

**DOLORES HUERTA PREPARATORY HIGH**

**FINANCIAL STATEMENTS**

**June 30, 2010**

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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, 2010, 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, 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*

December 20, 2010

# **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, 2010.

## **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 \$185,074 (net assets) compared to \$107,944 the prior year, an increase of \$77,130. Liabilities total \$177,052 at June 30, 2010 compared to \$318,454 the prior year, a decrease of \$141,402.

## **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 DHPH'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 DHPH'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 \$185,074 as of the close of the most recent fiscal year compared to \$107,944 the prior year, an increase of \$77,130.

### Statement of Net Assets Governmental and Business Type Activities

	30-Jun-10	30-Jun-09	Net Change
Current and other assets	\$ 162,147	\$ 290,151	\$ (128,004)
Capital assets	<u>\$ 199,979</u>	<u>\$ 136,247</u>	<u>\$ 63,732</u>
Total Assets	<u>\$ 362,126</u>	<u>\$ 426,398</u>	<u>\$ (64,272)</u>
Current liabilities	\$ 144,300	\$ 318,454	\$ (174,154)
Non-Current liabilities	<u>\$ 32,752</u>	<u>\$ 0</u>	<u>\$ 32,752</u>
Total Liabilities	<u>\$ 177,052</u>	<u>\$ 318,454</u>	<u>\$ (141,402)</u>
Net assets			
Invested in capital assets, (Net of related debt)	\$ 158,758	\$ 136,247	\$ 22,511
Restricted for Emergencies Tabor	\$ 96,000	\$ 0	\$ 96,000
Unrestricted	<u>\$ (69,684)</u>	<u>\$ (28,303)</u>	<u>\$ (41,381)</u>
Total Net Assets	<u>\$ 185,074</u>	<u>\$ 107,944</u>	<u>\$ 77,130</u>

Cash makes up 25% 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 55% of total assets compared to 32% the previous year. The remaining assets include grant and accounts receivable including receivables from related parties totaling \$5,217.

Liabilities decreased \$141,402 primarily due to better management of payables to ensure payments to vendors are made in a timely manner. Accounts payable at June 30, 2010 totaled \$120,750 compared to \$246,830 the prior year. Payables included amounts due to related parties of \$43,221. Non-current liabilities are from debt incurred under a lease purchase arrangement related to the purchase of the modular classroom.

**Dolores Huerta Preparatory High  
Statement of Activities  
For the Years Ended June 30, 2010 and June 30, 2009**

	<u>30-Jun-10</u>	<u>30-Jun-09</u>	<u>Net Change</u>
Program Revenue:			
Charges for Services	\$ 82,425	\$ 109,578	\$ (27,153)
Operating Grants & Contributions	\$ 81,242	\$ 98,748	\$ (17,506)
Total Program Revenue	<u>\$ 163,667</u>	<u>\$ 208,326</u>	<u>\$ (44,659)</u>
General Revenue:			
Per Pupil Operating Revenue	\$ 3,011,078	\$ 2,893,049	\$ 118,029
Capital Construction Grant	\$ 43,222	\$ 45,889	\$ (2,667)
Grants and Contributions Not Restricted to Specific Programs	\$ 22,899	\$ 28,115	\$ (5,216)
Miscellaneous	\$ 12,819	\$ 12,662	\$ 157
Total General Revenue	<u>\$ 3,090,018</u>	<u>\$ 2,979,715</u>	<u>\$ 110,303</u>
Total Revenue	<u>\$ 3,253,685</u>	<u>\$ 3,188,041</u>	<u>\$ 65,644</u>
Expenses:			
Current:			
Instruction	\$ 1,319,176	\$ 1,633,094	\$ (313,918)
Supporting Services	\$ 1,857,379	\$ 1,650,189	\$ 207,190
Total Expenses	<u>\$ 3,176,555</u>	<u>\$ 3,283,283</u>	<u>\$ (106,728)</u>
Increase (Decrease) in Net Assets	\$ 77,130	\$ (95,242)	\$ 172,372
Beginning Net Assets	<u>\$ 107,944</u>	<u>\$ 203,186</u>	<u>\$ (95,242)</u>
Ending Net Assets	<u>\$ 185,074</u>	<u>\$ 107,944</u>	<u>\$ 77,130</u>

Per pupil operating revenue increased \$118,029 due to increased enrollment and a slight increase in per pupil funding net of rescissions. 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 \$106,728 which is a 3.25% reduction from the prior year. Support services increased \$207,190 due to the addition of some positions. Instruction decreased, in part, due to the elimination of some instructional positions and reduction in the cost of instructional materials and supplies. Support services increased due to new or increased cost of service agreements and rising cost of insurance.

