

COLORADO SPRINGS CHARTER ACADEMY

BASIC FINANCIAL STATEMENTS

June 30, 2009

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**JOHN CUTLER
& ASSOCIATES**

Board of Directors
Colorado Springs Charter Academy
Colorado Springs, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Colorado Springs Charter Academy, as of and for the year ended June 30, 2009, which collectively comprise the basic financial statements of the Academy, as listed in the table of contents. These financial statements are the responsibility of the Colorado Springs Charter Academy'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, each major fund and the aggregate remaining fund information of the Colorado Springs Charter Academy, as of June 30, 2009, 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 Academy has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The required supplementary information listed in the table of contents is not a required part of the basic financial statements but is 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Colorado Springs Charter Academy's basic financial statements. The individual fund financial schedule listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

John Cutler & Associates, LLC

December 11, 2009

BASIC FINANCIAL STATEMENTS

COLORADO SPRINGS CHARTER ACADEMY

STATEMENT OF NET ASSETS

As of June 30, 2009

	GOVERNMENTAL ACTIVITIES	
	2009	2008
ASSETS		
Cash and Investments	\$ 812,103	\$ 1,096,623
Grants Receivable	-	9,291
Prepaid Expenses	-	6,808
Deposits	-	115,916
Debt Issuance Costs, Net of Accumulated Amortization	89,120	-
Capital Assets, Depreciated, Net of Accumulated Depreciation	4,803,845	140,215
	<u>5,705,068</u>	<u>1,368,853</u>
LIABILITIES		
Accounts Payable	111,015	44,687
Accrued Salaries and Benefits	60,192	68,239
Accrued Expenses	36,503	22,731
Deferred Revenue	-	14,113
Noncurrent Liabilities		
Due in One Year	13,315	-
Due in More Than One Year	4,350,602	-
	<u>4,571,627</u>	<u>149,770</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	439,928	140,215
Restricted for Emergencies	75,000	63,000
Unrestricted	618,513	1,015,868
	<u>\$ 1,133,441</u>	<u>\$ 1,219,083</u>

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

COLORADO SPRINGS CHARTER ACADEMY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2009

FUNCTIONS/PROGRAMS	Expenses	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
PRIMARY GOVERNMENT					2009	2008
Governmental Activities						
Instructional	\$ 1,141,476	\$ 51,439	\$ 70,070	\$ -	\$(1,019,967)	\$(1,050,825)
Supporting Services	1,132,451	-	-	37,098	(1,095,353)	(658,000)
Interest on Long-Term Debt	404,106				(404,106)	-
Total Governmental Activities	<u>\$ 2,678,033</u>	<u>\$ 51,439</u>	<u>\$ 70,070</u>	<u>\$ 37,098</u>	<u>(2,519,426)</u>	<u>(1,708,825)</u>
		GENERAL REVENUES				
					2,246,655	1,881,266
					7,494	35,831
					179,635	9,897
					<u>2,433,784</u>	<u>1,926,994</u>
					(85,642)	218,169
					<u>1,219,083</u>	<u>1,000,914</u>
					<u>\$ 1,133,441</u>	<u>\$ 1,219,083</u>

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

COLORADO SPRINGS CHARTER ACADEMY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009

	GENERAL FUND	NON-MAJOR - CAPITAL RESERVE FUND	TOTAL GOVERNMENTAL FUNDS	
			2009	2008
ASSETS				
Cash and Investments	\$ 812,103	\$ -	\$ 812,103	\$1,096,623
Grants Receivable	-	-	-	9,291
Prepaid Expenses	-	-	-	6,808
Deposits	-	-	-	115,916
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 812,103</u>	<u>\$ -</u>	<u>\$ 812,103</u>	<u>\$1,228,638</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 111,015	\$ -	\$ 111,015	\$ 44,687
Accrued Salaries and Benefits	60,192	-	60,192	68,239
Accrued Expenses	36,503	-	36,503	22,731
Deferred Revenue	-	-	-	14,113
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>207,710</u>	<u>-</u>	<u>207,710</u>	<u>149,770</u>
FUND BALANCES				
Reserved for Emergencies	75,000	-	75,000	63,000
Reserved for Prepaid Expenses and Deposits	-	-	-	122,724
Unreserved, reported in General Fund	529,393	-	529,393	893,144
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>604,393</u>	<u>-</u>	<u>604,393</u>	<u>1,078,868</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 812,103</u>	<u>\$ -</u>		

