

FLAGSTAFF ACADEMY
BASIC FINANCIAL STATEMENTS
June 30, 2009

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**JOHN CUTLER
& ASSOCIATES**

Board of Directors
Flagstaff Academy
Longmont, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Flagstaff Academy, component unit of the St. Vrain Valley School District, as of and for the year ended June 30, 2009, which collectively comprise the basic financial statements of the Academy, as listed in the table of contents. These financial statements are the responsibility of Flagstaff Academy's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Flagstaff Academy, as of June 30, 2009, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Academy has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

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

John Cutler & Associates, LLC

October 12, 2009

BASIC FINANCIAL STATEMENTS

FLAGSTAFF ACADEMY
STATEMENT OF NET ASSETS
As of June 30, 2009

	GOVERNMENTAL ACTIVITIES	
	2009	2008
ASSETS		
Cash and Investments	\$ 1,263,451	\$ 823,419
Restricted Cash and Investments	2,932,712	-
Accounts Receivable	12,619	48
Deposits	500	50,000
Bond Issuance Costs	272,587	-
Capital Assets, Not Being Depreciated	10,548,076	-
Capital Assets, Depreciated, Net of Accumulated Depreciation	16,886	48,565
TOTAL ASSETS	15,046,831	922,032
LIABILITIES		
Accounts Payable	251,316	25,135
Retainage Payable	246,680	-
Accrued Expenses	154,849	126,662
Deferred Revenues	103,723	-
Noncurrent Liabilities		
Due in One Year	-	-
Due in More than One Year	13,505,000	-
TOTAL LIABILITIES	14,261,568	151,797
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	(2,940,038)	48,565
Restricted for Emergencies	110,000	87,711
Unrestricted	3,615,301	633,959
TOTAL NET ASSETS	\$ 785,263	\$ 770,235

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

FLAGSTAFF ACADEMY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2009

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					2009	2008
Governmental Activities						
Instructional	\$ 2,014,268	\$ -	\$ 30,850	\$ -	\$ (1,983,418)	\$ (1,523,767)
Supporting Services	1,247,596	195,273	-	47,630	(1,004,693)	(1,091,893)
Interest on Long-Term Debt	421,644	-	-	-	(421,644)	(194)
Total Governmental Activities	<u>\$ 3,683,508</u>	<u>\$ 195,273</u>	<u>\$ 30,850</u>	<u>\$ 47,630</u>	(3,409,755)	(2,615,854)
		GENERAL REVENUES				
					2,988,698	2,684,881
					306,012	-
					72,868	15,533
					57,205	72,949
					<u>3,424,783</u>	<u>2,773,363</u>
					15,028	157,509
					770,235	612,726
					<u>\$ 785,263</u>	<u>\$ 770,235</u>

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

FLAGSTAFF ACADEMY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009

	GENERAL FUND	CAPITAL PROJECTS FUND	NON-MAJOR	TOTAL GOVERNMENTAL FUNDS	
			CAPITAL RESERVE FUND	2009	2008
ASSETS					
Cash and Investments	\$1,263,451	\$ -	\$ -	\$ 1,263,451	\$ 823,419
Restricted Cash and Investments	-	2,932,712	-	2,932,712	-
Accounts Receivable	12,619	-	-	12,619	48
Deposits	500	-	-	500	50,000
TOTAL ASSETS	\$1,276,570	\$2,932,712	\$ -	\$ 4,209,282	\$ 873,467
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 11,005	\$ 240,311	\$ -	\$ 251,316	\$ 25,135
Retainage Payable	-	246,680	-	246,680	-
Accrued Salaries	154,849	-	-	154,849	126,662
Deferred Revenues	103,723	-	-	103,723	-
	<u>269,577</u>	<u>486,991</u>	<u>-</u>	<u>756,568</u>	<u>151,797</u>
FUND BALANCES					
Reserved for Emergencies	110,000	-	-	110,000	87,711
Unreserved, reported in					
General Fund	896,993	-	-	896,993	633,959
Capital Projects Fund	-	2,445,721	-	2,445,721	-
Special Revenue Fund	-	-	-	-	-
TOTAL FUND BALANCES	1,006,993	2,445,721	-	3,452,714	721,670
TOTAL LIABILITIES AND FUND BALANCES	\$1,276,570	\$2,932,712	\$ -		

