

**URBAN ACADEMY  
CHARTER SCHOOL NO. 4088**

**FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT**

For The Year Ended June 30, 2012

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**URBAN ACADEMY  
 CHARTER SCHOOL NO. 4088  
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## **INTRODUCTORY SECTION**

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**SCHOOL BOARD**

<u>Name</u>	<u>Board Position</u>
Melissa Hansen	President
Tamara Mattison	Finance Chair
Kristin Evans	Member
Roger Sykes	Member
Michael Ahrndt	Member
Barbara Shin	Member

**ADMINISTRATION**

Mongsher Ly	Director
Susan Airhart	Contract Business Manager with Designs for Learning

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## **FINANCIAL SECTION**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Urban Academy  
Charter School No. 4088  
Saint Paul, Minnesota

We have audited the accompanying financial statements of the governmental activities and each major fund of Urban Academy, as of and for the year ended June 30, 2012, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of Urban Academy's management. Our responsibility is to express opinions on these basic financial statements based on our audit. The prior year comparative information has been derived from Urban Academy's 2011 financial statements and, in our report dated November 2, 2011, we expressed unqualified opinions on the respective financial statements of the governmental activities and each major fund.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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 Urban Academy, as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 4, 2012 on our consideration of Urban Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as 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 required supplementary 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Urban Academy's financial statements as a whole. The introductory section and individual fund statements are presented for purposes of additional analysis and are not a required part of the financial statements. The Uniform Financial Accounting and Reporting Standards Compliance Table is presented as supplemental information as required by the Minnesota Department of Education and is also not a required part of the financial statements. The individual fund statements and the Uniform Financial Accounting and Reporting Standards Compliance Table are the responsibility of management and were 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. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*HLB Tautges Redpath, Ltd.*  
HLB TAUTGES REDPATH, LTD.

October 4, 2012

**URBAN ACADEMY**  
INDEPENDENT SCHOOL DISTRICT NO. 4088  
St. Paul, Minnesota

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ended June 30, 2012

This section of Urban Academy's (the School) annual audited financial report presents our discussion and analysis of the School's financial performance during the fiscal year that ended on June 30, 2012. Please read it in conjunction with the School's financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2011-2012 fiscal year include the following:

- Total net assets decreased by \$86,155. This follows a decrease of \$46,364 in the School's net assets for fiscal year 2011.
- General Fund revenues were \$3,210,478 as compared to \$3,254,544 of expenditures.
- The fund balance of the General Fund decreased in fiscal year 2012 by \$67,243 to a positive balance of \$630,088. The School experienced an increased fund balance in the General Fund for each of the five years previous to 2011. Due to its sound financial management Urban Academy has fully recovered from a tenuous financial position in fiscal year 2004.
- The school expanded its program expenses in the area of Library and Technology Services during 2011-2012 to provide students with the resources and equipment necessary to enhance the current learning environment.
- School management continues to carefully monitor enrollment which is key to the financial stability of its programs.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial section of the annual report consists of four parts – Independent Auditor's Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the School:

- The first two statements are *School-wide financial statements* that provide both *short-term* and *long-term* information about the School's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the School, reporting the School's operations in more detail than the School-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short term* as well as what remains for future spending.

## MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

### School-Wide Statements

The School-wide statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the School’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two School-wide statements report the School’s net assets and how they have changed. Net assets, or the difference between the School’s assets and liabilities, are one way to measure the School’s financial health or position.

- Over time, increases or decreases in the School’s net assets are an indicator of whether its financial position is improving or deteriorating.
- To assess the overall health of the School you need to consider additional non-financial factors such as changes in the condition of school building and other facilities.

In the School-wide financial statements, the School’s activities are shown in one category:

- **Governmental activities:** All of the School’s basic services are included here, such as regular and special education, and administration. State and federal aids finance most of these activities.

### Fund Financial Statements

The fund financial statements provide more detailed information about the School’s funds – focusing on its most significant or “major” funds – not the School as a whole. 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. In other words, funds are accounting devices the School uses to keep track of specific resources of funding and spending on particular programs. State law requires two different programmatic funds for charter schools:

- General Fund
- Food Service Fund

When these two funds are added together, they equal the total governmental funds, as seen in Statement 3 and Statement 4.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

### 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.

### FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

#### Net Assets

The School's net assets were \$794,699 and \$880,854 at June 30, 2012 and 2011, respectively.

	The School's Net Assets	
	June 30,	
	2012	2011
Current assets	\$1,284,001	\$1,060,975
Capital and noncurrent assets	164,656	183,523
Total assets	1,448,657	1,244,498
Current liabilities	653,958	363,644
Net assets:		
Invested in capital assets	164,656	183,523
Unrestricted	630,043	697,331
Total net assets	\$794,699	\$880,854

The School conservatively expended some of its prior year accumulated fund balance by investing in Library and Technology programs; however, it continues to have a conservative approach to enrollment projections, conventional tight spending and sound financial management.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

### Change in Net Assets

The School's total revenues were \$3,416,244 for the year ended June 30, 2012. Operating revenue accounted for 31% and the other 69% came from other general revenue combined with other investments and program service revenues.

<b>Change in Net Assets</b>		
	<u>2012</u>	<u>2011</u>
Revenues:		
Program revenues:		
Charges for services	\$ -	\$117
Operating grants and contributions	1,071,407	1,091,451
General revenues:		
Unrestricted local, state and federal aid	2,344,643	2,223,532
Investment income	194	17
Total revenues	<u>3,416,244</u>	<u>3,315,117</u>
Expenses:		
Administration	234,072	272,948
District support services	353,459	250,954
Regular instruction	1,242,592	1,182,004
Special education instruction	380,838	382,853
Instructional support services	32,343	68,520
Pupil support services	304,192	289,621
Site, building and equipment	711,802	676,110
Fiscal and other fixed cost programs	14,046	12,446
Food service	229,055	226,025
Total expenses	<u>3,502,399</u>	<u>3,361,481</u>
Change in net assets	(86,155)	(46,364)
Net assets - beginning	<u>880,854</u>	<u>927,218</u>
Net assets - ending	<u><u>\$794,699</u></u>	<u><u>\$880,854</u></u>

