

**URBAN ACADEMY
CHARTER SCHOOL NO. 4088**

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

For The Year Ended June 30, 2011

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 CHARTER SCHOOL NO. 4088
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INTRODUCTORY SECTION

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SCHOOL BOARD

<u>Name</u>	<u>Board Position</u>
Ralph Elliott	President
Melissa Hansen	Vice President
Art Allen	Secretary
Bob Swisher	Finance Chair
Sonia St. Charles	Member
Christopher Doeden	Member
Kari McGowan	Member
Barbara Shin	Member
Crystal Scott	Member
Tamara Mattison	Member
Nikita Robinson	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, 2011, 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 2010 financial statements and in our report dated December 16, 2010, we expressed an unqualified opinion 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 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, 2011, 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.

The School adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the year ended June 30, 2011. Adoption of the provisions of this statement results in different terminology to describe the components of fund balance.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 2, 2011 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 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.
White Bear Lake, Minnesota

November 2, 2011

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2011

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, 2011. Please read it in conjunction with the School's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2010-2011 fiscal year include the following:

- Total net assets decreased by \$46,364. This follows a decrease of \$10,023 in the School's net assets for fiscal year 2010.
- General Fund revenues were \$3,132,634 as compared to \$3,131,039 of expenditures.
- The fund balance of the General Fund decreased in fiscal year 2011 by \$41,880 to a positive balance of \$697,331. The School has experienced an increase in its fund balance of 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.
- A more conservative approach to budgeting was used with regard to overall projections of revenue and expense until enrollment numbers were stable.
- Enrollment projections were carefully monitored and maintained which enabled the School to make significant improvement to its financial stability.

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 Education 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 \$880,854 and \$927,218 at June 30, 2011 and 2010, respectively.

	The School's Net Assets	
	June 30,	
	2011	2010
Current assets	\$1,060,975	\$961,702
Capital and noncurrent assets	183,523	188,007
Total assets	<u>1,244,498</u>	<u>1,149,709</u>
Current liabilities	<u>363,644</u>	<u>222,491</u>
Net assets:		
Invested in capital assets	183,523	188,007
Unrestricted	<u>697,331</u>	<u>739,211</u>
Total net assets	<u><u>\$880,854</u></u>	<u><u>\$927,218</u></u>

The School continues to add to its fund balance through a conservative approach to enrollment projections, conservative spending and sound financial management.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Change in Net Assets

The School's total revenues were \$3,315,117 for the year ended June 30, 2011. Operating revenue accounted for 33% and the other 67% came from other general revenue combined with other investments and program service revenues.

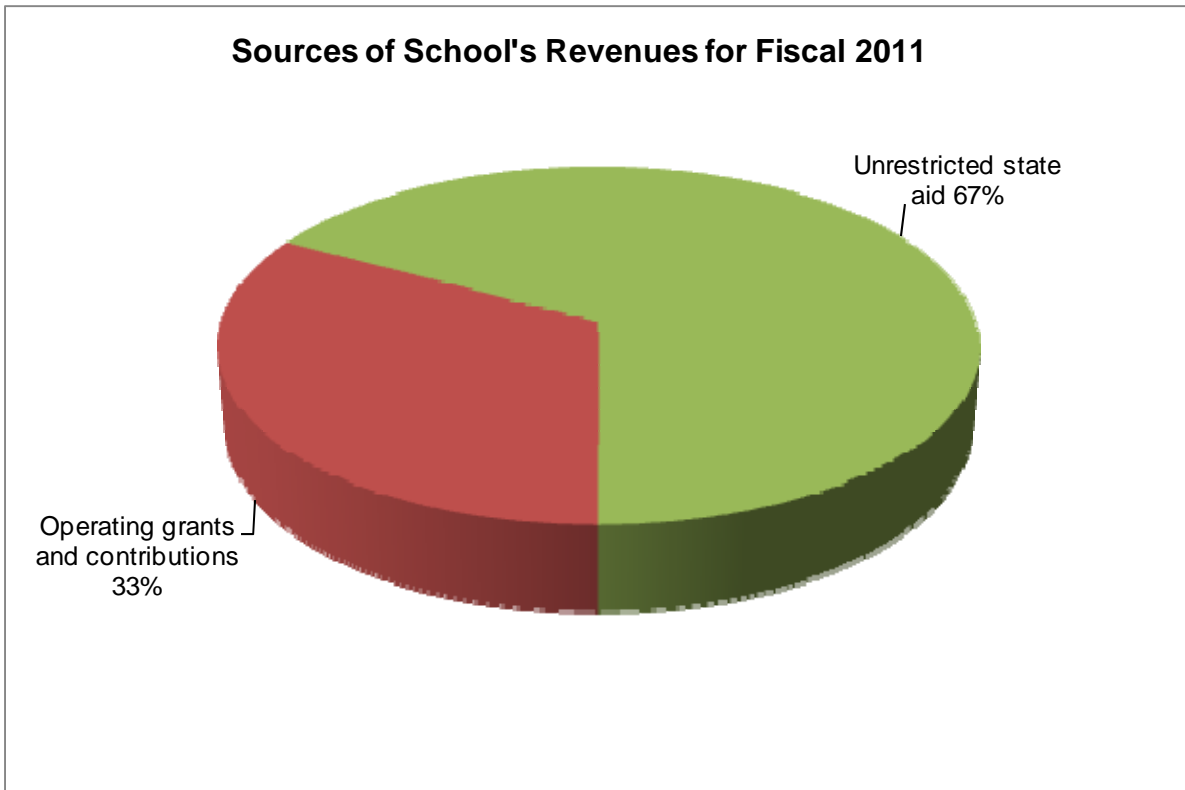
Change in Net Assets		
	<u>2011</u>	<u>2010</u>
Revenues:		
Program revenues:		
Charges for services	\$117	\$145
Operating grants and contributions	1,091,451	1,092,316
General revenues:		
Unrestricted local, state and federal aid	2,223,532	2,257,437
Investment income	17	1,239
Total revenues	<u>3,315,117</u>	<u>3,351,137</u>
Expenses:		
Administration	272,948	166,947
District support services	250,954	188,082
Regular instruction	1,182,004	1,333,441
Special education instruction	382,853	396,142
Instructional support services	68,520	166,148
Pupil support services	289,621	257,833
Site, building and equipment	676,110	627,950
Fiscal and other fixed cost programs	12,446	8,374
Food service	226,025	216,243
Total expenses	<u>3,361,481</u>	<u>3,361,160</u>
Change in net assets	(46,364)	(10,023)
Net assets - beginning	<u>927,218</u>	<u>937,241</u>
Net assets - ending	<u>\$880,854</u>	<u>\$927,218</u>

