

***HOWARD STREET CHARTER SCHOOL
FINANCIAL STATEMENTS
Year Ended June 30, 2011***

HOWARD STREET CHARTER SCHOOL

JUNE 30, 2011

<u><i>Name</i></u>	<u><i>BOARD OF GOVERNORS Address</i></u>	<u><i>Title</i></u>
Randy Harnisch	768 Eisenhower Dr NW Salem, OR 97304	Chair
Christine Ertl	480 Washington St S Salem, Oregon 97302	President
Renee Hanson	2428 Whestone Ct NW Salem, Oregon 97304	Treasurer/Secretary
Karan Arabas	1015 High St SE Salem, Oregon 97302	Parent Representative
Christine Speak	851 Ewald Ave S Salem, Oregon 97302	Parent Representative
LeeAnn O'Leary	3315 Ballantyne Road S Salem, Oregon 97302	Parent Representative
Michael VanCorbach	2686 Eastlake Drive SE Salem, Oregon 97306	Parent Representative
Cora Clark	2750 Nola Avenue SE Salem, Oregon 97302	Community Representative
Dan Johnson	1893 Saginaw Street S Salem, Oregon 97302	Community Representative
Adam Grosch	4522 Kurth Street S Salem, Oregon 97302	Community Representative
Dale Penn II	3585 Marlin Street SE Salem, Oregon 97302	Community Representative
Hayley Serres	4635 Calvert Ct SE Salem, Oregon 97302	Community Representative (Resigned May 2010)

ADMINISTRATIVE

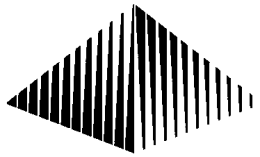
Catherine Mink (Retired June 30, 2011)

Principal

710 Howard Street SE
Salem, Oregon 97302

HOWARD STREET CHARTER SCHOOL
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GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
475 Cottage Street NE, Suite 200, Salem, Oregon 97301
(503) 581-7788

INDEPENDENT AUDITOR'S REPORT

Board of Governors
Howard Street Charter School
Salem, Oregon

We have audited the accompanying financial statements of the governmental activities and each major fund of Howard Street Charter School (the School), a component unit of Salem-Keizer School District No. 24J, as of and for the year ended June 30, 2011, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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 each major fund of Howard Street Charter School, as of June 30, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in the notes to the financial statements, during the year ended June 30, 2011, the School adopted the provisions of Governmental Accounting Standards Board statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*.

Accounting Principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A) on pages 3 through 5 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 MD&A 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's financial statements as a whole. The schedule of revenues, expenditures and changes in fund balance, budget and actual general fund is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

GROVE, MUELLER & SWANK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

By: 
Charles A. Swank, A Shareholder
November 28, 2011

Howard Street Charter School
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011

As management of Howard Street Charter School (the School), we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2011.

FINANCIAL HIGHLIGHTS

- Total net assets increased by \$7,980 during the year.
- At the end of the current fiscal year, unrestricted net assets were \$249,182.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to Howard Street Charter School's basic financial statements. The School's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business. These statements include:

The Statement of Net Assets. The *statement of net assets* presents information on all of the assets and liabilities of the School as of the date on the statement. Net assets are what remain after the liabilities have been paid or otherwise satisfied. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The Statement of Activities. The *statement of activities* presents information showing how the net assets of the School changed over the most recent fiscal year by tracking revenues, expenses and other transactions that increase or reduce net assets. 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 may only result in cash flows in future fiscal periods.

In the government-wide financial statements, the School's activities are shown as governmental activities. All basic School functions are shown here. These activities are primarily financed through Oregon's State School Fund.

Fund financial statements. The *fund financial statements* provide more detailed information about the School's funds. 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.

A *governmental fund* is used to account for essentially the same function 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 a government's near-term financing requirements.

Because the focus of the governmental fund is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental fund 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 the School's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between the governmental fund and governmental activities.

