

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171**

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

For The Year Ended June 30, 2011

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**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
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INTRODUCTORY SECTION

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SCHOOL BOARD

Name	Board Position During 2010 - 2011
Ge Yang	Board Vice Chair
Su Yang	Board Vice Chair
Koukhasha Lee	Board Secretary
Neng Yang	Board Member

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FINANCIAL SECTION

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TAUTGES REDPATH, LTD.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Noble Academy
Charter School No. 4171
Minneapolis, Minnesota

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

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 Noble Academy, as of June 30, 2011, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated November 11, 2011 on our consideration of Noble Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the budgetary comparison 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, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. 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 Noble Academy's financial statements as a whole. The individual fund financial statements are presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The Uniform Financial Accounting and Reporting Standards Compliance Table is presented as supplemental information as required by the Minnesota Department of Education and is not a required part of the financial statements. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The introductory section is also presented for purposes of additional analysis and is not a required part of the financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

HLB Tautges Redpath, Ltd.

HLB TAUTGES REDPATH, LTD.
White Bear Lake, Minnesota

November 11, 2011

MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)

This section of Noble Academy’s (the School) annual financial reporting presents our discussion and analysis of the School’s financial performance during the fiscal year that ended on June 30, 2011. Please read it in conjunction with the School’s financial statements, which immediately follow this section.

Financial Highlights

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

- Net revenues of \$5,595,893 were received and net expenditures of \$4,321,824 were incurred, which resulted in a \$1,274,069 increase in fund balance.

Overview of the Financial Statements

The financial section of the annual report consists of four parts – Independent Auditor’s Report, required supplementary information which includes the MD&A (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.

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.

MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)

- 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 – all of the School’s basic services are included here, such as regular and special education, transportation, and administration. State, federal and foundation grants 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 bond covenants.
- The School may establish other funds to control and manage money for a specific purpose.

The School has the following fund type:

- Governmental funds – the School’s basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Assets

The School's net assets were \$2,621,488 on June 30, 2011 as shown below:

	June 30,	
	2011	2010
Assets:		
Current and other assets	\$2,617,859	\$1,834,331
Capital assets, net	265,469	299,083
Total assets	<u>2,883,328</u>	<u>2,133,414</u>
Current liabilities	<u>261,840</u>	<u>783,696</u>
Net assets:		
Invested in capital assets	265,469	299,083
Restricted for food service	-	3,878
Unrestricted	<u>2,356,019</u>	<u>1,046,757</u>
Total net assets	<u><u>\$2,621,488</u></u>	<u><u>\$1,349,718</u></u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Changes in Net Assets

The School's total revenues were \$5,595,893 for the year ended June 30, 2011. Program revenues accounted for 26% of total revenue for the year.

	<u>2011</u>	<u>2010</u>
Revenues:		
Program revenues:		
Charges for services	\$25,680	\$13,066
Operating grants and contributions	1,413,641	1,561,404
Capital grants and contributions	4,178	108,722
General revenues:		
Local sources	51,228	20,252
State sources	4,101,166	3,545,868
Federal sources	-	155,653
Total revenues	<u>5,595,893</u>	<u>5,404,965</u>
Expenses:		
School support services	804,721	1,097,787
Regular instruction	1,497,834	1,827,368
Special education instruction	276,534	179,367
Instructional support services	157,285	272,549
Pupil support services	597,438	666,623
Site, building and equipment	951,271	1,202,867
Fiscal and other fixed costs	39,040	11,744
Total expenses	<u>4,324,123</u>	<u>5,258,305</u>
Change in net assets	1,271,770	146,660
Net assets - beginning	<u>1,349,718</u>	<u>1,203,058</u>
Net assets - ending	<u>\$2,621,488</u>	<u>\$1,349,718</u>

MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)

FINANCIAL ANALYSIS OF THE SCHOOL’S FUNDS

The financial performance of the School as a whole is reflected in its governmental funds as well. The School had two funds for June 30, 2011. Financial information from the fund statements is as follows:

	2011			2010		
	General Fund	Food Service Fund	Total	General Fund	Food Service Fund	Total
Assets	\$2,606,683	\$48,002	\$2,654,685	\$1,787,900	\$46,431	\$1,834,331
Liabilities	250,664	48,002	298,666	709,828	42,553	752,381
Fund balance	<u>\$2,356,019</u>	<u>\$0</u>	<u>\$2,356,019</u>	<u>\$1,078,072</u>	<u>\$3,878</u>	<u>\$1,081,950</u>

	2011			2010		
	General Fund	Food Service Fund	Total	General Fund	Food Service Fund	Total
Revenue	\$5,343,026	\$252,867	\$5,595,893	\$5,137,516	\$267,449	\$5,404,965
Expenditures	4,041,897	279,927	4,321,824	5,088,403	263,571	5,351,974
Other financing sources (uses)	(23,182)	23,182	-	-	-	-
Change in fund balance	<u>\$1,277,947</u>	<u>(\$3,878)</u>	<u>\$1,274,069</u>	<u>\$49,113</u>	<u>\$3,878</u>	<u>\$52,991</u>

BUDGETARY INFORMATION

Following approval of the budget prior to the beginning of the fiscal year, the School would normally revise 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 from the prior fiscal year.
- Legislation passes subsequent to budget adoption, changes necessitated by employment agreements, and increases in appropriations for significant unbudgeted costs.

Actual revenues were \$92,252 more than expected or about a 1.7% variance.

The General Fund actual expenditures were \$397,123 under budget or about a 8.9% variance.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

While the School's final budget for the General Fund anticipated that revenues would exceed expenditures by \$ 811,754, the actual results for the year show an excess of \$1,277,947 for a net difference of \$466,193.

