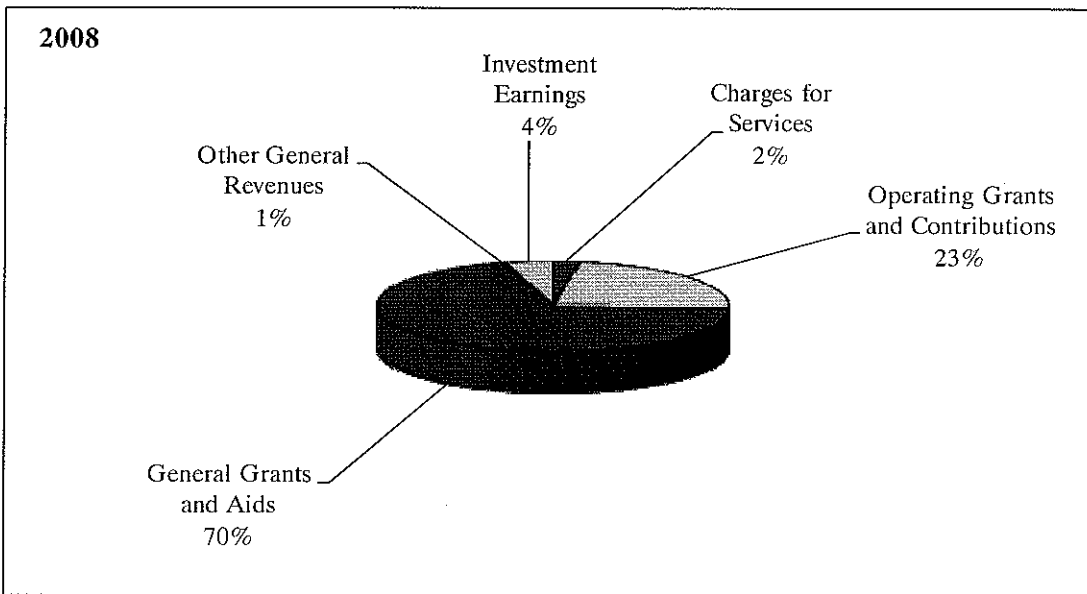
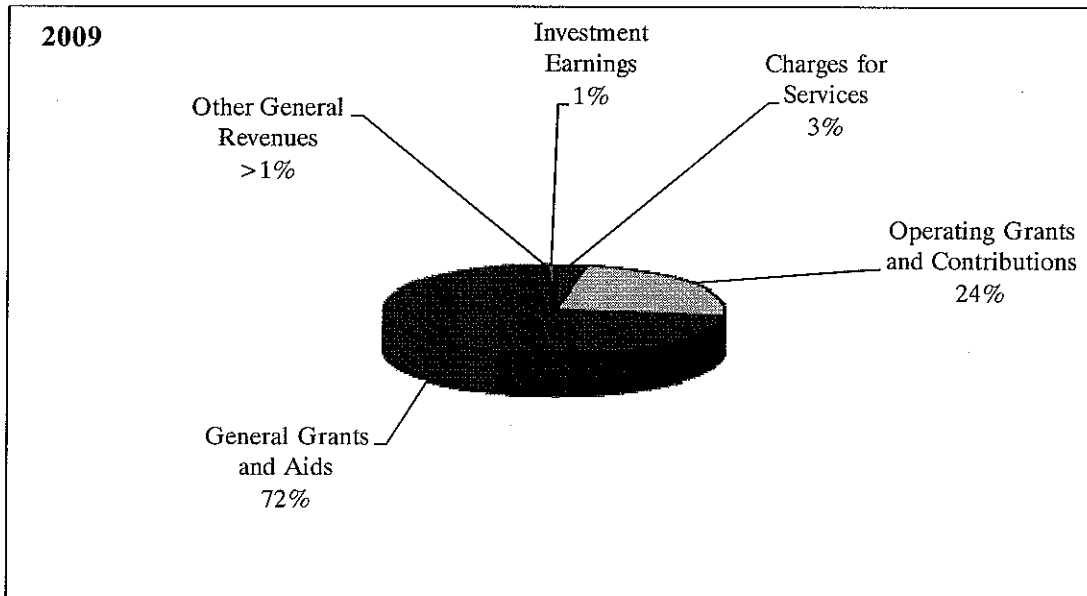


Figures A and B show further analysis of these revenue sources and expense functions:

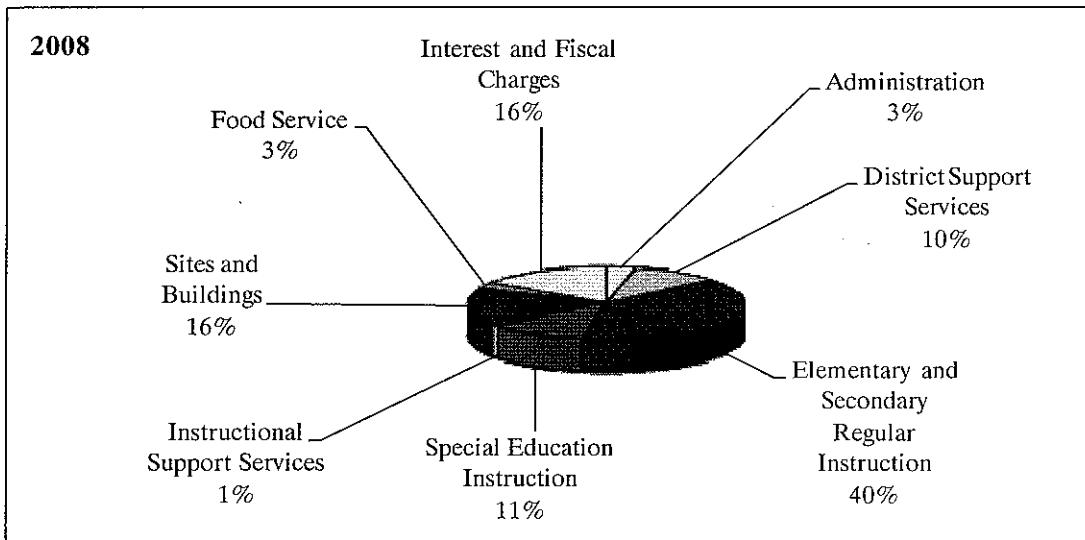
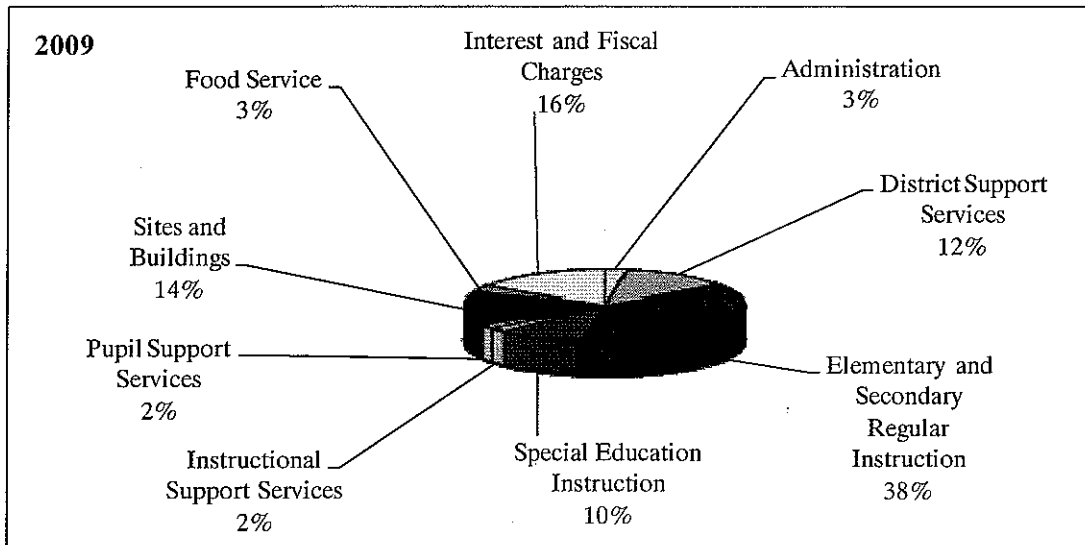
**Figure A – Sources of Revenue for Fiscal Years 2009 and 2008**



The largest share of the School’s revenue is received from the state, including most of the general and operating grants. This significant reliance on the state for funding has placed tremendous pressure on local schools as a result of unpredictable and inconsistent funding from the state.

The School’s total revenues were \$3,552,547 for the year ended June 30, 2009. General grants and aids accounted for 72 percent of the total revenue. Another 27 percent of revenue came from program revenues (charges for services and operating grants), and the remainder came from other general revenues, including interest earnings. The fiscal year 2009 total revenue is a 65 percent increase over the prior year revenue of \$2,159,479. This is a result of higher enrollment. The School’s enrollment has increased 156 ADM (average daily membership) in fiscal year 2009.

