

WEST DENVER PREPARATORY CHARTER SCHOOL
Denver, Colorado

FINANCIAL STATEMENTS

June 30, 2010

WEST DENVER PREPARATORY CHARTER SCHOOL

June 30, 2010

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SCHOOL MANAGEMENT

Chris Gibbons, Chief Executive Officer

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Board of Trustees
West Denver Preparatory Charter School
Denver, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities and each major fund of the West Denver Preparatory Charter School, 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 West Denver Preparatory Charter School, as listed in the table of contents. These financial statements are the responsibility of the West Denver Preparatory Charter School's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 West Denver Preparatory Charter School 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2010, on our consideration of the West Denver Preparatory Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

September 24, 2010

West Denver Preparatory Charter Schools

Management's Discussion and Analysis
Fiscal Year Ending June 30, 2010

As management of West Denver Preparatory Charter Schools (West Denver Prep), we offer readers of West Denver Prep's basic financial statements this narrative and analysis of the financial activities of the schools for the year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with additional information provided in the accompanying financial statements.

Financial Highlights

The year ending June 30, 2010 was the fourth year of operations for West Denver Prep. The general fund balance increased from \$389,410 to \$673,319 in the year ending June 30, 2010.

The operations of West Denver Prep for the year ending June 30, 2010 were funded both by tax revenue received under the State School Finance Act (the Act) and private contributions. Tax revenue for the year from Per Pupil Revenue was \$3,445,381. However, individual gifts and foundation grants supplemented the tax revenue received in order to finance operations for the planning year prior to opening three new grades (within two new programs and one existing program) as well as supplemental programs for the existing schools.

The assets of West Denver Prep exceeded its liabilities at the close of the most recent fiscal year by \$ 1,979,730 (net assets).

Overview of Financial Statements

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

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

The statement of activities presents information showing how West Denver Prep's net assets changed during the 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 the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future periods.

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. West Denver Prep keeps track of these monies to ensure and demonstrate compliance with finance-related legal requirements. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

Government-Wide Financial Analysis

As noted previously, net assets may serve over time as a useful indicator of West Denver Prep's financial position. For the year ending June 30, 2010, West Denver Prep's assets exceeded liabilities by \$1,979,730. Approximately \$130,000 of these funds is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment. Accordingly, these funds are not available to satisfy general operating expenses of West Denver Prep. Also, \$1,306,411 of these funds represents investment in capital assets (net of related debt). The remaining \$543,319 is unrestricted and available to meet ongoing financial obligations.

Statement of Net Assets

	2010	2009
Assets		
Cash and Investments	\$ 352,658	\$ 270,368
Accounts Receivable	\$ 102,793	\$ -
Grants Receivable	\$ 249,454	\$ 44,967
Prepaid Expenses	\$ 118,244	\$ 42,729
Emergency Reserve (TABOR)	\$ 88,347	\$ 62,947
Capital Assets, Net	\$ 3,659,172	\$ 3,876,192
Total Assets	\$ 4,570,668	\$ 4,297,203
Liabilities		
Accounts Payable	\$ 113,504	\$ 11,969
Accrued Liabilities	\$ 19,399	\$ -
Deferred Revenues	\$ 105,274	\$ 125,133
Noncurrent Liabilities		
Due Within One Year	\$ 88,707	\$ 82,908
Due in More Than One Year	\$ 2,264,054	\$ 2,357,711
Total Liabilities	\$ 2,590,938	\$ 2,577,721
Net Assets		
Invested in Capital Assets, Net	\$ 1,306,411	\$ 1,435,573
Restricted for Emergencies	\$ 130,000	\$ 96,800
Unrestricted	\$ 543,319	\$ 187,109
Total Net Assets	\$ 1,979,730	\$ 1,719,482
Statement of Governmental Activities		
Revenues		
Grants & Contributions (Restricted)	\$ 277,628	\$ 409,669
Per Pupil Operating Revenue	\$ 3,445,381	\$ 2,323,706
Mill Levy	\$ 53,004	\$ 30,091
Capital Construction	\$ 23,811	\$ 33,422
Grants & Contributions (Unrestricted)	\$ 1,111,989	\$ 1,150,579
Investment Earnings	\$ 3,474	\$ 1,721
Other Revenues	\$ -	\$ -
Total Revenue	\$ 4,915,287	\$ 3,949,188
Expenses		
Instruction	\$ 2,454,700	\$ 1,674,005
Support Services	\$ 2,020,255	\$ 1,347,571
Interest on Long-Term Debt	\$ 180,084	\$ -
Total Expenses	\$ 4,655,039	\$ 3,021,576
Change in Net Assets	\$260,248	\$ 927,612
Net Assets, Beginning of Year	\$ 1,719,482	\$ 791,870
Net Assets, End of Year	\$1,979,730	\$ 1,719,482