CAPITAL ASSETS

As of June 30, 2011, the School had capital assets net of accumulated depreciation of \$265,469.

FACTORS BEARING ON THE SCHOOL'S FUTURE

The Board of Directors has mandated that the School management develops balanced budgets and monitor revenues and expenditures throughout the year. The School is dependent on the State of Minnesota for most of its revenue. This revenue source is mostly impacted by two variables: legislation and school enrollment. For fiscal 2012 and 2013 the school will receive an additional \$50 per pupil unit for both years resulting in a total of a \$100 increase in the general education funding formula over two years. Although the funding increase is helpful, the financing cost related to the state imposed 40% state revenue holdback will create additional expenses that will easily use the additional funding received. Yet, with Noble's strong fiscal management and enrollment growth we anticipate the school to maintain a strong fund balance and fiscal environment well into the future.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our stakeholders 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, please contact: Neal Thao, Executive Director, 763-592-7706.

BASIC FINANCIAL STATEMENTS

NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
STATEMENT OF NET ASSETS
June 30, 2011

Statement 1

	<u>Governmental Activities</u>
Assets:	
Cash	\$1,030,166
Due from other governments	1,349,416
Accounts receivable	1,352
Prepaid items	236,925
Capital assets (net of accumulated depreciation)	265,469
Total assets	<u>2,883,328</u>
Liabilities:	
Accounts payable	98,884
Salaries and taxes payable	<u>162,956</u>
Total liabilities	<u>261,840</u>
Net assets:	
Invested in capital assets	265,469
Unrestricted	<u>2,356,019</u>
Total net assets	<u><u>\$2,621,488</u></u>

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

NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2011

Statement 2

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
Governmental activities:					
School support services	\$804,721	\$ -	\$ -	\$ -	(\$804,721)
Regular instruction	1,497,834	13,290	398,178	-	(1,086,366)
Special education instruction	276,534	-	273,983	4,178	1,627
Instructional support services	157,285	-	-	-	(157,285)
Pupil support services	597,438	12,390	240,477	-	(344,571)
Site, building and equipment	951,271	-	501,003	-	(450,268)
Fiscal and other fixed costs	39,040	-	-	-	(39,040)
Total governmental activities	<u>\$4,324,123</u>	<u>\$25,680</u>	<u>\$1,413,641</u>	<u>\$4,178</u>	<u>(2,880,624)</u>
General revenues:					
Local sources					51,228
State sources					4,101,166
Total general revenues					<u>4,152,394</u>
Change in net assets					1,271,770
Net assets - beginning					<u>1,349,718</u>
Net assets - ending					<u>\$2,621,488</u>

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

NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

Statement 3

	General	Food Service Fund	Total
Assets			
Cash	\$1,066,992	\$ -	\$1,066,992
Other receivables	1,312	\$40	1,352
Due from Minnesota Department of Education	1,239,049	1,770	1,240,819
Due from Federal Government through Minnesota Department of Education	62,405	46,192	108,597
Prepaid items	236,925	-	236,925
Total assets	<u>\$2,606,683</u>	<u>\$48,002</u>	<u>\$2,654,685</u>
Liabilities and Fund Balance			
Liabilities:			
Cash overdraft	\$ -	\$36,826	\$36,826
Accounts payable	88,032	10,852	98,884
Salaries and taxes payable	162,632	324	162,956
Total liabilities	<u>250,664</u>	<u>48,002</u>	<u>298,666</u>
Fund balance:			
Nonspendable - prepaid items	236,925	-	236,925
Unassigned	2,119,094	-	2,119,094
Total fund balance	<u>2,356,019</u>	<u>0</u>	<u>2,356,019</u>
Total liabilities and fund balance	<u>\$2,606,683</u>	<u>\$48,002</u>	<u>\$2,654,685</u>

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

Fund balance reported above	\$2,356,019
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds	<u>265,469</u>
Net assets of governmental activities (Statement 1)	<u>\$2,621,488</u>

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

NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2011

Statement 4

	General	Food Service Fund	Total
Revenues:			
Local sources	\$64,518	\$12,390	\$76,908
State sources	4,717,157	9,967	4,727,124
Federal sources	561,351	230,510	791,861
Total revenues	<u>5,343,026</u>	<u>252,867</u>	<u>5,595,893</u>
Expenditures:			
Current:			
School support services	766,863	-	766,863
Regular instruction	1,496,818	-	1,496,818
Special education instruction	275,698	-	275,698
Instructional support services	156,538	-	156,538
Pupil support services	316,530	279,927	596,457
Site, building and equipment	982,587	-	982,587
Fiscal and other fixed costs	14,802	-	14,802
Capital outlay	32,061	-	32,061
Total expenditures	<u>4,041,897</u>	<u>279,927</u>	<u>4,321,824</u>
Revenues over (under) expenditures	<u>1,301,129</u>	<u>(27,060)</u>	<u>1,274,069</u>
Other financing sources (uses):			
Transfers in	-	23,182	23,182
Transfers out	(23,182)	-	(23,182)
Total other financing sources (uses)	<u>(23,182)</u>	<u>23,182</u>	<u>0</u>
Net change in fund balance	1,277,947	(3,878)	1,274,069
Fund balance - beginning	<u>1,078,072</u>	<u>3,878</u>	<u>1,081,950</u>
Fund balance - ending	<u>\$2,356,019</u>	<u>\$0</u>	<u>\$2,356,019</u>

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

Revenues over expenditures reported above	\$1,274,069
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Depreciation	(65,676)
Capital outlay	32,062
Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore are not reported as expenditures in governmental funds.	
	<u>31,315</u>
Change in net assets of governmental activities (Statement 2)	<u>\$1,271,770</u>

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

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Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. FINANCIAL REPORTING ENTITY

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

The School is sponsored by the Audubon Center of the North Woods. The sponsor has limited oversight responsibility but is not financially accountable for the School. Therefore, the School is not considered a component unit of the sponsor. The current sponsor agreement ends on June 30, 2011. The School is required to have a sponsor (now known as Authorizer) to be able to operate; and therefore continued operation beyond June 30, 2012 is dependent on having an Authorizer agreement in place for the 2012-2013 School year.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* generally are financed through intergovernmental revenues, and other nonexchange transactions.