**Figure B – Expenses for Fiscal Years 2009 and 2008**



The School's cost of all governmental activities this year was \$3,404,603. Approximately 50 percent of the School's expenses were in categories directly related to providing instruction, which includes: elementary and secondary regular instruction, special education instruction, and instructional support services. Another 14 percent of the cost was for sites and buildings, including the cost of renting space. General/building administration and business services accounted for 17 percent of the cost. The food service program represents 3 percent of total costs, and interest and fiscal charges represent 16 percent.

The fiscal year 2009 total expenses represented a 49 percent increase over the prior year expenses of \$2,278,270. This increase is primarily a result of additions in instructional program areas due to increased enrollment. Also experienced were additions in sites and buildings (rent) and interest and fiscal charges (debt service).

## FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

### Analysis of the General Fund

Table 3 summarizes the amendments to the General Fund budget:

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Revenue	\$ 3,045,110	\$ 3,428,722	\$ 383,612	12.6%
Expenditures	\$ 2,733,672	\$ 3,220,064	\$ 486,392	17.8%
Transfers (out)	\$ -	\$ (36,150)	\$ (36,150)	100.0%

The School is required to adopt an operating budget prior to the beginning of its fiscal year, referred to above as the original budget. It is the School's practice to amend the General Fund budget during the year for known significant changes in circumstances, such as: updated enrollment estimates, legislation changes, new or additional funding, staffing changes, employee contract settlements, adjustments to health insurance premiums, special education tuition changes, or utility rate changes.

The most significant change in developing the revised budget was to account for the enrollment increase and adjusting costs for direct instructional services.

Table 4 summarizes the operating results of the General Fund:

	<u>2009 Actual</u>	<u>Over (Under) Final Budget</u>		<u>Over (Under) Prior Year Actual</u>
		<u>Amount</u>	<u>Percent</u>	
Revenue	\$ 3,440,161	\$ 11,439	0.3%	\$ 1,416,925
Expenditures	3,152,941	\$ (67,123)	(2.1%)	\$ 1,134,946
Transfers (out)	<u>(21,613)</u>	\$ 14,537	40.2%	\$ 535
Net change in fund balances	<u>\$ 265,607</u>			

The School's actual revenues varied only slightly from budget, as total revenue was more than anticipated by \$11,439. Expenditures were under budget by \$67,123 due to an unanticipated carryover of Walton Grant dollars. Total revenues and expenditures increased from the prior year due to the increase in enrollment. The General Fund also transferred \$21,613 to support the operations of the School's Food Service Special Revenue Fund.

## Building Company Special Revenue Fund

The Building Company Special Revenue Fund presents the financial information of the KCS Building Company (the Building Company), a blended component unit of the School. The Building Company Special Revenue Fund ended the year with a total fund balance of \$931,329. The fund balance decreased in the current year due to continued spending of the proceeds of facility improvement debt issued in November 2007. During the year ended June 30, 2009, the Building Company received \$601,421 of rent from the School that was used to pay the lease and debt service costs on the building and leasehold improvements.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

Table 5 shows the School's capital assets, together with changes from the previous year. The table also shows the total depreciation expense for fiscal years ended June 30, 2009 and 2008:

	2009	2008	Increase (Decrease)
Land	\$ 472,500	\$ 472,500	\$ —
Construction in progress	—	3,351,792	(3,351,792)
Building	6,459,979	—	6,459,979
Leasehold improvements	—	164,000	(164,000)
Furniture and equipment	257,701	130,650	127,051
Less accumulated depreciation	(166,428)	(72,706)	(93,722)
<b>Total</b>	<b>\$ 7,023,752</b>	<b>\$ 4,046,236</b>	<b>\$ 2,977,516</b>
Depreciation expense	\$ 128,572	\$ 23,820	\$ 104,752

### Debt Administration

Table 6 shows the School's long-term debt, together with changes from the previous year:

	2009	2008	Increase (Decrease)
Building Company Loan payable	<u>\$ 8,610,000</u>	<u>\$ 8,610,000</u>	<u>\$ —</u>

The main increase in capital assets is the completion of the construction of the new school site, financed by the \$8,610,000 debt issue. More detailed information on the School's capital assets and long-term debt can be found in the notes to basic financial statements.

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

The School is dependent on the state of Minnesota for its revenue authority. In recent years, due to the state's financial condition, legislated revenue increases have not been sufficient to meet the instructional program needs and increased costs due to inflation of Minnesota charter schools.