The School maintains one governmental fund, the General Fund.

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.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain other *supplementary information* related to the schedule of revenues, expenditures and change in fund balance - budget and actual - General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets. The Statement of Net Assets below is provided on a comparative basis.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the School, assets exceeded liabilities by \$289,119 as of June 30, 2011.

	Net Assets at June 30,	
	<u>2011</u>	<u>2010</u>
Assets		
Current assets	\$ 259,101	\$ 246,190
Capital assets, net of accumulated depreciation	37,209	43,974
Total assets	<u>296,310</u>	<u>290,164</u>
Liabilities		
	<u>7,191</u>	<u>9,025</u>
Net Assets		
Net investment in capital assets	37,209	43,974
Restricted	2,728	1,686
Unrestricted	249,182	235,479
Total Net Assets	<u><u>\$ 289,119</u></u>	<u><u>\$ 281,139</u></u>

Statement of Changes in Net Assets. The Statement of Changes in Net Assets below is provided on a comparative basis.

During the current fiscal year, the School's net assets increased by \$7,980. The School's net assets for the year ended June 30, 2011 are as follows:

**Changes in Net Assets
For the years ended June 30,**

	<i>2011</i>	<i>2010</i>
<i>Revenues</i>		
Program revenues:		
Charges for services	\$ 12,241	\$ 1,578
ASB income and student fees	16,568	20,805
General revenues:		
State school fund - general support	991,396	967,695
Federal - state fiscal stabilization fund	14,190	32,833
Donations	1,703	25,072
Other	830	2,777
Total Revenues	1,036,928	1,050,760
<i>Expenses</i>		
Instructional services	689,852	698,830
Support services and other	339,096	316,420
Total Expenses	1,028,948	1,015,250
<i>Change in net assets</i>	7,980	35,510
<i>Net assets, Beginning of year</i>	281,139	245,629
<i>Net assets, End of year</i>	\$ 289,119	\$ 281,139

CAPITAL ASSETS

The school's investment in capital assets consists of leasehold improvements. There were no current year additions and depreciation expense totaled \$6,765.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The most significant economic factor for the School is its charter status with the Salem-Keizer School District, which enables the School to receive pass-through funding from the State of Oregon's State School Fund. For the year ended June 30, 2011, state school fund general support and state fiscal stabilization funding provided over 95 percent of the School's General Fund resources.

The School projects steady enrollment for the 2011-12 year.

Although budgets are not required by law, the School considers potential changes in enrollment, funding through Salem-Keizer School District and operating costs when planning the subsequent year's operations.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Howard Street Charter School's finances for all those with an interest in them, and to demonstrate the School's accountability for the funding it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Ms. Renee Hanson, Treasurer, 710 Howard Street SE, Salem, Oregon 97302.

HOWARD STREET CHARTER SCHOOL
STATEMENT OF NET ASSETS - GOVERNMENTAL ACTIVITIES
JUNE 30, 2011

ASSETS

Cash and cash equivalents	\$	225,828
Receivables		33,273
Capital assets, net of accumulated depreciation:		
Leasehold improvements		37,209
		<hr/>
<i>Total Assets</i>		296,310

LIABILITIES

Accrued payroll liabilities		7,191
		<hr/>
<i>Total Liabilities</i>		7,191
		<hr/>

NET ASSETS

Invested in capital assets		37,209
Restricted for:		
Save the children program		2,728
Unrestricted		249,182
		<hr/>
<i>Total Net Assets</i>	\$	289,119
		<hr/>