## 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, unreserved 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 sixth full year of operations for Dolores Huerta Preparatory High. Total revenue for FY 2009-10 was \$3,253,685 compared to \$3,188,041 the prior year. Per pupil revenue, which makes up 92.5% of DPH's total revenue, increased 4.1% due to a combination of increased funded pupil count from 427 for 2008-09 to 443 for 2009-10 and the inflationary increase in per pupil funding provided by the state.

As of the end of the current fiscal year, the Academy reported \$26,316 as the ending fund balance in its General Fund, an increase of \$54,619 over the prior year balance of \$(28,303). Reserves are not adequate to meet the statutory requirement of a 3% emergency reserve.

## 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.

For fiscal year 2009-10, the state requirement for instructional supplies and materials spending in the general fund and the allocation of funds for insurance and/or capital reserve were eliminated; therefore, the Capital Reserve Fund has been eliminated and all expenditures for insurance and capital improvements are made from the General Fund.

The majority of DPH's spending in the General Fund (42.7%) is for salaries and benefits. Purchased services, excluding rental and lease fees paid to Cesar Chavez Academy, make up 32.1% of total expenditures. Rental and lease fees totaling \$500,000 make up 15.4% of total General Fund Expenditures. The primary sources of spending for purchased services are the custodial and technology support contracts and management fees paid the Cesar Chavez Academy.

**Other Budgetary Highlights:** Expenditures were within the approved budget as amended for fiscal year 2009-10.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets:** DHPH's investment in capital assets net of related debt at June 30, 2010 is \$158,758 compared to \$136,247 the prior year. The increase is due to the addition of a modular classroom. 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 2009-10. The terms of the combined agreements, both CCA and DHPH, require total payments of \$80,000 per month through 2037. Payments for the debt will be intercepted from funding before it reaches CCA. Rent from DHPH will be paid directly to CCA as its share of expenses associated with the building.

## **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. Predictions indicate that additional rescission may occur in 2010-11.

## **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. 18<sup>th</sup> St., Pueblo, CO 81003.

## **BASIC FINANCIAL STATEMENTS**

DOLORES HUERTA PREPARATORY HIGH

STATEMENT OF NET ASSETS

June 30, 2010

	<u>GOVERNMENTAL ACTIVITIES</u>
<b>ASSETS</b>	
Cash	\$ 89,613
Accounts Receivable	47,998
Accounts Receivable - Related Parties	5,217
Grants Receivable	19,319
Capital Assets, Net of Accumulated Depreciation	<u>199,979</u>
<b>TOTAL ASSETS</b>	<u>362,126</u>
<b>LIABILITIES</b>	
Accounts Payable	77,529
Accounts Payable - Related Parties	43,221
Accrued Liabilities	2,980
Accrued Salaries and Benefits	7,036
Deferred Revenues	5,065
Noncurrent Liabilities	
Due Within One Year	8,469
Due in More Than One Year	<u>32,752</u>
<b>TOTAL LIABILITIES</b>	<u>177,052</u>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	158,758
Restricted for Emergencies	96,000
Unrestricted	<u>(69,684)</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 185,074</u>

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

DOLORES HUERTA PREPARATORY HIGH

STATEMENT OF ACTIVITIES

Year Ended June 30, 2010

<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>
<b>PRIMARY GOVERNMENT</b>				
<b>Governmental Activities</b>				
Instruction	\$ 1,319,176	\$ 82,425	\$ 81,242	\$ (1,155,509)
Supporting Services	<u>1,857,379</u>	<u>-</u>	<u>-</u>	<u>(1,857,379)</u>
Total Governmental Activities	<u>\$ 3,176,555</u>	<u>\$ 82,425</u>	<u>\$ 81,242</u>	<u>(3,012,888)</u>
GENERAL REVENUES				
Per Pupil Revenue				3,011,078
Capital Construction				43,222
Grants and Contributions Not Restricted to Specific Programs				22,899
Other				<u>12,819</u>
TOTAL GENERAL REVENUES				<u>3,090,018</u>
CHANGE IN NET ASSETS				77,130
NET ASSETS, Beginning				<u>107,944</u>
NET ASSETS, Ending				<u>\$ 185,074</u>