The basic general education revenue for all Minnesota charter schools was \$5,124 per pupil unit for 2009, a 1 percent increase over the prior year. Due to the financial condition of the state, the Legislature has provided for no increase in basic general education aid for the next biennium. Further, a one-time general education funding increase of \$51 per pupil unit received in fiscal 2009, and a two-year increase for operating capital technical aid that provided \$55 per pupil unit in fiscal 2009, will be discontinued in future years.

## **CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. David Hoffman, Executive Director, Kaleidoscope Charter School, 7525 Kalland Avenue, Otsego, Minnesota 55301.

BASIC FINANCIAL STATEMENTS

KALEIDOSCOPE CHARTER SCHOOL

Statement of Net Assets  
as of June 30, 2009  
(With Partial Comparative Information as of June 30, 2008)

	Governmental Activities	
	2009	2008
<b>Assets</b>		
Cash and temporary investments	\$ 358,350	\$ 110,419
Receivables		
Accounts	8,599	-
Due from other governmental units	393,797	590,380
Prepaid items	14,053	966
Deferred charges	539,461	558,501
Restricted assets – temporarily restricted		
Cash and investments held by trustee	1,072,890	5,092,171
Capital assets, net of accumulated depreciation		
Not depreciated	472,500	3,824,292
Depreciated, net of accumulated depreciation	6,551,252	221,944
Total capital assets, net of accumulated depreciation	<u>7,023,752</u>	<u>4,046,236</u>
Total assets	<u>\$ 9,410,902</u>	<u>\$ 10,398,673</u>
<b>Liabilities</b>		
Salaries and benefits payable	\$ 117,503	\$ 96,486
Accounts and contracts payable	50,688	1,108,070
Accrued interest payable	86,563	86,563
Unearned revenue	33,340	132,690
Long-term liabilities		
Due within one year	50,000	-
Due in more than one year	8,560,000	8,610,000
Total long-term liabilities	<u>8,610,000</u>	<u>8,610,000</u>
Total liabilities	8,898,094	10,033,809
<b>Net assets</b>		
Invested in capital assets, net of related debt	(1,030,082)	(885,646)
Restricted for debt service	813,151	792,188
Unrestricted	729,739	458,322
Total net assets	<u>512,808</u>	<u>364,864</u>
Total liabilities and net assets	<u>\$ 9,410,902</u>	<u>\$ 10,398,673</u>

See notes to basic financial statements

KALEIDOSCOPE CHARTER SCHOOL

Statement of Activities  
 Year Ended June 30, 2009  
 (With Partial Comparative Information for the Year Ended June 30, 2008)

Functions/Programs	2009			2008	
	Expenses	Program Revenues		Net (Expense)	Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets	Revenue and Changes in Net Assets
			Governmental Activities	Governmental Activities	
Governmental activities					
Administration	\$ 86,091	\$ -	\$ -	\$ (86,091)	\$ (79,091)
District support services	420,267	-	-	(420,267)	(234,044)
Elementary and secondary regular instruction	1,298,167	22,849	-	(1,275,318)	(879,664)
Special education instruction	331,525	-	340,156	8,631	(78,034)
Instructional support services	69,656	-	-	(69,656)	(23,524)
Pupil support services	56,618	287	-	(56,331)	(1,688)
Sites and buildings	486,767	2,275	519,480	34,988	(52,104)
Fiscal and other fixed costs programs	10,878	-	-	(10,878)	(5,474)
Food service	105,031	83,186	-	(21,845)	(22,380)
Interest and fiscal charges	539,603	-	-	(539,603)	(353,991)
Total governmental activities	<u>\$ 3,404,603</u>	<u>\$ 108,597</u>	<u>\$ 859,636</u>	(2,436,370)	(1,729,994)
General revenues					
General grants and aids				2,549,361	1,505,426
Other general revenues				12,758	10,823
Investment earnings				22,195	94,954
Total general revenues				<u>2,584,314</u>	<u>1,611,203</u>
Change in net assets				147,944	(118,791)
Net assets – beginning				<u>364,864</u>	<u>483,655</u>
Net assets – ending				<u>\$ 512,808</u>	<u>\$ 364,864</u>

See notes to basic financial statements

KALEIDOSCOPE CHARTER SCHOOL

Balance Sheet  
 Governmental Funds  
 as of June 30, 2009  
 (With Partial Comparative Information as of June 30, 2008)