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

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.	10,564,962	48,565
Long-term liabilities and related assets are not due and payable in the current period and, therefore, are not reported in the funds. These include bonds payable (\$13,505,000) and bond issue costs \$272,587.	(13,232,413)	-
Net assets of governmental activities	\$ 785,263	\$ 770,235

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

FLAGSTAFF ACADEMY

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

	GENERAL FUND	CAPITAL PROJECTS FUND	NON-MAJOR	TOTAL GOVERNMENTAL FUNDS	
			CAPITAL RESERVE FUND	2009	2008
REVENUES					
Local Sources	\$3,584,404	\$ 66,502	\$ -	\$ 3,650,906	\$3,045,455
State Sources	47,630	-	-	47,630	47,466
Federal Sources	-	-	-	-	57,510
TOTAL REVENUES	3,632,034	66,502	-	3,698,536	3,150,431
EXPENDITURES					
Current					
Instruction	2,014,268	-	-	2,014,268	1,853,369
Supporting Services	1,090,910	18,354	97,253	1,206,517	1,120,052
Bond Issue Costs	-	281,987	-	281,987	-
Capital Outlay	-	10,548,076	-	10,548,076	-
Debt Service					
Principal	-	-	-	-	11,542
Interest	-	421,644	-	421,644	194
TOTAL EXPENDITURES	3,105,178	11,270,061	97,253	14,472,492	2,985,157
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	526,856	(11,203,559)	(97,253)	(10,773,956)	165,274
OTHER FINANCING SOURCES (USES)					
Proceeds from Bond Issuance	-	13,505,000	-	13,505,000	-
Transfers In	-	144,280	97,253	241,533	84,870
Transfers Out	(241,533)	-	-	(241,533)	(84,870)
TOTAL OTHER FINANCING SOURCES (USES)	(241,533)	13,649,280	97,253	13,505,000	-
NET CHANGE IN FUND BALANCES	285,323	2,445,721	-	2,731,044	165,274
FUND BALANCES, Beginning	721,670	-	-	721,670	556,396
FUND BALANCES, Ending	<u>\$1,006,993</u>	<u>\$ 2,445,721</u>	<u>\$ -</u>	<u>\$ 3,452,714</u>	<u>\$ 721,670</u>

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

FLAGSTAFF ACADEMY

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

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

Net change in fund balances - total governmental funds	\$ 2,731,044
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlay \$10,548,076, exceeded loss on retirement of assets (\$24,100), and depreciation expense (\$7,579) for the year	10,516,397
Proceeds from bond issuance are reported as a financing source in the governmental funds and increase fund balance. In the government-wide financial statements, however, bonds payable increase long-term liabilities in the statement of net assets and does not effect the statement of activities.	(13,505,000)
Bond issuance costs are an expenditure in the governmental funds, but are capitalized and amortized in the government-wide financial statements. This is the amount by which bond issuance costs \$281,987 exceeded current year amortization expense (\$9,400).	<u>272,587</u>
Change in net assets of governmental activities	<u><u>\$ 15,028</u></u>

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

FLAGSTAFF ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Flagstaff Academy (the “Academy”) was formed in November of 2004, pursuant to the Colorado Charter Schools Act to form and operate a charter school. The focus of which will be to provide a science-focused, liberal arts curriculum that promotes excellence, teamwork, respect and a lifelong love of learning.

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

Reporting Entity

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

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

Flagstaff Building Corporation

The Flagstaff Building Corporation (the “Building Corporation”) is considered to be financially accountable to the Academy. The Building Corporation was formed to support and assist the Academy to perform its function and to carry out its purpose, specifically to assist in the financing and construction of the Academy’s facilities. The Building Corporation is blended into the Academy’s financial statements as a Capital Projects Fund. Separate financial statements are not available for the Building Corporation.

The Academy is a component unit of the St. Vrain Valley School District (the “District”).

FLAGSTAFF ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

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

Government-Wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to students or others who purchase, use, or directly benefit from goods, services, are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted intergovernmental revenues not properly included among program revenues are reported instead as general revenues.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

FLAGSTAFF ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

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

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

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 funds:

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.

Capital Projects Fund – This fund is used to account for the construction of capital assets and the issuance and payment of long-term debt.

