

**COLOGNE ACADEMY  
CHARTER SCHOOL NO. 4188**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2012**

**COLOGNE ACADEMY  
CHARTER SCHOOL NO. 4188  
TABLE OF CONTENTS  
YEAR ENDED JUNE 30, 2012**

**INTRODUCTORY SECTION**

SCHOOL BOARD AND ADMINISTRATION	1
---------------------------------	---

**FINANCIAL SECTION**

INDEPENDENT AUDITORS' REPORT	2
REQUIRED SUPPLEMENTARY INFORMATION	
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET ASSETS	13
STATEMENT OF ACTIVITIES	14
BALANCE SHEET – GOVERNMENTAL FUNDS	15
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS	16
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE – GOVERNMENTAL FUNDS	17
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE – GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES	18
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND	19
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE – BUDGET AND ACTUAL – MAJOR FOOD SERVICE FUND	20
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE – BUDGET AND ACTUAL – MAJOR COMMUNITY SERVICE FUND	21
NOTES TO BASIC FINANCIAL STATEMENTS	22

**COLOGNE ACADEMY  
CHARTER SCHOOL NO. 4188  
TABLE OF CONTENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2012**

**SUPPLEMENTARY INFORMATION**

GENERAL FUND

BALANCE SHEET 34

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND  
BALANCE 35

FOOD SERVICE FUND

BALANCE SHEET 38

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND  
BALANCE – BUDGET AND ACTUAL 39

COMMUNITY SERVICE FUND

BALANCE SHEET 40

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND  
BALANCE – BUDGET AND ACTUAL 41

UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS  
COMPLIANCE TABLE 42

**OTHER REQUIRED REPORTS**

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* 43

REPORT ON MINNESOTA LEGAL COMPLIANCE 45

## **INTRODUCTORY SECTION**

**COLOGNE ACADEMY  
CHARTER SCHOOL NO. 4188  
SCHOOL BOARD AND ADMINISTRATION  
JUNE 30, 2012**

**SCHOOL BOARD**

<b><u>NAME</u></b>	<b><u>BOARD POSITION</u></b>
Becca Rausenberger	Chair
Scott Pelletier *	Treasurer
Melissa Mase	Secretary
Jeff Katherman	Member/Treasurer
Julie Olson	Member
Lisa Schlough	Member
Bryan Deutsch	Member
Matt Lein	Member
Megan Schulist **	Member

\* - Resigned March 23, 2012

\*\* - Resigned Oct. 27, 2011

**ADMINISTRATION**

Lynn Gluck Peterson	Executive Director
Traci LaFerriere	CFO, Ex-Officio Member
Kelly Farrell	Administrative Assistant

## **FINANCIAL SECTION**



## INDEPENDENT AUDITORS' REPORT

Members of the Board of Education  
Charter School No. 4188  
Cologne Academy  
Cologne, Minnesota

We have audited the accompanying financial statements of the governmental activities and each major fund of Cologne Academy (the School) as of and for the year ended June 30, 2012, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year partial comparative information has been derived from the School's June 30, 2011 financial statements and, in our report dated December 15, 2011, we expressed unqualified opinions on the respective financial statements of the governmental activities and the major funds.

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 the School as of June 30, 2012, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund and the Major Special Revenue Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2012, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Members of the Board of Education  
Charter School No. 4188  
Cologne Academy

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 the School's basic financial statements. The individual fund statements and the accompanying Uniform Financial Accounting and Reporting Standards Compliance Table as listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual fund statements and the accompanying 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 basic 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 basic financial statements as a whole.

  
**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
November 15, 2012



## **REQUIRED SUPPLEMENTARY INFORMATION**

**COLOGNE ACADEMY  
CHARTER SCHOOL NO. 4188  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012**

This section of Cologne Academy Charter School No. 4188's annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year that ended on June 30, 2012. Please read it in conjunction with the School's financial statements, which immediately follows this section.

**FINANCIAL HIGHLIGHTS**

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

- Net Assets are \$715,433 as of June 30, 2012 compared to \$447,542 as of June 30, 2011.
- Total fund balance of the General Fund is \$637,212 at June 30, 2012.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial section of the annual report consists of four parts – Independent Auditors' 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.

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

**COLOGNE ACADEMY  
CHARTER SCHOOL NO. 4188  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012**

**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 – the difference between the School's assets and liabilities – is 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, respectively.
- To assess the overall health of the School you need to consider additional non-financial factors such as changes in the School's creditworthiness and the condition of school buildings and other facilities.

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

- *Governmental Activities* – Most of the School's basic services are included here, such as regular and special education, transportation, administration, and food services. State 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. Funds are accounting devices the School uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by debt covenants.
- The School may establish other funds to control and manage money for a specific purpose.

The School has one kind of fund:

- *Governmental Funds* – Most of the School's basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the additional long-term focus of the School-wide statements, we provide additional information at the bottom of the governmental funds statements to explain the relationship (or differences) between them.

**COLOGNE ACADEMY  
CHARTER SCHOOL NO. 4188  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012**

**FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE**

**Net Assets**

The School's *combined* net assets were \$715,433 on June 30, 2012 (see Table A-1).

**Table A-1  
The School's Net Assets**

	<u>Governmental Activities</u>		<u>Percentage Change</u>
	<u>2012</u>	<u>2011</u>	
Current and Other Assets	\$ 1,257,421	\$ 1,073,527	17.1 %
Capital and Non-Current Assets	45,906	49,601	(7.4)
<b>Total Assets</b>	<u>1,303,327</u>	<u>1,123,128</u>	16.0
Current Liabilities	<u>587,894</u>	<u>675,586</u>	(13.0)
Net Assets:			
Invested in Capital Assets			
Net of Related Debt	45,906	49,601	(7.4)
Restricted	32,315	17,619	83.4
Unrestricted	637,212	380,322	67.5
<b>Total Net Assets</b>	<u><u>\$ 715,433</u></u>	<u><u>\$ 447,542</u></u>	59.9

**COLOGNE ACADEMY  
CHARTER SCHOOL NO. 4188  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012**

**Changes in Net Assets**

The School's total revenue was \$3,011,482 for the year ended June 30, 2012. Unrestricted state formula aid accounted for 62.3% of total revenue for the year (see Figure A-1). Another 32.9% came from other operating grants and the remainder from other general revenues and fees for service.