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.	4,803,845	140,215
Long-term liabilities are not due and payable in the current period and are not reported in the funds. These include loan payable (\$4,363,917) and debt issuance costs \$89,120.	<u>(4,274,797)</u>	<u>-</u>
Net assets of governmental activities	<u>\$1,133,441</u>	<u>\$1,219,083</u>

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

COLORADO SPRINGS CHARTER ACADEMY

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2009

	GENERAL FUND	NON-MAJOR -	TOTAL	
		CAPITAL RESERVE FUND	GOVERNMENTAL FUNDS	
			2009	2008
REVENUES				
Local Sources	\$2,485,443	\$ -	\$2,485,443	\$1,980,865
State Sources	66,619	-	66,619	104,014
Federal Sources	40,329	-	40,329	49,913
TOTAL REVENUES	2,592,391	-	2,592,391	2,134,792
EXPENDITURES				
Current				
Instruction	1,141,476	-	1,141,476	1,225,165
Supporting Services	5,708,132	86,093	5,794,225	726,364
Debt Issuance Costs	90,976	-	90,976	-
Debt Service				
Principal	11,083	-	11,083	-
Interest	404,106	-	404,106	-
TOTAL EXPENDITURES	7,355,773	86,093	7,441,866	1,951,529
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(4,763,382)	(86,093)	(4,849,475)	183,263
OTHER FINANCING SOURCES (USES)				
Proceeds from Issuance of Debt	4,375,000	-	4,375,000	-
Transfers In	-	86,093	86,093	80,631
Transfers Out	(86,093)	-	(86,093)	(80,631)
TOTAL OTHER FINANCING SOURCES (USES)	4,288,907	86,093	4,375,000	-
NET CHANGE IN FUND BALANCES	(474,475)	-	(474,475)	183,263
FUND BALANCES, Beginning	1,078,868	-	1,078,868	895,605
FUND BALANCES, Ending	<u>\$ 604,393</u>	<u>\$ -</u>	<u>\$ 604,393</u>	<u>\$1,078,868</u>

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

COLORADO SPRINGS CHARTER ACADEMY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2009

Amounts reported for governmental activities in the statement of activities are different because:

Net Changes in Fund Balance - Total Governmental Funds	(474,475)
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlay \$4,834,485, exceeded depreciation expense (\$170,855) during the year.	4,663,630
Debt proceeds are recorded as a financing source in the governmental funds and increase fund balance. In the government-wide financial statements, however, the debt increases long-term liabilities in the statement of net assets and does not affect the statement of activities.	(4,375,000)
Repayment of long-term debt principal is an expenditure in the governmental funds, but repayment of principal reduces long-term liabilities in the statement of net assets. This is the amount of loan principal that was paid during the year.	11,083
Debt issuance costs are an expenditure in the governmental funds, but are capitalized and amortized in the government-wide financial statements. This is the amount debt issuance costs (\$90,976) exceeded amortization expense \$1,856.	<u>89,120</u>
Change in net assets of governmental activities	<u>\$ (85,642)</u>

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

COLORADO SPRINGS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Colorado Springs Charter Academy (the “Academy”) was formed in 2004 pursuant to the Colorado Charter Schools Act to form and operate a charter school. The Academy is utilizing a Core Knowledge curriculum.

The accounting policies of the Academy conform to generally accepted accounting principles as applicable to governmental units. Following is a summary of the more significant policies.

Reporting Entity

The financial reporting entity consists of the Academy and organizations for which the Academy is financially accountable. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the Academy. In addition, any legally separate organizations for which the Academy is financially accountable are considered part of the reporting entity. Financial accountability exists if the Academy 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 Academy.

Based upon the application of these criteria, the following organizations is included in the Academy’s reporting entity.

Colorado Springs Charter Academy Building Corporation

The Colorado Springs Charter Academy Building Corporation (the “Building Corporation”) is considered to be financially accountable to the Academy. The Building Corporation was formed to support and assist the Academy to perform its function and to carry out its purpose, specifically to assist in the financing and purchase of the Academy’s facilities. The activities of the Building Corporation are included the Academy’s financial statements as part of the General Fund. Separate financial statements are not available for the Building Corporation.