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

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

As required by State Statute, the School operates as a nonprofit corporation under Minnesota Statutes §317A. However, State law also requires that the School comply with Uniform Financial

NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Accounting and Reporting Standards (UFARS) for Minnesota School Districts which mandates the use of a governmental accounting structure.

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

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

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

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

The School reports the following major governmental funds:

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

The *Food Service Fund* is used to account for food service revenues and expenditures.

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

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

D. 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.

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

E. BUDGETS

A budget for each fund is prepared on the same basis of accounting as the financial statements. The School's Board adopts an annual budget for the following fiscal year for the General and Special Revenue Funds. Legal budgetary control is at the fund level. Budgeted amounts are as originally adopted or as amended by the Board. Budgeted expenditure appropriations lapse at year end. Encumbrance accounting is not used.

F. PREPAID ITEMS

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

G. CAPITAL ASSETS

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the School as assets with an initial, individual or group cost of more than \$1,500, 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. Donated capital assets are recorded at estimated fair market value at the date of donation. 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 depreciated using the straight-line method over the following estimated useful lives:

Furniture and equipment	3 - 20 years
Vehicles	7 years

H. USE OF ESTIMATES

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

I. 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.

J. ACCRUED EMPLOYEE BENEFITS

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

K. DEFERRED REVENUE

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

L. FUND EQUITY

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

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

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

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

Assigned- consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the School's intended use. These constraints are established by the School Board and/or management.

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

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

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

M. 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.

N. STUDENT ACTIVITIES

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

O. COMPARATIVE DATA

The basic financial statements and individual fund financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the School's financial statements for the year ended June 30, 2010, from which the summarized information was derived. In addition, certain amounts in the prior year have been reclassified to conform with the current year presentation.

Note 2 DEPOSITS AND INVESTMENTS

A. DEPOSITS

In accordance with Minnesota Statutes, the School maintains deposits at those depository banks authorized by the School Board, all of which are members of the Federal Reserve System.

Minnesota Statutes require that all deposits be protected by federal deposit insurance, corporate surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by federal deposit insurance or corporate surety bonds. Authorized collateral includes treasury bills, notes and bonds; issues of U.S. Government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial

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NOTES TO FINANCIAL STATEMENTS
June 30, 2011

institution that is not owned or controlled by the financial institution furnishing the collateral. The School does not have a deposit policy that is more restrictive than Minnesota Statutes.

At June 30, 2011, all of the School's deposits were covered by FDIC insurance.

B. INVESTMENTS

The School may also invest idle funds as authorized by Minnesota Statutes, as follows: direct obligations or obligations guaranteed by the United States of its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 and receives the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less; general obligations rated "A" or better; revenue obligations rated "AA" or better, general obligations of the Minnesota Housing Finance Agency rated "A" or better; bankers' acceptances of United States' bank eligible for purchase by the Federal Reserve System; commercial paper issued by United States' corporations or their Canadian subsidiaries, of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

Credit risk – State law limits investments as discussed above. The School has no investment policy that would further limit its investment choices. At June 30, 2011, the School had no investments.

Note 3 CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Furniture and equipment	\$359,168	\$32,062	\$ -	\$391,230
Vehicles	26,736	-	-	26,736
Total	<u>385,904</u>	<u>32,062</u>	<u>0</u>	<u>417,966</u>
Less accumulated depreciation for:				
Furniture and equipment	77,273	61,857	-	139,130
Vehicles	9,548	3,819	-	13,367
Total	<u>86,821</u>	<u>65,676</u>	<u>0</u>	<u>152,497</u>
Capital assets - net	<u>\$299,083</u>	<u>(\$33,614)</u>	<u>\$0</u>	<u>\$265,469</u>

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Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
School support services	\$37,857
Regular instruction	1,017
Special education services	836
Instructional support	747
Pupil support services	981
Site, building, and equipment	<u>24,238</u>
Total depreciation	<u>\$65,676</u>

Note 4 PENSION PLANS

A. PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION (PERA)

PLAN DESCRIPTION

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

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

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

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

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

FUNDING POLICY

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These Statutes are established and amended by the state legislature. The School makes annual contributions to the pension plans equal to the amount required by State Statutes. GERS Coordinated Plan members are required to contribute 6.0% of their annual covered salary through January 1, 2011 and 6.25% thereafter. The School is required to contribute 7% through January 1, 2011 and 7.25% thereafter. The School's contributions for the years ending June 30, 2011, 2010 and 2009 were \$31,009, \$51,290 and \$19,950, respectively. The School's contributions were equal to the contractually required contributions for each year as set by State Statute.

B. TEACHERS' RETIREMENT ASSOCIATION (TRA)

PLAN DESCRIPTION

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

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

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

FUNDING POLICY

Minnesota Statutes Chapter 354.42 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. Coordinated Plan members are required to contribute 5.5%, of their annual covered salary. The School is required to contribute 5.5% of annual covered payroll. The School's contributions for the years ended June 30, 2011, 2010 and 2009 were \$73,953, \$73,120, and \$60,440, respectively, which were materially equal to the required contributions for each year as set by State Statute.