Assets, Liabilities and Fund Balance/Net Assets

Investments – Investments are recorded at fair value.

Capital Assets – Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Academy as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

FLAGSTAFF ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

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

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

Donated capital assets are recorded at estimated fair market value at the date of donation.

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported on the statement of net assets in the government-wide financial statements. Depreciation has been provided over the following estimated useful lives of the capital assets using the straight-line method: leasehold improvements, 7 years; equipment, 3-7 years.

Long-term Debt – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. 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.

Deferred Revenues – Deferred revenues include tuition revenues that have been collected but the corresponding expenditure that have not been incurred.

Net Assets/Fund Equity – In the government-wide financial statements, net assets are restricted when constraints placed on the net assets are externally imposed. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

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.

FLAGSTAFF ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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, 2009 consisted of the following:

Cash on Hand	\$ 1,000
Deposits	139,380
Investments	3,363,570
Cash Held by District	<u>692,213</u>
Total	<u>\$ 4,196,163</u>

The above amounts are classified in the statement of net assets as follows:

Cash and Investments	\$ 1,263,451
Restricted Cash and Investments	<u>2,932,712</u>
Total	<u>\$ 4,196,163</u>

FLAGSTAFF ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

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, 2009, State regulatory commissioners have indicated that all financial institutions holding deposits for the Academy are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held.

The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The Academy has no policy regarding custodial credit risk for deposits.

At June 30, 2009, the Academy had deposits with financial institutions with a carrying amount of \$139,380. The bank balances with the financial institutions were \$139,524. These balances were fully covered by federal depository insurance.

Cash Held by the District

Cash deposits are pooled with the District 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, 2009, the Academy's balance in equity in pooled cash of the District totaled \$692,213.

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.

FLAGSTAFF ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

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 had invested \$430,858 in the Colorado Surplus Asset Fund Trust (CSAFE) which has a credit rating of AAAM by Standard and Poor's. CSAFE 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

Investments in money market funds totaling \$2,932,712 are restricted in the Capital Projects Fund for the construction the Academy's building and payment of the Academy's debt.

FLAGSTAFF ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

NOTE 4: CAPITAL ASSETS

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

	<u>Balance</u> <u>June 30, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2009</u>
Governmental Activities				
Capital Assets, not depreciated				
Construction in Process	\$ -	\$ 10,548,076	\$ -	\$ 10,548,076
Capital Assets, Depreciated				
Leasehold Improvements	24,916	-	-	24,916
Equipment	70,793	-	43,723	27,070
Total Capital Assets, Depreciated	95,709	-	43,723	51,986
Accumulated Depreciation				
Leasehold Improvements	10,382	3,559	-	13,941
Equipment	36,762	4,020	19,623	21,159
Total Accumulated Depreciation	47,144	7,579	19,623	35,100
Total Capital Assets, Depreciated, Net	48,565	(7,579)	24,100	16,886
Net Capital Assets	<u>\$ 48,565</u>	<u>\$ 10,540,497</u>	<u>\$ 24,100</u>	<u>\$ 10,564,962</u>

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

NOTE 5: ACCRUED SALARIES AND BENEFITS

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve month period from August to July, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, as of June 30, 2009, were \$154,849. Accordingly, the accrued compensation is reflected as a liability in the accompanying financial statements of the General Fund.

FLAGSTAFF ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

NOTE 6: LONG-TERM DEBT

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

	<u>Balance</u> <u>June 30, 2008</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2009</u>	<u>Due In</u> <u>One Year</u>
2009 Building Lease	\$ -	<u>\$13,505,000</u>	\$ -	<u>\$13,505,000</u>	-

Building Lease

In August 2008, the Colorado Educational and Facilities Authority (CECFA) issued \$5,645,000 Charter School Revenue Bonds, Series 2008. Proceeds from the bonds were used to construct the Academy's building. The Academy is required to make equal lease payments to the Building Corporation for the use of the building. The Building Corporation is required to make equal lease payments to the Trustee, for payment of the bonds. Interest accrues at a rate of 6.75% per year. The lease matures in August, 2038.