COLORADO SPRINGS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

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

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 of the activities of the Academy. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by 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 intergovernmental revenues not properly included among program revenues are reported instead as general revenues.

Major individual governmental funds are reported in 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period, not to exceed 60 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

COLORADO SPRINGS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

However, debt service expenditures are recorded only when payment is due.

Intergovernmental revenues, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Academy.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Internally dedicated resources are reported as general revenues rather than as program revenues.

When both restricted and unrestricted resources are available for use, it is the Academy's policy to use restricted resources first and the unrestricted resources as they are needed.

The Academy reports the following major governmental fund:

General Fund – This fund is the general operating fund of the Academy. It is used to account for all financial resources except those required to be accounted for in another fund.

Assets, Liabilities and Fund Balance/Net Assets

Investments – Investments are recorded 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.

COLORADO SPRINGS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

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

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

Prepaid Expenses – Payments made to vendors for services that will benefit periods beyond the current year are recorded as prepaid expenses. Expenditures are reported in the year in which the services are consumed.

Capital Assets – Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Academy as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported on the statement of net assets in the government-wide financial statements. Depreciation has been provided over the following estimated useful lives of the capital assets using the straight-line method: Buildings, 30 years; leasehold improvements, 20 years; equipment, 5 years.

Deferred Revenue – The deferred revenue includes amounts received but not yet available to expenditure.

Long-term Debt - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the straight-line method. In the fund financial statements, governmental fund types recognize debt premiums and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenditures.

COLORADO SPRINGS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

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

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

Net Assets/Fund Equity – 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 Academy 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 Academy purchases commercial insurance for these risks of loss.

Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Academy's financial position and operations. However, complete comparative data in accordance with generally accepted accounting principles has not been presented since its inclusion would make the financial statements unduly complex and difficult to read.

Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

COLORADO SPRINGS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

A budget is adopted for all funds on a basis consistent with generally accepted accounting principles.

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

Legal Compliance

The actual expenditures for the General Fund exceeded budgeted amounts by \$5,085,365. This may be a violation of State statute. This variance was due to the activity of the Building Corporation which were included in the General Fund but not budgeted.

NOTE 3: CASH AND INVESTMENTS

Cash and Investments at June 30, 2009 consisted of the following:

Cash on Hand	\$	288
Deposits		75,524
Investments		<u>736,291</u>
Total	\$	<u>812,103</u>

Deposits

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations.

COLORADO SPRINGS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

NOTE 3: CASH AND INVESTMENTS (Continued)

At June 30, 2009, State regulatory commissioners have indicated that all financial institutions holding deposits for the Academy are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. 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 the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The Academy has no policy regarding custodial credit risk for deposits.

At June 30, 2009, the Academy had deposits with financial institutions with a carrying amount of \$75,524. The bank balances with the financial institutions were \$96,050. Of these balances, \$96,050 was covered by federal depository insurance.

Investments

Interest Rate Risk

The Academy does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Colorado statutes specify in which instruments units of local government may invest, which include:

- Obligations of the United States and certain U.S. Government Agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

COLORADO SPRINGS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

NOTE 3: CASH AND INVESTMENTS (Continued)

The Academy had invested \$736,291 in the Colorado Government Liquid Asset Trust (COLOTRUST) which has a credit rating of AAA by Standard and Poor's. COLOTRUST is an investment vehicle established for local government entities in Colorado to pool surplus funds and is regulated by the State Securities Commissioner. It operates similarly to a money market fund and each share is equal in value to \$1.00. Investments consist of U.S. Treasury and U.S. Agency securities, and repurchase agreements collateralized by U.S. Treasury and U.S. Agency securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the entities.

NOTE 4: CAPITAL ASSETS

Capital Assets activity for the year ended June 30, 2009, is summarized below.