	General Fund	Building Company Special	Nonmajor Fund	Total Governmental Funds	
		Revenue Fund		2009	2008
<b>Assets</b>					
Cash and temporary investments	\$ 341,540	\$ 16,810	\$ -	\$ 358,350	\$ 110,419
Cash and investments held by trustee	-	1,072,890	-	1,072,890	5,092,171
Receivables					
Accounts	383	-	8,216	8,599	-
Due from other governmental units	393,797	-	-	393,797	590,380
Due from other funds	166,503	-	-	166,503	6,166
Prepaid items	14,053	-	-	14,053	966
<b>Total assets</b>	<b>\$ 916,276</b>	<b>\$ 1,089,700</b>	<b>\$ 8,216</b>	<b>\$ 2,014,192</b>	<b>\$ 5,800,102</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Salaries and benefits payable	\$ 117,503	\$ -	\$ -	\$ 117,503	\$ 96,486
Accounts and contracts payable	50,604	-	84	50,688	1,108,070
Due to other funds	-	158,371	8,132	166,503	6,166
Unearned revenue	33,340	-	-	33,340	132,690
<b>Total liabilities</b>	<b>201,447</b>	<b>158,371</b>	<b>8,216</b>	<b>368,034</b>	<b>1,343,412</b>
<b>Fund balances</b>					
Reserved for building construction	-	16,705	-	16,705	3,119,617
Reserved for debt service	-	899,714	-	899,714	878,751
Unreserved - undesignated	714,829	14,910	-	729,739	458,322
<b>Total fund balances</b>	<b>714,829</b>	<b>931,329</b>	<b>-</b>	<b>1,646,158</b>	<b>4,456,690</b>
<b>Total liabilities and fund balances</b>	<b>\$ 916,276</b>	<b>\$ 1,089,700</b>	<b>\$ 8,216</b>	<b>\$ 2,014,192</b>	<b>\$ 5,800,102</b>

See notes to basic financial statements

KALEIDOSCOPE CHARTER SCHOOL

Reconciliation of the Balance Sheet to the  
Statement of Net Assets  
Governmental Funds  
as of June 30, 2009

(With Partial Comparative Information as of June 30, 2008)

	<u>2009</u>	<u>2008</u>
Total fund balances – governmental funds	\$ 1,646,158	\$ 4,456,690
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets are included in net assets, but are excluded from fund balances because they do not represent financial resources.		
Cost of capital assets	7,190,180	4,118,942
Accumulated depreciation	(166,428)	(72,706)
Long-term liabilities are included in net assets, but are excluded from fund balances until due and payable.		
Loan payable	(8,610,000)	(8,610,000)
Accrued interest payable is included in net assets, but is excluded from fund balances until due and payable.		
	(86,563)	(86,563)
Debt issuance premiums, discounts, and issuance costs are excluded from net assets until amortized, but are included in fund balances upon issuance as other financing sources and uses.		
	<u>539,461</u>	<u>558,501</u>
Total net assets – governmental activities	<u>\$ 512,808</u>	<u>\$ 364,864</u>

See notes to basic financial statements

KALEIDOSCOPE CHARTER SCHOOL

Statement of Revenue, Expenditures, and Changes in Fund Balances  
 Governmental Funds  
 Year Ended June 30, 2009  
 (With Partial Comparative Information for the Year Ended June 30, 2008)