The total cost of all programs and services including interest and fiscal charges was \$3,361,481. Total expenses exceeded revenues which decreased net assets by \$46,364 over last year.

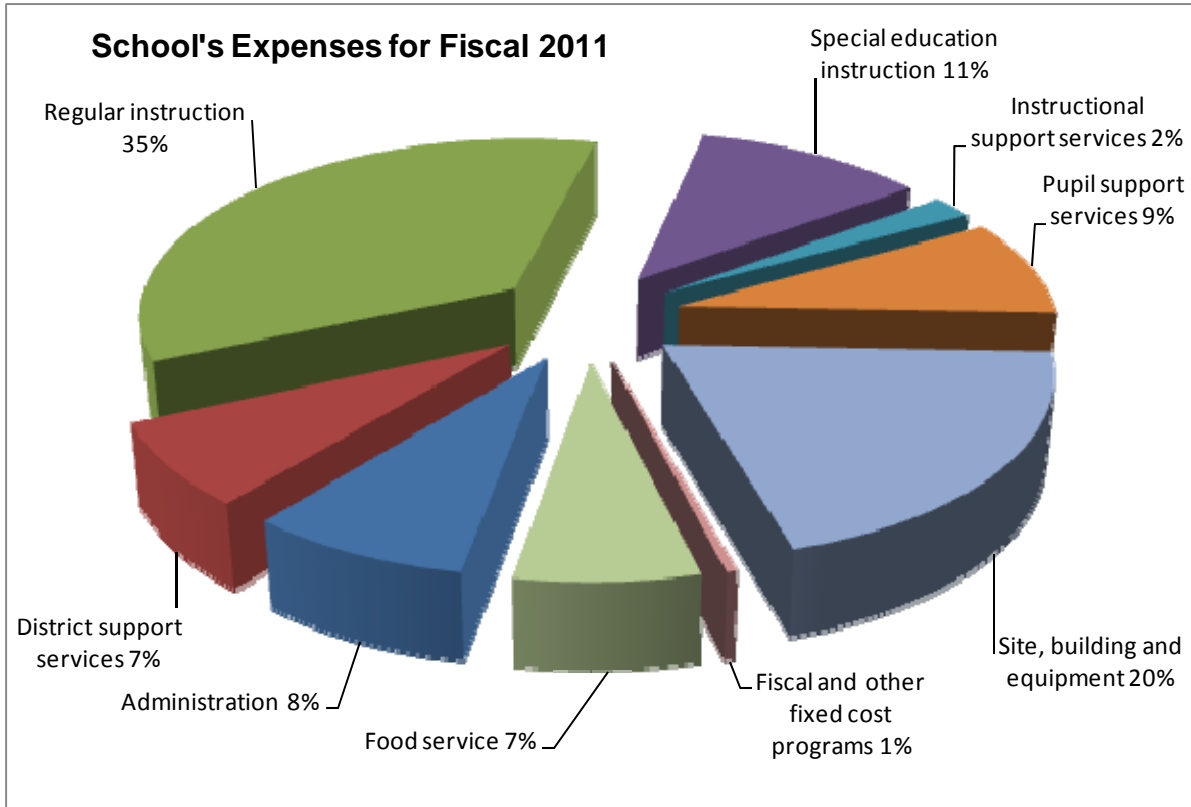
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

The cost of all governmental activities this year was \$3,361,481 (increased from the fiscal 2010 total of \$3,361,160).

- Some of the cost was paid by the users of the School's programs (\$117.)
- The federal and state governments subsidized certain programs and grants and contributions (\$1,091,451.)
- The remaining portion of governmental activities was paid for primarily with unrestricted State aid and interest income.



MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)



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
	2011	2010		2011	2010	
Administration	\$272,948	\$166,947	63.49%	\$272,948	\$166,947	63.49%
District support services	250,954	188,082	33.43%	250,954	188,082	33.43%
Regular instruction	1,182,004	1,333,441	(11.36%)	1,004,692	1,118,399	(10.17%)
Special education instruction	382,853	396,142	(3.35%)	(48,032)	28,945	(265.94%)
Instructional support services	68,520	166,148	(58.76%)	68,520	166,148	(58.76%)
Pupil support services	289,621	257,834	12.33%	289,621	257,834	12.33%
Sites and buildings	676,110	627,949	7.67%	375,222	291,925	28.53%
Fiscal and other fixed cost programs	12,446	8,374	48.63%	12,446	8,374	48.63%
Food service	226,025	216,243	4.52%	43,542	42,045	3.56%
Total	<u>\$3,361,481</u>	<u>\$3,361,160</u>	0.01%	<u>\$2,269,913</u>	<u>\$2,268,699</u>	0.05%

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 \$697,331, which is \$41,880 below last year’s ending fund balance of \$739,211.

Revenues for the School’s governmental funds were \$3,315,117 of which total expenditures were \$3,356,997.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

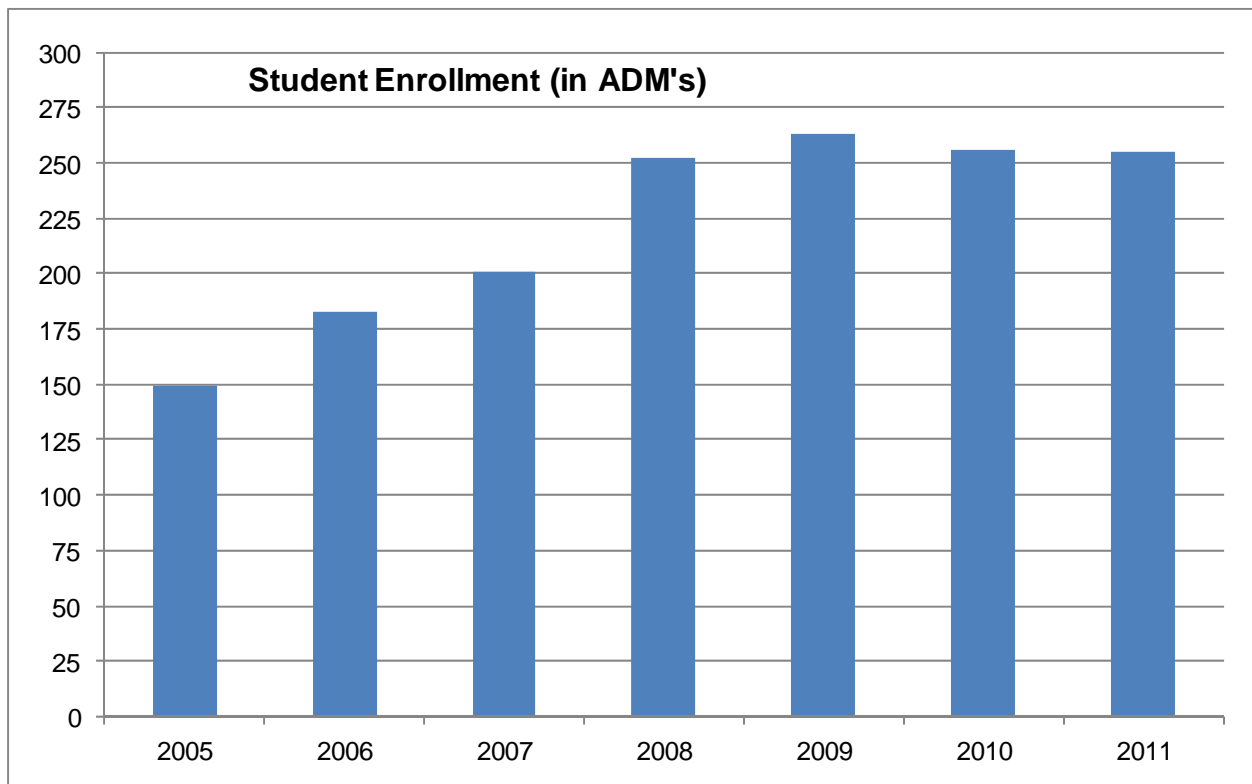
GENERAL FUND

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 seven years the School has served students.



Enrollment declined from 256 ADMs (average daily membership) at the end of the 2009-2010 school year to 255 in school year 2010-2011. This small decline in student enrollment reflects the stabilization of programs for the current year. The School hopes to see growth in average daily membership in the next fiscal year. It is anticipated that an increase in enrollment will

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

continue as the program continues to mature. The School is developing an aggressive marketing plan to encourage families to select Urban Academy as the option of choice.

The following schedule presents a summary of General Fund revenues.

Fund	General Fund Revenues		Change	
	Year Ended June 30,		Increase	Percent
	2011	2010	(Decrease)	
Local sources:				
Investment income	\$17	\$1,239	(\$1,222)	(98.63%)
Other	64,203	27,117	37,086	136.76%
State sources	2,830,494	2,627,739	202,755	7.72%
Federal sources	237,920	520,844	(282,924)	(54.32%)
Total general fund revenue	<u>\$3,132,634</u>	<u>\$3,176,939</u>	<u>(\$44,305)</u>	(1.39%)

During the current fiscal year the General Fund revenue decreased by \$44,305 from the previous. The decrease in revenue results from the loss of federal fiscal stabilization funds which were one-time funds received in fiscal year 2010.