Significant increases in revenue and expenditures between 2009 and 2010 are primarily related to the growth of the West Denver Prep network. In 2010, West Denver Prep opened a second campus with 120 sixth grade students. As such, the network enrollment increased from 320 students to 440 students. Additionally, two “Principals-In-Training” were hired to complete a residency planning year at each school in preparation to open campuses 3 and 4 in fall 2010.

Financial Analysis of West Denver Prep’s Funds

Governmental funds. The focus of West Denver Prep’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing West Denver Prep’s financing requirements. In particular, unreserved fund balance may serve as a useful measure of West Denver Prep’s net resources available for spending at the end of the fiscal year.

As of the end of the schools’ fourth fiscal year, West Denver Prep reported a governmental fund balance of \$673,319, which represents an increase of \$ 389,410 over the previous fiscal year. The difference is due in part to funds received in the 2010 fiscal year related to the opening of new schools at the beginning of the next fiscal year. The timing of such costs across the fiscal year end and start of the next year resulted in a significant fund balance for expenses not incurred until after June 30. The fund balance will be reserved for these start-up expenses and other special designations identified through Board amendments for the 2011 fiscal year.

General Fund Budgetary Highlights

West Denver Prep budgeted for expenditures of \$5,535,772 for the year ended June 30, 2010. Actual expenditures were \$4,525,877. The difference between budgeted versus actual expenditures in the general fund is due primarily to delays in the shipment of budgeted expenditures for which will costs will be incurred early in the 2011 fiscal year. The ending fund balance as of June 30, 2010 was \$673,319.

Capital Asset and Debt Administration

Capital assets. West Denver Prep’s investment in capital assets as of June 30, 2010, amounts to \$3,659,172 (net of accumulated depreciation). This investment in capital assets includes the property and building for one campus. There were no capital additions in the 2010 fiscal year.

Long-term debt. As of June 30, 2010 West Denver Prep had outstanding debt of \$2,352,761. This amount includes debt to purchase, renovate, and expand the school facilities. The payments associated with four loans financing this capital debt are based on 15 year amortizations with balloon payments due no earlier than October 1, 2013. Two loans were secured in the 2008 fiscal year to finance the second and third phases of renovations and construction occurring in the summer of 2007 and summer of 2008, respectively. A loan dated August 6, 2007 has payments due monthly with a balloon payment due in 2014. A loan dated April 28, 2008 amortized after November 16, 2008 at the end of the construction period. Long-term debt is detailed in Note to the financial statements.

Economic Factors and Next Year's Budget

The primary factor driving the budget for West Denver Prep is student enrollment. Enrollment for the 2008-2009 school year was 311. The enrollment for the 2009-2010 school year was 446 students. With the addition of two new campuses and the growth of the second school to include 7th grade, enrollment for the 2010-2011 school year is projected to be 725. This factor was considered in preparing West Denver Prep's budget for 2010-11.