**Table A-2  
Change in Net Assets**

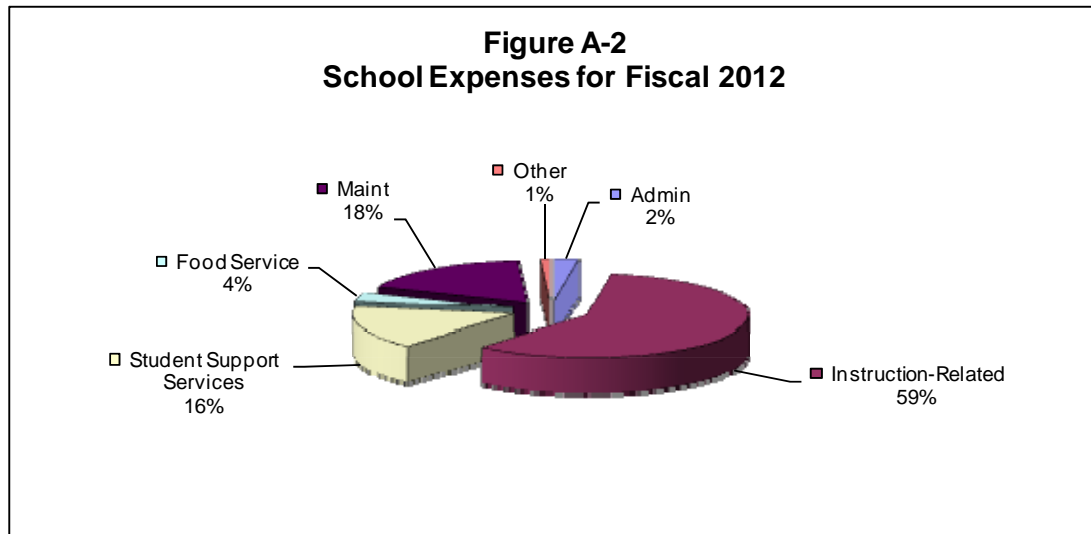
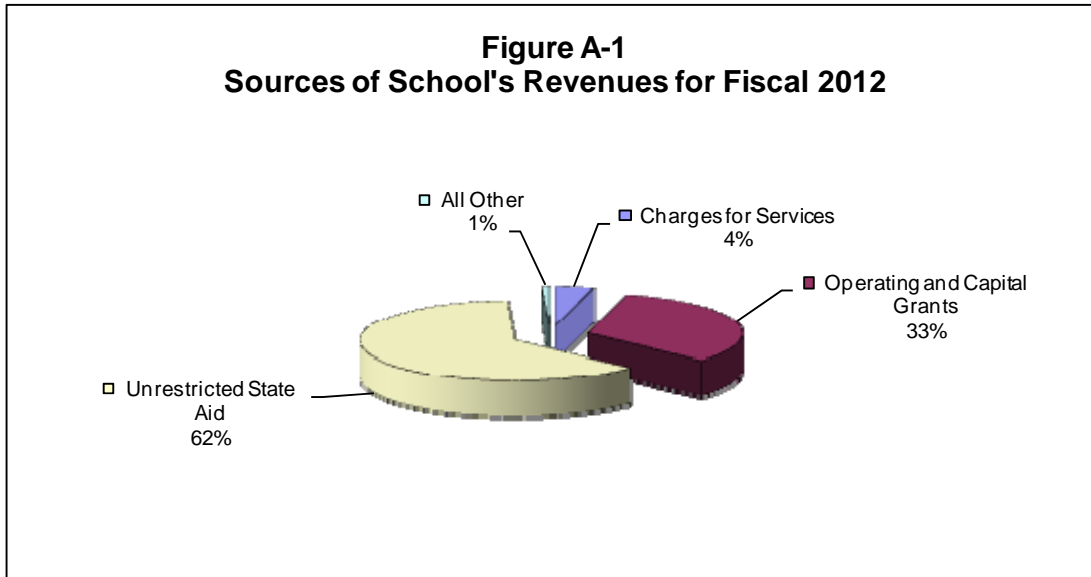
	Governmental Activities for the Fiscal Year Ended June 30,		Total % Change
	2012	2011	
<b>Revenues</b>			
<u>Program Revenues</u>			
Charges for Services	\$ 119,922	\$ 86,673	38.4 %
Operating Grants and Contributions	989,879	906,796	9.2
<u>General Revenues</u>			
Unrestricted State Aid	1,879,002	1,482,264	26.8
Investment Earnings	87	172	(49.4)
Other	22,592	10,053	124.7
Total Revenues	<u>3,011,482</u>	<u>2,485,958</u>	21.1
<b>Expenses</b>			
Administration	65,343	61,896	5.6
District Support Services	111,049	113,502	(2.2)
Regular Instruction	1,091,502	855,206	27.6
Special Education Instruction	527,925	470,295	12.3
Instructional Support Services	213,880	148,060	44.5
Pupil Support Services	121,622	85,777	41.8
Sites and Buildings	490,561	387,770	26.5
Fiscal and Other Fixed Cost Programs	11,639	13,557	(14.1)
Food Service	80,490	65,352	23.2
Community Service	15,939	10,692	49.1
Interest and Fiscal Charges on Long-Term Liabilities	13,641	41,475	(67.1)
Total Expenses	<u>2,743,591</u>	<u>2,253,582</u>	21.7
<b>Increase in Net Assets</b>	267,891	232,376	
Beginning Net Assets	447,542	215,166	
Ending Net Assets	<u>\$ 715,433</u>	<u>\$ 447,542</u>	

The total cost of all programs and services was \$2,743,591. Total expenses were less than revenues increasing net assets by \$267,891 from last year.

**COLOGNE ACADEMY  
CHARTER SCHOOL NO. 4188  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012**

The cost of all *governmental* activities this period was \$2,743,591.

- Some of the cost was paid by the users of the School's programs (\$119,922).
- The federal government and private grant funds subsidized certain programs with grants and contributions (\$989,879).
- Most of the Schools costs, however, were paid for by unrestricted state aid.



**COLOGNE ACADEMY  
CHARTER SCHOOL NO. 4188  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012**

**Table A-3  
Program Expenses and Net Cost of Services**

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2012	2011		2012	2011	
Administration	\$ 65,343	\$ 61,896	5.6 %	\$ 65,343	\$ 61,896	5.6 %
District Support Services	111,049	113,502	(2.2)	111,049	113,502	(2.2)
Regular Instruction	1,091,502	855,206	27.6	988,396	749,390	31.9
Special Education Instruction	527,925	470,295	12.3	15,073	(26,220)	(157.5)
Instructional Support Services	213,880	148,060	44.5	213,880	148,060	44.5
Pupil Support Services	121,622	85,777	41.8	121,622	65,640	85.3
Sites and Buildings	490,561	387,770	26.5	113,437	90,295	25.6
Fiscal and Other Fixed Cost Programs	11,639	13,557	(14.1)	11,639	13,557	(14.1)
Food Service	80,490	65,352	23.2	(8,951)	(8,174)	9.5
Community Service	15,939	10,692	49.1	(11,339)	10,692	(206.1)
Interest and Fiscal Charges on Long-Term Liabilities	13,641	41,475	(67.1)	13,641	41,475	(67.1)
Total	<u>\$ 2,743,591</u>	<u>\$ 2,253,582</u>	21.7	<u>\$ 1,633,790</u>	<u>\$ 1,260,113</u>	29.7

**FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS**

The financial performance of the School as a whole is reflected in its General Fund. As the School completed the year, its General Fund reported a fund balance of \$637,212 which is \$256,890 higher than last year's ending fund balance of \$380,322.

Revenues for the School's General Fund were \$2,894,763 while total expenditures were \$2,637,873.

**GENERAL FUND**

The General Fund includes the primary operations of the School in providing educational services to students from kindergarten through grade eight including regular and special education, administration, and food services. State aids finance most of these activities.

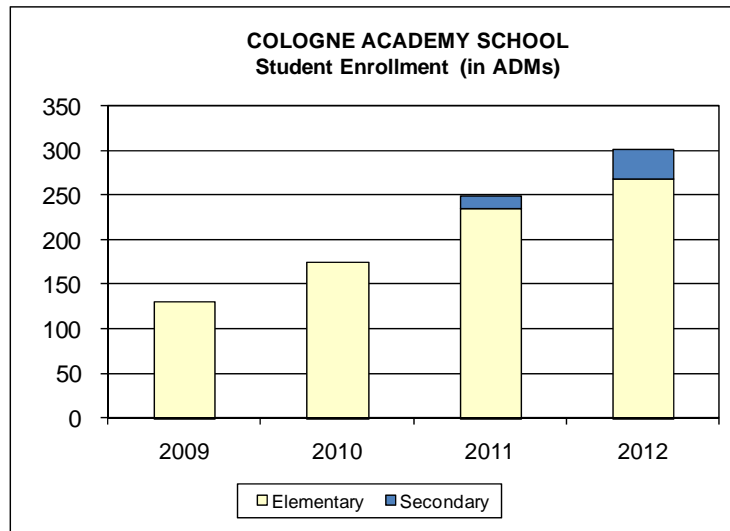
Approximately 93.1% of General Fund operational revenue is controlled by a complex set of state funding formulas resulting in the local school board having no meaningful authority to determine the level of resources.