The following schedule presents a summary of General Fund expenditures.

	General Fund Expenditures		Change	
	Year Ended June 30,		Increase	Percent
	2011	2010	(Decrease)	
Salaries	\$1,345,726	\$1,434,599	(\$88,873)	(6.19%)
Employee benefits	378,113	334,151	43,962	13.16%
Purchased services	1,285,150	1,225,943	59,207	4.83%
Supplies and materials	87,243	115,202	(27,959)	(24.27%)
Capital expenditures	27,501	1,071	26,430	2467.79%
Other expenditures	7,306	7,175	131	1.83%
Total expenditures	<u>\$3,131,039</u>	<u>\$3,118,141</u>	<u>\$12,898</u>	0.41%

Total General Fund expenditures increased \$12,898 from the previous year.

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.

Projected revenues were at \$3,033,864 and were revised to \$3,058,584. By the end of the fiscal year, the actual amount was at \$3,132,634 which was over the budget by \$74,050.

Overall, actual excess of revenues over expenditures for fiscal year 2011 was \$83,681 greater than budgeted.

OTHER MAJOR FUNDS

Expenditures exceeded revenues in the Food Service Fund by \$21,612.

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.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2011, the School had invested \$336,730 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 \$30,664.

The School's Capital Assets			
	<u>2011</u>	<u>2010</u>	<u>Percent Change</u>
Equipment	\$336,730	\$332,034	1.41%
Less: accumulated depreciation	<u>(153,207)</u>	<u>(144,027)</u>	6.37%
Total capital assets	<u><u>\$183,523</u></u>	<u><u>\$188,007</u></u>	(2.39%)

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

FACTORS BEARING ON THE SCHOOL'S FUTURE

The School is dependent on the State of Minnesota for its revenue authority. Recent experience demonstrates that legislated revenue increases have not been sufficient to meet instructional program needs and increased costs due to inflation.

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 7th Street, St. Paul, Minnesota 55101.

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BASIC FINANCIAL STATEMENTS

**URBAN ACADEMY
CHARTER SCHOOL NO. 4088**

Statement 1

STATEMENT OF NET ASSETS

June 30, 2011

With Comparative Amounts For June 30, 2010

	Governmental Activities	
	2011	2010
Assets:		
Cash and investments	\$155,358	\$155,114
Due from other governments	875,457	782,733
Other receivables	-	2,471
Prepaid items	30,160	21,384
Capital assets (net of accumulated depreciation)	183,523	188,007
Total assets	<u>1,244,498</u>	<u>1,149,709</u>
Liabilities:		
Accounts payable	50,038	38,991
Salaries and taxes payable	125,251	143,553
Short term indebtedness	150,000	-
Deferred revenue - unearned	38,355	39,947
Total liabilities	<u>363,644</u>	<u>222,491</u>
Net assets:		
Invested in capital assets	183,523	188,007
Unrestricted	697,331	739,211
Total net assets	<u>\$880,854</u>	<u>\$927,218</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, 2011

With Comparative Totals For The Year Ended June 30, 2010

<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>2011</u>	<u>2010</u>
Governmental activities:					
Administration	\$272,948	\$ -	\$ -	(\$272,948)	(\$166,947)
District support services	250,954	-	-	(250,954)	(188,082)
Regular instruction	1,182,004	-	177,312	(1,004,692)	(1,118,399)
Special education instruction	382,853	-	430,885	48,032	(28,945)
Instructional support services	68,520	-	-	(68,520)	(166,148)
Pupil support services	289,621	-	-	(289,621)	(257,833)
Site, building and equipment	676,110	-	300,888	(375,222)	(291,926)
Fiscal and other fixed costs	12,446	-	-	(12,446)	(8,374)
Food service	226,025	117	182,366	(43,542)	(42,045)
Total governmental activities	<u>\$3,361,481</u>	<u>\$117</u>	<u>\$1,091,451</u>	<u>(2,269,913)</u>	<u>(2,268,699)</u>
General revenues:					
Local sources				64,203	27,117
State sources				2,159,329	2,050,673
Federal sources				-	179,647
Investment income				17	1,239
Total general revenues				<u>2,223,549</u>	<u>2,258,676</u>
Change in net assets				(46,364)	(10,023)
Net assets - beginning				<u>927,218</u>	<u>937,241</u>
Net assets - ending				<u>\$880,854</u>	<u>\$927,218</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, 2011
With Comparative Totals For June 30, 2010

	General	Food Service Fund	Total	
			2011	2010
Assets				
Cash and investments	\$155,358	\$ -	\$155,358	\$155,114
Due from other funds	8,820	-	8,820	5,617
Due from Minnesota Department of Education	840,021	336	840,357	723,275
Due from Federal Government through Minnesota Department of Education	24,767	10,333	35,100	59,458
Other receivables	-	-	-	2,471
Prepaid items	30,160	-	30,160	21,384
Total assets	\$1,059,126	\$10,669	\$1,069,795	\$967,319
Liabilities and Fund Balances				
Liabilities:				
Accounts and contracts payable	\$48,189	\$1,849	\$50,038	\$38,991
Salaries and taxes payable	112,376	-	112,376	127,116
Payroll deductions and employer contributions payable	12,875	-	12,875	16,437
Due to other funds	-	8,820	8,820	5,617
Short term indebtedness	150,000	-	150,000	-
Deferred revenue	38,355	-	38,355	39,947
Total liabilities	361,795	10,669	372,464	228,108
Fund balance:				
Nonspendable - prepaid items	30,160	-	30,160	21,384
Unassigned	667,171	-	667,171	717,828
Total fund balance	697,331	0	697,331	739,212
Total liabilities and fund balance	\$1,059,126	\$10,669	\$1,069,795	\$967,320
Amounts reported for governmental activities in the statement of net assets are different because:				
Fund balance reported above			\$697,331	\$739,212
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds			183,523	188,007
Net assets of governmental activities (Statement 1)			\$880,854	\$927,219