Requests for Information

The financial report is designed to provide a general overview of West Denver Prep's finances for all those with an interest in West Denver Prep. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

West Denver Preparatory Charter School
1825 S. Federal Boulevard
Denver, CO 80219

BASIC FINANCIAL STATEMENTS

WEST DENVER PREPARATORY CHARTER SCHOOL

STATEMENT OF NET ASSETS

June 30, 2010

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS	
Cash and Investments	\$ 352,658
Accounts Receivable	102,793
Grants Receivable	249,454
Prepaid Expenses	118,244
Emergency Reserve Held by Denver School District	88,347
Capital Assets, Net of Accumulated Depreciation	<u>3,659,172</u>
TOTAL ASSETS	<u>4,570,668</u>
LIABILITIES	
Accounts Payable	113,504
Accrued Liabilities	19,399
Deferred Revenues	105,274
Noncurrent Liabilities	
Due Within One Year	88,707
Due in More Than One Year	<u>2,264,054</u>
TOTAL LIABILITIES	<u>2,590,938</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	1,306,411
Restricted for Emergencies	130,000
Unrestricted	<u>543,319</u>
TOTAL NET ASSETS	<u>\$ 1,979,730</u>

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

WEST DENVER PREPARATORY CHARTER SCHOOL

STATEMENT OF ACTIVITIES

Year Ended June 30, 2009

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS</u>
			<u>GOVERNMENTAL ACTIVITIES</u>
PRIMARY GOVERNMENT			
Governmental Activities			
Instruction	\$ 2,454,700	\$ 277,628	\$ (2,177,072)
Supporting Services	2,020,255	-	(2,020,255)
Interest on Long-Term Debt	<u>180,084</u>	<u>-</u>	<u>(180,084)</u>
Total Governmental Activities	\$ <u>4,655,039</u>	\$ <u>277,628</u>	<u>(4,377,411)</u>
GENERAL REVENUES			
Per Pupil Revenue			3,445,381
District Mill Levy			53,004
Capital Construction			23,811
Grants and Contributions Not Restricted to Specific Programs			1,111,989
Investment Income			<u>3,474</u>
TOTAL GENERAL REVENUES			<u>4,637,659</u>
CHANGE IN NET ASSETS			260,248
NET ASSETS, Beginning			<u>1,719,482</u>
NET ASSETS, Ending			\$ <u><u>1,979,730</u></u>

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

WEST DENVER PREPARATORY CHARTER SCHOOL

BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2010

	<u>GENERAL</u>
ASSETS	
Cash and Investments	\$ 352,658
Accounts Receivable	102,793
Grants Receivable	249,454
Prepaid Items	118,244
Emergency Reserve Held by Denver School District	88,347
TOTAL ASSETS	\$ 911,496
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts Payable	\$ 113,504
Accrued Liabilities	19,399
Deferred Revenues	105,274
TOTAL LIABILITIES	238,177
FUND BALANCE	
Reserved for Prepaid Items	118,244
Reserved for Emergencies	130,000
Unreserved, Reported in General Fund	425,075
TOTAL FUND BALANCE	673,319
TOTAL LIABILITIES AND FUND BALANCE	\$ 911,496
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:	
Total Fund Balance of the Governmental Fund	\$ 673,319
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	3,659,172
Long-term liabilities are not due and payable in the current year and, therefore, are not reported in governmental funds.	(2,352,761)
Total Net Assets of Governmental Activities	\$ 1,979,730

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

WEST DENVER PREPARATORY CHARTER SCHOOL

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

	<u>GENERAL</u>
REVENUES	
Local Sources	\$ 4,229,951
State Sources	38,967
Federal Sources	646,369
 TOTAL REVENUES	 4,915,287
EXPENDITURES	
Current	
Instruction	2,454,700
Supporting Services	1,803,235
Debt Service	
Principal	87,858
Interest	180,084
 TOTAL EXPENDITURES	 4,525,877
 NET CHANGE IN FUND BALANCE	 389,410
FUND BALANCE, Beginning	283,909
FUND BALANCE, Ending	\$ 673,319

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

Net Change in Fund Balance of the Governmental Fund	\$ 389,410
Capital outlays 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 amount represents depreciation expense in the current year.	(217,020)
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. Repayment of long-term debt 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 represents loan payments in the current year.	87,858
Change in Net Assets of Governmental Activities	\$ 260,248

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

WEST DENVER PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The West Denver Preparatory Charter School (the “School”) was formed in November, 2005, pursuant to the Colorado Charter Schools Act to form and operate a charter school within the Denver School District (the “District”). The School currently operates two campuses serving grades six through eight. The Federal and Harvey Park campuses began classes in the Fall of 2006 and 2009, respectively. The School also has two campuses in the start-up phase.