**COLOGNE ACADEMY  
CHARTER SCHOOL NO. 4188  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012**

**ENROLLMENT**

Enrollment is a critical factor in determining revenue. The following chart shows that the average number of students was 303 for the 2011-2012 school year which was the School's fourth year in operation with students.

**Table A-4  
Average Daily Membership (ADM)**



The following schedule presents a summary of General Fund Revenues.

**Table A-5  
General Fund Revenues**

Fund	Year Ended		Change	
	June 30, 2012	June 30, 2011	Increase (Decrease)	Percent
Local Sources:				
Earnings on Investments	\$ 87	\$ 172	\$ (85)	(49.4)%
Other	56,979	30,830	26,149	84.8
State Sources	2,720,242	2,227,070	493,172	22.1
Federal Sources	117,455	134,223	(16,768)	(12.5)
Total General Fund Revenue	<u>\$ 2,894,763</u>	<u>\$ 2,392,295</u>	<u>\$ 502,468</u>	21.0

Total General Fund Revenue increased by \$502,468 from the previous year. Basic general education revenue is determined by multiple state formulas that are largely enrollment driven. For Minnesota charter schools, the majority of all funding is made up of general education aid, special education aid, and charter school lease aid. Other revenue consists of federal and private grant funding that is often expenditure driven.



**COLOGNE ACADEMY  
CHARTER SCHOOL NO. 4188  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012**

The following schedule presents a summary of General Fund Expenditures.

**Table A-6  
General Fund Expenditures**

	Year Ended		Amount of Increase (Decrease)	Percent Increase (Decrease)
	June 30, 2012	June 30, 2011		
Salaries	\$ 1,300,772	\$ 1,052,011	\$ 248,761	23.6 %
Employee Benefits	349,459	274,948	74,511	27.1
Purchased Services	825,703	703,557	122,146	17.4
Supplies and Materials	119,124	76,827	42,297	55.1
Capital Expenditures	14,055	24,297	(10,242)	(42.2)
Other Expenditures	28,760	43,225	(14,465)	(33.5)
Total Expenditures	<u>\$ 2,637,873</u>	<u>\$ 2,174,865</u>	<u>\$ 463,008</u>	21.3

Total General Fund expenditures increased by \$463,008 from the previous year. This increase is primarily due to an increase in salaries and benefits (\$323,272) and Purchased Services (\$122,146).

Total fund balance is the single best measure of overall financial health. The ending fund balance at June 30, 2012, represents 24.2% of annual expenditures. Cologne Academy has a fund balance policy in place that projects that the fund balance will increase to 27.0% by 2016.

**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. These budget amendments typically fall into two categories:

- Implementing budgets for specially funded projects, which include both federal and state grants and reinstating unexpended funds being carried over.
- Legislation passes subsequent to budget adoption, changes necessitated by employment agreements, and increases in appropriations for significant unbudgeted costs.

Actual General Fund revenues were \$15,055 greater than expected or a 0.5% variance.

The actual General Fund expenditures were \$15,863 lower than budget or a 0.6% variance.

**COLOGNE ACADEMY  
CHARTER SCHOOL NO. 4188  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012**

**OTHER MAJOR FUNDS**

Revenues exceeded expenditures in the Food Service Fund by \$4,572. In the Community Service Fund total revenues exceeded expenditures by \$10,124.

From the standpoint of maintaining current operating expenditures within the range of annual revenue and maintaining a sound fund balance, the Special Revenues Funds operate on as sound of a financial basis as they are able within the constraints of available revenue.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

By the end of 2011-2012 school year, the School had invested \$131,688 in its capital assets, including office, classroom, computer, and audio-visual equipment (see Table A-7). Total depreciation expense for the year was \$23,815. (More detailed information about capital assets can be found in Note 3 to the financial statements.)

**Table A-7  
The School's Capital Assets**

	2012	2011	Percentage Change
Equipment	\$ 131,688	\$ 111,568	18.0 %
Less: Accumulated Depreciation	<u>(85,782)</u>	<u>(61,967)</u>	38.4
<b>Total</b>	<u><u>\$ 45,906</u></u>	<u><u>\$ 49,601</u></u>	(7.4)

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

The School is dependent on the State of Minnesota for its revenue authority. Recent legislated changes to the state's schedule and process for disbursing state and federal aids have created a hardship for the School. The School has budgeted conservatively but the delays in state payments required the School to extend and increase their line of credit from F & M Bank in 2012.

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

Cologne Academy concluded its fourth operational year on June 30, 2012 building upon a successful first three years of operation. Attendance increased during fiscal year 2012 by 21%; growing from 250 students to 303 average daily student membership. A significant contribution of \$271,586 was made to the fund balance of the governmental funds as well. Cologne looks to continue to meet and exceed its academic and financial goals as it moves into the 2012-2013 school year.

**CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our constituents, state oversight agencies, lenders, customers, legislative leaders 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 Cologne Academy, 1221 South Village Parkway, Cologne, MN 55322.

## **BASIC FINANCIAL STATEMENTS**

**COLOGNE ACADEMY  
CHARTER SCHOOL NO. 4188  
STATEMENT OF NET ASSETS  
JUNE 30, 2012  
(WITH COMPARATIVE DATA AS OF JUNE 30, 2011)**

	Governmental Activities	
	2012	2011
<b>ASSETS</b>		
Cash and Investments	\$ 164,377	\$ 135,840
Receivables:		
Other Governments	1,064,445	919,004
Other	2,746	-
Prepaid Items	25,853	18,683
Capital Assets:		
Other Capital Assets, Net of Depreciation	45,906	49,601
Total Assets	1,303,327	1,123,128
<b>LIABILITIES</b>		
Short-Term Borrowing	100,000	317,330
Salaries and Payroll Withholding Payable	249,774	193,088
Accounts and Contracts Payable	238,120	165,168
Total Liabilities	587,894	675,586
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	45,906	49,601
Restricted for:		
Food Service	12,746	8,174
Community Service	19,569	9,445
Unrestricted	637,212	380,322
Total Net Assets	\$ 715,433	\$ 447,542

See accompanying Notes to Basic Financial Statements.

**COLOGNE ACADEMY  
CHARTER SCHOOL NO. 4188  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2012  
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2011)**

Functions	2012			2011	
	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Total Governmental Activities	
			Total Governmental Activities	Net (Expense) Revenue and Changes in Net Assets	
<b>Governmental Activities</b>					
Administration	\$ 65,343	\$ -	\$ -	\$ (65,343)	\$ (61,896)
District Support Services	111,049	-	-	(111,049)	(113,502)
Regular Instruction	1,091,502	34,388	68,718	(988,396)	(749,390)
Special Education Instruction	527,925	-	512,852	(15,073)	26,220
Instructional Support Services	213,880	-	-	(213,880)	(148,060)
Pupil Support Services	121,622	-	-	(121,622)	(65,640)
Sites and Buildings	490,561	-	377,124	(113,437)	(90,295)
Fiscal and Other Fixed Cost Programs	11,639	-	-	(11,639)	(13,557)
Food Service	80,490	58,256	31,185	8,951	8,174
Community Service	15,939	27,278	-	11,339	(10,692)
Interest and Fiscal Charges on Long-Term Liabilities	13,641	-	-	(13,641)	(41,475)
Total School District	<u>\$ 2,743,591</u>	<u>\$ 119,922</u>	<u>\$ 989,879</u>	(1,633,790)	(1,260,113)
<b>General Revenues</b>					
State Aid Not Restricted to Specific Purposes				1,879,002	1,482,264
Earnings on Investments				87	172
Miscellaneous				22,592	10,053
Total General Revenues				<u>1,901,681</u>	<u>1,492,489</u>
Change in Net Assets				267,891	232,376
Net Assets - Beginning				447,542	215,166
Net Assets - Ending				<u>\$ 715,433</u>	<u>\$ 447,542</u>

See accompanying Notes to Basic Financial Statements.