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, 2011
With Comparative Totals For The Year Ended June 30, 2010

	General	Food Service Fund	Total	
			2011	2010
Revenues:				
Local sources	\$64,203	\$117	\$64,320	\$27,262
State sources	2,830,494	5,857	2,836,351	2,633,319
Federal sources	237,920	176,509	414,429	689,317
Investment income	17	-	17	1,239
Total revenues	<u>3,132,634</u>	<u>182,483</u>	<u>3,315,117</u>	<u>3,351,137</u>
Expenditures:				
Current:				
Administration	272,948	-	272,948	166,947
District support services	250,187	-	250,187	187,927
Regular instruction	1,159,839	-	1,159,839	1,314,987
Special education instruction	381,857	-	381,857	395,146
Instructional support services	66,317	-	66,317	163,945
Pupil support services	289,621	-	289,621	257,833
Site, building and equipment	669,710	-	669,710	621,911
Fiscal and other fixed costs	12,446	-	12,446	8,374
Food service	-	225,958	225,958	216,176
Capital outlay	27,501	-	27,501	1,071
Debt service	613	-	613	-
Total expenditures	<u>3,131,039</u>	<u>225,958</u>	<u>3,356,997</u>	<u>3,334,317</u>
Revenues over (under) expenditures	<u>1,595</u>	<u>(43,475)</u>	<u>(41,880)</u>	<u>16,820</u>
Other financing sources (uses):				
Transfers in	-	43,475	43,475	12,713
Transfers out	<u>(43,475)</u>	<u>-</u>	<u>(43,475)</u>	<u>(12,713)</u>
Total other financing sources (uses)	<u>(43,475)</u>	<u>43,475</u>	<u>0</u>	<u>0</u>
Net change in fund balance	(41,880)	-	(41,880)	16,820
Fund balance - beginning	<u>739,211</u>	<u>-</u>	<u>739,211</u>	<u>722,391</u>
Fund balance - ending	<u>\$697,331</u>	<u>\$0</u>	<u>\$697,331</u>	<u>\$739,211</u>

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

Revenues over expenditures reported above		(41,880)	16,820
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		(30,664)	(27,914)
Capital outlay		27,501	1,071
Loss on dispositions		(1,321)	-
Change in net assets of governmental activities (Statement 2)		<u>(46,364)</u>	<u>(10,023)</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 Hamline University. 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. Effective July 1, 2011, the School's authorizer is Novation Education Opportunities.

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</u>	<u>Original Budget</u>	<u>Amendments</u>	<u>Amended Budget</u>
General Fund	\$3,033,864	\$24,719	\$3,058,583
Special Revenue Funds:			
Food Service Fund	164,920	22,950	187,870
 <u>Expenditures</u>			
General Fund	3,011,773	128,951	3,140,724
Special Revenue Funds:			
Food Service Fund	167,756	41,977	209,733

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 target fund balance of 15% of the annual budgeted expenditures.

At June 30, 2011, the targeted unassigned fund balance for the General Fund was \$471,109. Actual unassigned fund balance in the General Fund was \$667,171.

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. RECLASSIFICATIONS

Certain amounts in the prior year have been reclassified to conform with the current year presentation.

T. STEWARDSHIP AND ACCOUNTABILITY

Expenditures exceeded budgeted amounts in the following funds at June 30, 2011:

	<u>Budget</u>	<u>Expenditures</u>	<u>Excess</u>
Special Revenue Fund:			
Food Service Fund	\$209,733	\$225,958	\$16,225

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, 2011, all deposit bank balances were fully insured or collateralized.

B. INVESTMENTS

Minnesota Statutes outline authorized investments for charter Schools. During 2011, the School did not have any such investments.

Note 3 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated - equipment	\$332,034	\$27,501	\$22,805	\$336,730
Less: accumulated depreciation	144,027	30,664	21,484	153,207
Capital assets being depreciated - net	<u>\$188,007</u>	<u>(\$3,163)</u>	<u>\$1,321</u>	<u>\$183,523</u>

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Depreciation expense was charged to functions/programs as follows:

District support services	\$154
Regular instruction	20,844
Special education instruction	996
Instructional support services	2,203
Site, building and equipment	6,400
Food service	<u>67</u>
Total depreciation expense - governmental activities	<u><u>\$30,664</u></u>

Note 4 **SHORT-TERM DEBT**

LINE OF CREDIT AGREEMENT

The School renewed its line of credit on May 4, 2011 in the amount of \$300,000 with a variable interest rate of 3% over the prime rate which matures October 31, 2011. It is secured by substantially all the School’s assets. On June 13, 2011, the School drew \$150,000 on their line of credit. The outstanding balance at June 30, 2011 was \$150,000.