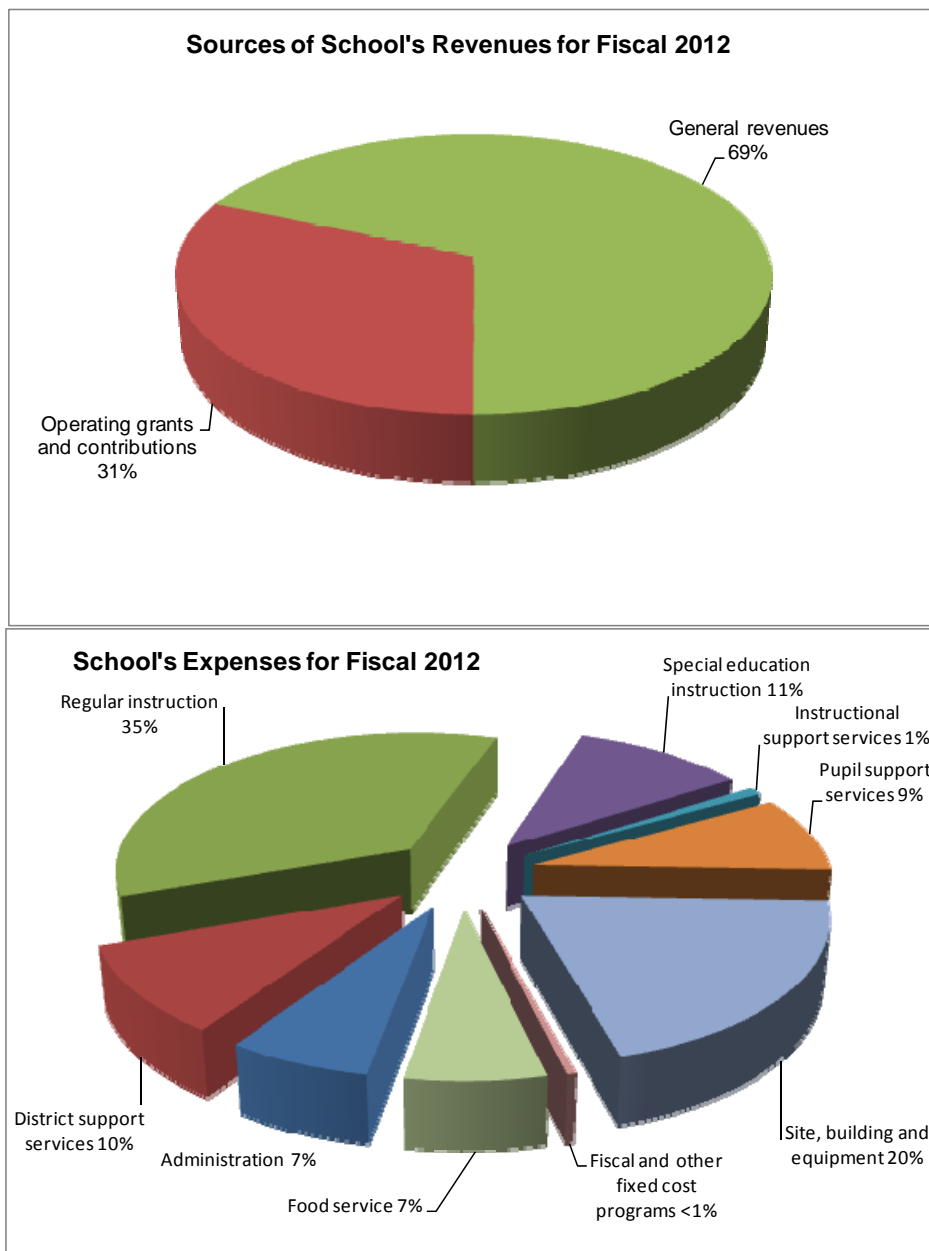
The total cost of all programs and services including interest and fiscal charges was \$3,502,399. Total expenses exceeded revenues which decreased net assets by \$86,155 over last year because the School is committed to building its learning programs. Urban Academy invested resources in the areas of teacher support and instructional development, library resources, and technology resources from its reserve funds.



## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

The cost of all governmental activities this year was \$3,502,399 (increased from the fiscal 2011 total of \$3,361,481).

- The federal and state governments subsidized certain programs and grants and contributions (\$1,071,407.)
- The remaining portion of governmental activities was paid for primarily with unrestricted State and local aid and interest income.



## MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)

Typically the School does not include in an analysis of all governmental funds a breakout of expenditures. To do so distorts the latitude available to the School to allocate resources to instruction. All governmental funds includes not only funds received for the general operation of the School, which are used for classroom instruction, but also includes resources from the entrepreneurial-type funds of Food Service and from resources for fiscal service transactions. Funding for the general operation of the School is controlled by the state and the School does not have the latitude to allocate money received in Food Service or for fiscal services to enhance classroom instruction resources. The School cannot take funds from these restricted areas and use the funds to hire teachers to enhance instruction. The preceding graph, by pooling all expenditures, implies that the School does have equal access to all funds to impact classroom instruction. In Minnesota, that is simply not an option.

	Program Expenses and Net Cost of Services					
	Total Cost Services		Percentage Change	Net Cost of Services		Percentage Change
	2012	2011		2012	2011	
Administration	\$234,072	\$272,948	(14.24%)	\$234,072	\$272,948	(14.24%)
District support services	353,459	250,954	40.85%	353,459	250,954	40.85%
Regular instruction	1,242,592	1,182,004	5.13%	1,103,402	1,004,692	9.82%
Special education instruction	380,838	382,853	(0.53%)	(9,913)	(48,032)	(79.36%)
Instructional support services	32,343	68,520	(52.80%)	32,343	68,520	(52.80%)
Pupil support services	304,192	289,621	5.03%	304,192	289,621	5.03%
Sites and buildings	711,802	676,110	5.28%	376,102	375,222	0.23%
Fiscal and other fixed cost programs	14,046	12,446	12.86%	14,046	12,446	12.86%
Food service	229,055	226,025	1.34%	23,289	43,542	(46.51%)
Total	<u>\$3,502,399</u>	<u>\$3,361,481</u>	4.19%	<u>\$2,430,992</u>	<u>\$2,269,913</u>	7.10%

## FINANCIAL ANALYSIS OF THE SCHOOL’S FUNDS

The financial performance of the School as a whole is reflected in its governmental funds as well. As the School completed the year, its governmental funds reported a combined fund balance of \$630,043, which is \$67,288 below last year’s ending fund balance of \$697,311.

Revenues for the School’s governmental funds were \$3,416,244 of which total expenditures were \$3,483,532.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