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

DOLORES HUERTA PREPARATORY HIGH

BALANCE SHEET  
GOVERNMENTAL FUND

June 30, 2010

	<u>GENERAL</u>
<b>ASSETS</b>	
Cash	\$ 89,613
Accounts Receivable	47,998
Accounts Receivable - Related Parties	5,217
Grants Receivable	19,319
<b>TOTAL ASSETS</b>	<b>\$ 162,147</b>
<b>LIABILITIES AND FUND BALANCE</b>	
<b>LIABILITIES</b>	
Accounts Payable	\$ 77,529
Accounts Payable - Related Parties	43,221
Accrued Liabilities	2,980
Accrued Salaries and Benefits	7,036
Deferred Revenues	5,065
<b>TOTAL LIABILITIES</b>	<b>135,831</b>
<b>FUND BALANCE</b>	
Reserved for Emergencies	26,316
<b>TOTAL FUND BALANCE</b>	<b>26,316</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 162,147</b>
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:	
Total Fund Balance of the Governmental Fund	\$ 26,316
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	199,979
Long-term liabilities are not due and payable in the current year and, therefore, are not reported in governmental funds.	(41,221)
Total Net Assets of Governmental Activities	<b>\$ 185,074</b>

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, 2010

	GENERAL
REVENUES	
Local Sources	\$ 3,129,221
State Sources	75,491
Federal Sources	48,973
 TOTAL REVENUES	 3,253,685
EXPENDITURES	
Instruction	1,318,556
Supporting Services	1,929,210
 TOTAL EXPENDITURES	 3,247,766
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 5,919
OTHER FINANCING SOURCES	
Lease Proceeds	48,700
 NET CHANGE IN FUND BALANCE	 54,619
FUND BALANCE, Beginning	(28,303)
FUND BALANCE, Ending	\$ 26,316

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

Net Change in Fund Balance of the Governmental Fund	\$ 54,619
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 allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlay \$82,247 exceeded depreciation expense (\$18,515) in the current year.	63,732
The issuance of long-term debt provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets and does not affect the statement of activities. Repayment of debt principal is an expenditure in governmental funds, but reduces long-term liabilities in the statement of net assets and does not affect the statement of activities. This amount includes lease proceeds (\$48,700) and lease principal payments \$7,479.	(41,221)
Change in Net Assets of Governmental Activities	\$ 77,130

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

DOLORES HUERTA PREPARATORY HIGH

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

**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 financial statements of the School have been prepared in conformity with generally accepted accounting principles (GAAP) 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 government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. The more significant of the School’s accounting policies are described below.

**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 provided 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. For the most part, the effect of interfund activity is removed from these statements. *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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 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 transactions 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.

*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 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.

Capital assets of the School 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

*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 in the accompanying financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

*Deferred Revenues* - Deferred revenues include grants that have been collected but the corresponding expenditures have not been incurred, and tuition and fees collected for the subsequent school year.

*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**

**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, 2010, the School had no investments.

DOLORES HUERTA PREPARATORY HIGH

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

**NOTE 3: RELATED PARTY TRANSACTIONS**

The Cesar Chavez Academy has paid operating costs on behalf of the School. At June 30, 2010, the School's liability to the Cesar Chavez Academy was \$43,221. In addition, Cesar Chavez Academy owed \$5,217 to the School related to grant activity.

**NOTE 4: CAPITAL ASSETS**

Changes in capital assets of the School for the year ended June 30, 2010, are summarized below.

	Balances 6/30/09	Additions	Deletions	Balances 6/30/10
<b>Governmental Activities</b>				
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	90,023	82,247	-	172,270
Less Accumulated Depreciation				
Buildings	-	8,225	-	8,225
Building Improvements	8,497	1,657	-	10,154
Equipment	36,507	8,633	-	45,140
Total Accumulated Depreciation	45,004	18,515	-	63,519
Capital Assets, Being Depreciated, Net	45,019	63,732	-	108,751
Governmental Activities Capital Assets, Net	\$ 136,247	\$ 63,732	\$ -	\$ 199,979

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

Instruction	\$ 620
Supporting Services	17,895
Total	\$ 18,515

**NOTE 5: LONG-TERM DEBT**

Following is a summary of the long-term debt transactions for the year ended June 30, 2010:

	Balances 6/30/09	Additions	Deletions	Balances 6/30/10	Due Within One Year
Capital Lease	\$ -	\$ 48,700	\$ 7,479	\$ 41,221	\$ 8,469

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.

