

ACADEMY OF URBAN LEARNING

BASIC FINANCIAL STATEMENTS

June 30, 2011

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FINANCIAL SECTION



JOHN CUTLER
& ASSOCIATES

Board of Directors
Academy of Urban Learning
Denver, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities and each major fund of the Academy of Urban Learning, component unit of the Denver Public School District, as of and for the year ended June 30, 2011, which collectively comprise the basic financial statements of Academy of Urban Learning, as listed in the table of contents. These financial statements are the responsibility of the Academy of Urban Learning's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Academy of Urban Learning, as of June 30, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and required supplementary information listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

John Cutler & Associates, LLC

August 25, 2011

Management's Discussion and Analysis

As management of Academy of Urban Learning, we offer readers of our financial statements this narrative overview and analysis of the financial activities of Academy of Urban Learning (AUL) for the fiscal year ended June 30, 2011.

Financial Highlights

The year ended June 30, 2011 is the sixth year of operations for Academy of Urban Learning. The assets of the AUL exceeded its liabilities at the close of the most recent fiscal year by \$307,928 (net assets).

The general fund ending fund balance reached \$307,928.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Academy of Urban Learning's basic financial statements. These basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This management report also contains other supplementary information in addition to the basic financial statements to give the reader a more detailed view of the School's financial performance.

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of Academy of Urban Learning's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of Academy of Urban Learning's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The statement of activities presents information showing how the School's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow changes in future fiscal periods (e.g., items purchased but not paid for).

The government-wide financial statements include instruction and supporting services of Academy of Urban Learning.

The government-wide financial statements can be found on pages 1 - 2 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Academy of Urban Learning, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Academy of Urban Learning's for the current year are governmental funds.

Governmental funds. Governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the School's near-term financing requirements.

Academy of Urban Learning maintains two individual governmental funds; the general fund and the capital reserve fund. Information is presented separately in the Balance Sheet and in the Statement of Revenues, Expenditures, and Changes in Fund Balances.

Academy of Urban Learning adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the School's financial position. In the case of Academy of Urban Learning, on June 30, 2011 assets increased by \$33,954 and liabilities increased by \$28,959, respectively over June 30, 2010, its fifth year of operations.

Academy of Urban Learning's Net Assets

Assets	<u>10-11</u>	<u>09-10</u>
Current Assets	\$341,506	\$238,333
Deposit held by Denver Public Schools	23,504	19,453
Accounts Receivable	2,466	71,407
Prepaid Expenses	4,026	8,355
Lease Deposit	<u>7,394</u>	<u>7,394</u>
Total Assets	378,896	344,942
Liabilities		
Current Liabilities	70,968	42,009
Net Assets		
Restricted for Emergencies	29,100	24,100
Unrestricted	<u>278,828</u>	<u>278,833</u>
Total Net Assets	<u>\$307,928</u>	<u>\$302,933</u>

Academy of Urban Learning's Change in Net Assets

Revenues:		
Program Revenues	<u>10-11</u>	<u>09-10</u>
Operating Grants and Contributions	\$364,800	\$449,887
Charges for Services	11,207	0
Capital Grants and Contributions	<u>9,681</u>	<u>9,220</u>
Total Program Revenues	385,688	459,107
General Revenues		
Per Pupil Operating Revenue	860,978	711,111
Investment Earnings	875	1,179
Other	<u>10,376</u>	<u>16,017</u>
Total General Revenues	<u>872,229</u>	<u>728,307</u>
Total Revenues	<u>1,257,917</u>	<u>1,187,414</u>
Expenses:		
Instructional	581,058	575,666
Supporting Services	<u>671,864</u>	<u>592,463</u>
Total Expenses	1,252,922	1,168,129
Increase in Net Assets	4,995	19,285
Net Assets, beginning of year	<u>302,933</u>	<u>283,648</u>
Net Assets, end of year	<u>\$307,928</u>	<u>\$302,933</u>

The increase in Net Assets is due to the increase in the number of students served by AUL and the conservative budgeting strategies implemented to accommodate reductions in State funding.

Financial Analysis of the School's Funds

Governmental funds. In particular, unreserved fund balance is a useful measure of the School's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year Academy of Urban Learning's governmental funds reported a combined ending fund balance of \$307,928. This represents approximately 25% of the total year's funding which will be available to the School in subsequent years.

General Fund Budgetary Highlights

The District approves a budget in June based on enrollment projections for the following school year. In October after enrollment stabilizes, adjustments are made to the budget. There was one budget revision made during the year.

The School's final budget estimated a \$0 carryover to the following year. The actual carryover was \$4,995 under budget with an actual carryover in the General Fund of \$4,995. This was due primarily to an increase in the student population.