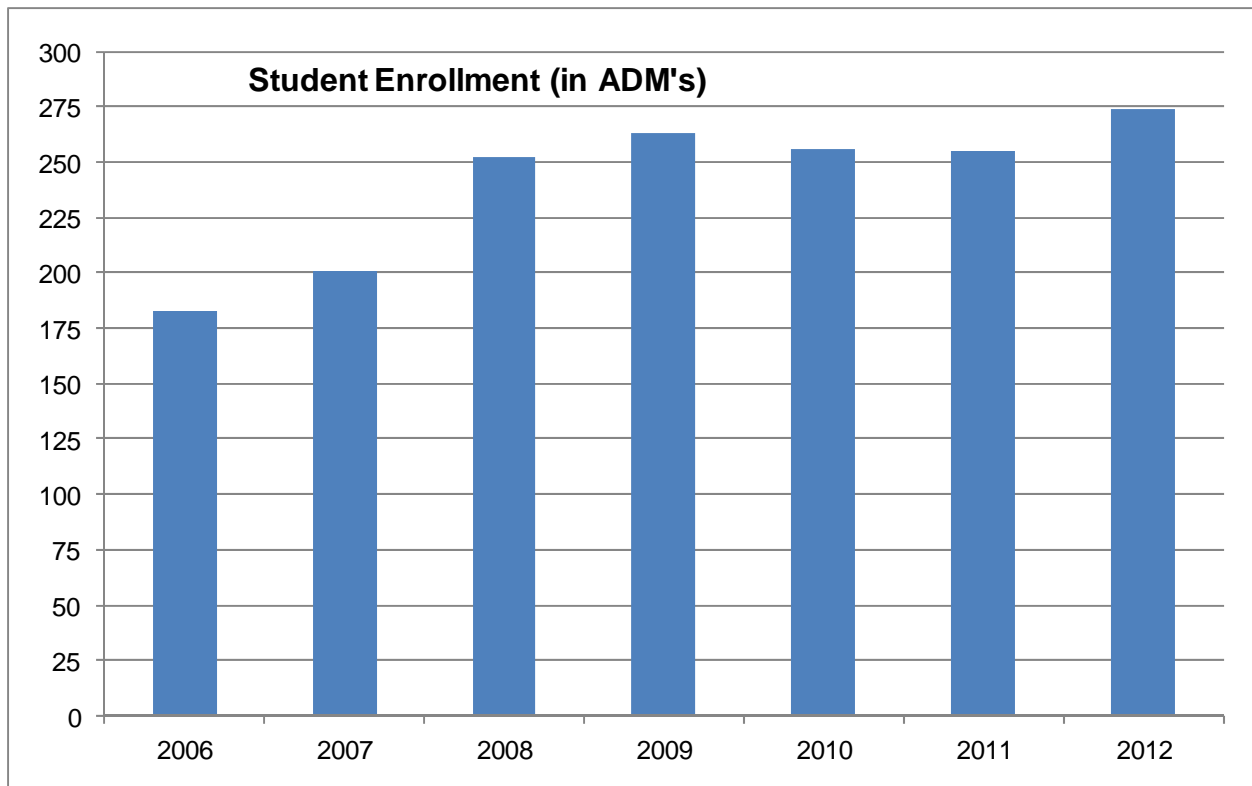
### GENERAL FUND

The General Fund includes the primary operations of the School in providing educational services to students from kindergarten through grade 6, including pupil transportation activities.

A significant amount of General Fund operational revenue is controlled by a complex set of state funding formulas resulting in the local school board having no meaningful authority to determine the level of resources. This includes basic general education aid which is determined by multiple state formulas and is largely enrollment driven and special education state aid, which, is based upon a cost reimbursement model.

### ENROLLMENT

Enrollment is a critical factor in determining revenue. The following chart shows the latest seven years of student enrollment at the School.



Enrollment increased from 255 ADMs (average daily membership) at the end of the 2010-2011 school year to 274 in school year 2011-2012. This change in student enrollment reflects an increase of 19 ADM. The School is planning to maintain this number over the next few years because it desires to achieve AYP before it significantly builds enrollment for the future.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

The following schedule presents a summary of General Fund revenues.

Fund	General Fund Revenues		Change	
	Year Ended June 30,		Increase	Percent
	2012	2011	(Decrease)	
Local sources:				
Investment income	\$194	\$17	\$177	1041.18%
Other	57,733	64,203	(6,470)	(10.08%)
State sources	2,950,881	2,830,494	120,387	4.25%
Federal sources	201,670	237,920	(36,250)	(15.24%)
Total general fund revenue	<u>\$3,210,478</u>	<u>\$3,132,634</u>	<u>\$77,844</u>	2.48%

During the current fiscal year the General Fund revenue decreased by \$77,844 from the previous. The difference primarily results from a decrease in federal funding. The federal ARRA (American Recovery & Reinvestment Act) revenue sources were fully expended in prior years and there were no additional funds awarded in current fiscal years.

The following schedule presents a summary of General Fund expenditures.

	General Fund Expenditures		Change	
	Year Ended June 30,		Increase	Percent
	2012	2011	(Decrease)	
Salaries	\$1,445,914	\$1,345,726	\$100,188	7.44%
Employee benefits	385,964	378,113	7,851	2.08%
Purchased services	1,272,255	1,285,150	(12,895)	(1.00%)
Supplies and materials	105,750	87,243	18,507	21.21%
Capital expenditures	15,675	27,501	(11,826)	(43.00%)
Other expenditures	28,986	7,306	21,680	296.74%
Total expenditures	<u>\$3,254,544</u>	<u>\$3,131,039</u>	<u>\$123,505</u>	3.94%

Total General Fund expenditures increased \$123,505 from the previous year. Urban Academy invested resources in the areas of teacher support, instructional development, library and technology resources, to enrich student learning and achievement.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

### **General Fund Budgetary Highlights**

Following approval of the budget prior to the beginning of the fiscal year, the School revises the annual operating budget in mid-year and again at year end.

Projected revenues were at \$2,981,067 and were revised to \$3,209,357 after reviewing state and federal expenditures. Some of these programs are based student services provided or actual expenditures which are calculated on a reimbursement basis. By the end of the fiscal year, the actual amount was at \$3,210,478 which was over the budget by \$1,121.

Overall, actual expenditures exceeded revenues for fiscal year 2012 by \$25,913 compared to budget.

### **OTHER MAJOR FUNDS**

Expenditures exceeded revenues in the Food Service Fund by \$17,707 compared to budget due to reimbursement based funding limits in food service.

From the standpoint of maintaining current operating expenditures within the range of annual revenue and maintaining a sound fund balance, the Food Service Fund is operating on a sound financial basis.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

By the end of 2012, the School had invested \$351,049 in equipment. (More detailed information about capital assets can be found in Note 3 to the financial statements). Total depreciation expense for the year totaled \$33,322.

	2012	2011
Capital assets, being depreciated:		
Computers and office equipment	\$126,298	\$117,877
Furniture and fixtures	187,950	187,950
Vehicles	5,898	-
Leasehold improvements	30,903	30,903
Total capital assets, being depreciated	<u>351,049</u>	<u>336,730</u>
Less accumulated depreciation for:		
Computers and office equipment	88,971	70,023
Furniture and fixtures	81,381	70,542
Vehicles	590	-
Leasehold improvements	15,451	12,642
Total accumulated depreciation	<u>186,393</u>	<u>153,207</u>
Total capital assets being depreciated - net	<u>\$164,656</u>	<u>\$183,523</u>

#### FACTORS BEARING ON THE SCHOOL'S FUTURE

The School is dependent on the State of Minnesota for the vast majority of its revenue. Recent experience demonstrates that legislated revenue increases have not been sufficient to meet instructional program needs and increased costs due to inflation. As the School continues to strive for success it is forced to seek outside grants and funding to create and support innovative programs.

The School will strive to maintain its commitment to academic excellence and educational opportunity for students within a framework of financial fiduciary responsibility.

#### CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Charter School No. 4088, Urban Academy, 133 East 7<sup>th</sup> Street, St. Paul, Minnesota 55101.

## **BASIC FINANCIAL STATEMENTS**

**URBAN ACADEMY  
CHARTER SCHOOL NO. 4088**

**Statement 1**

**STATEMENT OF NET ASSETS**

June 30, 2012

With Comparative Amounts For June 30, 2011

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	Governmental Activities	
	2012	2011
Assets:		
Cash and investments	\$24,844	\$155,358
Due from other governments	1,231,032	875,457
Other receivables	7,965	-
Prepaid items	20,160	30,160
Capital assets (net of accumulated depreciation)	164,656	183,523
Total assets	<u>1,448,657</u>	<u>1,244,498</u>
Liabilities:		
Accounts payable	16,146	50,038
Salaries and taxes payable	137,812	125,251
Short term indebtedness	500,000	150,000
Deferred revenue - unearned	-	38,355
Total liabilities	<u>653,958</u>	<u>363,644</u>
Net assets:		
Invested in capital assets	164,656	183,523
Unrestricted	630,043	697,331
Total net assets	<u>\$794,699</u>	<u>\$880,854</u>