	General Fund	Building Company Special Revenue Fund	Nonmajor Fund	Total Governmental Funds	
				2009	2008
<b>Revenue</b>					
Federal sources	\$ 186,810	\$ --	\$ --	\$ 186,810	\$ 78,687
State sources	3,130,246	--	--	3,130,246	1,888,700
Local sources					
Grants	91,941	--	--	91,941	34,719
Investment income	2	22,193	--	22,195	94,954
Other	31,162	608,428	83,186	722,776	440,206
Total revenue	<u>3,440,161</u>	<u>630,621</u>	<u>83,186</u>	<u>4,153,968</u>	<u>2,537,266</u>
<b>Expenditures</b>					
Current					
Administration	86,091	--	--	86,091	79,091
District support services	418,974	--	--	418,974	239,514
Elementary and secondary					
regular instruction	1,397,810	--	--	1,397,810	916,927
Special education instruction	331,525	--	--	331,525	258,673
Instructional support services	69,016	--	--	69,016	26,404
Pupil support services	56,618	--	--	56,618	1,688
Sites and buildings	780,841	--	--	780,841	490,224
Fiscal and other fixed costs programs	10,878	--	--	10,878	5,474
Food service	--	--	104,799	104,799	63,272
Capital outlay	--	3,187,385	--	3,187,385	4,071,751
Debt service					
Principal	--	--	--	--	67,379
Interest and fiscal charges	1,188	519,375	--	520,563	462,293
Total expenditures	<u>3,152,941</u>	<u>3,706,760</u>	<u>104,799</u>	<u>6,964,500</u>	<u>6,682,690</u>
Excess (deficiency) of revenue over expenditures					
	287,220	(3,076,139)	(21,613)	(2,810,532)	(4,145,424)
Other financing sources (uses)					
Debt issuance	--	--	--	--	8,610,000
Discount on debt issuance	--	--	--	--	(363,636)
Transfers in	--	--	21,613	21,613	22,148
Transfers (out)	(21,613)	--	--	(21,613)	(22,148)
Total other financing sources (uses)	<u>(21,613)</u>	<u>--</u>	<u>21,613</u>	<u>--</u>	<u>8,246,364</u>
Net change in fund balances					
	265,607	(3,076,139)	--	(2,810,532)	4,100,940
Fund balances					
Beginning of year	<u>449,222</u>	<u>4,007,468</u>	<u>--</u>	<u>4,456,690</u>	<u>355,750</u>
End of year	<u>\$ 714,829</u>	<u>\$ 931,329</u>	<u>\$ --</u>	<u>\$ 1,646,158</u>	<u>\$ 4,456,690</u>

See notes to basic financial statements

KALEIDOSCOPE CHARTER SCHOOL

Reconciliation of the Statement of  
Revenue, Expenditures, and Changes in Fund Balances  
to the Statement of Activities  
Governmental Funds  
Year Ended June 30, 2009

(With Partial Comparative Information for the Year Ended June 30, 2008)

	<u>2009</u>	<u>2008</u>
Total net change in fund balances – governmental funds	\$ (2,810,532)	\$ 4,100,940
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are recorded as net assets and the cost is allocated over their estimated useful lives as depreciation expense. However, fund balances are reduced for the full cost of capital outlays at the time of purchase.		
Capital outlays	3,235,238	3,874,772
Depreciation expense	(128,572)	(23,820)
A gain or loss on the disposal of capital assets, including the difference between the carrying value and any related sale proceeds, is included in the change in net assets. Only the sale proceeds are included in the change in fund balances.		
	(129,150)	–
The amount of debt issued to finance the acquisition of capital assets is reported in the governmental funds as a source of financing. Debt proceeds are not revenues in the Statement of Activities, but rather constitute long-term liabilities.		
	–	(8,610,000)
Repayment of long-term debt principal does not affect the change in net assets. However, it reduces fund balances.		
	–	67,379
Interest on long-term debt is included in the change in net assets as it accrues, regardless of when it is due and payable.		
	–	(86,563)
Debt issuance premiums, discounts, and issuance costs are included in the change in net assets as they are amortized over the life of the debt. However, they are included in the change in fund balances upon issuance as other financing sources and uses.		
Discount on debt issued	–	363,636
Debt issuance costs	–	207,558
Amortization of deferred charges	(19,040)	(12,693)
Change in net assets – governmental activities	<u>\$ 147,944</u>	<u>\$ (118,791)</u>

See notes to basic financial statements

KALEIDOSCOPE CHARTER SCHOOL

General Fund  
 Statement of Revenue, Expenditures, and Change in Fund Balances  
 Budget and Actual  
 Year Ended June 30, 2009

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
<b>Revenue</b>				
Federal sources	\$ 133,500	\$ 187,008	\$ 186,810	\$ (198)
State sources	2,787,510	3,090,208	3,130,246	40,038
<b>Local sources</b>				
Grants	110,000	125,281	91,941	(33,340)
Investment earnings	100	100	2	(98)
Other	14,000	26,125	31,162	5,037
Total revenue	<u>3,045,110</u>	<u>3,428,722</u>	<u>3,440,161</u>	<u>11,439</u>
<b>Expenditures</b>				
<b>Current</b>				
Administration	84,403	80,700	86,091	5,391
District support services	235,917	392,537	418,974	26,437
Elementary and secondary regular instruction	1,307,016	1,417,207	1,397,810	(19,397)
Special education instruction	325,891	360,956	331,525	(29,431)
Instructional support services	40,982	91,645	69,016	(22,629)
Pupil support services	49,399	58,189	56,618	(1,571)
Sites and buildings	680,474	802,630	780,841	(21,789)
Fiscal and other fixed costs programs	9,590	15,000	10,878	(4,122)
<b>Debt service</b>				
Interest and fiscal charges	-	1,200	1,188	(12)
Total expenditures	<u>2,733,672</u>	<u>3,220,064</u>	<u>3,152,941</u>	<u>(67,123)</u>
Excess of revenue over expenditures	311,438	208,658	287,220	78,562
<b>Other financing sources (uses)</b>				
Transfers (out)	-	(36,150)	(21,613)	14,537
Net change in fund balances	<u>\$ 311,438</u>	<u>\$ 172,508</u>	<u>265,607</u>	<u>\$ 93,099</u>
<b>Fund balances</b>				
Beginning of year			<u>449,222</u>	
End of year			<u>\$ 714,829</u>	