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

Note 5 COMMITMENTS AND CONTINGENCIES

A. GRANTS

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

B. LITIGATION

The School has litigation arising from the normal course of business. In management's opinion, existing and pending lawsuits, claims and other actions in which the School is a defendant are either covered by insurance; or an immaterial amount; or remotely recoverable by plaintiffs. Accordingly, no liabilities have been recorded.

C. 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 for such risks. There were no significant reductions in coverage from the previous year and settled claims resulting from these risks have not exceeded insurance coverage in the past three fiscal years.

D. LEASE COMMITMENTS

On September 1, 2009, the School entered into a three-year building lease agreement with MCA Holdings, Inc. During September 2010, the School entered into an amendment that extended the terms of the lease through August 31, 2017 to provide for additional facility improvements. Also, the amended lease provides for a one-time early termination option for the School on July 31, 2015, subject to a termination fee equal to three month's gross rent and other provisions. Notice must be given by January 31, 2014 if the School is to execute the early termination clause.

Annual minimum lease payments for the lease will be the greater of \$586,520 or \$1,333 pupil unit as defined by Minnesota Statutes 126.C05. The total cost for the building lease for the year ended June 30, 2011 was \$658,129. Future minimum lease payments are as follows:

FY12	\$586,520
FY13	\$586,520
FY14	\$586,520
FY15	\$586,520
FY16	\$586,520
FY17	\$97,753

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 June 30, 2011

E. LINE OF CREDIT

The School had a line of credit with Venture Bank for cash flow purposes. The maximum amount is \$240,000 with a variable interest rate (7.5% as of March 2, 2011) and a maturity date of March 2, 2011. It was secured by the School's assets. The school did not renew the line of credit and at June 30, 2011 the balance was \$0.

During the course of the fiscal year, the School drew on the line of credit as follows:

Beginning balance June 30, 2010	Total Advances	Total Repayments	Ending balance June 30, 2011
<u>\$200,000</u>	<u>\$130,000</u>	<u>(\$330,000)</u>	<u>\$ -</u>

Note 6 TRANSFERS

To eliminate the negative fund balance in the Food Service Fund, a transfer was made of \$23,182 from the General Fund to the Food Service Fund.

REQUIRED SUPPLEMENTARY INFORMATION

NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 For The Year Ended June 30, 2011
 With Comparative Actual Amounts For The Year Ended June 30, 2010

	2011				2010 Actual Amounts
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)	
	Original	Final			
Revenues:					
Local sources	\$ -	\$60,000	\$64,518	\$4,518	\$24,053
State sources	5,167,683	4,758,011	4,717,157	(40,854)	4,195,373
Federal sources	359,649	432,763	561,351	128,588	918,090
Total revenues	5,527,332	5,250,774	5,343,026	92,252	5,137,516
Expenditures:					
School support services:					
Current:					
Salaries	614,710	400,000	393,365	(6,635)	518,334
Employee benefits	151,725	136,725	102,780	(33,945)	113,513
Purchased services	254,982	211,406	206,777	(4,629)	325,149
Supplies and materials	54,292	34,292	34,579	287	79,010
Other expenditures	20,550	30,686	29,362	(1,324)	17,030
Capital expenditures	-	-	-	-	21,148
Total school support services	1,096,259	813,109	766,863	(46,246)	1,074,184
Regular instruction:					
Current:					
Salaries	1,407,524	1,233,187	1,067,122	(166,065)	1,240,194
Employee benefits	281,699	235,999	203,905	(32,094)	237,257
Purchased services	194,886	127,051	117,455	(9,596)	87,847
Supplies and materials	263,821	121,359	93,266	(28,093)	234,177
Other expenditures	11,500	17,401	15,070	(2,331)	20,276
Capital expenditures	-	-	-	-	8,628
Total regular instruction	2,159,430	1,734,997	1,496,818	(238,179)	1,828,379
Special education instruction:					
Current:					
Salaries	135,079	152,179	154,834	2,655	98,233
Employee benefits	23,285	23,215	30,528	7,313	17,931
Purchased services	48,268	80,376	59,023	(21,353)	59,163
Supplies and materials	36,148	21,148	20,210	(938)	4,040
Other expenditures	9,700	11,103	11,103	-	-
Capital expenditures	5,000	5,000	4,178	(822)	-
Total special education instruction	257,480	293,021	279,876	(13,145)	179,367
Instructional support services:					
Current:					
Salaries	115,059	115,059	110,059	(5,000)	109,700
Employee benefits	18,664	18,664	18,488	(176)	15,889
Purchased services	4,000	5,500	20,171	14,671	34,360
Supplies and materials	7,253	11,767	7,205	(4,562)	107,151
Other expenditures	300	615	615	-	829
Capital expenditures	15,000	15,000	-	(15,000)	19,190
Total instructional support services	160,276	166,605	156,538	(10,067)	287,119

NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 For The Year Ended June 30, 2011
 With Comparative Actual Amounts For The Year Ended June 30, 2010

