

WEST DENVER PREPARATORY CHARTER SCHOOL
Denver, Colorado

FINANCIAL STATEMENTS

June 30, 2012

WEST DENVER PREPARATORY CHARTER SCHOOL

June 30, 2012

BOARD OF TRUSTEES

President	Moira Cullen
Vice-President	John Aragon
Treasurer	Michael Barkin
Secretary	Kim Knous-Dolan
Member	Chris Watney
Member	Shelley Gomez
Member	Maria Sierra
Member	Myles Mendoza
Member	Judith Garcia
Member	Chris Henderson
Member	Alexander Ooms
Member	Keith Trammell
Ex-Officio Member	Chris Gibbons

SCHOOL MANAGEMENT

Chris Gibbons, Chief Executive Officer

Whitney Bride, Chief Operations Officer

TABLE OF CONTENTS

	PAGE
Independent Auditors' Report	
Management's Discussion and Analysis	i - v
Basic Financial Statements	
Statement of Net Assets	1
Statement of Activities	2
Balance Sheet - Governmental Fund	3
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund	4
Notes to Financial Statements	5 - 11
Required Supplementary Information	
Budgetary Comparison Schedule - General Fund	12
Notes to Required Supplementary Information	13



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 the major fund of the West Denver Preparatory Charter School, component unit of Denver School District, as of and for the year ended June 30, 2012, 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. 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 the major fund of the West Denver Preparatory Charter School as of June 30, 2012, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Swanhorst & Company LLC

September 7, 2012

West Denver Preparatory Charter Schools

Management's Discussion and Analysis Fiscal Year Ending June 30, 2012

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, 2012. 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, 2012 was the sixth year of operations for West Denver Prep. The general fund balance increased from \$659,341 to \$836,963 in the year ending June 30, 2012.

The operations of West Denver Prep for the year ending June 30, 2012 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 \$7,852,129. However, individual gifts and foundation grants supplemented the tax revenue received in order to finance operations for the planning year prior to opening three grades in three new schools 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 \$1,895,205 (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, 2012, West Denver Prep's assets exceeded liabilities by \$1,895,205. Approximately \$200,755 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. In addition, the School has reported restricted net assets and fund balance of \$327,000 for this reserve. Also, \$1,058,242 of these funds represents investment in capital assets (net of related debt). The remaining \$509,963 is unrestricted and available to meet ongoing financial obligations.

Statement of Net Assets

	2012	2011
Assets		
Cash and Investments	\$1,030,167	\$209,131
Accounts Receivable	\$5,064	\$59,479
Grants Receivable	\$256,963	\$701,264
Inventory	\$31,485	\$12,220
Prepaid Expenses	\$54,200	\$23,877
Emergency Reserve	\$200,755	\$147,372
Capital Assets, Net	\$3,225,132	\$3,442,152
Total Assets	\$4,803,766	\$4,595,495
Liabilities		
Accounts Payable	\$212,657	\$121,111
Accrued Liabilities	\$0	\$51,016
Deferred Revenues	\$529,014	\$321,875
Noncurrent Liabilities		
Due Within One Year	\$117,608	\$94,917
Due in More Than One Year	\$2,049,282	\$2,166,890
Total Liabilities	\$2,908,561	\$2,755,809
Net Assets		
Invested in Capital Assets, Net	\$1,058,242	\$1,180,345
Restricted for Emergencies	\$327,000	\$200,000
Unrestricted	\$509,963	\$459,341
Total Net Assets	\$1,895,205	\$1,839,686
Statement of Governmental Activities		
Revenues		
Grants & Contributions (Restricted)	\$726,780	\$746,304
Per Pupil Operating Revenue	\$7,852,129	\$5,419,446
Mill Levy	\$105,213	\$110,827
Capital Construction	\$57,021	\$47,503
Grants & Contributions (Unrestricted)	\$3,436,063	\$2,480,230
Miscellaneous	\$2,277	\$8,483
Insurance Proceeds	\$45,180	\$210,957
Total Revenue	\$12,224,663	\$9,023,750
Expenses		
Instruction	\$6,876,989	\$6,747,250
Support Services	\$5,139,741	\$2,260,165
Interest on Long-Term Debt	\$152,414	\$156,379
Total Expenses	\$12,169,144	\$9,163,794
Change in Net Assets	\$55,519	(\$140,044)
Net Assets, Beginning of Year	\$1,839,686	\$1,979,730
Net Assets, End of Year	\$1,895,205	\$1,839,686

Significant increases in revenue and expenditures between 2011 and 2012 are primarily related to the growth of the West Denver Prep network. In 2012, West Denver Prep expanded enrollment at two campuses with the addition of 8th grade at the Lake and Highland campuses, respectively. As such, the network enrollment increased from 735 students to 1,113 students.