**COLOGNE ACADEMY  
CHARTER SCHOOL NO. 4188  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012  
(WITH COMPARATIVE DATA AS OF JUNE 30, 2011)**

	Major Funds			Total Governmental Funds	
	General	Food Service	Community Service	2012	2011
<b>ASSETS</b>					
Cash and Investments	\$ 123,809	\$ 19,191	\$ 21,377	\$ 164,377	\$ 135,840
Receivables:					
Due from Minnesota Department of Education	1,041,854	117	-	1,041,971	901,797
Due from Federal through Minnesota Department of Education	21,735	739	-	22,474	17,207
Other Receivables	532	1,361	853	2,746	-
Prepaid Items	25,853	-	-	25,853	18,683
	<u>25,853</u>	<u>-</u>	<u>-</u>	<u>25,853</u>	<u>18,683</u>
Total Assets	<u>\$ 1,213,783</u>	<u>\$ 21,408</u>	<u>\$ 22,230</u>	<u>\$ 1,257,421</u>	<u>\$ 1,073,527</u>
<b>LIABILITIES AND FUND BALANCE</b>					
Liabilities:					
Short-Term Borrowing	\$ 100,000	\$ -	\$ -	\$ 100,000	\$ 317,330
Salaries and Compensated Absences Payable	172,757	585	-	173,342	171,095
Payroll Deductions and Employer Contributions Payable	76,156	276	-	76,432	21,993
Accounts and Contracts Payable	227,658	7,801	2,661	238,120	165,168
	<u>227,658</u>	<u>7,801</u>	<u>2,661</u>	<u>238,120</u>	<u>165,168</u>
Total Liabilities	576,571	8,662	2,661	587,894	675,586
Fund Balance:					
Nonspendable:					
Prepaid Items	25,853	-	-	25,853	18,683
Restricted:					
Food Service Program	-	12,746	-	12,746	8,174
Community Education Program	-	-	19,569	19,569	9,445
Unassigned	611,359	-	-	611,359	361,639
	<u>611,359</u>	<u>-</u>	<u>-</u>	<u>611,359</u>	<u>361,639</u>
Total Fund Balance	637,212	12,746	19,569	669,527	397,941
Total Liabilities and Fund Balance	<u>\$ 1,213,783</u>	<u>\$ 21,408</u>	<u>\$ 22,230</u>	<u>\$ 1,257,421</u>	<u>\$ 1,073,527</u>

See accompanying Notes to Basic Financial Statements.

**COLOGNE ACADEMY**  
**CHARTER SCHOOL NO. 4188**  
**RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2012**  
**(WITH COMPARATIVE DATA AS OF JUNE 30, 2011)**

	2012	2011
<b>Total Fund Balance for Governmental Funds</b>	\$ 669,527	\$ 162,892
<p>Total net assets reported for governmental activities in the statement of net assets is different because:</p> <p>Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:</p>		
Equipment, Net of Accumulated Depreciation	45,906	52,274
<b>Total Net Assets of Governmental Activities</b>	<b>\$ 715,433</b>	<b>\$ 215,166</b>

See accompanying Notes to Basic Financial Statements.

**COLOGNE ACADEMY  
CHARTER SCHOOL NO. 4188  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2012  
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2011)**

	Major Funds			Total Governmental	
	General	Food Service	Community Service	2012	2011
<b>REVENUES</b>					
Local Sources:					
Earnings on Investments	\$ 87	\$ -	\$ -	\$ 87	\$ 172
Other	56,979	58,256	27,278	142,513	96,726
State Sources	2,720,242	4,003	-	2,724,245	2,230,485
Federal Sources	117,455	27,182	-	144,637	158,575
Total Revenues	<u>2,894,763</u>	<u>89,441</u>	<u>27,278</u>	<u>3,011,482</u>	<u>2,485,958</u>
<b>EXPENDITURES</b>					
Current:					
Administration	65,343	-	-	65,343	59,313
District Support Services	108,474	-	-	108,474	111,143
Regular Instruction	1,074,346	-	-	1,074,346	844,379
Special Education Instruction	527,925	-	-	527,925	470,295
Instructional Support Services	211,467	-	-	211,467	131,694
Pupil Support Services	121,486	-	-	121,486	85,777
Sites and Buildings	489,497	-	-	489,497	392,935
Fiscal and Other Fixed Cost Programs	11,639	-	-	11,639	13,557
Food Service	-	80,153	-	80,153	65,352
Community Service	-	-	15,804	15,804	10,692
Capital Outlay	14,055	4,716	1,350	20,121	24,297
Debt Service:					
Interest and Fiscal Charges	13,641	-	-	13,641	41,475
Total Expenditures	<u>2,637,873</u>	<u>84,869</u>	<u>17,154</u>	<u>2,739,896</u>	<u>2,250,909</u>
Excess of Revenues Over Expenditures	256,890	4,572	10,124	271,586	235,049
Fund Balance - Beginning	<u>380,322</u>	<u>8,174</u>	<u>9,445</u>	<u>397,941</u>	<u>162,892</u>
Fund Balance - Ending	<u>\$ 637,212</u>	<u>\$ 12,746</u>	<u>\$ 19,569</u>	<u>\$ 669,527</u>	<u>\$ 397,941</u>

See accompanying Notes to Basic Financial Statements.



**COLOGNE ACADEMY  
 CHARTER SCHOOL NO. 4188  
 RECONCILIATION TO THE STATEMENT OF  
 REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE –  
 GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2012  
 (WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2011)**

	2012	2011
<b>Net Change in Fund Balance - Total Governmental Funds</b>	\$ 271,586	\$ 235,049
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.</p>		
Capital Outlays	20,120	24,296
Depreciation Expense	(23,815)	(26,969)
<b>Change in Net Assets of Governmental Activities</b>	<b>\$ 267,891</b>	<b>\$ 232,376</b>

See accompanying Notes to Basic Financial Statements.

**COLOGNE ACADEMY  
CHARTER SCHOOL NO. 4188  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
<b>REVENUES</b>				
Earnings on Investments	\$ 320	\$ 84	\$ 87	\$ 3
Other	27,503	56,688	56,979	291
State Sources	2,734,066	2,705,378	2,720,242	14,864
Federal Sources	57,488	117,558	117,455	(103)
Total Revenues	2,819,377	2,879,708	2,894,763	15,055
<b>EXPENDITURES</b>				
Current:				
Administration	70,732	66,565	65,343	(1,222)
District Support Services	126,779	109,834	108,474	(1,360)
Elementary and Secondary Regular Instruction	1,151,341	1,114,135	1,074,346	(39,789)
Special Education Instruction	533,131	509,678	527,925	18,247
Instructional Support Services	160,760	191,492	211,467	19,975
Pupil Support Services	144,482	120,816	121,486	670
Sites and Buildings	485,936	487,482	489,497	2,015
Fiscal and Other Fixed Cost Programs	13,502	11,639	11,639	-
Capital Outlay	21,481	21,480	14,055	(7,425)
Debt Service:				
Interest and Fiscal Charges	36,824	20,615	13,641	(6,974)
Total Expenditures	2,744,968	2,653,736	2,637,873	(15,863)
Excess of Revenues Over Expenditures	\$ 74,409	\$ 225,972	256,890	\$ 30,918
<b>FUND BALANCE</b>				
Beginning of Year			380,322	
End of Year			\$ 637,212	

See accompanying Notes to Basic Financial Statements.