	2011				2010 Actual Amounts
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)	
	Original	Final			
Expenditures: (continued)					
Pupil support services:					
Current:					
Salaries	\$ -	\$ -	\$ -	\$ -	\$34,948
Employee benefits	-	-	(12)	(12)	5,528
Purchased services	406,938	361,339	313,271	(48,068)	367,396
Supplies and materials	2,840	2,840	3,076	236	4,501
Other expenditures	86	195	195	-	-
Total pupil support services	<u>409,864</u>	<u>364,374</u>	<u>316,530</u>	<u>(47,844)</u>	<u>412,373</u>
Site, building and equipment:					
Current:					
Salaries	85,366	85,366	60,915	(24,451)	88,087
Employee benefits	16,972	16,972	11,058	(5,914)	17,932
Purchased services	984,519	905,755	889,337	(16,418)	951,306
Supplies and materials	50,000	17,757	21,277	3,520	18,262
Other expenditures	-	-	-	-	125
Capital expenditures	103,135	26,064	27,883	1,819	219,525
Total site, building and equipment	<u>1,239,992</u>	<u>1,051,914</u>	<u>1,010,470</u>	<u>(41,444)</u>	<u>1,295,237</u>
Fiscal and other fixed costs:					
Current:					
Purchased services	12,476	15,000	12,075	(2,925)	10,859
Debt service	-	-	2,727	2,727	885
Total fiscal and other fixed costs	<u>12,476</u>	<u>15,000</u>	<u>14,802</u>	<u>(198)</u>	<u>11,744</u>
Total expenditures	<u>5,335,777</u>	<u>4,439,020</u>	<u>4,041,897</u>	<u>(397,123)</u>	<u>5,088,403</u>
Revenues over expenditures	191,555	811,754	1,301,129	489,375	49,113
Other financing sources (uses):					
Transfers out	-	-	(23,182)	(23,182)	-
Net change in fund balance	<u>\$191,555</u>	<u>\$811,754</u>	1,277,947	<u>\$466,193</u>	49,113
Fund balance - beginning			<u>1,078,072</u>		<u>1,028,959</u>
Fund balance - ending			<u>\$2,356,019</u>		<u>\$1,078,072</u>

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171**

Statement 6

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - FOOD SERVICE SPECIAL REVENUE FUND
For The Year Ended June 30, 2011
With Comparative Actual Amounts For The Year Ended June 30, 2010

	2011		Actual Amounts	Variance with Final Budget - Over (Under)	2010 Actual Amounts
	Budgeted Amounts				
	Original	Final			
Revenues:					
Local sources	\$11,922	\$13,412	\$12,390	(\$1,022)	\$9,265
State sources	15,000	12,000	9,967	(2,033)	12,289
Federal sources	285,000	265,000	230,510	(34,490)	245,895
Total revenues	<u>311,922</u>	<u>290,412</u>	<u>252,867</u>	<u>(37,545)</u>	<u>267,449</u>
Expenditures:					
Pupil support services:					
Current:					
Salaries	11,771	24,112	16,854	(7,258)	-
Employee benefits	2,000	2,400	2,475	75	-
Purchased services	7,000	7,000	7,190	190	250,956
Materials and supplies	320,000	255,646	253,408	(2,238)	1,782
Capital expenditures	-	-	-	-	10,833
Total pupil support services	<u>340,771</u>	<u>289,158</u>	<u>279,927</u>	<u>(9,231)</u>	<u>263,571</u>
Revenues over (under) expenditures	(28,849)	1,254	(27,060)	(28,314)	3,878
Other financing sources:					
Transfers in	-	-	23,182	23,182	-
Net change in fund balance	<u>(\$28,849)</u>	<u>\$1,254</u>	<u>(3,878)</u>	<u>(\$5,132)</u>	<u>3,878</u>
Fund balance - beginning			<u>3,878</u>		<u>-</u>
Fund balance - ending			<u>\$0</u>		<u>\$3,878</u>

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REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
June 30, 2011

Note A LEGAL COMPLIANCE – BUDGETS

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

INDIVIDUAL FUND STATEMENTS

NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
BALANCE SHEET - GENERAL FUND
June 30, 2011
With Comparative Amounts For June 30, 2010

Statement 7

Assets	2011	2010
Cash and investments	\$1,066,992	\$70,943
Other receivables	1,312	-
Due from Minnesota Department of Education	1,239,049	1,507,267
Due from Federal Government through Minnesota Department of Education	62,405	147,023
Prepaid items	236,925	62,667
 Total assets	 \$2,606,683	 \$1,787,900
 Liabilities and Fund Balance		
Liabilities:		
Accounts payable	\$88,032	\$255,070
Salaries payable	162,632	254,758
Line of credit payable	-	200,000
Total liabilities	250,664	709,828
 Fund balance:		
Nonspendable - prepaid items	236,925	62,667
Unassigned	2,119,094	1,015,405
Total fund balance	2,356,019	1,078,072
 Total liabilities and fund balance	 \$2,606,683	 \$1,787,900

NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
BALANCE SHEET - FOOD SERVICE SPECIAL REVENUE FUND
June 30, 2011
With Comparative Amounts For June 30, 2010

Statement 8

Assets	2011	2010
Cash and investments	\$ -	\$6,541
Other receivables	40	-
Due from Minnesota Department of Education	1,770	1,916
Due from Federal Government through Minnesota Department of Education	46,192	37,974
 Total assets	 \$48,002	 \$46,431
 Liabilities and Fund Balance		
Liabilities:		
Cash overdraft	\$36,826	\$ -
Accounts payable	10,852	42,553
Salaries payable	324	-
Total liabilities	48,002	42,553
 Fund balance:		
Restricted for food service	-	3,878
 Total liabilities and fund balance	 \$48,002	 \$46,431