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' sixth fiscal year, West Denver Prep reported a governmental fund balance of \$836,963, which represents an increase of \$177,622 over the previous fiscal year. While no campuses were added in the 2012 school year, additional personnel were employed in preparation for the growth of the network.

General Fund Budgetary Highlights

West Denver Prep budgeted for expenditures of \$12,484,873 for the year ended June 30, 2012. Actual expenditures were \$12,047,041. 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 2013 fiscal year. The ending fund balance as of June 30, 2012 was \$836,963.

Capital Asset and Debt Administration

Capital assets. West Denver Prep's investment in capital assets as of June 30, 2012, amounts to \$3,225,132 (net of accumulated depreciation). This investment in capital assets includes the property and building for one campus. There were no capital additions in the 2012 fiscal year.

Long-term debt. As of June 30, 2012, West Denver Prep had outstanding debt of \$2,166,890. 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. 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 2010-2011 school year was 735. The enrollment for the 2011-2012 school year was 1,113 students. The addition of two eighth grades was considered in preparing West Denver Prep's budget for 2011-12.

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, 2012

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS	
Cash and Investments	\$ 1,030,167
Accounts Receivable	5,064
Grants Receivable	256,963
Inventory	31,485
Prepaid Expenses	54,200
Emergency Reserve Held by Denver School District	200,755
Capital Assets, Net of Accumulated Depreciation	<u>3,225,132</u>
TOTAL ASSETS	<u>4,803,766</u>
LIABILITIES	
Accounts Payable	212,657
Deferred Revenues	529,014
Noncurrent Liabilities	
Due Within One Year	117,608
Due in More Than One Year	<u>2,049,282</u>
TOTAL LIABILITIES	<u>2,908,561</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	1,058,242
Restricted for Emergencies	327,000
Unrestricted	<u>509,963</u>
TOTAL NET ASSETS	<u>\$ 1,895,205</u>

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

WEST DENVER PREPARATORY CHARTER SCHOOL

STATEMENT OF ACTIVITIES

Year Ended June 30, 2012

<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	\$ 6,876,989	\$ 674,892	\$ (6,202,097)
Supporting Services	5,139,741	51,888	(5,087,853)
Interest on Long-Term Debt	<u>152,414</u>	<u>-</u>	<u>(152,414)</u>
Total Governmental Activities	\$ <u>12,169,144</u>	\$ <u>726,780</u>	<u>(11,442,364)</u>
GENERAL REVENUES			
			7,852,129
			105,213
			57,021
			3,436,063
			2,277
			<u>45,180</u>
		TOTAL GENERAL REVENUES	<u>11,497,883</u>
		CHANGE IN NET ASSETS	55,519
		NET ASSETS, Beginning	<u>1,839,686</u>
		NET ASSETS, Ending	<u>\$ 1,895,205</u>

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

WEST DENVER PREPARATORY CHARTER SCHOOL

BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2012

	<u>GENERAL</u>
ASSETS	
Cash and Investments	\$ 1,030,167
Accounts Receivable	5,064
Grants Receivable	256,963
Inventory	31,485
Prepaid Expenditures	54,200
Emergency Reserve Held by Denver School District	200,755
TOTAL ASSETS	\$ 1,578,634
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts Payable	\$ 212,657
Deferred Revenues	529,014
TOTAL LIABILITIES	741,671
FUND BALANCE	
Nonspendable Inventory	31,485
Nonspendable Prepaid Expenditures	54,200
Restricted for Emergencies	327,000
Unrestricted, Unassigned	424,278
TOTAL FUND BALANCE	836,963
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,578,634
 Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:	
Total Fund Balance of the Governmental Fund	\$ 836,963
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	3,225,132
Long-term liabilities are not due and payable in the current year and, therefore, are not reported in governmental funds.	(2,166,890)
Total Net Assets of Governmental Activities	\$ 1,895,205

