</u>
GENERAL REVENUES				
Per Pupil Revenue				2,395,042
Capital Construction				32,240
Grants and Contributions Not Restricted to Specific Programs				18,479
Other				<u>20,763</u>
TOTAL GENERAL REVENUES				<u>2,466,524</u>
CHANGE IN NET ASSETS				43,993
NET ASSETS, Beginning				<u>185,074</u>
NET ASSETS, Ending				<u>\$ 229,067</u>

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

DOLORES HUERTA PREPARATORY HIGH

BALANCE SHEET
GOVERNMENTAL FUND

June 30, 2011

	<u>GENERAL</u>
ASSETS	
Cash	\$ 178,621
Accounts Receivable	70,497
Accounts Receivable - Related Party	5,274
Grants Receivable	1,521
TOTAL ASSETS	\$ 255,913
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts Payable	\$ 66,935
Accounts Payable - Related Party	76,444
Accrued Liabilities	27,926
Deferred Revenues	11,987
TOTAL LIABILITIES	183,292
FUND BALANCE	
Restricted for Emergencies	77,000
Unrestricted, Unassigned	(4,379)
TOTAL FUND BALANCE	72,621
TOTAL LIABILITIES AND FUND BALANCE	\$ 255,913

Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:

Total Fund Balance of the Governmental Fund	\$ 72,621
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	189,198
Long-term liabilities are not due and payable in the current year and, therefore, are not reported in governmental funds.	(32,752)
Total Net Assets of Governmental Activities	\$ 229,067

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

DOLORES HUERTA PREPARATORY HIGH

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

	<u>GENERAL</u>
REVENUES	
Local Sources	\$ 2,505,823
State Sources	48,157
Federal Sources	33,668
 TOTAL REVENUES	 2,587,648
EXPENDITURES	
Instruction	1,076,019
Supporting Services	1,465,324
 TOTAL EXPENDITURES	 2,541,343
 NET CHANGE IN FUND BALANCE	 46,305
FUND BALANCE, Beginning	26,316
FUND BALANCE, Ending	\$ 72,621

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Net Change in Fund Balance of the Governmental Fund	\$ 46,305
Capital outlay to purchase or construct capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized in the statement of net assets and are allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This amount represents depreciation expense in the current year.	(10,781)
Repayments of debt principal are expenditures in governmental funds, but they reduce long-term liabilities in the statement of net assets and do not affect the statement of activities.	8,469
Change in Net Assets of Governmental Activities	\$ 43,993

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

DOLORES HUERTA PREPARATORY HIGH

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Dolores Huerta Preparatory High (the “School”) was organized in 2003 pursuant to the Colorado Charter Schools Act to form and operate a charter school within Pueblo School District No. 60 in the State of Colorado. The School is a non-profit organization as defined by Section 501(c)(3) of the Internal Revenue Code. The School began operations in the Fall of 2004.

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. The more significant of the School’s accounting policies are described below.

Reporting Entity

The financial reporting entity consists of the School, organizations for which the School is financially accountable, and organizations that raise and hold economic resources for the direct benefit of the School. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the School. 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 Pueblo School District No. 60 (the “District”). The School’s charter is granted by the District and 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 taxes and 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*.

Major individual governmental funds are reported as 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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, not to exceed 60 days. 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 revenue is considered 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

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

Capital Assets - Capital assets, which include buildings, improvements and equipment, are reported in the governmental activities column in government-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of \$5,000 or more 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 in the statement of net assets in the government-wide financial statements. Capital assets are depreciated using the straight-line method over the following estimated useful lives.

Buildings	10 years
Building Improvements	10 - 25 years
Equipment	3 - 10 years

Deferred Revenues - Deferred revenues include grants that have been collected but the corresponding expenditures have not been incurred.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Net Assets/Fund Balance - In the government-wide and fund financial statements, net assets and fund balance are restricted when constraints placed on the use of resources are externally imposed. The School has not established a formal policy for its use of restricted and unrestricted fund balance. However, if both restricted and unrestricted fund balances are available, the School uses restricted fund balance first.

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

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all 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, custodial, and concentration risk criteria in which local governments may invest, which include the following. State statutes generally limit the maturity of investment securities to five years from the date of purchase, unless the governing board authorizes an investment in excess of five years.