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



**URBAN ACADEMY**  
**CHARTER SCHOOL NO. 4088**

**Statement 2**

STATEMENT OF ACTIVITIES

For The Year Ended June 30, 2012

With Comparative Totals For The Year Ended June 30, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>2012</u>	<u>2011</u>
Governmental activities:					
Administration	\$234,072	\$ -	\$ -	(\$234,072)	(\$272,948)
District support services	353,459	-	-	(353,459)	(250,954)
Regular instruction	1,242,592	-	139,190	(1,103,402)	(1,004,692)
Special education instruction	380,838	-	390,751	9,913	48,032
Instructional support services	32,343	-	-	(32,343)	(68,520)
Pupil support services	304,192	-	-	(304,192)	(289,621)
Site, building and equipment	711,802	-	335,700	(376,102)	(375,222)
Fiscal and other fixed costs	14,046	-	-	(14,046)	(12,446)
Food service	229,055	-	205,766	(23,289)	(43,542)
Total governmental activities	<u>\$3,502,399</u>	<u>\$0</u>	<u>\$1,071,407</u>	<u>(2,430,992)</u>	<u>(2,269,913)</u>
General revenues:					
Local sources				57,733	64,203
State sources				2,286,910	2,159,329
Investment income				194	17
Total general revenues				<u>2,344,837</u>	<u>2,223,549</u>
Change in net assets				(86,155)	(46,364)
Net assets - beginning				<u>880,854</u>	<u>927,218</u>
Net assets - ending				<u>\$794,699</u>	<u>\$880,854</u>

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

**URBAN ACADEMY  
CHARTER SCHOOL NO. 4088**

**Statement 3**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2012  
With Comparative Totals For June 30, 2011

	General	Food Service Fund	Total	
			2012	2011
<b>Assets</b>				
Cash and investments	\$24,844	\$ -	\$24,844	\$155,358
Due from other funds	6,138	-	6,138	8,820
Due from Minnesota Department of Education	1,196,212	191	1,196,403	840,357
Due from Federal Government through Minnesota Department of Education	28,682	5,947	34,629	35,100
Other receivables	7,965	-	7,965	-
Prepaid items	20,160	-	20,160	30,160
<b>Total assets</b>	<b>\$1,284,001</b>	<b>\$6,138</b>	<b>\$1,290,139</b>	<b>\$1,069,795</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts and contracts payable	\$16,101	\$45	\$16,146	\$50,038
Salaries and taxes payable	122,471	-	122,471	112,376
Payroll deductions and employer contributions payable	15,341	-	15,341	12,875
Due to other funds	-	6,138	6,138	8,820
Short term indebtedness	500,000	-	500,000	150,000
Deferred revenue	-	-	-	38,355
<b>Total liabilities</b>	<b>653,913</b>	<b>6,183</b>	<b>660,096</b>	<b>372,464</b>
<b>Fund balance:</b>				
Nonspendable - prepaid items	20,160	-	20,160	30,160
Unassigned	609,928	(45)	609,883	667,171
<b>Total fund balance</b>	<b>630,088</b>	<b>(45)</b>	<b>630,043</b>	<b>697,331</b>
<b>Total liabilities and fund balance</b>	<b>\$1,284,001</b>	<b>\$6,138</b>	<b>\$1,290,139</b>	<b>\$1,069,795</b>
Amounts reported for governmental activities in the statement of net assets are different because:				
Fund balance reported above			\$630,043	\$697,331
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds			164,656	183,523
<b>Net assets of governmental activities (Statement 1)</b>			<b>\$794,699</b>	<b>\$880,854</b>

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

**URBAN ACADEMY  
CHARTER SCHOOL NO. 4088**

**Statement 4**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
For The Year Ended June 30, 2012  
With Comparative Totals For The Year Ended June 30, 2011

	General	Food Service Fund	Total	
			2012	2011
<b>Revenues:</b>				
Local sources	\$57,733	\$ -	\$57,733	\$64,320
State sources	2,950,881	6,080	2,956,961	2,836,351
Federal sources	201,670	199,686	401,356	414,429
Investment income	194	-	194	17
Total revenues	<u>3,210,478</u>	<u>205,766</u>	<u>3,416,244</u>	<u>3,315,117</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Administration	234,072	-	234,072	272,948
District support services	349,269	-	349,269	250,187
Regular instruction	1,218,664	-	1,218,664	1,159,839
Special education instruction	380,070	-	380,070	381,857
Instructional support services	30,069	-	30,069	66,317
Pupil support services	303,602	-	303,602	289,621
Site, building and equipment	705,042	-	705,042	669,710
Fiscal and other fixed costs	14,046	-	14,046	12,446
Food service	-	228,988	228,988	225,958
Capital outlay	15,675	-	15,675	27,501
Debt service	4,035	-	4,035	613
Total expenditures	<u>3,254,544</u>	<u>228,988</u>	<u>3,483,532</u>	<u>3,356,997</u>
Revenues over (under) expenditures	<u>(44,066)</u>	<u>(23,222)</u>	<u>(67,288)</u>	<u>(41,880)</u>
<b>Other financing sources (uses):</b>				
Transfers in	-	23,177	23,177	43,475
Transfers out	<u>(23,177)</u>	<u>-</u>	<u>(23,177)</u>	<u>(43,475)</u>
Total other financing sources (uses)	<u>(23,177)</u>	<u>23,177</u>	<u>0</u>	<u>0</u>
Net change in fund balance	(67,243)	(45)	(67,288)	(41,880)
Fund balance - beginning	<u>697,331</u>	<u>-</u>	<u>697,331</u>	<u>739,211</u>
Fund balance - ending	<u>\$630,088</u>	<u>(\$45)</u>	<u>\$630,043</u>	<u>\$697,331</u>
Amounts reported for governmental activities in the statement of activities are different because:				
Revenues over expenditures reported above			(\$67,288)	(\$41,880)
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:				
Depreciation			(33,322)	(30,664)
Capital outlay			15,675	27,501
Loss on dispositions			<u>(1,220)</u>	<u>(1,321)</u>
Change in net assets of governmental activities (Statement 2)			<u>(\$86,155)</u>	<u>(\$46,364)</u>

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

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**Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of Urban Academy (the School) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the School are described below:

The School's financial statements include all funds, departments, agencies, boards, commissions and other organizations for which the School is considered to be financially accountable.

**A. FINANCIAL REPORTING ENTITY**

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the School (the primary government) and its component units. Generally, component units are legally separate organizations for which the officials of the primary government are financially accountable. The School does not have any component units, nor is it a component unit of any other entity.

The School was authorized by Novation Education Opportunities. The authorizer has limited oversight responsibility but is not financially accountable for the School. Therefore, the School is not considered a component unit of the authorizer.

**B. 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 nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* generally are financed through intergovernmental revenues, and other nonexchange transactions.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not included among program revenues are reported instead as *general revenues*.

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

As required by State Statute, the School operates as a nonprofit corporation under Minnesota Statutes §317A. However, State law also requires that the School comply with Uniform Financial Accounting and Reporting Standards (UFARS) for Minnesota School Districts which mandates the use of a governmental accounting structure.

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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 collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers all revenues, except reimbursement grants, to be available if they are collected within 60 days of the end of the current fiscal period. Reimbursement grants are considered available if they are collected within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Intergovernmental revenues, grants, charges for services 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 School.

*Fund Financial Statements:* The fund financial statements provide information about the School's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The School reports the following major governmental funds:

The *General Fund* is the general operating fund of the School. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund.

The *Food Service Fund* is used to account for the School's food service program.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues.

**D. INCOME TAXES**

The School is operating as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and comparable sections of the Minnesota income tax statutes.