**COLOGNE ACADEMY  
CHARTER SCHOOL NO. 4188  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
MAJOR FOOD SERVICE FUND  
YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Local Sources:				
Other - Primarily Meal Sales	\$ 61,012	\$ 58,749	\$ 58,256	\$ (493)
State Sources	4,466	4,003	4,003	-
Federal Sources	16,501	26,904	27,182	278
Total Revenues	<u>81,979</u>	<u>89,656</u>	<u>89,441</u>	<u>(215)</u>
<b>EXPENDITURES</b>				
Current:				
Food Service	73,035	78,880	80,153	1,273
Capital Outlay	-	16,000	4,716	(11,284)
Total Expenditures	<u>73,035</u>	<u>94,880</u>	<u>84,869</u>	<u>(10,011)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 8,944</u>	<u>\$ (5,224)</u>	4,572	<u>\$ 9,796</u>
<b>FUND BALANCE</b>				
Beginning of Year			<u>8,174</u>	
End of Year			<u>\$ 12,746</u>	

See accompanying Notes to Basic Financial Statements.

**COLOGNE ACADEMY  
 CHARTER SCHOOL NO. 4188  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
 BUDGET AND ACTUAL  
 MAJOR COMMUNITY SERVICE FUND  
 YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
<b>REVENUES</b>				
Local Sources:				
Other - Primarily Tuition and Fees	\$ 12,275	\$ 27,850	\$ 27,278	\$ (572)
<b>EXPENDITURES</b>				
Current:				
Community Service	12,275	33,046	15,804	(17,242)
Capital Outlay	-	-	1,350	1,350
Total Expenditures	12,275	33,046	17,154	(15,892)
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	\$ -	\$ (5,196)	10,124	\$ 15,320
<b>FUND BALANCE</b>				
Beginning of Year			9,445	
End of Year			\$ 19,569	

See accompanying Notes to Basic Financial Statements.

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**COLOGNE ACADEMY  
CHARTER SCHOOL NO. 4188  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

The financial statements of Charter School No. 4188 have been prepared in conformity with U.S. generally accepted accounting principles GAAP as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

This financial report has been prepared in conformity with GASB Statement No. 34.

**B. Financial Reporting Entity**

Charter School No. 4188, also known as Cologne Academy (the School), is a nonprofit corporation that was formed and began operating in September 2007, in accordance with Minnesota Statutes. The School is authorized by Friends of Education under the terms of an authorizer agreement covering three academic school years extending through June 30, 2014.

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

Component units are legally separate entities for which the School is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit include whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit. Based on these criteria, there are no organizations considered to be component units of the School.

Aside from its authorizer role, Friends of Education has no authority, control, power, or administrative responsibilities over Cologne Academy. Therefore, the School is not considered a component unit of Friends of Education.

Extracurricular student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside of school hours. In accordance with Minnesota Statutes, school boards can elect to either control or not control extracurricular activities. The School Board has elected to control extracurricular activities; therefore, the extracurricular student activity accounts are included in the School's basic financial statements as part of the General Fund.

**COLOGNE ACADEMY  
CHARTER SCHOOL NO. 4188  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

C. Basic Financial Statement Presentation

The School-wide financial statements (i.e. the statement of net assets and the statement of activities) display information about the reporting government as a whole. These statements include all the financial activities of the School.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

The School applies restricted resources first when an expense is incurred for purpose for which both restricted and unrestricted net assets are available. Depreciation expense that can be specifically identified by function is included in the direct expenses of each function. Generally, the effect of material interfund activity has been removed from the School-wide financial statements.

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

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. 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 when all eligibility requirements imposed by the provider have been met.

**COLOGNE ACADEMY  
CHARTER SCHOOL NO. 4188  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Measurement Focus and Basis of Accounting (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded in the following manner:

**1. Revenue Recognition**

Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. State revenue is recognized in the year to which it applies according to Minnesota Statutes and GAAP. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Community service tuition, meal sales and other miscellaneous revenue (except investment earnings) are recorded as revenues when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measurable and available. A six-month availability period is generally used for other fund revenue.

**2. Recording of Expenditures**

Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements or liabilities incurred in advance of the year in which the item is to be used.

The School may report deferred revenue on its statement of net assets and balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the School before it has a legal claim to them, as when grant monies are received prior to incurring the qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the School has a legal claim to the resources, the liability for deferred revenue is removed from the statement of net assets and balance sheet and revenue is recognized.

Description of Funds

As required by state statute, Cologne Academy 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 for Minnesota School Districts (UFARS) which mandates the use of a governmental fund accounting structure. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. A description of the fund included in this report is as follows:



**COLOGNE ACADEMY  
CHARTER SCHOOL NO. 4188  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Measurement Focus and Basis of Accounting (Continued)

Description of Funds (Continued)

*Major Governmental Funds*

General Fund

The General Fund is used to account for all financial resources other than those required to be accounted for in another fund. It includes the general operations and pupil transportation activities of the School, as well as the capital related activities such as maintenance of facilities and equipment purchases.

Special Revenue Fund

The special revenue fund is used to account for the proceeds of certain specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes. The School maintains the following special revenue funds:

Food Service Fund

The Food Service Fund is used to account for the School's food service program. Primary sources of revenue in the Food Service Fund are from meal sales and state and federal aids.

Community Service Fund

The Community Service Fund is used to account for services provided for before and after school care. Primary sources of revenue in the Community Service Fund are from user fees.

E. Income Taxes

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

F. Budgeting

Budgets presented in this report for comparison to actual amounts are presented in accordance with GAAP. Each June, the School Board adopts an annual budget for the following fiscal year for the General Fund and the Special Revenue 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.

**COLOGNE ACADEMY  
CHARTER SCHOOL NO. 4188  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

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

F. Budgeting (Continued)

At the end of each fiscal year, if the General Fund has a net unassigned deficit fund balance, calculated in accordance with the uniform financial accounting and reporting standards for Minnesota schools which excludes certain restricted balances specified in Minnesota Statutes, exceeding 2.5% of expenditures, a condition referred to as "statutory operating debt" exists. That debt requires retirement through the accumulation of subsequent operating surpluses in accordance with a "special operating plan" approved by the Commissioner of the Department of Education.

G. 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.

H. Accounts Receivable

Represents 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.

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments. Prepaid items are reported using the consumption method and recorded as an expense or expenditure at the time of consumption.

J. 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. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the School, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 3 to 20 years for equipment.

The School does not possess any material amounts of infrastructure capital assets.

**COLOGNE ACADEMY  
CHARTER SCHOOL NO. 4188  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**K. Accrued Employee Benefits**

Unpaid sick leave and vacation pay has not been accrued in any funds as these benefits cannot be carried over year-to-year.

**L. Fund Balance**

In the fund financial statements, governmental funds report nonspendable, restricted, committed, assigned and unassigned fund balances. Nonspendable portions of fund balance related to prepaids, inventories, long term receivables, and corpus on any permanent fund. Restricted funds are constrained from outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the School Board. The School Board chose not to pass a resolution authorizing anyone to assign fund balances and their intended uses. Unassigned fund balances are considered the remaining amounts in the General Fund.