See notes to basic financial statements

# KALEIDOSCOPE CHARTER SCHOOL

## Notes to Basic Financial Statements June 30, 2009

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

Kaleidoscope Charter School (the School) is a charter school established in accordance with Minnesota Statute § 124D.10. 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.

Component units are legally separate entities for which the School (primary government) 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 includes 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 is one organization considered to be a component unit of the School. KCS Building Company (the Building Company) is a Minnesota nonprofit organization classified by the Internal Revenue Service as a 501(c)(3) tax-exempt organization by reason of its function as a supporting organization of the School. The Building Company finances improvements to the site used by the School for its operations. The Internal Revenue Service Code requires that, to be granted tax-exempt status as a supporting organization, an organization must meet certain requirements. One requirement is that the supporting organization is "operated, supervised, or controlled by" the organization it supports. To meet this requirement, members of the Building Company's Board of Directors must also be members of the School's Board. Because the two organizations' governing bodies are substantially the same, the Building Company has been reported as a blended component unit of the School, with its balances and transactions reported as funds of the School. The Building Company does not issue separate financial statements.

The School is sponsored by Volunteers of America (VOA), and is operating under a charter agreement with VOA. Aside from its sponsorship, VOA has no authority, control, power, or administrative responsibilities over the School. Therefore, the School is not considered a component unit of VOA.

#### B. Basis of Statement Presentation

As required by state law, the School operates as a nonprofit corporation under Minnesota Statute § 317A. However, state law also requires that the School comply with Uniform Financial Accounting and Reporting Standards for Minnesota School Districts, which mandates the use of a governmental fund accounting structure.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### C. Entity-Wide Financial Statement Presentation

The entity-wide financial statements (Statement of Net Assets and Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the School. Generally, the effect of material interfund activity has been removed from the entity-wide financial statements. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 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 internally directed revenues are reported instead as general revenues.

The entity-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.

The School applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available. Depreciation expense is included as a direct expense in the functional areas that utilize the related capital assets. Interest is considered an indirect expense and is reported separately on the Statement of Activities.

### D. Fund Financial Statement Presentation

Separate fund financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Aggregated information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements.

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. For this purpose, the School generally considers revenues to be available if they are collected within 60 days after year-end. Grants and similar revenues are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies according to funding formulas established by Minnesota Statutes. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.
- 2. Recording of Expenditures** – Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as capital outlay expenditures in the governmental funds. In the General Fund, capital outlay expenditures are included within the applicable functional areas.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Description of Funds

The existence of the various school funds has been established by the Minnesota Department of Education. Each fund is accounted for as an independent entity. A description of the funds included in this report is as follows:

#### Major Governmental Funds

**General Fund** – The General Fund is used to account for all financial resources except those required to be accounted for in another fund.

**Building Company Special Revenue Fund** – The Building Company Special Revenue Fund was established to account for all activities of the Building Company. This includes the proceeds and uses of resources borrowed to finance the purchase and improvement of the School's site, the receipt of lease payments from the School, and the debt service payments required under the terms of the related long-term capital loans.

#### Nonmajor Governmental Funds

**Food Service Special Revenue Fund** – The Food Service Special Revenue Fund is primarily used to account for the School's child nutrition program.

#### E. Budgetary Information

The School's Board adopts an annual budget for the General Fund and Food Service Special Revenue Fund. The budgets are prepared on the modified accrual basis of accounting. Legal budgetary control is at the fund level. The Board approved a supplemental budgetary appropriation mid-year, increasing the General Fund expenditure budget by \$486,392. Expenditures for the year ended June 30, 2009 were over budget by \$1,649 in the nonmajor Food Service Special Revenue Fund. Budgeted expenditure appropriations lapse at year-end.