A tax expense or benefit from an uncertain income tax position (including tax-exempt status) may be recognized only when it is more likely than not that the position will be sustained upon examination by taxing authorities. Management believes the School has no uncertain income tax positions that would result in an accrual, expense or benefit under the more likely than not standard.

**E. BUDGETS**

Budgets presented in this report for comparison to actual amounts are presented in accordance with U.S. generally accepted accounting principles. Each June, the School Board adopts an annual budget for the following fiscal year for the General and Food Service Funds. Reported budget amounts represent the amended budget as adopted by the School Board. Legal budgetary control is at the fund level.

Total fund expenditures in excess of the budget require approval of the School Board. Spending control is established by the amount of expenditures budgeted for the fund, but management control is exercised at line item levels.

Budgeted amounts include mid-year budget amendments that increased revenue and expenditure budgets as follows:

<u>Revenues and Other Sources</u>	<u>Original Budget</u>	<u>Amendments</u>	<u>Amended Budget</u>
General Fund	\$2,981,067	\$228,290	\$3,209,357
Special Revenue Funds:			
Food Service Fund	\$165,120	\$28,920	\$194,040
<u>Expenditures and Other Uses</u>			
General Fund	\$2,957,405	\$275,620	\$3,233,025
Special Revenue Funds:			
Food Service Fund	\$179,674	\$14,366	\$194,040

**F. CASH AND INVESTMENTS**

Cash balances from all funds are combined and invested to the extent available in various securities as authorized by Minnesota Statutes. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

**G. ACCOUNTS RECEIVABLE**

Accounts receivable represent amounts receivable from individuals, firms, and corporations for goods and services furnished by the School. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary.

**H. PREPAID ITEMS**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are reported using the consumption method and recorded as expenditures at the time of consumption.

**I. CAPITAL ASSETS**

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The School maintains a threshold level of \$500 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the school-wide financial statement, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Useful lives vary from 5 to 20 years for equipment.

**J. STUDENT ACTIVITIES**

There were no student activities that were not under board control.

**K. USE OF ESTIMATES**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates that affect amounts reported in the financial statements during the reporting period. Actual results could differ from such estimates.



**L. DEFERRED REVENUE**

Deferred revenue represents amounts received under grant programs but not expended in the current year. Such amounts are deferred until subsequent periods when the funds are expended.

**M. ACCRUED EMPLOYEE BENEFITS**

Unpaid sick leave and vacation pay has not been accrued in any funds as these benefits do not vest to employees.

**N. FUND BALANCE CLASSIFICATIONS**

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

*Nonspendable* - consists of amounts that are not in spendable form, such as prepaid items.

*Restricted* - consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

*Committed* - consists of internally imposed constraints. These constraints are established by Resolution of the School Board.

*Assigned* - consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the School's intended use. These constraints are established by the School Board and/or management. Pursuant to Board Resolution, the School's Director is authorized to establish assignments of fund balance.

*Unassigned* - is the residual classification for the general fund and also reflects negative residual amounts in other funds.

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

When committed, assigned or unassigned resources are available for use, it is the School's policy to use resources in the following order; 1) committed 2) assigned and 3) unassigned.

**O. MINIMUM FUND BALANCE POLICY**

The School Board has formally adopted a minimum fund balance policy for the General Fund. The policy establishes a year-end minimum fund balance of 15% of the annual budgeted expenditures.

At June 30, 2012, the minimum unassigned fund balance for the General Fund was \$473,930. Actual unassigned fund balance in the General Fund was \$609,928.

**P. NET ASSETS**

Net assets represent the difference between assets and liabilities in the School-wide financial statements. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulation depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net assets are reported as restricted in the School-wide financial statement when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

**Q. RISK MANAGEMENT**

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School purchases commercial insurance coverage for such risks.

There has been no significant reduction in insurance coverage from the previous year in any of the School's policies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

**R. COMPARATIVE DATA**

Comparative data for the prior year has been presented only for certain sections of the accompanying financial statements in order to provide an understanding of the changes in the School's financial position and operations.

**S. STEWARDSHIP AND ACCOUNTABILITY**

Expenditures exceeded budgeted amounts in the following funds at June 30, 2012:

	<u>Budget</u>	<u>Expenditures</u>	<u>Excess</u>
General Fund	\$3,227,510	\$3,254,544	\$27,034
Special Revenue Fund:			
Food Service Fund	\$194,040	\$228,988	\$34,948

**Note 2 DEPOSITS AND INVESTMENTS**

**A. DEPOSITS**

The School maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the statement of net assets and the balance sheet as "cash and investments." In accordance with Minnesota Statutes, the School maintains deposits at financial institutions which are authorized by the School Board.

Custodial Credit Risk – is the risk that in the event of a bank failure, the School's deposits may not be returned to it. The School does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits.

Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds.

Authorized collateral include: U.S. government treasury bills, notes, or bonds; issues of a U.S. government agency; general obligations of a state or local government rated "A" or better; revenue obligations of a state or local government rated "AA" or better; irrevocable standby letter of credit issued by a Federal Home Loan Bank; and time deposits insured by a federal agency. Minnesota statutes require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust department of a commercial bank or other financial institution not owned or controlled by the depository. The School does not have a deposit policy that is more restrictive than Minnesota Statutes.

At June 30, 2012, all deposit bank balances were fully insured or collateralized.

**B. INVESTMENTS**

Minnesota Statutes outline authorized investments for charter schools. During 2012, the School did not have any such investments.

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**Note 3 CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Computers and office equipment	\$117,877	\$9,777	\$1,356	\$126,298
Furniture and fixtures	187,950	-	-	187,950
Vehicles	-	5,898	-	5,898
Leasehold improvements	30,903	-	-	30,903
Total capital assets, being depreciated	<u>336,730</u>	<u>15,675</u>	<u>1,356</u>	<u>351,049</u>
Less accumulated depreciation for:				
Computers and office equipment	70,023	19,084	136	88,971
Furniture and fixtures	70,542	10,839	-	81,381
Vehicles	-	590	-	590
Leasehold improvements	12,642	2,809	-	15,451
Total accumulated depreciation	<u>153,207</u>	<u>33,322</u>	<u>136</u>	<u>186,393</u>
Total capital assets being depreciated - net	<u>\$183,523</u>	<u>(\$17,647)</u>	<u>\$1,220</u>	<u>\$164,656</u>

Depreciation expense was charged to functions/programs as follows:

District support services	\$155
Regular instruction	22,708
Special education instruction	768
Instructional support services	2,274
Pupil support services	590
Site, building and equipment	6,760
Food service	<u>67</u>
Total depreciation expense - governmental activities	<u>\$33,322</u>

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**Note 4 SHORT-TERM DEBT**

**LINE OF CREDIT AGREEMENT**

The School renewed its line of credit on December 5, 2011 in the amount of \$500,000 for short-term cash flow needs with a variable interest rate of 3% over the prime rate (currently 7%) which matures October 31, 2012. It is secured by substantially all the School's assets. The outstanding balance at June 30, 2012 was \$500,000. Line of credit activity for the year ended June 30, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Advances</u>	<u>Payments</u>	<u>Ending Balance</u>
Line of credit	\$150,000	\$500,000	(\$150,000)	\$500,000

**Note 5 PENSION PLANS**

**A. TEACHERS' RETIREMENT ASSOCIATION (TRA)**

PLAN DESCRIPTION

All teachers employed by the School are covered by a cost-sharing, multiple employer defined benefit plan administered by the State of Minnesota Teachers Retirement Association (TRA). TRA members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. These plans are established and administered in accordance with Minnesota Statutes, Chapters 354 and 356. The School does not have any employees participating under the Basic Plan.