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

HOWARD STREET CHARTER SCHOOL
STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES
YEAR ENDED JUNE 30, 2011

	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense) / Revenue and Change in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
<i>FUNCTIONS/PROGRAMS</i>				
Instructional services	\$ 689,852	\$ 6,416	\$ 15,526	\$ (667,910)
Support services	336,525	-	-	(336,525)
Enterprise and community services	2,571	5,825	1,042	4,296
<i>Total Governmental Activities</i>	<u>\$ 1,028,948</u>	<u>\$ 12,241</u>	<u>\$ 16,568</u>	<u>(1,000,139)</u>
<i>General Revenues:</i>				
State school fund - general support				991,396
Federal - state fiscal stabilization fund				14,190
Donations				1,703
Earnings on investments				587
Miscellaneous				243
<i>Total General Revenues</i>				<u>1,008,119</u>
<i>Change in Net Assets</i>				7,980
<i>Net Assets, July 1, 2010</i>				<u>281,139</u>
<i>Net Assets, June 30, 2011</i>				<u>\$ 289,119</u>

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

HOWARD STREET CHARTER SCHOOL
BALANCE SHEET - GENERAL FUND
JUNE 30, 2011

ASSETS

Cash and cash equivalents	\$ 225,828
Receivable from sponsor district	33,273
	<hr/>
<i>Total Assets</i>	\$ 259,101
	<hr/> <hr/>

LIABILITIES AND FUND BALANCE

Liabilities

Payroll related liabilities	\$ 7,191
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Fund Balance

Restricted	2,728
Assigned	139,922
Unassigned	109,260
	<hr/>

<i>Total Liabilities and Fund Balance</i>	\$ 259,101
	<hr/> <hr/>

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET ASSETS

Fund Balance	\$ 251,910
Capital assets are not financial resources and therefore are not reported in governmental funds:	
Cost	\$ 47,357
Accumulated depreciation	(10,148)
	<hr/>
Total Net Assets	\$ 289,119
	<hr/> <hr/>

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

HOWARD STREET CHARTER SCHOOL

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GENERAL FUND
YEAR ENDED JUNE 30, 2011**

REVENUES

Local sources	\$ 31,342
State sources	991,396
Federal sources	14,190
	<hr/>
<i>Total Revenues</i>	1,036,928

EXPENDITURES

Current	
Instruction	689,852
Support services	332,331
	<hr/>
<i>Total Expenditures</i>	1,022,183

NET CHANGE IN FUND BALANCE

14,745

FUND BALANCE, Beginning of year

237,165

FUND BALANCE, End of year

\$ 251,910

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE TO THE STATEMENT OF ACTIVITIES**

Net Change in Fund Balance

\$ 14,745

Governmental funds report capital outlay 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 is the amount by which capital outlays exceeded depreciation in the current period.

Less current year depreciation

(6,765)

Change in Net Assets

\$ 7,980

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Howard Street Charter School (the "School") began operations in 1997.

Reporting Entity

The School is an Oregon charter school sponsored by the Salem-Keizer School District (the "District"), and is being reported as a component unit of the District.

Howard Street Charter School is managed by a twelve-member Board of Governors.

Measurement Focus and Basis of Accounting

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 at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the School receives value without giving equal value in exchange, include grants, entitlements and donations. On the accrual basis of accounting, revenue from these transactions is recognized in the fiscal year in which all eligibility requirements have been satisfied. Under terms of grant agreements, the School funds certain programs by a combination of specific cost-reimbursement grants and general revenues.

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred.

The School reports only one governmental fund.

General Fund - This fund accounts for all financial resources and expenditures of the School unless required to be accounted for in another fund. Principal revenue sources are state school support payments from the sponsor district and grants.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and deposits with financial institutions.

Receivables

The School analyzes the necessity of an allowance for doubtful accounts using the specific identification method. No allowance for doubtful accounts is deemed necessary.

Contracted Services

The administrator and teachers are provided by contracting with Salem-Keizer School District.

HOWARD STREET CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2011

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets are recorded at original or estimated original cost. Donated capital assets are recorded at their estimated fair market value on the date donated. The school defines capital assets as assets with an initial cost of more than \$5,000. Capital assets consist of leasehold improvements which are depreciated using the straight line methods over 7 year useful lives.