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. 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 5.5%, of their annual covered salary as employee contributions. The TRA employer contribution rate is 5.5% for Coordinated Plan members. The School is required to contribute 5.5% of annual covered payroll. The School's contributions for the years ended June 30, 2011, 2010 and 2009 were \$42,534, \$47,685 and \$51,707, 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, 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. GERS Coordinated Plan members are required to contribute 6.0% of their annual covered salary through December 31, 2010 and 6.25% thereafter. The School is required to contribute 7% through December 31, 2010 and 7.25% thereafter. The School's contributions for the years ended June 30, 2011, 2010 and 2009 were \$43,575, \$39,827 and \$39,972, respectfully. 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 \$8,820 is for the purpose of eliminating temporary negative cash balances in individual funds. During 2011, the School made a routine transfer of \$43,475 to 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 7th 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 2011, the School qualified for estimated lease aid of \$306,864, based on a statutory cap equal to \$1,200 times the pupil units served. Total lease costs incurred were \$510,692. 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:

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2012	\$532,320
2013	525,716
2014	546,523
2015	568,211
2016	590,815
2017	<u>589,118</u>
Total	<u><u>\$3,352,703</u></u>

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REQUIRED SUPPLEMENTARY INFORMATION

URBAN ACADEMY
CHARTER SCHOOL NO. 4088
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 For The Year Ended June 30, 2011
 With Comparative Actual Amounts For the Year Ended June 30, 2010

	2011				2010 Actual Amounts
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)	
	Original	Final			
Revenues:					
Local sources	\$9,000	\$60,306	\$64,203	\$3,897	\$27,117
State sources	2,842,136	2,754,464	2,830,494	76,030	2,627,739
Federal sources	182,228	243,784	237,920	(5,864)	520,844
Investment income	500	30	17	(13)	1,239
Total revenues	<u>3,033,864</u>	<u>3,058,584</u>	<u>3,132,634</u>	<u>74,050</u>	<u>3,176,939</u>
Expenditures:					
Administration:					
Current:					
Salaries	150,800	198,827	210,895	12,068	127,145
Employee benefits	31,745	39,019	47,528	8,509	26,531
Purchased services	6,500	7,710	9,775	2,065	6,281
Supplies and materials	118	-	-	-	53
Other expenditures	8,200	4,900	4,750	(150)	6,937
Total administration	<u>197,363</u>	<u>250,456</u>	<u>272,948</u>	<u>22,492</u>	<u>166,947</u>
District support services:					
Current:					
Salaries	47,000	53,000	54,932	1,932	48,663
Employee benefits	17,044	14,047	16,209	2,162	15,317
Purchased services	94,640	166,342	169,267	2,925	116,337
Supplies and materials	8,000	8,000	8,600	600	7,585
Other expenditures	-	500	1,179	679	25
Total district support services	<u>166,684</u>	<u>241,889</u>	<u>250,187</u>	<u>8,298</u>	<u>187,927</u>
Regular instruction:					
Current:					
Salaries	858,176	817,586	812,430	(5,156)	936,315
Employee benefits	285,610	245,800	226,519	(19,281)	201,433
Purchased services	24,500	61,047	59,719	(1,328)	96,997
Supplies and materials	85,604	58,255	60,407	2,152	80,242
Other expenditures	500	775	764	(11)	-
Capital expenditures	11,000	23,350	23,896	546	1,071
Total regular instruction	<u>1,265,390</u>	<u>1,206,813</u>	<u>1,183,735</u>	<u>(23,078)</u>	<u>1,316,058</u>
Special education instruction:					
Current:					
Salaries	226,200	218,618	209,957	(8,661)	221,670
Employee benefits	72,564	67,636	68,129	493	64,877
Purchased services	59,729	96,600	103,213	6,613	98,983
Supplies and materials	1,223	573	558	(15)	9,616
Total special education instruction	<u>359,716</u>	<u>383,427</u>	<u>381,857</u>	<u>(1,570)</u>	<u>395,146</u>

**URBAN ACADEMY
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REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For The Year Ended June 30, 2011
With Comparative Actual Amounts For the Year Ended June 30, 2010