	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
	<u>June 30, 2008</u>			<u>June 30, 2009</u>
Governmental Activities				
Capital Assets, Being				
Depreciated				
Leasehold Improvements	\$ 105,749	\$ 78,985	\$ -	\$ 184,734
Building	42,309	4,750,000	-	4,792,309
Equipment	<u>13,743</u>	<u>5,500</u>	-	<u>19,243</u>
Total Capital Assets	<u>161,801</u>	<u>4,834,485</u>	-	<u>4,996,286</u>
Accumulated Depreciation				
Leasehold Improvements	13,424	7,262	-	20,686
Building	-	159,744	-	159,744
Equipment	<u>8,162</u>	<u>3,849</u>	-	<u>12,011</u>
Depreciation	<u>21,586</u>	<u>170,855</u>	-	<u>192,441</u>
Net Capital Assets	<u>\$ 140,215</u>	<u>\$ 4,663,630</u>	<u>\$ -</u>	<u>\$ 4,803,845</u>

Depreciation has been charged to the Supporting Services program of the Academy.

COLORADO SPRINGS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

NOTE 5: ACCRUED SALARIES AND BENEFITS

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve month period from August to July, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid as of June 30, 2009, were \$60,192, which is recorded in the General Fund.

NOTE 6: LONG-TERM DEBT

Following is a summary of the Academy's long-term debt transactions for the year ended June 30, 2009:

	<u>Balance</u> <u>June 30, 2008</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2009</u>	<u>Due In</u> <u>One Year</u>
Note Payable	\$ <u> </u> -	\$ <u>4,375,000</u>	\$ <u>11,083</u>	\$ <u>4,363,917</u>	\$ <u>13,315</u>

Note Payable

In July 2008, the Academy entered into a loan agreement with Tatonka Capital Corporation in the amount of \$4,375,000. Proceeds from the loan were used to purchase the Academy's building. The note carries an interest rate of 10% per year and is payable in monthly installments of \$43,027 through July 2012. A final balloon payment in the amount of \$4,179,535 is due in August 2012.

Future debt service requirements are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 13,315	\$ 440,164	\$ 453,479
2011	74,813	436,269	511,082
2012	88,471	427,847	516,318
2013	<u>4,187,318</u>	<u>70,423</u>	<u>4,257,741</u>
Total	<u>\$ 4,363,917</u>	<u>\$ 1,374,703</u>	<u>\$ 5,738,620</u>

COLORADO SPRINGS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

NOTE 7: *INTERFUND BALANCES AND TRANSFERS*

The Academy made the following transfers during the year.

<u>Transfer to</u>	<u>Transfer From</u>	<u>Amount</u>
Capital Reserve Fund	General Fund	<u>\$ 86,093</u>

The General Fund is required by State statute to transfer \$298 per pupil to the Capital Reserve fund or use this amount for insurance costs.

NOTE 8: *DEFINED BENEFIT PENSION PLAN*

Plan Description. The Academy contributes to the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). The SDTF provides retirement and disability, post-retirement annual increases, and death benefits for members or their beneficiaries. All employees of the Academy are members of the SDTF. Title 24, Article 51 of the Colorado Revised Statutes (CRS), as amended, assigns the authority to establish benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the SDTF. That report may be obtained online at www.copera.org or by writing to Colorado PERA, 1300 Logan Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

Funding Policy. The Academy is required to contribute member and employer contributions to PERA at a rate set by statute. The contribution requirements of plan members and the Academy are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members is 8.0 % and for the Academy it is 10.15 % of covered salary.

COLORADO SPRINGS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

NOTE 8: *DEFINED BENEFIT PENSION PLAN* (Continued)

A portion of the Academy's contribution (1.02 % of covered salary) is allocated to the Health Care Trust Fund (See Note 9). If the Academy rehires a PERA retiree as an employee or under any other work arrangement, it is required to report and pay employer contributions on the amounts paid for the retiree, however no member contributions are required. The Academy is also required to pay an amortization equalization disbursement equal to 2.8 % of the total payroll for the calendar year 2009, (1.9 % of total payroll for the calendar year 2008). For the years ending June 30, 2007, 2008, and 2009, the Academy's employer contributions for the SDTF were \$81,533, \$103,789, and \$142,280, respectively, equal to their required contributions for each year.