In August 2008, the Colorado Educational and Facilities Authority (CECFA) issued \$7,860,000 Charter School Revenue Bonds, Series 2008. Proceeds from the bonds were used to construct the Academy's building. The Academy is required to make equal lease payments to the Building Corporation for the use of the building. The Building Corporation is required to make equal lease payments to the Trustee, for payment of the bonds. Interest accrues at a rate of 7.0% per year. The lease matures in August, 2038.

FLAGSTAFF ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

NOTE 6: LONG-TERM DEBT (Continued)

Future debt service requirements are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ -	\$ 931,238	\$ 931,238
2011	-	931,238	931,238
2012	-	931,238	931,238
2013	185,000	924,994	1,109,994
2014	200,000	912,000	1,112,000
2015-2019	1,225,000	4,329,656	5,554,656
2020-2024	1,690,000	3,842,811	5,532,811
2025-2029	2,345,000	3,166,968	5,511,968
2030-2034	3,270,000	2,209,200	5,479,200
2035-2039	<u>4,590,000</u>	<u>847,350</u>	<u>5,437,350</u>
Total	<u>\$ 13,505,000</u>	<u>\$ 19,026,693</u>	<u>\$ 32,531,693</u>

NOTE 7: INTERFUND BALANCES AND TRANSFERS

The Academy made the following transfers during the year.

<u>Transfer to</u>	<u>Transfer From</u>	<u>Amount</u>
Capital Reserve Fund	General Fund	\$ 97,253
Capital Projects Fund	General Fund	144,280
	Total	<u>\$ 241,533</u>

The General Fund is required by State statute to transfer \$298 per pupil to the Capital Reserve fund or use this amount for insurance costs. The General Fund transferred funds to the Capital Projects Fund to cover costs related to the bond issuance.

FLAGSTAFF ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

NOTE 8: *DEFINED BENEFIT PENSION PLAN*

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

Funding Policy. The Academy is required to contribute member and employer contributions to PERA at a rate set by statute. The contribution requirements of plan members and the Academy are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members is 8.0 % and for the Academy it is 10.15 % of covered salary. A portion of the Academy's contribution (1.02 % of covered salary) is allocated to the Health Care Trust Fund (See Note 9). If the Academy rehires a PERA retiree as an employee or under any other work arrangement, it is required to report and pay employer contributions on the amounts paid for the retiree, however no member contributions are required. The Academy is also required to pay an amortization equalization disbursement equal to 2.8 % of the total payroll for the calendar year 2009, (1.9 % of total payroll for the calendar year 2008). For the years ending June 30, 2007, 2008, and 2009 the Academy's employer contributions for the SDTF were \$121,397, \$166,716, and \$200,572 respectively, equal to their required contributions for each year.

NOTE 9: *POSTEMPLOYMENT HEALTHCARE BENEFITS*

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

FLAGSTAFF ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

NOTE 9: POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

Funding Policy. The Academy is required to contribute at a rate of 1.02% of covered salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the Academy are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contribution to the HCTF is established under Title 24, Article 51, Section 208 of the Colorado Revised Statutes, as amended. For the years ending June 30, 2007, 2008, and 2009, the Academy's employer contributions to the HCTF were \$11,961, \$15,183, and \$17,014, respectively, equal to their required contributions for each year.

NOTE 10: 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 participates in the Colorado School District Self Insurance Pool. The Pool insures property and liability exposures through contributions made by member districts. The Academy does not maintain an equity interest in the self insurance pool. The Academy funds its pool contributions, outside insurance purchases, deductibles, and uninsured losses through the General Fund. The Academy is fully self insured for unemployment compensation and has a \$1,000 deductible for property insurance.

The Academy continues to carry commercial insurance for all other risks of loss, including boiler and machinery coverage. Settled claims resulting from these risks have not exceeded commercial or Academy coverage's in any of the past three years.

NOTE 11: COMMITMENTS AND CONTINGENCIES

Operating Lease

The Academy has entered into a non-cancellable operating lease for a building. The lease requires monthly payments based upon the square footage that the Academy is using. The final payment is due June 2010.

FLAGSTAFF ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

NOTE 11: COMMITMENTS AND CONTINGENCIES

The future minimum lease payments based upon current square footage used are as follows:

Year Ended

June 30

2010

\$ 319,212

Total rent expense for the year ended June 30, 2009 for the lease was \$319,212.