DOLORES HUERTA PREPARATORY HIGH

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

**NOTE 5: LONG-TERM DEBT (Continued)**

Minimum lease payments, to maturity, are as follows:

Year Ended June 30,

2011	\$ 13,148
2012	13,148
2013	13,148
2014	13,148
Future Minimum Lease Payments	52,592
Less: Interest Portion	(11,371)
 Present Value of Future Minimum Lease Payments	 <b>\$ 41,221</b>

**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* - Plan members and the School are required to contribute 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 was 8%. The School's contribution rate for calendar years 2008, 2009 and 2010 was 12.05%, 12.95% and 13.85% 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, 2010, 2009 and 2008 were \$144,666, \$158,690 and \$169,756, respectively, equal to the required contributions.

**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 the 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.

*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 contributions to the HCTF for the years ended June 30, 2010, 2009 and 2008 were \$11,043, \$12,966 and \$14,915, respectively, equal to the required contributions.

DOLORES HUERTA PREPARATORY HIGH

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

**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, 2010, the School paid \$245,298 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, 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.

**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 government. The Amendment is complex and subject to judicial interpretation. The Amendment requires state and local governments to establish an emergency reserve, representing 3% of qualifying expenditures. At June 30, 2010, the School's fund balance was not adequate to establish the reserve, estimated at \$96,000.

**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.

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>
2011	\$ 308,750	\$ 650,990	\$ 959,740
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 - 2020	2,028,333	2,765,246	4,793,580
2021 - 2025	2,496,252	2,312,771	4,809,023
2026 - 2030	3,084,167	1,719,335	4,803,502
2031 - 2035	3,860,833	961,269	4,822,102
2036 - 2038	1,880,414	133,782	2,014,195
 Total	 <b><u>\$ 15,014,583</u></b>	 <b><u>\$ 11,019,184</u></b>	 <b><u>\$ 26,033,767</u></b>

During the year ended June 30, 2010, the School paid \$500,000 under this lease agreement.

**NOTE 8:**      **COMMITMENTS AND CONTINGENCIES** (Continued)

**Litigation**

The School has threatened litigation that could represent a liability to the School. The outcome of this litigation cannot currently be determined, but management does not believe it will have a significant effect on the financial condition of the School.

**REQUIRED SUPPLEMENTARY INFORMATION**

DOLORES HUERTA PREPARATORY HIGH

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>
<b>REVENUES</b>				
Local Sources				
Per Pupil Revenue	\$ 3,315,775	\$ 3,138,748	\$ 3,011,078	\$ (127,670)
Tuition and Fees	117,125	121,645	82,425	(39,220)
Grants	-	-	22,899	22,899
Other	<u>37,375</u>	<u>47,375</u>	<u>12,819</u>	<u>(34,556)</u>
Total Local Sources	3,470,275	3,307,768	3,129,221	(178,547)
State Sources				
Grants	69,408	64,732	75,491	10,759
Federal Sources				
Grants	<u>81,140</u>	<u>75,674</u>	<u>48,973</u>	<u>(26,701)</u>
TOTAL REVENUES	<u>3,620,823</u>	<u>3,448,174</u>	<u>3,253,685</u>	<u>(194,489)</u>
<b>EXPENDITURES</b>				
Salaries	1,456,671	1,154,319	1,106,942	47,377
Employee Benefits	334,803	311,530	280,351	31,179
Purchased Services	1,492,466	1,555,045	1,543,720	11,325
Supplies and Materials	259,919	173,499	176,747	(3,248)
Property	23,200	107,900	106,102	1,798
Other	<u>53,764</u>	<u>115,881</u>	<u>33,904</u>	<u>81,977</u>
TOTAL EXPENDITURES	<u>3,620,823</u>	<u>3,418,174</u>	<u>3,247,766</u>	<u>170,408</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	30,000	5,919	(24,081)
<b>OTHER FINANCING SOURCES</b>				
Lease Proceeds	<u>-</u>	<u>-</u>	<u>48,700</u>	<u>48,700</u>
NET CHANGE IN FUND BALANCE	-	30,000	54,619	24,619
FUND BALANCE, Beginning	<u>-</u>	<u>(30,000)</u>	<u>(28,303)</u>	<u>1,697</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,316</u>	<u>\$ 26,316</u>

See the accompanying Independent Auditors' Report.

DOLORES HUERTA PREPARATORY HIGH  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2010

**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 1, the School 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. All appropriations lapse at fiscal year end.
- 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.