- 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

At June 30, 2011, the School had no investments.

DOLORES HUERTA PREPARATORY HIGH

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 3: RELATED PARTY TRANSACTIONS

The Cesar Chavez Academy has paid operating costs on behalf of the School. At June 30, 2011, the School's liability to the Cesar Chavez Academy was \$76,444. In addition, the Cesar Chavez Academy owed \$5,274 to the School.

NOTE 4: CAPITAL ASSETS

Changes in capital assets of the School for the year ended June 30, 2011, are summarized below.

	Balances 6/30/10	Additions	Deletions	Balances 6/30/11
Governmental Activities				
Capital Assets, Not Being Depreciated				
Construction in Progress	\$ 91,228	\$ -	\$ -	\$ 91,228
Capital Assets, Being Depreciated				
Buildings	82,247	-	-	82,247
Building Improvements	40,391	-	-	40,391
Equipment	49,632	-	-	49,632
Total Capital Assets, Being Depreciated	172,270	-	-	172,270
Less Accumulated Depreciation				
Buildings	8,225	8,225	-	16,450
Building Improvements	10,154	1,657	-	11,811
Equipment	45,140	899	-	46,039
Total Accumulated Depreciation	63,519	10,781	-	74,300
Capital Assets, Being Depreciated, Net	108,751	(10,781)	-	97,970
Governmental Activities Capital Assets, Net	\$ 199,979	\$ (10,781)	\$ -	\$ 189,198

Depreciation expense was charged to programs of the School as follows:

Instruction	\$ 620
Supporting Services	10,161
Total	\$ 10,781

NOTE 5: LONG-TERM DEBT

Following is a summary of the long-term debt transactions for the year ended June 30, 2011.

	Balances 6/30/10	Additions	Deletions	Balances 6/30/11	Due Within One Year
Capital Lease	\$ 41,221	\$ -	\$ 8,469	\$ 32,752	\$ 9,591

DOLORES HUERTA PREPARATORY HIGH

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 5: LONG-TERM DEBT (Continued)

In July, 2009, the School entered into a capital lease agreement to purchase a modular building. Under the terms of the agreement, the School is required to make monthly payments of \$1,096 through June, 2014, including interest accruing at 12.7% per annum. Assets of \$48,700 have been capitalized under this lease agreement.

Minimum lease payments, to maturity, are as follows:

Year Ended June 30,

2012	13,148
2013	13,148
2014	<u>13,148</u>
Future Minimum Lease Payments	39,444
Less: Interest Portion	<u>(6,692)</u>
 Present Value of Future Minimum Lease Payments	 <u>\$ 32,752</u>

NOTE 6: DEFINED BENEFIT PENSION PLAN

Plan Description - The School contributes to the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). The SDTF provides retirement and disability, 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 by writing to PERA of Colorado, 1301 Pennsylvania Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

Funding Policy - The contribution requirements of members and the School are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members was 8% of covered salaries. The School's contribution rate for calendar years 2009, 2010 and 2011 was 12.95%, 13.85% and 14.75% of covered salaries, respectively. A portion of the School's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 7). The School's contributions to the SDTF for the years ended June 30, 2011, 2010 and 2009 were \$124,580, \$144,666 and \$158,690 respectively, equal to the required contributions for each year.

NOTE 7: POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description - The School contributes to the 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 PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the CRS, as amended, assigns the authority to establish the HCTF benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the HCTF. That report may be obtained by contacting PERA as described above.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 7: POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

Funding Policy - The School was required to contribute at a rate of 1.02% of covered salaries for all PERA members as set by statute. No member contributions are required. The contribution requirements for the School are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contribution to the HCTF is established under Title 24, Article 51, Section 208 of the CRS, as amended. The School's apportionment to the HCTF for the years ended June 30, 2011, 2010 and 2009 was \$8,883, \$11,043 and \$12,966, respectively.

NOTE 8: COMMITMENTS AND CONTINGENCIES**Management Agreement**

The School has entered into a management agreement with the Cesar Chavez Academy to provide certain administrative and financial services. During the year ended June 30, 2011, the School paid \$263,000 under this agreement.