TRA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by State Statute, and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five consecutive years of allowable service, age, and years of credit at termination of service.

TRA publicly issues a Comprehensive Annual Financial Report (CAFR) presenting financial statements, supplemental information on funding levels, investment performance, and further information on benefits provisions. The report may be accessed at the TRA web site, [www.tra.state.mn.us](http://www.tra.state.mn.us). Alternatively a copy of the report may be obtained by writing or calling TRA at 60 Empire Drive Suite 400, St. Paul, Minnesota 55103-4000, (651)296-6449, (800)657-3853.

FUNDING POLICY

Minnesota Statutes Chapter 354.42 sets the rates for employee and employer contributions. These statutes are established and amended by the state legislature. Coordinated Plan members are required to contribute 6.0%, of their annual covered salary as employee contributions. The TRA employer contribution rate is 6.0% for Coordinated Plan members. The School is required to contribute 6.0% of annual covered payroll. The School's contributions for the years ended June 30, 2012, 2011 and 2010 were \$55,130, \$42,534 and \$47,685, respectively, which were materially equal to the required contributions for each year as set by State Statute.

The 2010 Legislature approved employee and employer contribution rate increases to be phased-in over a four-year period beginning July 1, 2011. Employee and employer contribution rates will rise 0.5 percent each year of the four-year period. Beginning July 1, 2014, TRA Coordinated employee and employer contribution rates will each be 7.5 percent.

**B. PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION (PERA)**

PLAN DESCRIPTION

All full-time and certain part-time employees of the School (other than teachers) are covered by a defined benefit plan administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) which is a cost-sharing, multiple-employer retirement plan. This plan is established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. The School does not have any employees participating under the Basic Plan.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by State Statute, and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

The benefit provisions stated in the previous paragraph of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF. That report may be obtained on the internet at [www.mnpera.org](http://www.mnpera.org), by writing to PERA, 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651)296-7460 or (800)652-9026.

FUNDING POLICY

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These Statutes are established and amended by the state legislature. The School makes annual contributions to the pension plans equal to the amount required by State Statutes. GERP Coordinated Plan members are required to contribute 6.25% of their annual covered salary. The School is required to contribute 7.25%. The School's contributions for the years ended June 30, 2012, 2011 and 2010 were \$39,425, \$43,575 and \$39,827, respectively. The School's contributions were equal to the contractually required contributions for each year as set by State Statute.

Note 6 INTERFUND ACTIVITY

The School's due to/from other funds of \$6,138 is for the purpose of eliminating temporary negative cash balances in individual funds. During 2012, the School made a routine transfer of \$23,177 to substantially eliminate a deficit in the Food Service Fund.

Note 7 COMMITMENTS AND CONTINGENCIES

**A. FEDERAL AND STATE PROGRAMS**

Amounts received or receivable from federal and state agencies are subject to agency audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of funds which may be disallowed by the agencies cannot be determined at this time although the School expects such amounts, if any, to be immaterial. The federal financial assistance received may be subject to an audit pursuant to OMB Circular A-133 or audits by the grantor agency.

**B. OPERATING LEASE COMMITMENTS AND TERMS**

The School (lessee) leases classroom and office space at 133 East 7<sup>th</sup> Street, St. Paul, MN from Commerce Center Partnership, LLP (lessor). The term of the lease agreement was for eight years commencing July 1, 2005 and expiring June 30, 2013. In June 2007, the School signed an amended lease agreement which provides for a total of 33,813 of square footage on floors 1, 2 and 3 and which extends the lease term to June 30, 2017. There are other various components that are for shorter periods. The School can terminate the lease with a one-year notice beginning June 30, 2013. If the lease is terminated early, the School is required to pay for all outstanding tenant improvements and an early termination penalty. Rental payments for the remainder of the lease term are due on a monthly basis. For fiscal 2012, the School qualified for estimated lease aid of \$334,872, based on a statutory cap equal to \$1,200 times the pupil units served. Total lease costs incurred were \$485,109. The School is also responsible to pay the cost of utilities. The School may be paid a prorated aid entitlement should the statewide funding be insufficient to pay the full entitlement.

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The School's ability to make payments under this lease agreement is dependent on its revenues which are in turn, largely dependent on sufficient enrollments being served at the School and on sufficient state aids per student being authorized and received from the State of Minnesota. The School believes that its enrollments and aid entitlements will be sufficient to meet the lease obligations as they become due.

Below is a summary of the minimum lease payments, including utilities, set forth by the building lease:

Year Ending June 30,	Amount
2013	\$525,716
2014	546,523
2015	568,211
2016	590,815
2017	<u>589,118</u>
Total	<u><u>\$2,820,383</u></u>



**REQUIRED SUPPLEMENTARY INFORMATION**

**URBAN ACADEMY**  
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REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
For The Year Ended June 30, 2012  
With Comparative Actual Amounts For the Year Ended June 30, 2011

	2012				2011 Actual Amounts
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)	
	Original	Final			
<b>Revenues:</b>					
Local sources	\$17,365	\$76,446	\$57,733	(\$18,713)	\$64,203
State sources	2,814,953	2,935,521	2,950,881	15,360	2,830,494
Federal sources	148,719	197,190	201,670	4,480	237,920
Investment income	30	200	194	(6)	17
<b>Total revenues</b>	<b>2,981,067</b>	<b>3,209,357</b>	<b>3,210,478</b>	<b>1,121</b>	<b>3,132,634</b>
<b>Expenditures:</b>					
<b>Administration:</b>					
<b>Current:</b>					
Salaries	170,000	172,777	172,778	1	210,895
Employee benefits	28,961	28,576	32,490	3,914	47,528
Purchased services	9,300	7,209	7,716	507	9,775
Supplies and materials	-	-	-	-	-
Other expenditures	9,200	21,092	21,088	(4)	4,750
<b>Total administration</b>	<b>217,461</b>	<b>229,654</b>	<b>234,072</b>	<b>4,418</b>	<b>272,948</b>
<b>District support services:</b>					
<b>Current:</b>					
Salaries	50,000	127,800	128,340	540	54,932
Employee benefits	13,576	36,691	39,530	2,839	16,209
Purchased services	165,900	169,311	170,905	1,594	169,267
Supplies and materials	6,700	9,350	9,881	531	8,600
Other expenditures	500	613	613	-	1,179
<b>Total district support services</b>	<b>236,676</b>	<b>343,765</b>	<b>349,269</b>	<b>5,504</b>	<b>250,187</b>
<b>Regular instruction:</b>					
<b>Current:</b>					
Salaries	755,038	855,014	870,600	15,586	812,430
Employee benefits	247,014	230,809	229,023	(1,786)	226,519
Purchased services	36,004	46,908	48,755	1,847	59,719
Supplies and materials	57,500	66,116	67,036	920	60,407
Other expenditures	775	3,250	3,250	-	764
Capital expenditures	31,000	6,080	6,079	(1)	23,896
<b>Total regular instruction</b>	<b>1,127,331</b>	<b>1,208,177</b>	<b>1,224,743</b>	<b>16,566</b>	<b>1,183,735</b>
<b>Special education instruction:</b>					
<b>Current:</b>					
Salaries	218,765	207,586	210,787	3,201	209,957
Employee benefits	71,667	57,431	62,051	4,620	68,129
Purchased services	57,816	108,000	105,965	(2,035)	103,213
Supplies and materials	900	1,200	1,267	67	558
Capital expenditures	-	2,700	2,700	-	-
<b>Total special education instruction</b>	<b>349,148</b>	<b>376,917</b>	<b>382,770</b>	<b>5,853</b>	<b>381,857</b>