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 District granted the School’s charter 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 has been 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. Internally dedicated resources are reported as general revenues rather than as program revenues.

Major individual 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. Available means collected within the current year or soon enough thereafter to pay liabilities of the current year, not to exceed 60 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. 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 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 Fund Balance/Net Assets

Cash and Investments - Investments are reported at fair value.

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 are recorded as prepaid expenses.

Capital Assets - Capital assets, which include buildings and building improvements, 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 \$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 in the government-wide financial statements. Depreciation is provided over the estimated useful lives of the assets using the straight-line method, as follows:

Buildings and Building Improvements 20 years

WEST DENVER PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Long-Term Debt - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities.

In the fund financial statements, governmental funds recognize the face amount of debt issued as other financing sources.

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

A summary of cash and investments at June 30, 2010, follows:

Deposits	\$ 350,851
Investments	<u>1,807</u>
Total	<u><u>\$ 352,658</u></u>

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local governments 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. At June 30, 2010, the School had bank deposits of \$216,433 collateralized with securities held by the financial institution's agent but not in the School's name.

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 investments to an original maturity of five years unless the governing board authorizes the investment for a period in excess of five years. State statutes do not address custodial risk.

WEST DENVER PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments (Continued)

- 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

Local Government Investment Pool - At June 30, 2010, the School had \$1,807 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 and each share is 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

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

	<u>Balances</u> 6/30/09	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> 6/30/10
Capital Assets, Being Depreciated				
Buildings and Improvements	\$ 4,340,400	\$ -	\$ -	\$ 4,340,400
Less Accumulated Depreciation				
Buildings and Improvements	<u>(464,208)</u>	<u>(217,020)</u>	<u>-</u>	<u>(681,228)</u>
Total Capital Assets, Being Depreciated, Net	<u>\$ 3,876,192</u>	<u>\$ (217,020)</u>	<u>\$ -</u>	<u>\$ 3,659,172</u>

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

NOTE 4: LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2010, were as follows.

	<u>Balances</u> 6/30/09	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> 6/30/10	<u>Due Within</u> <u>One Year</u>
Loans Payable	<u>\$ 2,440,619</u>	<u>\$ -</u>	<u>\$ 87,858</u>	<u>\$ 2,352,761</u>	<u>\$ 88,707</u>

WEST DENVER PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 4: LONG-TERM DEBT (Continued)

On March 31, 2006, the School obtained two loans from Raza Development Fund, Inc., in the total amount of \$2,094,000, to purchase and remodel an educational facility. Loan principal of \$1,888,000 accrues interest at 7.07% per annum, and loan principal of \$206,000 accrues interest at 6.5% per annum. Principal and interest payments of \$14,717 and \$1,536, respectively, are due monthly, beginning November 1, 2006, with balloon payments due in 2014.

On August 6, 2007, the School obtained a loan from Raza Development Fund, Inc., in the amount of \$300,000, to expand and remodel the existing educational facility. Interest accrues on the loan at 7.35% per annum. Principal and interest payments of \$2,756 are due monthly beginning September 1, 2007, with a balloon payment due in 2014.

On April 28, 2008, the School obtained a loan from Raza Development Fund, Inc., in the amount of \$411,272, to continue the expansion and remodeling of the existing educational facility. Interest payments were due monthly beginning April 28, 2008. On November 16, 2008, the School paid \$200,000 on the loan and converted the remaining balance of \$211,272 to monthly payments of \$1,603, including interest accruing at 6% per annum. A balloon payment of \$159,900 is due in November, 2014.

Loan payments to maturity are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 88,707	\$ 158,625	\$ 247,332
2012	94,917	152,415	247,332
2013	87,164	131,822	218,986
2014	<u>2,081,973</u>	<u>41,690</u>	<u>2,123,663</u>
Total	<u>\$ 2,352,761</u>	<u>\$ 484,552</u>	<u>\$ 2,837,313</u>

NOTE 5: 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.