Claims and Judgments

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

Tabor Amendment

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution, which limits state and local government tax powers and imposes spending limitations. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded. The Academy believes it has complied with the Amendment. As required by the Amendment, the Academy has established a reserve for emergencies. At June 30, 2009, the reserve of \$110,000 was recorded as a reservation of fund balance in the General Fund.

FLAGSTAFF ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

NOTE 12: *SUBSEQUENT EVENTS*

Building Construction

In August of 2008, the Academy began construction of its new facility using the proceeds from the issuance of revenue bonds. The Academy has completed construction and moved to its new facilities in August, 2009.

School Food Authority

Beginning in fiscal year 2010 the Academy received approval from the Colorado Department of Education to become a School Food Authority ("SFA"). The Academy will receive administrative support from the Colorado League of Charter Schools to carry out its responsibilities under this program.

REQUIRED SUPPLEMENTARY INFORMATION

FLAGSTAFF ACADEMY

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2009

	2009			VARIANCE Positive (Negative)	2008 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
REVENUES					
Local Sources					
Per Pupil Revenue	\$ 3,157,487	\$ 3,003,430	\$ 2,988,698	\$ (14,732)	\$ 2,684,881
Taxes	-	305,961	306,012	51	-
Tuition and Fees	182,704	171,318	195,273	23,955	203,953
Contributions	-	25,000	30,850	5,850	68,139
Interest	10,500	10,500	6,366	(4,134)	15,533
Other	50,000	50,000	57,205	7,205	72,949
State Sources					
Grants and Donations	48,450	48,450	47,630	(820)	-
TOTAL REVENUES	<u>3,449,141</u>	<u>3,614,659</u>	<u>3,632,034</u>	<u>17,375</u>	<u>3,045,455</u>
EXPENDITURES					
Instruction					
Salaries	1,688,042	1,703,058	1,322,390	380,668	1,176,766
Employee Benefits	-	-	305,849	(305,849)	267,841
Purchased Services	84,000	64,000	233,966	(169,966)	122,985
Supplies and Materials	187,906	178,824	128,694	50,130	174,571
Property	9,500	59,500	10,637	48,863	-
Other	-	-	12,732	(12,732)	6,230
Total Instruction	<u>1,969,448</u>	<u>2,005,382</u>	<u>2,014,268</u>	<u>(8,886)</u>	<u>1,748,393</u>
Supporting Services					
School Administration					
Salaries	508,188	463,503	345,625	117,878	311,769
Employee Benefits	-	-	82,713	(82,713)	58,725
Purchased Services	882,957	1,044,388	565,434	478,954	515,027
Supplies and Materials	58,250	59,750	85,524	(25,774)	142,424
Property	-	-	11,614	(11,614)	7,237
Debt Service					
Principal	10,000	10,000	-	10,000	11,542
Interest	-	-	-	-	194
Total Supporting Services	<u>1,459,395</u>	<u>1,577,641</u>	<u>1,090,910</u>	<u>486,731</u>	<u>1,046,918</u>
Contingency	<u>102,865</u>	<u>107,491</u>	<u>-</u>	<u>107,491</u>	<u>-</u>
TOTAL EXPENDITURES	<u>3,531,708</u>	<u>3,690,514</u>	<u>3,105,178</u>	<u>585,336</u>	<u>2,795,311</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(82,567)</u>	<u>(75,855)</u>	<u>526,856</u>	<u>602,711</u>	<u>250,144</u>
OTHER FINANCING SOURCES (USES)					
Transfers Out	<u>-</u>	<u>-</u>	<u>(241,533)</u>	<u>(241,533)</u>	<u>(84,870)</u>
NET CHANGE IN FUND BALANCE	<u>(82,567)</u>	<u>(75,855)</u>	<u>285,323</u>	<u>361,178</u>	<u>165,274</u>
FUND BALANCE, Beginning	<u>85,653</u>	<u>85,653</u>	<u>721,670</u>	<u>636,017</u>	<u>556,396</u>
FUND BALANCE, Ending	<u>\$ 3,086</u>	<u>\$ 9,798</u>	<u>\$ 1,006,993</u>	<u>\$ 997,195</u>	<u>\$ 721,670</u>

See the accompanying independent auditors' report.