**URBAN ACADEMY**  
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 REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
 For The Year Ended June 30, 2012  
 With Comparative Actual Amounts For the Year Ended June 30, 2011

	2012		Actual Amounts	Variance with Final Budget - Over (Under)	2011 Actual Amounts
	Budgeted Amounts				
	Original	Final			
Expenditures: (continued)					
Instructional support services:					
Current:					
Salaries	\$4,239	\$3,352	\$3,352	\$ -	\$4,239
Employee benefits	1,933	997	716	(281)	2,280
Purchased services	33,000	5,900	9,573	3,673	50,566
Supplies and materials	17,900	16,578	16,428	(150)	9,232
Capital expenditures	-	998	998	-	-
Total instructional support services	<u>57,072</u>	<u>27,825</u>	<u>31,067</u>	<u>3,242</u>	<u>66,317</u>
Pupil support services:					
Current:					
Salaries	31,000	26,900	27,199	299	34,607
Employee benefits	11,299	9,510	9,826	316	11,621
Purchased services	249,828	265,691	264,062	(1,629)	243,077
Supplies and materials	400	1,909	2,515	606	316
Capital expenditures	-	5,898	5,898	-	-
Total pupil support services	<u>292,527</u>	<u>309,908</u>	<u>309,500</u>	<u>(408)</u>	<u>289,621</u>
Site, building and equipment:					
Current:					
Salaries	18,000	33,000	32,858	(142)	18,666
Employee benefits	4,569	11,510	12,328	818	5,827
Purchased services	629,421	660,254	651,233	(9,021)	637,087
Supplies and materials	6,500	8,500	8,623	123	8,130
Capital expenditures	3,700	-	-	-	3,605
Total site, building and equipment	<u>662,190</u>	<u>713,264</u>	<u>705,042</u>	<u>(8,222)</u>	<u>673,315</u>
Fiscal and other fixed costs:					
Current:					
Purchased services	15,000	14,500	14,046	(454)	12,446
Debt service	-	3,500	4,035	535	613
Total fiscal and other fixed costs	<u>15,000</u>	<u>18,000</u>	<u>18,081</u>	<u>81</u>	<u>13,059</u>
Total expenditures	<u>2,957,405</u>	<u>3,227,510</u>	<u>3,254,544</u>	<u>27,034</u>	<u>3,131,039</u>
Revenues over (under) expenditures	23,662	(18,153)	(44,066)	(25,913)	1,595
Other financing sources (uses):					
Transfer to Food Service Fund	-	(5,515)	(23,177)	(17,662)	(43,475)
Net change in fund balance	<u>\$23,662</u>	<u>(\$23,668)</u>	<u>(67,243)</u>	<u>(\$43,575)</u>	<u>(41,880)</u>
Fund balance - beginning			<u>697,331</u>		<u>739,211</u>
Fund balance - ending			<u>\$630,088</u>		<u>\$697,331</u>

**URBAN ACADEMY  
CHARTER SCHOOL NO. 4088**

**Statement 6**

REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - FOOD SERVICE SPECIAL REVENUE FUND  
For The Year Ended June 30, 2012  
With Comparative Actual Amounts For the Year Ended June 30, 2011

	2012				2011 Actual Amounts
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)	
	Original	Final			
Revenues:					
Local sources	\$500	\$ -	\$ -	\$ -	\$117
State sources	6,000	5,800	6,080	280	5,857
Federal sources	158,620	182,725	199,686	16,961	176,509
Total revenues	<u>165,120</u>	<u>188,525</u>	<u>205,766</u>	<u>17,241</u>	<u>182,483</u>
Expenditures:					
Food service					
Current:					
Salaries	30,000	19,000	18,620	(380)	28,269
Employee benefits	7,674	2,027	2,300	273	8,384
Purchased services	2,000	360	360	-	3,178
Supplies and materials	140,000	172,653	207,708	35,055	186,127
Total expenditures	<u>179,674</u>	<u>194,040</u>	<u>228,988</u>	<u>34,948</u>	<u>225,958</u>
Revenues over (under) expenditures	(14,554)	(5,515)	(23,222)	(17,707)	(43,475)
Other financing sources (uses):					
Transfer from General Fund	<u>-</u>	<u>5,515</u>	<u>23,177</u>	<u>17,662</u>	<u>43,475</u>
Net change in fund balance	<u>(\$14,554)</u>	<u>\$0</u>	<u>(45)</u>	<u>(\$45)</u>	<u>0</u>
Fund balance - beginning			<u>-</u>		<u>-</u>
Fund balance - ending			<u>(\$45)</u>		<u>\$0</u>

**URBAN ACADEMY**  
**CHARTER SCHOOL NO. 4088**  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
NOTE TO RSI  
June 30, 2012

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**Note A    LEGAL COMPLIANCE – BUDGETS**

The General Fund and Food Service Special Revenue Fund budgets are legally adopted on a basis consistent with accounting principles generally accepted in the United States of America. The legal level of budgetary control is at the fund level.

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## **INDIVIDUAL FUND STATEMENTS**

**URBAN ACADEMY**  
**CHARTER SCHOOL NO. 4088**  
BALANCE SHEET - GENERAL FUND  
June 30, 2012  
With Comparative Totals For June 30, 2011

**Statement 7**

Assets	2012	2011
Cash and investments	\$24,844	\$155,358
Due from other funds	6,138	8,820
Due from Minnesota Department of Education	1,196,212	840,021
Due from Federal Government through Minnesota Department of Education	28,682	24,767
Other receivables	7,965	-
Prepaid items	20,160	30,160
 Total assets	 \$1,284,001	 \$1,059,126
 Liabilities and Fund Balances		
Liabilities:		
Accounts and contracts payable	\$16,101	\$48,189
Salaries and taxes payable	122,471	112,376
Payroll deductions and employer contributions payable	15,341	12,875
Short term indebtedness	500,000	150,000
Deferred revenue	-	38,355
Total liabilities	653,913	361,795
Fund balance:		
Nonspendable - prepaid items	20,160	30,160
Unassigned	609,928	667,171
Total fund balance	630,088	697,331
 Total liabilities and fund balance	 \$1,284,001	 \$1,059,126



**URBAN ACADEMY**  
**CHARTER SCHOOL NO. 4088**  
 BALANCE SHEET - FOOD SERVICE SPECIAL REVENUE FUND  
 June 30, 2012  
 With Comparative Totals For June 30, 2011

Statement 8

Assets	2012	2011
Cash and investments	\$ -	\$ -
Due from Minnesota Department of Education	191	336
Due from Federal Government through Minnesota Department of Education	5,947	10,333
<b>Total assets</b>	<b>\$6,138</b>	<b>\$10,669</b>
<b>Liabilities and Fund Balance</b>		
Liabilities:		
Accounts payable	\$45	\$1,849
Due to other funds	6,138	8,820
<b>Total liabilities</b>	<b>6,183</b>	<b>10,669</b>
Fund balance:		
Unassigned	(45)	-
<b>Total liabilities and fund balance</b>	<b>\$6,138</b>	<b>\$10,669</b>