The Year Ahead

For the school year ended June 30, 2011, the funded population was 110 students. For the coming year, Academy of Urban Learning plans to increase the population to 130 students.

Requests for Information

This financial report is designed to provide a general overview of Academy of Urban Learning's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Lori Deacon
Business Manager
Academy of Urban Learning
835 East 18th Avenue
Denver, CO 80218

BASIC FINANCIAL STATEMENTS

ACADEMY OF URBAN LEARNING

STATEMENT OF NET ASSETS

As of June 30, 2011

	Governmental Activities	
	2011	2010
ASSETS		
Cash	\$ 341,506	\$ 238,333
Cash Held by the District	23,504	19,453
Accounts Receivable	2,466	71,407
Prepaid Expenses	4,026	8,355
Deposits	7,394	7,394
	<hr/>	<hr/>
TOTAL ASSETS	378,896	344,942
	<hr/>	<hr/>
LIABILITIES		
Accounts Payable	295	1,875
Deferred Revenues	30,000	1,500
Accrued Salaries and Benefits	40,673	38,634
	<hr/>	<hr/>
TOTAL LIABILITIES	70,968	42,009
	<hr/>	<hr/>
NET ASSETS		
Restricted for Emergencies	29,100	24,100
Unrestricted	278,828	278,833
	<hr/>	<hr/>
TOTAL NET ASSETS	\$ 307,928	\$ 302,933
	<hr/>	<hr/>

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

ACADEMY OF URBAN LEARNING

STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

FUNCTIONS/PROGRAMS	Expenses	PROGRAM REVENUES		Net Expense (Revenue and Changes in Net Assets)		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
PRIMARY GOVERNMENT					2011	2010
Governmental Activities						
Instructional	\$ 581,058	\$ 11,207	\$ 281,088	\$ -	\$ (288,763)	\$ (205,631)
Supporting Services	671,864	-	83,712	9,681	(578,471)	(503,391)
Total Governmental Activities	<u>\$ 1,252,922</u>	<u>\$ 11,207</u>	<u>\$ 364,800</u>	<u>\$ 9,681</u>	(867,234)	(709,022)
GENERAL REVENUES						
					860,978	711,111
					10,376	16,017
					875	1,179
					<u>872,229</u>	<u>728,307</u>
TOTAL GENERAL REVENUES						
					4,995	19,285
CHANGE IN NET ASSETS						
					302,933	283,648
NET ASSETS, Beginning						
					<u>\$ 307,928</u>	<u>\$ 302,933</u>
NET ASSETS, Ending						

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

ACADEMY OF URBAN LEARNING

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

	<u>GENERAL FUND</u>	
	<u>2011</u>	<u>2010</u>
ASSETS		
Cash	\$ 341,506	\$ 238,333
Cash Held by District	23,504	19,453
Accounts Receivable	2,466	71,407
Prepaid Expenses	4,026	8,355
Deposits	<u>7,394</u>	<u>7,394</u>
TOTAL ASSETS	<u>\$ 378,896</u>	<u>\$ 344,942</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts Payable	\$ 295	\$ 1,875
Deferred Revenues	30,000	1,500
Accrued Salaries and Benefits	<u>40,673</u>	<u>38,634</u>
TOTAL LIABILITIES	<u>70,968</u>	<u>42,009</u>
FUND BALANCES		
Nonspendable	11,420	15,749
Restricted for Emergencies	29,100	24,100
Unassigned	<u>267,408</u>	<u>263,084</u>
TOTAL FUND BALANCES	<u>307,928</u>	<u>302,933</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 378,896</u>	<u>\$ 344,942</u>

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

ACADEMY OF URBAN LEARNING

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2011

	<u>GENERAL FUND</u>	
	<u>2011</u>	<u>2010</u>
REVENUES		
Local Sources	\$ 967,148	\$ 803,161
State and Federal Sources	<u>290,769</u>	<u>384,253</u>
TOTAL REVENUES	<u>1,257,917</u>	<u>1,187,414</u>
EXPENDITURES		
Current		
Instruction	581,058	575,666
Supporting Services	<u>671,864</u>	<u>592,463</u>
TOTAL EXPENDITURES	<u>1,252,922</u>	<u>1,168,129</u>
NET CHANGE IN FUND BALANCES	4,995	19,285
FUND BALANCES, Beginning	<u>302,933</u>	<u>283,648</u>
FUND BALANCES, Ending	<u><u>\$ 307,928</u></u>	<u><u>\$ 302,933</u></u>

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

ACADEMY OF URBAN LEARNING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Academy of Urban Learning (the “Academy”) was organized pursuant to the Colorado Charter Schools Act to form and operate a charter school within the Denver Public School District (the “District”) in the State of Colorado. The Academy began classes in the fall of 2005.