NOTE 9: *POSTEMPLOYMENT HEALTHCARE BENEFITS*

Plan Description. The Academy contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer post employment healthcare plan administered by PERA. The HCTF provides a health care premium subsidy to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the CRS, as amended, assigns the authority to establish the HCTF benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the HCTF. That report may be obtained online at www.copera.org or by writing to Colorado PERA, 1300 Logan Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

Funding Policy. The Academy is required to contribute at a rate of 1.02% of covered salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the School are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contribution to the HCTF is established under Title 24, Article 51, Section 208 of the Colorado Revised Statutes, as amended. For the years ending June 30, 2007, 2008, and 2009, the Academy's employer contributions to the HCTF were \$7,621, \$9,116, and \$11,589, respectively, equal to their required contributions for each year.

COLORADO SPRINGS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

NOTE 10: COMMITMENTS AND CONTINGENCIES

Building Leases

In 2008, the Academy entered into several agreements to lease portions of the Academy's building to other entities. Under the terms of the agreements, the entities pay monthly lease payments ranging from \$2,000 to \$8,006 to the Academy. One of the leases is a month to month lease not to exceed eighteen months and the remaining leases expire in July 2009.

For the year ended June 30, 2009 the Academy recorded \$132,320 in rental revenue under the terms of these agreements.

Claims and Judgments

The Academy participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Academy may be required to reimburse the grantor government. As of June 30, 2009, significant amounts of grant expenditures have not been audited, but the Academy believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Academy.

Tabor Amendment

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution, which limits state and local government tax powers and imposes spending limitations. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded. The Academy believes it has complied with the Amendment. As required by the Amendment, the Academy has established a reserve for emergencies. At June 30, 2009, the reserve of \$75,000 was recorded as a reservation of fund balance in the General Fund.

REQUIRED SUPPLEMENTARY INFORMATION

COLORADO SPRINGS CHARTER ACADEMY

GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended June 30, 2009

	2009		VARIANCE Positive (Negative)	2008 ACTUAL
	ORIGINAL AND FINAL BUDGET	ACTUAL		
REVENUES				
Local Sources				
Per Pupil Revenue	\$ 2,222,402	\$ 2,246,655	\$ 24,253	\$ 1,881,266
Tuition and Fees	51,000	51,439	439	48,460
Grants and Donations	27,000	220	(26,780)	5,411
Interest	20,000	7,494	(12,506)	35,831
Other	116,000	179,635	63,635	9,897
State Sources				
Grants and Donations	60,000	66,619	6,619	104,014
Federal Sources				
Grants and Donations	-	40,329	40,329	49,913
TOTAL REVENUES	2,496,402	2,592,391	95,989	2,134,792
EXPENDITURES				
Instruction				
Salaries	876,291	837,664	38,627	775,580
Employee Benefits	240,499	184,277	56,222	215,523
Purchased Services	96,700	6,046	90,654	115,362
Supplies and Materials	64,000	113,489	(49,489)	118,700
Total Instruction	1,277,490	1,141,476	136,014	1,225,165
Supporting Services				
Salaries	294,000	291,274	2,726	178,278
Employee Benefits	66,165	76,919	(10,754)	23,301
Purchased Services	158,040	314,645	(156,605)	34,322
Supplies and Materials	106,000	111,416	(5,416)	15,663
Property	43,055	4,857,139	(4,814,084)	243,177
Other	41,600	56,739	(15,139)	150,992
Contingency	25,678	-	25,678	-
Debt Issuance Costs	-	90,976	(90,976)	-
Debt Service				
Principal	35,000	11,083	23,917	-
Interest	-	404,106	(404,106)	-
Total Supporting Services	734,538	6,214,297	(4,999,272)	645,733
TOTAL EXPENDITURES	2,012,028	7,355,773	(4,863,258)	1,870,898
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	484,374	(4,763,382)	(4,767,269)	263,894
OTHER FINANCING USES				
Proceeds from Issuance of Debt	-	4,375,000	(4,375,000)	-
Transfers Out	-	(86,093)	(86,093)	(80,631)
NET CHANGE IN FUND BALANCE	484,374	(474,475)	(958,849)	183,263
FUND BALANCE, Beginning	101,266	1,078,868	977,602	895,605
FUND BALANCE, Ending	<u>\$ 585,640</u>	<u>\$ 604,393</u>	<u>\$ 18,753</u>	<u>\$ 1,078,868</u>

See the accompanying independent auditors' report.