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, 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

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The Amendment is complex and subject to judicial interpretation. However, the School believes it is in substantial compliance with the requirements of the Amendment. In accordance with the Amendment, the School has established an emergency reserve, representing 3% of qualifying expenditures. At June 30, 2011, the School's emergency reserve, of \$77,000, was reported as restricted fund balance in the General Fund.

Building Lease

In April, 2007, the School entered into a sublease agreement with Cesar Chavez Academy to use a newly constructed educational facility. Under the terms of the agreement, the School will make monthly lease payments through July, 2037. In addition, the School has agreed to pay any additional costs relating to insurance premiums, maintenance costs and repair and replacements to the facility.

DOLORES HUERTA PREPARATORY HIGH

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 8: COMMITMENTS AND CONTINGENCIES (Continued)

Building Lease (Continued)

Future debt service requirements of the sublease agreement are as follows. Actual payments required from the School are expected to be reduced by the amounts paid by Cesar Chavez Academy, at the option of management.

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 319,167	\$ 638,639	\$ 957,806
2013	333,750	625,873	959,623
2014	344,167	612,523	956,690
2015	358,750	598,756	957,506
2016	373,750	584,406	958,156
2017 - 2021	2,112,917	2,680,832	4,793,749
2022 - 2026	2,601,252	2,205,672	4,806,924
2027 - 2031	3,223,333	1,582,048	4,805,381
2032 - 2036	4,040,000	787,511	4,827,511
2037 - 2038	<u>998,750</u>	<u>48,913</u>	<u>1,047,663</u>
Total	<u>\$ 14,705,836</u>	<u>\$ 10,365,173</u>	<u>\$ 25,071,009</u>

During the year ended June 30, 2011, the School paid \$500,000 under this lease agreement.

Colorado Department of Education Audit

The Colorado Department of Education conducted audits of the School's student counts and assessed the School \$70,546, representing a correction of revenues received in prior years. The School paid \$8,551 of this assessment during the year ended June 30, 2011, and accrued \$61,995 at June 30, 2011. The remaining liability is payable during the years ended June 30, 2012 through 2014. The School expects a similar assessment for recent fiscal years. However, the amount of the potential assessment is not currently known, and no liability has been reported in the financial statements for this contingency.

REQUIRED SUPPLEMENTARY INFORMATION

DOLORES HUERTA PREPARATORY HIGH

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2011

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	VARIANCE Positive (Negative)
REVENUES				
Local Sources				
Per Pupil Revenue	\$ 3,036,083	\$ 2,368,812	\$ 2,395,042	\$ 26,230
Student Fees and Activities	86,825	308,000	71,539	(236,461)
Grants	100,000	30,000	18,479	(11,521)
Other	47,375	21,272	20,763	(509)
Total Local Sources	3,270,283	2,728,084	2,505,823	(222,261)
State Sources				
Grants	66,485	83,000	48,157	(34,843)
Federal Sources				
Grants	77,724	74,000	33,668	(40,332)
TOTAL REVENUES	<u>3,414,492</u>	<u>2,885,084</u>	<u>2,587,648</u>	<u>(297,436)</u>
EXPENDITURES				
Salaries	1,057,130	908,092	866,916	41,176
Employee Benefits	304,278	242,103	212,310	29,793
Purchased Services	1,602,308	1,495,235	1,253,949	241,286
Supplies and Materials	171,890	137,596	160,945	(23,349)
Property	118,000	19,102	1,620	17,482
Other	130,886	109,272	45,603	63,669
TOTAL EXPENDITURES	<u>3,384,492</u>	<u>2,911,400</u>	<u>2,541,343</u>	<u>370,057</u>
NET CHANGE IN FUND BALANCE	30,000	(26,316)	46,305	72,621
FUND BALANCE, Beginning	(30,000)	26,316	26,316	-
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72,621</u>	<u>\$ 72,621</u>

See the accompanying Independent Auditors' Report.

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

Budgets are required by State statutes for all funds and are adopted on a basis consistent with generally accepted accounting principles (GAAP). The School adheres to the following procedures in establishing the budgetary data reflected in the financial statements.

- By June 1, management submits to the Board of Directors a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
- Prior to June 30, the budget is adopted by the Board of Directors.
- Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures of any fund must be approved by the Board of Directors.
- All appropriations lapse at fiscal year end.