SUPPLEMENTAL INFORMATION

	Audit	UFARS	Variance		Audit	UFARS	Variance
01 GENERAL FUND				06 BUILDING CONSTRUCTION			
Total Revenue	\$5,343,026	\$5,343,026	\$ -	Total Revenue	\$ -	\$ -	\$ -
Total Expenditures	4,041,897	4,041,897	-	Total Expenditures	-	-	-
<i>Non-Spendable:</i>				<i>Non-Spendable:</i>			
4.60 Non Spendable Fund Balance	236,925	236,925	-	4.60 Non Spendable Fund Balance	-	-	-
<i>Restricted/Reserve:</i>				<i>Restricted/Reserve:</i>			
4.03 Staff Development	-	-	-	4.07 Capital Projects Levy	-	-	-
4.05 Deferred Maintenance	-	-	-	4.09 Alternative Fac. Program	-	-	-
4.06 Health and Safety	-	-	-	4.13 Projects Funded By COP	-	-	-
4.07 Capital Projects Levy	-	-	-	<i>Restricted:</i>			
4.08 Cooperative Revenue	-	-	-	4.64 Restricted Fund Balance	-	-	-
4.11 Severance Pay	-	-	-	<i>Unassigned:</i>			
4.13 Project Funded By COP	-	-	-	4.63 Unassigned Fund Balance	-	-	-
4.14 Operating Debt	-	-	-				
4.16 Levy Reduction	-	-	-	07 DEBT SERVICE			
4.17 Taconite Building Maint	-	-	-	Total Revenue	\$ -	\$ -	\$ -
4.23 Certain Teacher Programs	-	-	-	Total Expenditures	-	-	-
4.24 Operating Capital	-	-	-	<i>Non-Spendable:</i>			
4.26 \$25 Taconite	-	-	-	4.60 Non Spendable Fund Balance	-	-	-
4.27 Disabled Accessibility	-	-	-	<i>Restricted/Reserve:</i>			
4.28 Learning and Development	-	-	-	4.25 Bond Refundings	-	-	-
4.34 Area Learning Center	-	-	-	4.51 QZAB Payments	-	-	-
4.35 Contracted Alt. Programs	-	-	-	<i>Restricted:</i>			
4.36 St. Approved Alt. Program	-	-	-	4.64 Restricted Fund Balance	-	-	-
4.38 Gifted & Talented	-	-	-	<i>Unassigned:</i>			
4.41 Basic Skills Programs	-	-	-	4.63 Unassigned Fund Balance	-	-	-
4.45 Career & Tech Programs	-	-	-				
4.46 First Grade Preparedness	-	-	-	08 TRUST			
4.49 Safe Schools Levy	-	-	-	Total Revenue	\$ -	\$ -	\$ -
4.50 Pre-Kindergarten	-	-	-	Total Expenditures	-	-	-
4.51 QZAB Payments	-	-	-	<i>Unrestricted:</i>			
4.52 OPEB Liab Not In Trust	-	-	-	4.22 Net Assets	-	-	-
4.53 Unfunded Sev & Retirement Levy	-	-	-				
<i>Restricted:</i>				09 AGENCY			
4.64 Restricted Fund Balance	-	-	-	<i>Unrestricted:</i>			
<i>Committed:</i>				4.22 Net Assets	-	-	-
4.18 Committed For Separation	-	-	-				
4.61 Committed Fund Balance	-	-	-	20 INTERNAL SERVICE			
<i>Assigned:</i>				Total Revenue	\$ -	\$ -	\$ -
4.62 Assigned Fund Balance	-	-	-	Total Expenditures	-	-	-
<i>Unassigned:</i>				<i>Unrestricted:</i>			
4.22 Unassigned Fund Balance	2,119,094	2,119,094	-	4.22 Net Assets	-	-	-
02 FOOD SERVICE				25 OPEB REVOCABLE TRUST			
Total Revenue	\$252,867	\$252,868	(1)	Total Revenue	\$ -	\$ -	\$ -
Total Expenditures	279,927	279,928	(1)	Total Expenditures	-	-	-
<i>Non-Spendable:</i>				<i>Unrestricted:</i>			
4.60 Non Spendable Fund Balance	-	-	-	4.22 Net Assets	-	-	-
<i>Restricted/Reserve:</i>							
4.52 OPEB Liab Not In Trust	-	-	-	45 OPEB IRREVOCABLE TRUST			
<i>Restricted:</i>				Total Revenue	\$ -	\$ -	\$ -
4.64 Restricted Fund Balance	-	-	-	Total Expenditures	-	-	-
<i>Unassigned:</i>				<i>Unrestricted:</i>			
4.63 Unassigned Fund Balance	-	-	-	4.22 Net Assets	-	-	-
04 COMMUNITY SERVICE				47 OPEB DEBT SERVICE FUND			
Total Revenue	\$ -	\$ -	\$ -	Total Revenue	\$ -	\$ -	\$ -
Total Expenditures	-	-	-	Total Expenditures	-	-	-
<i>Restricted/Reserve:</i>				<i>Non-Spendable:</i>			
4.26 \$25 Taconite	-	-	-	4.60 Non Spendable Fund Balance	-	-	-
4.31 Community Education	-	-	-	<i>Restricted/Reserve:</i>			
4.32 E.C.F.E	-	-	-	4.25 Bond Refundings	-	-	-
4.44 School Readiness	-	-	-	<i>Restricted:</i>			
4.47 Adult Basic Education	-	-	-	4.64 Restricted Fund Balance	-	-	-
4.52 OPEB Liab Not In Trust	-	-	-	<i>Unassigned:</i>			
<i>Restricted:</i>				4.63 Unassigned Fund Balance	-	-	-
4.64 Restricted Fund Balance	-	-	-				
<i>Unassigned:</i>							
4.63 Unassigned Fund Balance	-	-	-				

Note: Due to the unavailability of the audited fiscal compliance table submission as of the date of the auditor's report, the amounts reflected in the UFARS column above are from the School's "UFARS Compliance Report" as of 11/8/11 obtained from the Minnesota Department of Education website.