Compensated Absences

The School does not compensate employees for unused accumulations upon termination of employment. See note on contracted services.

Income Taxes

The School has qualified as an organization whose activities, related to its nonprofit status, are exempt from income tax under Section 501(c)(3) of the Internal Revenue Code; therefore, no provision has been made for income taxes in these financial statements.

The School follows Accounting Standards Codification (ASC) 740, Accounting for Uncertainty in Income Taxes. Disclosure is not required of a loss contingency involving an unasserted claim or assessment when there has been no manifestation by a potential claimant of an awareness of a possible claim or assessment unless it is considered probable that a claim will be asserted and there is a reasonable possibility that the outcome will be unfavorable. As of June 30, 2011 the School has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements based on this guidance.

The School's federal and state income tax returns are subject to possible examination by the taxing authorities until the expiration of the related statutes of limitations on their tax returns. In general, the federal and state income tax returns have a three year statute of limitations.

Budget

The School is not subject to local budget law. While not required, the School prepares an annual budget for management purposes. A budgetary comparison schedule is included for analysis.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reporting amounts of certain assets, liabilities, revenues and expenses as of and for the year ended June 30, 2011. Actual results may differ from such estimates.

HOWARD STREET CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2011

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Balances

In the year ended June 30, 2011, the School adopted GASB Statement #54 *Fund Balance Reporting and Governmental Fund Type Definitions*. In the governmental financial statements, fund balances are reported in classifications that comprise a hierarchy based primarily on the extent to which the School is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental Fund type fund balances are classified as follows:

- **Nonspendable** – Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact. Resources in nonspendable form include inventories, prepaids and deposits, and assets held for resale.
- **Restricted** – Amounts that can be spent only for specific purposes when the constraints placed on the use of these resources are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed** – Amounts that can be used only for specific purposes determined by a formal action of the School Board. The School Board can modify or rescind the commitment at any time through taking a similar formal action.
- **Assigned** - Amounts that are constrained by the School’s intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent is expressed when the School Board approves which resources should be “reserved” during the adoption of the annual budget. The School’s Finance Director uses that information to determine whether those resources should be classified as assigned or unassigned for presentation in the School’s Annual Financial Report.
- **Unassigned** – All amounts not included in other spendable classifications. This residual classification represents fund balance that has not been restricted, committed, or assigned within the General Fund. This classification is also used to report any negative fund balance amounts in other governmental funds.

Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (net assets), the School’s policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the school’s policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications; committed and then assigned fund balances before using unassigned fund balances.

HOWARD STREET CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2011

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following as of June 30, 2011:

	<i>Carrying Value</i>
Cash and Cash Equivalents	
Deposits with financial institutions	\$ 225,828

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the School's deposits may not be returned to the School. At year end, the book balance of the School's bank deposits was \$225,828 and the bank balance was \$239,281. The difference is due to transactions in process. As of June 30, 2011, all deposits were fully collateralized by federal deposit insurance.

CAPITAL ASSETS

	<i>Balances July 1, 2010</i>	<i>Additions</i>	<i>Retirements</i>	<i>Balances June 30, 2011</i>
Leasehold improvements	\$ 47,357	\$ -	\$ -	\$ 47,357
Less accumulated depreciation:	(3,383)	(6,765)	-	(10,148)
	<u>\$ 43,974</u>	<u>\$ (6,765)</u>	<u>\$ -</u>	<u>\$ 37,209</u>

PENSION PLAN

The School contributes to a pension plan administered by the Oregon Public Employees Retirement System (PERS).

The Oregon Public Service Retirement Plan (OPSRP) is a hybrid successor plan to the OPERF and consists of two programs. The Pension Program, the defined benefit portion of the plan, applies to qualifying School employees hired after August 28, 2003, and to inactive employees who return to employment following a six-month or greater break in service. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service.