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, 2012

	<u>GENERAL</u>
REVENUES	
Local Sources	\$ 10,776,277
State Sources	107,332
Federal Sources	1,295,874
 TOTAL REVENUES	 12,179,483
EXPENDITURES	
Current	
Instruction	6,876,989
Supporting Services	4,922,721
Debt Service	
Principal	94,917
Interest	152,414
 TOTAL EXPENDITURES	 12,047,041
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 132,442
OTHER FINANCING SOURCES	
Insurance Proceeds	45,180
 NET CHANGE IN FUND BALANCE	 177,622
FUND BALANCE, Beginning	659,341
FUND BALANCE, Ending	\$ 836,963

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

Net Change in Fund Balance of the Governmental Fund	\$ 177,622
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount represents depreciation expense in the current year.	(217,020)
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.	94,917
Change in Net Assets of Governmental Activities	\$ 55,519

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

WEST DENVER PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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 four campuses serving grades six through eight, and has three additional campuses in the start-up phase.

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 following organization qualifies as a component unit of the School.

In June, 2012, the West Denver Preparatory Charter School Building Corporation (the “Corporation”) was formed to hold title to real and/or personal property for, and to make the same available for use by, the School, and to otherwise provide public buildings, facilities and equipment to the School. The Corporation had no financial activity for the year ended June 30, 2012. The Corporation does not issue separate financial statements.

The School is a component unit of 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. 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.

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, 2012

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. 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.

Inventory - Materials and supplies inventory is stated at cost, using the first-in, first-out method. Inventory is recorded as an asset when individual items are purchased and as an expenditure when consumed.

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 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 \$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 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
-------------------------------------	----------

Deferred Revenues - Deferred revenues include grants received before qualifying expenditures have been incurred.

WEST DENVER PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 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

Cash and investments at June 30, 2012, consisted of the following:

Deposits	\$ 1,028,354
Investments	<u>1,813</u>
Total	<u>\$ 1,030,167</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.

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, 2012

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, 2012, the School had \$1,813 invested in the Colorado Local Government Liquid Asset Trust (Colostrust), 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 Colostrust. Colostrust operates in conformity with the Securities and Exchange Commission's Rule 2a-7 as promulgated under the Investment Company Act of 1940, as amended. Colostrust is rated AAAM by Standard and Poor's. Investments of Colostrust 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, 2012, are summarized below.

	<u>Balances</u> 6/30/11	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> 6/30/12
Capital Assets, Being Depreciated				
Buildings and Improvements	\$ 4,340,400	\$ -	\$ -	\$ 4,340,400
Less Accumulated Depreciation				
Buildings and Improvements	<u>(898,248)</u>	<u>(217,020)</u>	<u>-</u>	<u>(1,115,268)</u>
Total Capital Assets, Being Depreciated, Net	<u>\$ 3,442,152</u>	<u>\$ (217,020)</u>	<u>\$ -</u>	<u>\$ 3,225,132</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, 2012, were as follows.

	<u>Balances</u> 6/30/11	<u>Additions</u>	<u>Payments</u>	<u>Balances</u> 6/30/12	<u>Due Within</u> <u>One Year</u>
Loans Payable	<u>\$ 2,261,807</u>	<u>\$ -</u>	<u>\$ 94,917</u>	<u>\$ 2,166,890</u>	<u>\$ 117,608</u>

WEST DENVER PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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 of \$1,496,633 and \$161,470, respectively, 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 of \$231,279 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 accrues on the loan balance at the rate of 6% per annum. Principal and interest payments of \$1,603 are due monthly, with a balloon payment of \$159,900 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>
2013	\$ 117,608	\$ 129,736	\$ 247,344
2014	<u>2,049,282</u>	<u>41,690</u>	<u>2,090,972</u>
Total	<u>\$ 2,166,890</u>	<u>\$ 171,426</u>	<u>\$ 2,338,316</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 1301 Pennsylvania Street, Denver, Colorado 80203, or by calling PERA at 303-832-9550 or 1-800-759-7372.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 5: PENSION PLAN (Continued)