	2011				2010 Actual Amounts
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)	
	Original	Final			
Expenditures: (continued)					
Instructional support services:					
Current:					
Salaries	\$75,000	\$4,239	\$4,239	\$ -	\$77,280
Employee benefits	16,443	2,127	2,280	153	17,224
Purchased services	-	55,000	50,566	(4,434)	57,691
Supplies and materials	4,050	11,500	9,232	(2,268)	11,537
Other expenditures	200	-	-	-	213
Total instructional support services	<u>95,693</u>	<u>72,866</u>	<u>66,317</u>	<u>(6,549)</u>	<u>163,945</u>
Pupil support services:					
Current:					
Salaries	25,000	36,375	34,607	(1,768)	23,526
Employee benefits	10,617	10,748	11,621	873	8,769
Purchased services	238,083	254,495	243,077	(11,418)	225,498
Supplies and materials	500	500	316	(184)	40
Total pupil support services	<u>274,200</u>	<u>302,118</u>	<u>289,621</u>	<u>(12,497)</u>	<u>257,833</u>
Site, building and equipment:					
Current:					
Salaries	-	18,000	18,666	666	-
Employee benefits	-	4,964	5,827	863	-
Purchased services	629,227	635,791	637,087	1,296	615,782
Supplies and materials	7,000	7,200	8,130	930	6,129
Capital expenditures	1,500	3,700	3,605	(95)	-
Total site, building and equipment	<u>637,727</u>	<u>669,655</u>	<u>673,315</u>	<u>3,660</u>	<u>621,911</u>
Fiscal and other fixed costs:					
Current:					
Purchased services	15,000	12,500	12,446	(54)	8,374
Debt service	-	1,000	613	(387)	-
Total expenditures	<u>3,011,773</u>	<u>3,140,724</u>	<u>3,131,039</u>	<u>(9,631)</u>	<u>3,118,141</u>
Revenues over (under) expenditures	22,091	(82,140)	1,595	83,681	58,798
Other financing sources (uses):					
Transfer to Food Service Fund	-	-	(43,475)	(43,475)	(12,713)
Net change in fund balance	<u>\$22,091</u>	<u>(\$82,140)</u>	(41,880)	<u>\$40,206</u>	46,085
Fund balance - beginning			739,211		693,126
Fund balance - ending			<u>\$697,331</u>		<u>\$739,211</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, 2011
With Comparative Actual Amounts For the Year Ended June 30, 2010

	2011			Variance with Final Budget - Over (Under)	2010 Actual Amounts
	Budgeted Amounts		Actual Amounts		
	Original	Final			
Revenues:					
Local sources	\$500	\$120	\$117	(\$3)	\$145
State sources	5,800	6,050	5,857	(193)	5,580
Federal sources	158,620	181,700	176,509	(5,191)	168,473
Total revenues	<u>164,920</u>	<u>187,870</u>	<u>182,483</u>	<u>(5,387)</u>	<u>174,198</u>
Expenditures:					
Food service					
Current:					
Salaries	22,000	29,000	28,269	(731)	40,829
Employee benefits	12,526	7,430	8,384	954	11,903
Purchased services	80	1,603	3,178	1,575	828
Supplies and materials	133,150	171,700	186,127	14,427	162,616
Total expenditures	<u>167,756</u>	<u>209,733</u>	<u>225,958</u>	<u>16,225</u>	<u>216,176</u>
Revenues over (under) expenditures	(2,836)	(21,863)	(43,475)	(21,612)	(41,978)
Other financing sources (uses):					
Transfer from General Fund	-	-	43,475	43,475	12,713
Net change in fund balance	<u>(\$2,836)</u>	<u>(\$21,863)</u>	0	<u>\$21,863</u>	(29,265)
Fund balance - beginning			-		<u>29,265</u>
Fund balance - ending			<u>\$0</u>		<u>\$0</u>

URBAN ACADEMY
CHARTER SCHOOL NO. 4088
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
June 30, 2011

Note A LEGAL COMPLIANCE – BUDGETS

The General and Special Revenue Funds 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, 2011
 With Comparative Totals For June 30, 2010

Statement 7

Assets	2011	2010
Cash and investments	\$155,358	\$155,114
Due from other funds	8,820	5,617
Due from Minnesota Department of Education	840,021	723,011
Due from Federal Government through Minnesota Department of Education	24,767	51,866
Other receivables	-	2,471
Prepaid items	30,160	21,074
 Total assets	 \$1,059,126	 \$959,153
 Liabilities and Fund Balances		
Liabilities:		
Accounts and contracts payable	\$48,189	\$36,442
Salaries and taxes payable	112,376	127,116
Payroll deductions and employer contributions payable	12,875	16,437
Short term indebtedness	150,000	-
Deferred revenue	38,355	39,947
Total liabilities	361,795	219,942
Fund balance:		
Nonspendable - prepaid items	30,160	21,074
Unassigned	667,171	718,137
Total fund balance	697,331	739,211
 Total liabilities and fund balance	 \$1,059,126	 \$959,153

URBAN ACADEMY
CHARTER SCHOOL NO. 4088
 BALANCE SHEET - FOOD SERVICE SPECIAL REVENUE FUND
 June 30, 2011
 With Comparative Totals For June 30, 2010

Statement 8

Assets	2011	2010
Cash and investments	\$ -	\$ -
Due from Minnesota Department of Education	336	264
Due from Federal Government through Minnesota Department of Education	10,333	7,592
Prepaid items	-	310
Total assets	\$10,669	\$8,166
Liabilities and Fund Balance		
Liabilities:		
Accounts payable	\$1,849	\$2,549
Due to other funds	8,820	5,617
Total liabilities	\$10,669	\$8,166
Fund balance:		
Nonspendable - prepaid items	-	310
Unassigned	-	(310)
Total fund balance	0	0
Total liabilities and fund balance	\$10,669	\$8,166