Although the School Board has not adopted a spending prioritization policy for restricted fund balance, the School applies restricted resources first when an expense is incurred for purpose for which both restricted and unrestricted fund balance is available. The default spending priority per GASB Statement No. 54 for unrestricted fund balance is when an expenditure is incurred for purposes for which committed, assigned and unassigned amounts are available, committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

The School has a developed a plan to achieve and then maintain a minimum fund balance of 25% of general fund expenditures by fiscal year 2014.

**M. 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.

**N. 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.

**COLOGNE ACADEMY  
CHARTER SCHOOL NO. 4188  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

O. 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. Certain comparative information has been reclassified to conform to the current year presentation.

**NOTE 2 DEPOSITS**

In accordance with applicable Minnesota Statutes, the School maintains deposits at depository banks authorized by the School's Board.

Custodial Credit Risk – Custodial credit risk for deposits 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 includes: 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 departments of a commercial bank or other financial institution not owned or controlled by the depository.

The School's deposits in banks at June 30, 2012, in the amount of \$172,940 were entirely covered by federal depository insurance in accordance with Minnesota Statutes.

**NOTE 3 CAPITAL ASSETS**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets, Being Depreciated:				
Equipment	\$ 111,568	\$ 20,120	\$ -	\$ 131,688
Accumulated Depreciation for:				
Equipment	(61,967)	(23,815)	-	(85,782)
Governmental Activities Capital Assets, Net	<u>\$ 49,601</u>	<u>\$ (3,695)</u>	<u>\$ -</u>	<u>\$ 45,906</u>

**COLOGNE ACADEMY  
CHARTER SCHOOL NO. 4188  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 3 CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to functions of the School as follows:

**Governmental Activities**

District Support Services	\$ 2,574
Elementary and Secondary Regular Instruction	17,156
Instructional Support Services	2,413
Pupil Support Services	136
Sites and Buildings	1,064
Food Service	337
Community Service	135
Total Depreciation Expense, Governmental Activities	<u>\$ 23,815</u>

**NOTE 4 SHORT-TERM BORROWING**

Line of Credit Agreement

On June 1, 2011, a line of credit was obtained from F&M Bank in the amount of \$240,000, with a fixed interest rate of 7.75%. The line of credit matured on November 1, 2011. On December 15, 2011, the School obtained a new line of credit agreement in the amount of \$650,000 at 6.75% that expires on October 31, 2012.

Collateralized Receivables

The School collateralized state aid receivables to Charter School Capital Inc. The receivables were sold on February 28, 2011 and the associated fees were \$18,418. The payback date was October 2011 and the borrowings were secured by all assets of the School.

Changes in short-term borrowing were as follows:

	June 30, 2011	Additions	Retirements	June 30, 2012
Line of Credit	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
CSC Factored Receivables 2/28/11	217,330	-	217,330	-
	<u>\$ 317,330</u>	<u>\$ 100,000</u>	<u>\$ 317,330</u>	<u>\$ 100,000</u>

**COLOGNE ACADEMY  
CHARTER SCHOOL NO. 4188  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 5 RETIREMENT PLANS**

Substantially all employees of the School are required by State Law to belong to a pension plan administered by Teachers' Retirement Association (TRA) or Public Employees' Retirement Association (PERA), all of which are administered on a statewide basis. Disclosures relating to these plans follows:

A. Teacher's Retirement Association (TRA)

**1. Plan Description**

All teachers employed by the School are covered by a cost sharing, multiple employer defined benefit pension plan administered by the Teachers Retirement Association (TRA). TRA members belong to either the Coordinated 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 plans are established and administered in accordance with Minnesota Statutes, Chapters 354 and 356.

TRA provides retirement benefits as well as death and 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 five consecutive years of allowable service, age, and a formula multiplier years of credit at termination of service.

TRA publicly issues a Comprehensive Annual Financial Report (CAFR) presenting financial statements, supplemental information on funding levels, investment performance, and further information on benefits provisions. The report may be accessed at the TRA Web site [www.tra.state.mn.us](http://www.tra.state.mn.us). Alternatively, a copy of the report may be obtained by writing or calling TRA:

Teachers Retirement Association  
60 Empire Drive Suite 400  
St Paul MN 55103-1855  
651-296-6449  
800-657-3853

**2. Funding Policy**

Minnesota Statutes Chapter 354 sets the rates for the employee and employer contributions. These statutes are established and amended by the state legislature. Coordinated and Basic Plan members are required to contribute 6.0% and 9.5%, respectively, of their annual covered salary while the School is required to contribute at an actuarially determined rate.

**COLOGNE ACADEMY  
CHARTER SCHOOL NO. 4188  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 5 RETIREMENT PLANS (CONTINUED)**

A. Teacher's Retirement Association (TRA) (Continued)

**2. Funding Policy (Continued)**

The School is required to contribute the following percentages of annual covered payroll: 6.0% for Coordinated Plan members and 10.0% for Basic Plan members. The contribution requirements of plan members and the School are established and may be amended by state statute. The School contributions for the years ended June 30, 2012, 2011, and 2010 were \$62,467, \$46,524, and \$30,086, respectively, 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% each year of the four-year period. Beginning July 1, 2014, TRA Coordinated employee and employer contribution rates will each be 7.5%.

B. Public Employees' Retirement Association (PERA)

**1. 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.

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. PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org). Alternatively, a copy of the report may be obtained by writing or calling PERA:

Public Employees' Retirement Association  
60 Empire Drive Suite 200  
St Paul MN 55103-2088  
651-296-7460  
800-652-9026

**COLOGNE ACADEMY  
CHARTER SCHOOL NO. 4188  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 5 RETIREMENT PLANS (CONTINUED)**

B. Public Employees' Retirement Association (PERA) (Continued)

**2. Funding Policy**

Minnesota Statutes Chapter 353 sets the rates for the employer and employee contributions. These statutes are established and amended by the state legislature. The School makes annual contributions to the pension plans equal to the amount required by state statutes. GERP Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.25%, respectively, of their annual covered salary in 2011.

The School is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan GERP members and 7.25% for Coordinated Plan members. The School's contributions for the years ended June 30, 2012, 2011, and 2010 were \$21,293, \$16,872, and \$9,084, respectively. The School's contributions were equal to the contractually required contributions for each year as set by state statute.

**NOTE 6 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 fund. 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.

B. Lease Commitments and Terms

On July 29, 2008, the School entered into a building lease for approximately 16,000 square feet of school space located at 1211 Village Parkway in Cologne, Minnesota. The term of the lease is ten years commencing on July 1, 2008, and ending June 30, 2018. Minimum rent is calculated by multiplying the weighted average daily membership of students enrolled on October 1st of each year by the maximum per student per year lease aid provided by the State of Minnesota divided by 90%. However, in no event will the minimum rent for lease year 1 be less than \$93,310, \$133,000 for lease year 2, \$173,290 for lease year 3 and \$266,000 for lease year 4 and all subsequent lease years. The minimum rent in each lease year following lease year 4 will increase annually in an amount equal to the Consumer Price Index but in no event more than 2% per year. The lease agreement also contains a maximum rent cap that limits the total amount owed to no more than the amount calculated by multiplying the number of square feet in the building by \$20. The maximum rent cap increases following lease year 3 by an amount equal to the Consumer Price Index but in no event more than 2% per year.



**COLOGNE ACADEMY  
CHARTER SCHOOL NO. 4188  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 6 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

B. Lease Commitments and Terms (Continued)

On December 15, 2011, the School entered into an amendment to the original lease which provided for the landlord to increase the public schoolhouse by an additional 13,019 square feet to accommodate the projected future enrollment.