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## **SUPPLEMENTAL INFORMATION**

	Audit	UFARS	Variance		Audit	UFARS	Variance
<b>01 GENERAL FUND</b>				<b>06 BUILDING CONSTRUCTION</b>			
Total Revenue	\$3,210,478	\$3,210,478	\$ -	Total Revenue	\$ -	\$ -	\$ -
Total Expenditures	3,254,544	3,254,545	(1)	Total Expenditures	-	-	-
<i>Non-Spendable:</i>				<i>Non-Spendable:</i>			
4.60 Non Spendable Fund Balance	20,160	20,160	-	4.60 Non Spendable Fund Balance	-	-	-
<i>Restricted/Reserve:</i>				<i>Restricted/Reserve:</i>			
4.03 Staff Development	-	-	-	4.07 Capital Projects Levy	-	-	-
4.05 Deferred Maintenance	-	-	-	4.09 Alternative Fac. Program	-	-	-
4.06 Health and Safety	-	-	-	4.13 Projects Funded By COP	-	-	-
4.07 Capital Projects Levy	-	-	-	<i>Restricted:</i>			
4.08 Cooperative Revenue	-	-	-	4.64 Restricted Fund Balance	-	-	-
4.14 Operating Debt	-	-	-	<i>Unassigned:</i>			
4.16 Levy Reduction	-	-	-	4.63 Unassigned Fund Balance	-	-	-
4.17 Taconite Building Maint	-	-	-				
4.23 Certain Teacher Programs	-	-	-	<b>07 DEBT SERVICE</b>			
4.24 Operating Capital	-	-	-	Total Revenue	\$ -	\$ -	\$ -
4.26 \$25 Taconite	-	-	-	Total Expenditures	-	-	-
4.27 Disabled Accessibility	-	-	-	<i>Non-Spendable:</i>			
4.28 Learning and Development	-	-	-	4.60 Non Spendable Fund Balance	-	-	-
4.34 Area Learning Center	-	-	-	<i>Restricted/Reserve:</i>			
4.35 Contracted Alt. Programs	-	-	-	4.25 Bond Refundings	-	-	-
4.36 St. Approved Alt. Program	-	-	-	4.51 QZAB Payments	-	-	-
4.38 Gifted & Talented	-	-	-	<i>Restricted:</i>			
4.41 Basic Skills Programs	-	-	-	4.64 Restricted Fund Balance	-	-	-
4.45 Career & Tech Programs	-	-	-	<i>Unassigned:</i>			
4.49 Safe School Crime	-	-	-	4.63 Unassigned Fund Balance	-	-	-
4.50 Pre-Kindergarten	-	-	-				
4.51 QZAB Payments	-	-	-	<b>08 TRUST</b>			
4.52 OPEB Liab Not In Trust	-	-	-	Total Revenue	\$ -	\$ -	\$ -
4.53 Unfunded Sev & Retirement Levy	-	-	-	Total Expenditures	-	-	-
<i>Restricted:</i>				4.22 Unassigned Fund Balance (Net Assets)	-	-	-
4.64 Restricted Fund Balance	-	-	-				
<i>Committed:</i>				<b>20 INTERNAL SERVICE</b>			
4.18 Committed For Separation	-	-	-	Total Revenue	\$ -	\$ -	\$ -
4.61 Committed Fund Balance	-	-	-	Total Expenditures	-	-	-
<i>Assigned:</i>				4.22 Unassigned Fund Balance (Net Assets)	-	-	-
4.62 Assigned Fund Balance	-	-	-				
<i>Unassigned:</i>				<b>25 OPEB REVOCABLE TRUST</b>			
4.22 Unassigned Fund Balance	609,928	609,928	-	Total Revenue	\$ -	\$ -	\$ -
				Total Expenditures	-	-	-
<b>02 FOOD SERVICE</b>				4.22 Unassigned Fund Balance (Net Assets)	-	-	-
Total Revenue	\$205,766	\$205,766	\$ -				
Total Expenditures	228,988	228,988	-	<b>45 OPEB IRREVOCABLE TRUST</b>			
<i>Non-Spendable:</i>				Total Revenue	\$ -	\$ -	\$ -
4.60 Non Spendable Fund Balance	-	-	-	Total Expenditures	-	-	-
<i>Restricted/Reserve:</i>				4.22 Unassigned Fund Balance (Net Assets)	-	-	-
4.52 OPEB Liab Not In Trust	-	-	-				
<i>Restricted:</i>				<b>47 OPEB DEBT SERVICE FUND</b>			
4.64 Restricted Fund Balance	-	-	-	Total Revenue	\$ -	\$ -	\$ -
<i>Unassigned:</i>				Total Expenditures	-	-	-
4.63 Unassigned Fund Balance	(45)	(45)	-	<i>Non-Spendable:</i>			
				4.60 Non Spendable Fund Balance	-	-	-
<b>04 COMMUNITY SERVICE</b>				<i>Restricted:</i>			
Total Revenue	\$ -	\$ -	\$ -	4.25 Bond Refundings	-	-	-
Total Expenditures	-	-	-	4.64 Restricted Fund Balance	-	-	-
<i>Restricted/Reserve:</i>				<i>Unassigned:</i>			
4.26 \$25 Taconite	-	-	-	4.63 Unassigned Fund Balance	-	-	-
4.31 Community Education	-	-	-				
4.32 E.C.F.E	-	-	-				
4.44 School Readiness	-	-	-				
4.47 Adult Basic Education	-	-	-				
4.52 OPEB Liab Not In Trust	-	-	-				
<i>Restricted:</i>							
4.64 Restricted Fund Balance	-	-	-				
<i>Unassigned:</i>							
4.63 Unassigned Fund Balance	-	-	-				

## **OTHER REQUIRED REPORTS**

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors  
Urban Academy  
Saint Paul, Minnesota

We have audited the financial statements of the governmental activities and each major fund of Urban Academy, as of and for the year ended June 30, 2012, which collectively comprise Urban Academy's basic financial statements and have issued our report thereon dated October 4, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of Urban Academy is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Urban Academy's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Urban Academy's internal control over financial reporting. Accordingly, we do not express an opinion of the effectiveness of Urban Academy's internal control over financial reporting.

*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 a 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Urban Academy  
Report on Internal Control over Financial Reporting  
And on Compliance and Other Matters

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Urban Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, the Minnesota Department of Education and state and federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.



HLB TAUTGES REDPATH, LTD.

October 4, 2012





REPORT ON COMPLIANCE WITH MINNESOTA LEGAL  
COMPLIANCE AUDIT GUIDE FOR POLITICAL SUBDIVISIONS

To the Board of Directors  
Urban Academy  
Charter School No. 4088  
Saint Paul, Minnesota

We have audited the financial statements of the Urban Academy, as of and for the year ended June 30, 2012 and have issued our report thereon dated October 4, 2012.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions* promulgated by the State Auditor pursuant to Minnesota Statutes Section 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* covers two main categories of compliance to be tested: uniform financial accounting and reporting standards, and charter schools. Our study included the listed categories.

The results of our tests indicate that for the items tested, Urban Academy complied with the material terms and conditions of applicable legal provisions.

This report is intended solely for the information and use of the Board of Directors, management, the Minnesota Department of Education, and the Office of the Minnesota State Auditor and is not intended to be, and should not be, used by anyone other than these specified parties.

*HLB Tautges Redpath, Ltd.*  
HLB TAUTGES REDPATH, LTD.

October 4, 2012

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