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SUPPLEMENTAL INFORMATION

	Audit	UFARS	Variance		Audit	UFARS	Variance
01 GENERAL FUND				06 BUILDING CONSTRUCTION			
Total Revenue	\$3,132,634	\$3,132,634	\$ -	Total Revenue	\$ -	\$ -	\$ -
Total Expenditures	3,131,039	3,131,039	-	Total Expenditures	-	-	-
<i>Non-Spendable:</i>				<i>Non-Spendable:</i>			
4.60 Non Spendable Fund Balance	30,160	30,160	-	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	-	-	-
4.11 Severance Pay	-	-	-	<i>Unassigned:</i>			
4.13 Project Funded By COP	-	-	-	4.63 Unassigned Fund Balance	-	-	-
4.14 Operating Debt	-	-	-				
4.16 Levy Reduction	-	-	-	07 DEBT SERVICE			
4.17 Taconite Building Maint	-	-	-	Total Revenue	\$ -	\$ -	\$ -
4.23 Certain Teacher Programs	-	-	-	Total Expenditures	-	-	-
4.24 Operating Capital	-	-	-	<i>Non-Spendable:</i>			
4.26 \$25 Taconite	-	-	-	4.60 Non Spendable Fund Balance	-	-	-
4.27 Disabled Accessibility	-	-	-	<i>Restricted/Reserve:</i>			
4.28 Learning and Development	-	-	-	4.25 Bond Refundings	-	-	-
4.34 Area Learning Center	-	-	-	4.51 QZAB Payments	-	-	-
4.35 Contracted Alt. Programs	-	-	-	<i>Restricted:</i>			
4.36 St. Approved Alt. Program	-	-	-	4.64 Restricted Fund Balance	-	-	-
4.38 Gifted & Talented	-	-	-	<i>Unassigned:</i>			
4.41 Basic Skills Programs	-	-	-	4.63 Unassigned Fund Balance	-	-	-
4.45 Career & Tech Programs	-	-	-				
4.46 First Grade Preparedness	-	-	-	08 TRUST			
4.49 Safe Schools Levy	-	-	-	Total Revenue	\$ -	\$ -	\$ -
4.50 Pre-Kindergarten	-	-	-	Total Expenditures	-	-	-
4.51 QZAB Payments	-	-	-	<i>Unrestricted:</i>			
4.52 OPEB Liab Not In Trust	-	-	-	4.22 Net Assets	-	-	-
4.53 Unfunded Sev & Retirement Levy	-	-	-				
<i>Restricted:</i>				09 AGENCY			
4.64 Restricted Fund Balance	-	-	-	<i>Unrestricted:</i>			
<i>Committed:</i>				4.22 Net Assets	-	-	-
4.18 Committed For Separation	-	-	-				
4.61 Committed Fund Balance	-	-	-	20 INTERNAL SERVICE			
<i>Assigned:</i>				Total Revenue	\$ -	\$ -	\$ -
4.62 Assigned Fund Balance	-	-	-	Total Expenditures	-	-	-
<i>Unassigned:</i>				<i>Unrestricted:</i>			
4.22 Unassigned Fund Balance	667,171	667,172	(1)	4.22 Net Assets	-	-	-
02 FOOD SERVICE				25 OPEB REVOCABLE TRUST			
Total Revenue	\$182,483	\$182,484	(\$1)	Total Revenue	\$ -	\$ -	\$ -
Total Expenditures	225,958	225,959	(1)	Total Expenditures	-	-	-
<i>Non-Spendable:</i>				<i>Unrestricted:</i>			
4.60 Non Spendable Fund Balance	-	-	-	4.22 Net Assets	-	-	-
<i>Restricted/Reserve:</i>							
4.52 OPEB Liab Not In Trust	-	-	-	45 OPEB IRREVOCABLE TRUST			
<i>Restricted:</i>				Total Revenue	\$ -	\$ -	\$ -
4.64 Restricted Fund Balance	-	-	-	Total Expenditures	-	-	-
<i>Unassigned:</i>				<i>Unrestricted:</i>			
4.63 Unassigned Fund Balance	-	-	-	4.22 Net Assets	-	-	-
04 COMMUNITY SERVICE				47 OPEB DEBT SERVICE FUND			
Total Revenue	\$ -	\$ -	\$ -	Total Revenue	\$ -	\$ -	\$ -
Total Expenditures	-	-	-	Total Expenditures	-	-	-
<i>Restricted/Reserve:</i>				<i>Non-Spendable:</i>			
4.26 \$25 Taconite	-	-	-	4.60 Non Spendable Fund Balance	-	-	-
4.31 Community Education	-	-	-	<i>Restricted/Reserve:</i>			
4.32 E.C.F.E	-	-	-	4.25 Bond Refundings	-	-	-
4.44 School Readiness	-	-	-	<i>Restricted:</i>			
4.47 Adult Basic Education	-	-	-	4.64 Restricted Fund Balance	-	-	-
4.52 OPEB Liab Not In Trust	-	-	-	<i>Unassigned:</i>			
<i>Restricted:</i>				4.63 Unassigned Fund Balance	-	-	-
4.64 Restricted Fund Balance	-	-	-				
<i>Unassigned:</i>							
4.63 Unassigned Fund Balance	-	-	-				

Note: Due to the unavailability of the audited fiscal compliance table submission as of the date of the auditor's report, the amounts reflected in the UFARS column above are from the School's "UFARS Compliance Report" as of 10/24/2011 obtained from the Minnesota Department of Education website.

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, 2011, which collectively comprise Urban Academy's basic financial statements and have issued our report thereon dated November 2, 2011. 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

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 and 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.

HLB TAUTGES REDPATH, LTD.
White Bear Lake, Minnesota

November 2, 2011



TAUTGES REDPATH, LTD.
Certified Public Accountants

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, 2011 and have issued our report thereon dated November 2, 2011.

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.
White Bear Lake, Minnesota

November 2, 2011