OTHER REQUIRED REPORTS

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TAUTGES REDPATH, LTD.
Certified Public Accountants

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

To the Board of Directors
Noble Academy
Charter School No. 4171
Minneapolis, Minnesota

We have audited the financial statements of the governmental activities and each major fund, of Noble Academy, as of and for the year ended June 30, 2011, which collectively comprise Noble Academy's basic financial statements and have issued our report thereon dated November 11, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the 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.

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

However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency in internal control over financial reporting as item 2011-02. A significant *deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Noble Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance and other matters that are required to be reported under *Government Auditing*.

We noted certain matters that we reported to management of Noble Academy in a separate letter dated November 11, 2011.

Noble Academy's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Noble Academy's response and, accordingly, we express no opinion on it.

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



HLB TAUTGES REDPATH, LTD.
White Bear Lake, Minnesota

November 11, 2011



TAUTGES REDPATH, LTD.
Certified Public Accountants

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

To the Board of Directors
Noble Academy
Charter School No. 4171
Minneapolis, Minnesota

We have audited the financial statements of Noble Academy, as of and for the year ended June 30, 2011 and have issued our report thereon dated November 11, 2011.

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

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

The results of our tests indicate that for the items tested, Noble Academy complied with the material terms and conditions of applicable legal provisions, except as described in item 2011-01.

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

HLB Tautges Redpath, Ltd.

HLB TAUTGES REDPATH, LTD.
White Bear Lake, Minnesota

November 11, 2011

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TAUTGES REDPATH, LTD.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors of
Noble Academy
Charter School No. 4171
Minneapolis, Minnesota

Compliance

We have audited Noble Academy's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Noble Academy's major federal program for the year ended June 30, 2011. Noble Academy's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Responses. Compliance with the requirements of laws, regulations, contracts and grants applicable to the major federal program is the responsibility of Noble Academy's management. Our responsibility is to express an opinion on Noble Academy's compliance based on our audit.

We conducted our audit of compliance 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Noble Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Noble Academy's compliance with those requirements.

In our opinion, Noble Academy complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2011.

Noble Academy
Independent Auditor's Report on Compliance With
Requirements That Could Have a Direct and Material
Effect on Each Major Program and on Internal Control
Over Compliance in Accordance With OMB Circular A-
133

Internal Control Over Compliance

Management of Noble Academy is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Noble Academy's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Noble Academy's internal control over compliance.

A deficiency in internal control over compliance 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, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities and each major fund of Noble Academy as of and for the year ended June 30, 2011, and have issued our report thereon dated November 11, 2011, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures and federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional

Noble Academy
Independent Auditor's Report on Compliance With
Requirements That Could Have a Direct and Material
Effect on Each Major Program and on Internal Control
Over Compliance in Accordance With OMB Circular A-
133

procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of the Board of Directors, federal awarding agencies and pass through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

HLB Tautges Redpath, Ltd.

HLB TAUTGES REDPATH, LTD.
White Bear Lake, Minnesota

November 11, 2011

NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2011

Federal Funding Source/ Pass Through Agency/ Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education:			
Passed through State of Minnesota:			
Special Education Grants to States	84.027	None noted	\$54,624
ARRA - Special Education Grants to States	84.391	None noted	108,549
Total Special Education Cluster			<u>163,173</u>
Title I Grants to Local Educational Agencies	84.010	None noted	154,079
ARRA - Title I Grants to Local Educational Agencies	84.389	None noted	48,905
Total Title I Cluster			<u>202,984</u>
ARRA - Education Jobs Fund	84.410	None noted	114,962
Safe and Drug-Free Schools and Communities State Grants	84.186	None noted	995
Improving Teacher Quality State Grants	84.367	None noted	46,601
English Language Acquisition Grants	84.365	None noted	32,636
Total U.S. Department of Education			<u>561,351</u>
U.S. Department of Agriculture:			
Passed through State of Minnesota:			
National School Lunch Program	10.555	None noted	182,862
School Breakfast Program	10.553	None noted	47,648
Total Child Nutrition Cluster			<u>230,510</u>
Total Federal Expenditures			<u><u>\$791,861</u></u>

Notes to the schedule of expenditures of federal awards

Note 1. Basis of Presentation

The financial statements of the governmental activities, the each major fund and the aggregate remaining fund information of Noble Academy Charter School, follow generally accepted accounting principles. The school-wide financial statements are reported using the accrual basis of accounting. The governmental fund financial statements are reported using the modified accrual basis of accounting as disclosed in the financial statement footnotes. The above schedule of expenditures of federal awards includes the federal grant activity of Noble Academy Charter School and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Nonprofit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2011

SECTION I - SUMMARY OF AUDIT RESULTS

<i>Financial Statements</i>			
A. Type of auditors' report issued:	Unqualified		
B. Internal control over financial reporting:			
• Material weakness (es) identified?	___	Yes	___ <input checked="" type="checkbox"/> No
• Significant deficiencies identified that are not considered to be material weaknesses?	___ <input checked="" type="checkbox"/>	Yes	___ None reported
C. Noncompliance material to financial statements noted?	___	Yes	___ <input checked="" type="checkbox"/> No
<i>Federal Awards</i>			
D. Internal control over major programs:			
• Material weakness(es) identified?	___	Yes	___ <input checked="" type="checkbox"/> No
• Significant deficiencies identified that are not considered to be material weaknesses?	___	Yes	___ <input checked="" type="checkbox"/> None reported
E. Type of auditors' report issued on compliance for major programs:	Unqualified		
F. Any audit findings relating to major programs disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	___	Yes	___ <input checked="" type="checkbox"/> None reported
G. Identification of major programs:			
<u>Name of Federal Program</u>	<u>CFDA Number</u>		
Special Education Cluster	84.027 / 84.391		
Title I Cluster	84.010 / 84.389		
ARRA – Education Jobs Fund	84.410		
H. Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000		
I. Auditee qualified as a low-risk auditee	___	Yes	___ <input checked="" type="checkbox"/> No*
*Low risk status can only be considered if single audits were performed in each of the prior two years. A single audit was not required for 2009 and thus Noble Academy was not eligible for low risk status for 2011.			