For fiscal 2012, the School owed \$423,466 under the terms of this Lease. The School qualified for estimated charter school lease aid of \$377,124 based on a cap of 90% of MDE-approved costs incurred. The School's entitlement may be prorated by MDE if the statewide appropriation is insufficient to fully pay the amounts owed.

On July 14, 2011, the School entered into a lease agreement with Advanced Imaging Solutions for the lease of a copy machine. The lease includes monthly payments of \$663 for 36 months and future minimum lease payments total \$7,956 annually through fiscal year 2014.

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.

## **SUPPLEMENTARY INFORMATION**

**COLOGNE ACADEMY  
 CHARTER SCHOOL NO. 4188  
 GENERAL FUND  
 BALANCE SHEET  
 JUNE 30, 2012  
 (WITH COMPARATIVE DATA AS OF JUNE 20, 2011)**

	2012	2011
<b>ASSETS</b>		
Cash and Investments	\$ 123,809	\$ 114,975
Receivables:		
Accounts and Interest Receivable	532	-
Due from Minnesota Department of Education	1,041,854	901,797
Due from Federal through the Minnesota Department of Education	21,735	16,644
Prepaid Items	25,853	18,683
Total Assets	\$ 1,213,783	\$ 1,052,099
 <b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Short-Term Borrowing	\$ 100,000	\$ 317,330
Salaries Payable	172,757	169,388
Payroll Withholding Payable	76,156	21,737
Accounts and Contracts Payable	227,658	163,322
Total Liabilities	576,571	671,777
Fund Balance:		
Nonspendable:		
Prepaid Items	25,853	18,683
Unassigned	611,359	361,639
Total Fund Balance	637,212	380,322
Total Liabilities and Fund Balance	\$ 1,213,783	\$ 1,052,099

**COLOGNE ACADEMY  
CHARTER SCHOOL NO. 4188  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGE IN FUND BALANCE  
YEAR ENDED JUNE 30, 2012  
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 20, 2011)**

	2012		Over (Under) Final Budget	2011
	Final Budget	Actual Amounts		Actual Amounts
<b>REVENUES</b>				
Local Sources:				
Earnings on Investments	\$ 84	\$ 87	\$ 3	\$ 172
Other	56,688	56,979	291	30,830
State Sources	2,705,378	2,720,242	14,864	2,227,070
Federal Sources	117,558	117,455	(103)	134,223
Total Revenues	2,879,708	2,894,763	15,055	2,392,295
<b>EXPENDITURES</b>				
Current:				
Administration:				
Salaries	44,413	43,350	(1,063)	39,786
Employee Benefits	6,449	6,291	(158)	5,327
Purchased Services	15,703	15,702	(1)	14,107
Supplies and Materials	-	-	-	93
Total Administration	66,565	65,343	(1,222)	59,313
District Support Services:				
Purchased Services	95,466	94,131	(1,335)	104,423
Supplies and Materials	2,741	2,716	(25)	4,970
Capital Expenditures	569	569	-	2,359
Other Expenditures	11,627	11,627	-	1,750
Total District Support Services	110,403	109,043	(1,360)	113,502
Elementary and Secondary Regular Instruction:				
Salaries	764,928	729,600	(35,328)	607,326
Employee Benefits	222,501	229,211	6,710	162,995
Purchased Services	22,608	17,503	(5,105)	15,341
Supplies and Materials	104,019	97,953	(6,066)	58,717
Capital Expenditures	20,092	12,667	(7,425)	6,779
Other Expenditures	79	79	-	-
Total Elementary and Secondary Regular Instruction	1,134,227	1,087,013	(47,214)	851,158

**COLOGNE ACADEMY  
CHARTER SCHOOL NO. 4188  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGE IN FUND BALANCE (CONTINUED)  
YEAR ENDED JUNE 30, 2012  
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 20, 2011)**

	2012		Over (Under) Final Budget	2011
	Final Budget	Actual Amounts		Actual Amounts
<b>EXPENDITURES (Continued)</b>				
Current (Continued):				
Special Education Instruction:				
Salaries	\$ 333,834	\$ 350,662	\$ 16,828	\$ 300,952
Employee Benefits	79,008	81,058	2,050	83,822
Purchased Services	94,080	93,449	(631)	83,156
Supplies and Materials	2,756	2,756	-	2,365
Total Special Education Instruction	509,678	527,925	18,247	470,295
Instructional Support Services:				
Salaries	132,908	145,462	12,554	85,545
Employee Benefits	23,368	25,586	2,218	19,978
Purchased Services	31,152	36,248	5,096	24,836
Supplies and Materials	651	758	107	1,335
Capital Expenditures	-	-	-	15,159
Other Expenditures	3,413	3,413	-	-
Total Instructional Support Services	191,492	211,467	19,975	146,853
Pupil Support Services:				
Salaries	14,944	15,500	556	8,352
Employee Benefits	2,179	2,290	111	1,235
Purchased Services	102,878	102,878	-	75,986
Supplies and Materials	815	818	3	204
Capital Expenditures	819	819	-	-
Total Pupil Support Services	121,635	122,305	670	85,777
Sites and Buildings:				
Salaries	16,653	16,198	(455)	10,050
Employee Benefits	2,559	2,497	(62)	1,591
Purchased Services	457,242	456,679	(563)	372,151
Supplies and Materials	11,028	14,123	3,095	9,143
Total Sites and Buildings	487,482	489,497	2,015	392,935
Fiscal and Other Fixed Cost Programs:				
Programs:				
Employee Benefits	2,526	2,526	-	-
Purchased Services	9,113	9,113	-	13,557
Total Fiscal and Other Fixed Cost Programs	11,639	11,639	-	13,557

**COLOGNE ACADEMY  
CHARTER SCHOOL NO. 4188  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGE IN FUND BALANCE (CONTINUED)  
YEAR ENDED JUNE 30, 2012  
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 20, 2011)**

	2012		Over (Under) Final Budget	2011
	Final Budget	Actual Amounts		Actual Amounts
<b>EXPENDITURES (Continued)</b>				
Debt Service:				
Interest and Fiscal Charges	\$ 20,615	\$ 13,641	\$ (6,974)	\$ 41,475
Total Expenditures	<u>2,653,736</u>	<u>2,637,873</u>	<u>(15,863)</u>	<u>2,174,865</u>
Excess of Revenue Over Expenditures	<u>\$ 225,972</u>	256,890	<u>\$ 30,918</u>	217,430
<b>FUND BALANCE</b>				
Beginning of Year		<u>380,322</u>		<u>162,892</u>
End of Year		<u>\$ 637,212</u>		<u>\$ 380,322</u>

**COLOGNE ACADEMY  
 CHARTER SCHOOL NO. 4188  
 FOOD SERVICE FUND  
 BALANCE SHEET  
 JUNE 30, 2012  
 (WITH COMPARATIVE DATA AS OF JUNE 20, 2011)**

	2012	2011
<b>ASSETS</b>		
Cash and Investments	\$ 19,191	\$ 10,238
Receivables:		
Accounts and Interest Receivable	1,361	-
Due from Minnesota Department of Education	117	-
Due from Federal through the Minnesota Department of Education	739	563
Total Assets	\$ 21,408	\$ 10,801
 <b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Salaries and Compensated Absences Payable	\$ 585	\$ 667
Payroll Deductions and Employer Contributions Payable	276	114
Accounts and Contracts Payable	7,801	1,846
Total Liabilities	8,662	2,627
Fund Balance:		
Restricted for Food Service Program	12,746	8,174
Total Liabilities and Fund Balance	\$ 21,408	\$ 10,801