Beginning January 1, 2004, all PERS member contributions go into the Individual Account Program (IAP), the defined contribution portion of the plan. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account. Member contributions may be paid by the employer under contract agreements.

HOWARD STREET CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2011

PENSION PLAN (Continued)

Both PERS plans provide retirement and disability benefits, post-employment healthcare benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. PERS is administered under Oregon Revised Statute (ORS) Chapter 238, which establishes the Public Employees Retirement Board as the governing body of PERS. PERS issues a publicly-available financial report that includes financial statements and required supplementary information. That report can be obtained by writing to PERS, P.O. Box 23700, Tigard, Oregon 97281-3700 or by calling 1-503-598-7377.

Members of PERS are required to contribute 6% of their salary covered under the plan, which is invested in the OPSRP IAP. The School is required by ORS 238.225 to contribute at a general service rate for the qualifying employees under the OPSRP plan. The OPSRP rate in effect for the year ended June 30, 2011 was 14.74%. The contribution requirements for plan members are established by ORS 238 and may be amended by the Oregon Legislature.

The School contracts with Salem-Keizer School District for all employees who are members of PERS. All PERS contributions are made by the District on behalf of the School.

CLAIMS AND LITIGATION

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, or expenditures which may be disallowed by the grantor agencies cannot be determined at this time although the School expects such amounts, if any, to be immaterial.

Management has represented that there are no contingent liabilities that require disclosure or recognition in accordance with Accounting Standards Codification 450. Such contingent liabilities would include, but not be confined to: notes or accounts receivable which have been discounted; pending suits; proceedings, hearings, or negotiations possibly involving retroactive adjustments; unsatisfied judgments or claims; taxes in dispute; endorsements or guarantees; and options.

SUBSEQUENT EVENTS

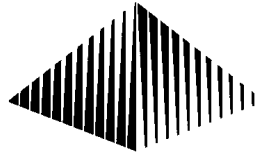
The date to which events occurring after June 30, 2011, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosure is November 28, 2011, which is the date on which the financial statements were available.

SUPPLEMENTARY INFORMATION

HOWARD STREET CHARTER SCHOOL
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2011

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Local sources	\$ 24,750	\$ 24,750	\$ 31,342	\$ 6,592
State sources	1,005,586	1,005,586	991,396	(14,190)
Federal sources	-	-	14,190	14,190
<i>Total Revenues</i>	1,030,336	1,030,336	1,036,928	6,592
EXPENDITURES				
Instruction	789,650	789,650	689,852	99,798
Support services	230,771	230,771	332,331	(101,560)
<i>Total Expenditures</i>	1,020,421	1,020,421	1,022,183	(1,762)
NET CHANGE IN FUND BALANCE	9,915	9,915	14,745	4,830
FUND BALANCE, Beginning of year	237,165	237,165	237,165	-
FUND BALANCE, End of year	\$ 247,080	\$ 247,080	\$ 251,910	\$ 4,830

COMPLIANCE SECTION



GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
475 Cottage Street NE, Suite 200, Salem, Oregon 97301
(503) 581-7788

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

We have audited the basic financial statements of Howard Street Charter School (the School) as of and for the year ended June 30, 2011, and have issued our report thereon dated November 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures; which included, but were not limited to the following:

- Deposit of public funds with financial institutions (ORS Chapter 295).
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).
- Public charter school requirements.

In connection with our testing nothing came to our attention that caused us to believe the School was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, except we noted that the school's demand deposit account was not held at a depository on the list of "Qualified Depositories for Public Funds" and carried a balance over the deposit insurance limit of \$250,000 from October 2010 through January 2011.

OAR 162-10-0230 Internal Control

In planning and performing our audit of the financial statements of the governmental activities and each major fund of Howard Street Charter School (the School) as of and for the year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered Howard Street Charter School's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Governors and management of Howard Street Charter School and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these specified parties.

GROVE, MUELLER & SWANK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

By: 

Charles A. Swank, A Shareholder
November 28, 2011