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2011**

SECTION II - FINANCIAL STATEMENT FINDINGS

See attached finding 2011-01.

SECTION III - FEDERAL AWARD FINDINGS

None.

SECTION IV – MINNESOTA LEGAL COMPLIANCE FINDINGS

See attached finding 2011-02.

SECTION V - PRIOR YEAR FINDINGS – FEDERAL AWARDS

None.

NOBLE ACADEMY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2011

Finding: 2011-01 Timely Payment of Bills

Criteria: Minnesota Statute 471.425, subdivisions 2 and 4 apply to charter schools and read as follows:

Subd. 2. Payment required.

A municipality must pay each vendor obligation according to the terms of the contract or, if no contract terms apply, within the standard payment period unless the municipality in good faith disputes the obligation. Standard payment period is defined as follows:

(a) For municipalities who have governing boards which have regularly scheduled meetings at least once a month, the standard payment period is defined as within 35 days of the date of receipt.

(b) For municipalities whose governing boards do not regularly meet at least once a month, the standard payment period is defined as 45 days after receipt of the goods or services or the invoice for the goods or services, whichever is later.

(c) For joint powers organizations organized under section [471.59](#), the standard payment period is within 45 days of the date of receipt.

Subd. 4. Payment of interest on late payments required.

(a) Except otherwise provided in this section, a municipality shall calculate and pay interest to a vendor if the municipality has not paid the obligation according to the terms of the contract or, if no contract terms apply, within the standard payment period as defined in subdivision 2. The standard payment period for a negotiated contract or agreement between a vendor and a municipality which requires an audit by the municipality before acceptance and payment of the vendor's invoice shall not be begun until the completion of the audit by the municipality.

(b) The rate of interest calculated and paid by the municipality on the outstanding balance of the obligation not paid according to the terms of the contract or during the standard payment period shall be 1-1/2 percent per month or part of a month.

(c) No interest penalties may accrue against a purchaser who delays payment of a vendor obligation due to a good faith dispute with the vendor regarding the fitness of the product or service, contract compliance, or any defect, error or omission related thereto. If such delay undertaken by the municipality is not in good faith, the vendor may recover costs and attorney's fees.

(d) The minimum monthly interest penalty payment that a municipality shall calculate and pay a vendor for the unpaid balance for any one overdue bill of \$100

NOBLE ACADEMY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2011

or more is \$10. For unpaid balances of less than \$100, the municipality shall calculate and pay the actual interest penalty due the vendor.

Condition: Of the 25 disbursements tested, 5 were not paid within 35 days from receipt of the invoices as is required by state statute. In these instances, no interest was added as required by the Statutes cited above.

Context: Many schools have experienced cash flow challenges due to increased state holdback amounts.

Cause: Unknown.

Effect: The School is not in compliance with Minnesota Statute 471.425.

Questioned Costs: None.

Recommendation: We recommend that the School implement procedures to follow the required statute.

Management Response

Correction Action Plan (CAP) including explanation of agreement or disagreement: Given the State of Minnesota increased the state revenue holdback for FY11 to 30%, it rendered the School incapable of complying with Minnesota Statute 471.425. Noble Academy did obtain short-term operational financing, but still was unable to meet all financial commitments in a timely manner due to the State's cash flow restrictions that were imposed on Noble Academy. Considering it was the State of Minnesota that reduced the School's ability to meet all financial commitments on a timely basis the School feels that this finding is a technical finding rather than a finding of substance.

Official responsible for ensuring CAP: Noble Academy Board of Education.

Planned completion date for CAP: CAP will be implemented during the 2011-2012 fiscal year. The issue will be eliminated as of June 30, 2012.

Plan to monitor completion for CAP: The Board of Education will monitor this corrective action plan on an ongoing basis annually after each annual audit and will adjust accordingly.

NOBLE ACADEMY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2011

Finding: 2011-02 Audit Adjustments

Criteria: As defined by current auditing standards, an audit adjustment is considered to be a deficiency in internal control.

Condition: We identified audit adjustments that were recorded by School management that increased lease expense and payable by \$57,392 and increased lease aid revenue and receivable by \$23,467, for a net effect on net assets/fund balance of \$33,925.

Context: These adjustments involved accrual accounts that generally are only adjusted at year end. Given the complexity of government accounting standards, audit adjustments are not uncommon. Thus we believe many similarly sized organizations that are audited will have similar circumstances.

Cause: Unknown, however the School's year end closing process did not timely identify all needed adjustments to year end accruals.

Effect: Audit adjustments are an indicator of a higher risk that errors could occur and not be detected on a timely basis.

Questioned Costs: None.

Recommendation: We recommend that the School continue to improve its closing process, and allow adequate time for year-end reconciliations to ensure that all accounts are reviewed and reconciled prior to the beginning of the audit.

Management Response

Corrective Action Plan (CAP) including explanation of agreement or disagreement:
The above mentioned adjustments were related to the prior settlement of facility cost with the School's prior landlord. Though a reconciliation it was determined that additional adjustments related to the settlement payments were required.

Official responsible for ensuring CAP: Noble Academy Board of Education.

Planned completion date for CAP: Since the settlement payments are finalized the situation has already remedied itself by June 30, 2011.

Plan to monitor completion for CAP: N/A.

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