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

Reporting Entity

The financial reporting entity consists of the Academy and organizations for which the Academy is financially accountable. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the Academy. In addition, any legally separate organizations for which the Academy is financially accountable are considered part of the reporting entity. Financial accountability exists if the Academy appoints a voting majority of the organization’s governing board and is able to impose its will on the organization, or if the organization provides benefits to, or imposes financial burdens on the Academy.

Based on the application of these criteria, the Academy does not include additional organizations within its reporting entity. However, the Academy is a component unit of the Denver Public School District.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the Academy. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported in a single column.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Program revenues include 1) charges to students or others who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted intergovernmental revenues not properly included among program revenues are reported instead as general revenues.

ACADEMY OF URBAN LEARNING
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

Major individual governmental funds are reported in separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

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

The Academy reports the following major governmental fund:

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

ACADEMY OF URBAN LEARNING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Balance/Net Assets

Investments – Investments are reported at fair value.

Receivables – Receivables are reported at their gross value, and, where appropriate, are reduced by the estimated portion that is expected to be uncollectable.

Prepaid Expenses – Payments made to vendors for services that will benefit future periods are recorded as prepaid expense. An expenditure is reported in the year in which the services are consumed.

Deferred Revenues – Deferred revenues include grant funds that have been collected but the corresponding expense has not been incurred.

Long-Term Debt – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenditures. The Academy has no long-term debt as of June 30, 2011.

Net Assets/Fund Equity – In the government-wide financial statements, net assets are restricted when constraints placed on the net assets are externally imposed.

Fund Balance Classification – The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Academy is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Restricted** – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The School has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies.

ACADEMY OF URBAN LEARNING
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Academy did not have any committed resources as of June 30, 2011.

- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The Academy would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned

Compensated Absences

The Academy’s policy allows employees to accumulate sick and vacation leave. Upon termination of employment, no financial compensation is paid for these unused compensated absences. Therefore, no liability for accumulated sick leave is reported in the financial statements.

Risk Management

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The Academy carries commercial coverage for these risks of loss.

ACADEMY OF URBAN LEARNING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Comparative Data

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

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

Budgets and Budgetary Accounting

A budget is adopted for the General Fund on a basis consistent with generally accepted accounting principles.

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

NOTE 3: CASH AND INVESTMENTS

Cash and Investments at June 30, 2011 consisted of the following:

Deposits	\$ 134,351
Petty Cash	40
Investments	<u>207,115</u>
Total	<u>\$ 341,506</u>

ACADEMY OF URBAN LEARNING
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

NOTE 3: CASH AND INVESTMENTS (Continued)

Deposits

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. At June 30, 2011, State regulatory commissioners have indicated that all financial institutions holding deposits for the Academy are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group.

The market value of the collateral must be at least equal to 102% of the uninsured deposits. The Academy has no policy regarding custodial credit risk for deposits.

At June 30, 2011, the Academy had deposits with financial institutions with a carrying amount of \$134,351. The bank balances with the financial institutions were \$139,877, which was covered by federal depository insurance.

Pooled Cash with the District

Cash deposits are pooled with the District's cash and investments which were held by several banking institutions. Pooled investments represent investments in local government investment pools or in money market funds. At June 30, 2011 the Academy's balance in equity in pooled cash of the District totaled \$23,504.

Investments

Interest Rate Risk

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

ACADEMY OF URBAN LEARNING
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

NOTE 3: **CASH AND INVESTMENTS** (Continued)

Credit Risk

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

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

The Academy has no policy for managing credit risk or interest rate risk.

The Academy had invested \$207,115 in the Colorado Government Liquid Asset Trust (COLOTRUST) which has a credit rating of AAA by Standard and Poor's. COLOTRUST is an investment vehicle established for local government entities in Colorado to pool surplus funds and is regulated by the State Securities Commissioner. It operates similarly to a money market fund and each share is equal in value to \$1.00. Investments consist of U.S. Treasury and U.S. Agency securities, and repurchase agreements collateralized by U.S. Treasury and U.S. Agency securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the entities.

Restricted Cash and Investments

Cash in the amount of \$23,504 is restricted in the General Fund as an emergency reserve related to the TABOR amendment.

NOTE 4: **ACCRUED SALARIES AND BENEFITS**

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve month period from August to July, but are earned during a school year of nine months. The salaries and benefits earned, but unpaid, as of June 30, 2011, were \$40,673 in the General Fund.