WEST DENVER PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 5: 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 6). 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 7). The School's pension contributions for the years ended June 30, 2010, 2009 and 2008 were \$52,232, \$93,782 and \$65,476, respectively.

NOTE 6: 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 5). 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 \$169,270, \$155,044, and \$101,619, respectively, to the District towards its PCOPs obligation.

NOTE 7: 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 \$12,069.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 8: COMMITMENTS AND CONTINGENCIES

Claims and Judgements

The School participates in a number of federal, state, and local programs that are fully or partially funded by grants received from other entities. Expenditures financed by grants are subject to audit by the appropriate grantor. If expenditures are disallowed due to noncompliance with grant program regulations, the School may be required to reimburse the grantor. 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 School believes it is in compliance with the requirements of the Amendment. The Amendment requires state and local governments to establish an emergency reserve, representing 3% of qualifying expenditures. At June 30, 2010, the District held \$130,000 on behalf of the School for this reserve. In addition, the School has reported restricted net assets and a reservation of fund balance in the General Fund for this reserve.

Facility Use Agreements

The School has approved facility use agreements with the District to utilize educational facilities owned by the District. The required use fees are determined annually based on square footage used and student population. For the year ended June 30, 2010, the School paid facility use fees to the District for the Harvey Park campus of \$85,694. Facility use fees required under the agreements for the year ended June 30, 2011, for the Harvey Park, Lake and Highland campuses are \$110,889, \$71,951 and \$67,893, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

WEST DENVER PREPARATORY CHARTER SCHOOL

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2010

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	VARIANCE Positive (Negative)
REVENUES				
Local Sources				
Per Pupil Revenue	\$ 3,298,094	\$ 3,482,221	\$ 3,445,381	\$ (36,840)
District Mill Levy	45,654	45,654	53,004	7,350
Grants and Contributions	914,534	697,503	728,092	30,589
Investment Income	-	-	3,474	3,474
Total Local Sources	<u>4,258,282</u>	<u>4,225,378</u>	<u>4,229,951</u>	<u>4,573</u>
State Sources				
Capital Construction	38,600	39,200	23,811	(15,389)
English Language Proficiency Act	5,000	10,732	15,156	4,424
Total State Sources	<u>43,600</u>	<u>49,932</u>	<u>38,967</u>	<u>(10,965)</u>
Federal Sources				
Grants	710,279	1,424,475	646,369	(778,106)
TOTAL REVENUES	<u>5,012,161</u>	<u>5,699,785</u>	<u>4,915,287</u>	<u>(784,498)</u>
EXPENDITURES				
Current				
Salaries	2,129,321	2,098,606	2,147,730	(49,124)
Employee Benefits	984,197	806,403	636,464	169,939
Purchased Services	824,362	999,346	922,555	76,791
Supplies and Materials	401,456	654,456	144,749	509,707
Property	205,013	694,053	398,457	295,596
Other	11,500	15,600	7,980	7,620
Debt Service				
Principal	77,844	77,844	87,858	(10,014)
Interest	169,464	189,464	180,084	9,380
TOTAL EXPENDITURES	<u>4,803,157</u>	<u>5,535,772</u>	<u>4,525,877</u>	<u>1,009,895</u>
NET CHANGE IN FUND BALANCE	209,004	164,013	389,410	225,397
FUND BALANCE, Beginning	119,407	544,512	283,909	(260,603)
FUND BALANCE, Ending	<u>\$ 328,411</u>	<u>\$ 708,525</u>	<u>\$ 673,319</u>	<u>\$ (35,206)</u>

See the accompanying Independent Auditors' Report.

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

A budget is adopted for the School on a basis consistent with generally accepted accounting principles.

A proposed budget is submitted to the Board of Trustees for the fiscal year commencing the following July 1, for their approval. The budget includes proposed expenditures and the means of financing them. All annual appropriations lapse at fiscal year end.

As stipulated in State statutes, 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 Trustees.