Defined Benefit Pension Plan (Continued)

Funding Policy - The contribution rates while participating in the DPSRS were based on the funding policy approved by the District's Board of Education. The contribution requirements of the DPSD 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% of covered salaries for the past three years. The School's contribution rate 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 rates of 17.45%, 18.35% and 19.25% for calendar years 2010, 2011 and 2012, respectively, 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 rates for calendar years 2010, 2011 and 2012 were 2.41%, 3.63% and 3.88%, respectively. 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, 2012, 2011 and 2010 were \$229,413, \$156,213 and \$52,232, respectively.

NOTE 6: PENSION CERTIFICATES OF PARTICIPATION

The District issued Taxable Pension Certificates of Participation (PCOPs) to fully fund the unfunded actuarial accrued liability of its pension plan (See Note 5). For the years ended June 30, 2012, 2011 and 2010, the School contributed 12.21%, 10.39% and 13.72% of covered salaries, respectively, to the District to cover its obligation relating to the PCOPs.

During the years ended June 30, 2012, 2011 and 2010, the School contributed \$734,653, \$414,084 and \$169,270, respectively, to the District towards its PCOPs obligation.

NOTE 7: POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description - The School contributes to the Denver Public Schools 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 years ended June 30, 2012, 2011 and 2010 was \$61,372, \$44,610 and \$12,069, respectively.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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, 2012, 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 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, 2012, the School reported restricted net assets and fund balance of \$327,000 for this reserve. In addition, the District held \$200,755 on behalf of the School for the reserve.

Facility Use Agreements

Annually, the School approves facility use agreements with the District to utilize educational facilities owned by the District. The facility use fees for the year ended June 30, 2012, were \$676 for each student enrolled at the School, which totaled \$528,196. The agreements require facility use fees of \$673 per student for the year ended June 30, 2013, which is estimated at \$884,481.

REQUIRED SUPPLEMENTARY INFORMATION

WEST DENVER PREPARATORY CHARTER SCHOOL

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2012

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE Positive (Negative)</u>
REVENUES				
Local Sources				
Per Pupil Revenue	\$ 7,558,936	\$ 7,852,256	\$ 7,852,129	\$ (127)
District Mill Levy	112,112	105,213	105,213	-
Grants and Contributions	2,996,213	2,798,954	2,816,658	17,704
Investment Income	-	428	2,277	1,849
Total Local Sources	<u>10,667,261</u>	<u>10,756,851</u>	<u>10,776,277</u>	<u>19,426</u>
State Sources				
Capital Construction	63,270	64,980	57,021	(7,959)
English Language Proficiency Act	48,510	50,311	50,311	-
Total State Sources	<u>111,780</u>	<u>115,291</u>	<u>107,332</u>	<u>(7,959)</u>
Federal Sources				
Grants	1,735,284	1,748,766	1,295,874	(452,892)
TOTAL REVENUES	<u>12,514,325</u>	<u>12,620,908</u>	<u>12,179,483</u>	<u>(441,425)</u>
EXPENDITURES				
Current				
Salaries	5,953,916	6,147,604	6,124,759	22,845
Employee Benefits	1,810,940	1,964,303	1,923,345	40,958
Purchased Services	2,949,225	2,566,915	2,483,365	83,550
Supplies and Materials	925,134	1,248,340	838,841	409,499
Property	518,230	289,456	416,868	(127,412)
Other	10,468	20,924	12,532	8,392
Debt Service				
Principal	96,792	94,917	94,917	-
Interest	150,552	152,414	152,414	-
TOTAL EXPENDITURES	<u>12,415,257</u>	<u>12,484,873</u>	<u>12,047,041</u>	<u>437,832</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	99,068	136,035	132,442	(3,593)
OTHER FINANCING SOURCES				
Insurance Proceeds	-	-	45,180	45,180
NET CHANGE IN FUND BALANCE	99,068	136,035	177,622	41,587
FUND BALANCE, Beginning	-	659,341	659,341	-
FUND BALANCE, Ending	<u>\$ 99,068</u>	<u>\$ 795,376</u>	<u>\$ 836,963</u>	<u>\$ 41,587</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.