ACADEMY OF URBAN LEARNING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

NOTE 5: PENSION PLANS

Defined Benefit Pension Plan

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

Funding Policy. The Academy is required to contribute member and employer contributions to PERA at a rate set by statute. The contribution requirements of plan members and the School are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members is 8.0 % and for the Academy it is 3.63 % of the total payroll for the calendar year 2011, (2.41 % of total payroll for the calendar year 2010). If the Academy rehires a PERA retiree as an employee or under any other work arrangement, it is required to report and pay employer contributions on the amounts paid for the retiree, however no member contributions are required. For the years ended June 30, 2011 and 2010, the Academy's employer contributions for the SDTF totaling \$17,584 and \$6,802, respectively, equal to the required contributions for each year.

Taxable Pension Certificates of Participation (PCOPs)

The District issued Taxable Pension Certificates of Participation (PCOPs) on July 17, 1997 to fully fund the unfunded actuarial accrued liability (UAAL) of the Plan. Full funding of the UAAL reduced the employer contribution rate from the full funding rate of 15.75% to the normal cost rate of 4.98%. This rate is based upon actuarially determined contribution requirements, the approval and recommendation of the Plan's Board and approval of the District's Board of Education. The Academy contributed 10.39%, 10.72% and 14.10% of covered payroll for the fiscal years ended June 30, 2011, 2010, and 2009, respectively, to the District to cover its obligation relating to the PCOPs.

During the fiscal years ended June 30, 2011, 2010, and 2009, the Academy made contributions totaling \$61,474, \$65,626, and \$58,606, respectively, to the District towards its PCOPs obligation.

ACADEMY OF URBAN LEARNING
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

NOTE 5: COMMITMENTS AND CONTINGENCIES

Operating Lease

The Academy entered into an operating lease for their building. Monthly lease payments ranging from \$7,393 to \$11,308 are due through July 31, 2011.

Future minimum lease payments are as follows:

Year Ended	
<u>June 30</u>	
2012	\$ <u>11,308</u>
Total	\$ <u><u>11,308</u></u>

Total rent expense for the year ended June 30, 2011 for this lease was \$134,824.

Claims and Judgments

The Academy participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Academy may be required to reimburse the grantor government. As of June 30, 2011, significant amounts of grant expenditures have not been audited, but the Academy believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Academy.

Tabor Amendment

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution, which limits state and local government tax powers and imposes spending limitations. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded. The Academy believes it has complied with the Amendment.

As required by the Amendment, the Academy has established a reserve for emergencies. At June 30, 2011, the reserve of \$29,100 was recorded as a reservation of fund balance in the General Fund. The District also holds \$23,504 in pooled cash on behalf of the Academy for this reserve.

ACADEMY OF URBAN LEARNING
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

NOTE 6: SUBSEQUENT EVENT

On June 30, 2011, the Academy entered into a facility use agreement with the District for the lease of a facility owned district which will be the new site for the school. This agreement commenced on July 27, 2011 and ends on June 30, 2012.

REQUIRED SUPPLEMENTARY INFORMATION

ACADEMY OF URBAN LEARNING
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2011

	2011			VARIANCE Positive (Negative)	2010 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
REVENUES					
Local Sources					
Per Pupil Revenue	\$ 773,711	\$ 860,978	\$ 860,978	\$ -	\$ 711,111
Mill Levy Override	8,994	10,376	10,376	-	16,017
Grants and Donations	101,000	82,000	83,712	1,712	74,854
Interest	3,000	1,000	875	(125)	1,179
Other	-	11,000	11,207	207	-
State and Federal Sources					
Grants and Donations	277,942	292,214	290,769	(1,445)	384,253
TOTAL REVENUES	1,164,647	1,257,568	1,257,917	349	1,187,414
EXPENDITURES					
Salaries	550,261	586,761	582,739	4,022	565,329
Employee Benefits	150,390	173,081	159,772	13,309	135,060
Purchased Services	379,978	371,748	372,884	(1,136)	350,452
Supplies and Materials	50,700	46,625	56,537	(9,912)	58,383
Property	4,360	6,200	6,552	(352)	25,269
Other	28,958	73,153	74,438	(1,285)	33,636
TOTAL EXPENDITURES	1,164,647	1,257,568	1,252,922	4,646	1,168,129
CHANGE IN FUND BALANCES	-	-	4,995	4,995	19,285
FUND BALANCE, Beginning	-	186,118	302,933	116,815	283,648
FUND BALANCE, Ending	\$ -	\$ 186,118	\$ 307,928	\$ 121,810	\$ 302,933

See the accompanying independent auditors' report.