**COLOGNE ACADEMY  
CHARTER SCHOOL NO. 4188  
FOOD SERVICE FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2012  
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 20, 2011)**

	2012		Over (Under) Final Budget	2011
	Final Budget	Actual Amounts		Actual Amounts
<b>REVENUES</b>				
Local Sources:				
Other - Primarily Meal Sales	\$ 58,749	\$ 58,256	\$ (493)	\$ 45,759
State Sources	4,003	4,003	-	3,415
Federal Sources	26,904	27,182	278	24,352
Total Revenues	89,656	89,441	(215)	73,526
<b>EXPENDITURES</b>				
Current:				
Salaries	4,500	4,500	-	4,000
Employee Benefits	670	670	-	593
Purchased Services	752	563	(189)	650
Supplies and Materials	72,266	73,728	1,462	60,109
Other Expenditures	692	692	-	-
Capital Outlay	16,000	4,716	(11,284)	-
Total Expenditures	94,880	84,869	(10,011)	65,352
Net Change in Fund Balance	\$ (5,224)	4,572	\$ 9,796	8,174
<b>FUND BALANCE</b>				
Beginning of Year		8,174		-
End of Year		\$ 12,746		\$ 8,174



**COLOGNE ACADEMY  
 CHARTER SCHOOL NO. 4188  
 COMMUNITY SERVICE FUND  
 BALANCE SHEET  
 JUNE 30, 2012  
 (WITH COMPARATIVE DATA AS OF JUNE 20, 2011)**

	2012	2011
<b>ASSETS</b>		
Cash and Investments	\$ 21,377	\$ 10,627
Receivables:		
Accounts and Interest Receivable	853	-
Total Assets	\$ 22,230	\$ 10,627
 <b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Salaries and Compensated Absences Payable	\$ -	\$ 1,040
Payroll Deductions and Employer Contributions Payable	-	142
Accounts and Contracts Payable	2,661	-
Total Liabilities	2,661	1,182
Fund Balance:		
Restricted for Community Service	19,569	9,445
Total Liabilities and Fund Balance	\$ 22,230	\$ 10,627

**COLOGNE ACADEMY  
CHARTER SCHOOL NO. 4188  
COMMUNITY SERVICE FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2012  
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 20, 2011)**

	2012			2011
	Final Budget	Actual Amounts	Over (Under) Final Budget	Actual Amounts
<b>REVENUES</b>				
Local Sources:				
Other - Primarily Tuition and Fees	\$ 27,850	\$ 27,278	\$ (572)	\$ 20,137
<b>EXPENDITURES</b>				
Current:				
Salaries	9,561	9,579	18	9,245
Employee Benefits	1,423	1,427	4	1,317
Supplies and Materials	22,062	4,798	(17,264)	130
Capital Outlay	-	1,350	1,350	-
Total Expenditures	<u>33,046</u>	<u>17,154</u>	<u>(15,892)</u>	<u>10,692</u>
Net Change in Fund Balance	<u>\$ (5,196)</u>	10,124	<u>\$ 15,320</u>	9,445
<b>FUND BALANCE</b>				
Beginning of Year		<u>9,445</u>		<u>-</u>
End of Year		<u>\$ 19,569</u>		<u>\$ 9,445</u>

**COLOGNE ACADEMY  
CHARTER SCHOOL NO. 4188  
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS  
COMPLIANCE TABLE  
JUNE 30, 2012**

	AUDIT	UFARS	Difference
<b><u>01 GENERAL FUND</u></b>			
Total Revenue	\$ 2,894,763	\$ 2,894,762	\$ 1
Total Expenditures	2,637,873	2,637,882	(9)
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	25,853	25,853	-
<i>Restricted/Reserved:</i>			
403 Staff Development	-	-	-
405 Deferred Maintenance	-	-	-
406 Health & Safety	-	-	-
407 Capital Project Levy	-	-	-
408 Cooperative Programs	-	-	-
411 Severance Pay	-	-	-
413 Project Funded by COP	-	-	-
414 Operating Debt	-	-	-
416 Levy Reduction	-	-	-
417 Taconite Building Maint	-	-	-
423 Certain Teacher Programs	-	-	-
424 Operating Capital	-	-	-
426 \$25 Taconite	-	-	-
427 Disabled Accessibility	-	-	-
428 Learning & Development	-	-	-
434 Area Learning Center	-	-	-
435 Contracted Alt. Programs	-	-	-
436 State Approved Alt. Program	-	-	-
438 Gifted & Talented	-	-	-
441 Basic Skills Programs	-	-	-
445 Career and Technical Programs	-	-	-
446 First Grade Preparedness	-	-	-
449 Safe Schools Crime	-	-	-
450 Prekindergarten	-	-	-
451 QZAB Payments	-	-	-
452 OPEB Liab Not In Trust	-	-	-
453 Unfunded Sev & Retirement Levy	-	-	-
<i>Restricted:</i>			
464 Restricted Fund Balance	-	-	-
<i>Committed:</i>			
418 Committed for Separation	-	-	-
461 Committed Fund Balance	-	-	-
<i>Assigned:</i>			
462 Assigned Fund Balance	-	-	-
<i>Unassigned:</i>			
422 Unassigned Fund Balance	611,359	611,360	(1)
<b><u>02 FOOD SERVICE</u></b>			
Total Revenue	89,441	89,441	-
Total Expenditures	84,869	84,869	-
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	-	-	-
<i>Restricted/Reserved:</i>			
452 OPEB Liab Not In Trust	-	-	-
464 Restricted Fund Balance	12,746	12,746	-
<i>Unassigned:</i>			
463 Unassigned Fund Balance	-	-	-
<b><u>04 COMMUNITY SERVICE</u></b>			
Total Revenue	27,278	27,278	-
Total Expenditures	17,154	17,154	-
<i>Restricted/Reserved:</i>			
426 \$25 Taconite	-	-	-
431 Community Education	-	-	-
432 E.C.F.E.	-	-	-
444 School Readiness	-	-	-
447 Adult Basic Education	-	-	-
452 OPEB Liab Not In Trust	-	-	-
<i>Restricted:</i>			
464 Restricted Fund Balance	19,569	19,570	(1)
<i>Unassigned:</i>			
463 Unassigned Fund Balance	-	-	-

## **OTHER REQUIRED REPORTS**



**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**

Board of Education  
Charter School No. 4188  
Cologne Academy  
Cologne, Minnesota

We have audited the financial statements of the governmental activities and each major fund of Cologne Academy as of and for the year ended June 30, 2012, which collectively comprise the School's basic financial statements and have issued our report thereon dated November 15, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Cologne 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 Cologne Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity'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.

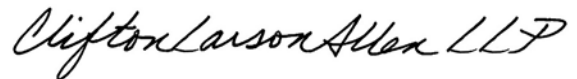
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material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

Board of Education  
Charter School No. 4188  
Cologne Academy

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School'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 test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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



**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
November 15, 2012



CliftonLarsonAllen

CliftonLarsonAllen LLP  
www.cliftonlarsonallen.com

## REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Education  
Charter School No. 4188  
Cologne Academy  
Cologne, Minnesota

We have audited the financial statements of the governmental activities and each major fund of Cologne Academy as of and for the year ended June 30, 2012, which collectively comprise the School's basic financial statements, and have issued our report thereon dated November 15, 2012.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States, and the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. 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 both of the listed categories.

The results of our tests indicate that, with respect to the items tested, the School complied, in all material respects, with the provisions referred to in the preceding paragraph.

This report is intended solely for the information and use of the Board of Education, management of the School, 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.

**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
November 15, 2012