#### F. Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

#### G. Income Taxes

The School is exempt from income taxes under Internal Revenue Service Code §501(c)(3).

#### H. Cash and Temporary Investments

Cash and temporary investments are combined and invested to the extent available in various securities as authorized by state law. Investments are reported at fair value. Earnings from the pooled investments are allocated to the respective funds on the basis of cash balance participation by each fund.

Cash and investments held by trustee include balances held in segregated accounts that are established for specific purposes. In the Building Company Special Revenue Fund this represents cash and investments held in escrow accounts, the use of which is restricted by debt covenants. Earnings from these investments are allocated directly to that fund.

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

### **I. Receivables**

When necessary, the School utilizes an allowance for uncollectible accounts to value its receivables. However, the School considers all of its current receivables to be collectible.

### **J. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items are recorded as expenditures/expenses at the time of consumption.

### **K. Capital Assets**

Capital assets are capitalized at historical cost, or estimated historical cost if purchased or constructed. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The School defines capital assets as those with an initial, individual cost of \$1,000 or more, which benefit more than one fiscal year. 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 entity-wide financial statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since assets are generally sold for an immaterial amount or scrapped when declared as no longer fit or needed for public school purposes by the School, no salvage value is taken into consideration for depreciation purposes. Useful lives are 20 years for leasehold improvements, and 5 years for furniture and equipment. Land and construction in progress are not depreciated.

### **L. Long-Term Obligations**

In the entity-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Discounts and issuance costs on debt are deferred and amortized over the life of the debt using the straight-line method.

In the fund financial statements, governmental fund types recognize debt premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums or discounts on debt issuances are reported as other financing sources or uses, respectively. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### **M. Compensated Absences**

Since teachers are not eligible for vacation pay and amounts accrued to other employees are insignificant, no liability for unused vacation pay has been recorded. Substantially all employees are entitled to sick leave at various rates. Employees are not compensated for unused sick leave upon termination of employment; therefore, no liability for unused sick leave has been recorded.

### **N. 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; natural disasters; and workers' compensation. The School participates in the Minnesota School Board Association Insurance Trust (MSBAIT), a public entity risk pool for all of its insurance. MSBAIT operates as a common risk management and insurance program for approximately 375 member districts. The School pays an annual premium to MSBAIT for insurance coverage. The MSBAIT agreement provides that MSBAIT will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of certain limits for each insured event. Settled claims have not exceeded coverage in the past three years. There were no significant reductions in insurance coverage in fiscal 2009 from the previous year.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### O. Net Assets

Net assets represent the difference between assets and liabilities in the entity-wide financial statements. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated 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 entity-wide financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

### P. Interfund Transactions and Balances

At June 30, 2009, the Building Company Special Revenue Fund had an interfund payable of \$158,371 due to the School's General Fund for expenditures made on behalf of the Building Company. The School's Food Service Special Revenue Fund also had an interfund payable of \$8,132 due to the General Fund at year-end to eliminate a temporary cash deficit. The General Fund transferred \$21,613 to the Food Service Special Revenue Fund to finance food service costs. Interfund transfers and receivables/payables between the governmental funds reported in the fund financial statements are eliminated in the entity-wide financial statements.

### Q. Restricted Assets

Restricted assets are cash and cash equivalents whose use is limited by legal requirements such as a debt indenture. Restricted assets are reported only in the entity-wide financial statements. In the fund financial statements these assets are reported as "cash and investments held by trustee."

### R. Comparative Data

Partial prior year data has been included for comparative purposes in the basic financial statements. Certain prior year information has been restated to conform to the current year presentation.

## NOTE 2 – CASH AND INVESTMENTS

### A. Components of Cash and Investments

Deposits and investments are presented in these financial statements as follows:

	Cash and Temporary Investments	Cash and Investments Held by Trustee	Total
Deposits			
School	\$ 341,540	\$ –	\$ 341,540
Building Company	16,810	–	16,810
Total deposits	<u>358,350</u>	–	<u>358,350</u>
Investments			
Building Company	–	1,072,890	1,072,890
Total	<u>\$ 358,350</u>	<u>\$ 1,072,890</u>	<u>\$ 1,431,240</u>

## NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

### B. Deposits

In accordance with Minnesota Statutes, the School maintains checking and savings accounts at depository banks authorized by its Board. The following is considered the most significant risk associated with deposits:

**Custodial Credit Risk** – In the case of deposits, this is the risk that in the event of a bank failure, the School's deposits may be lost.

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 percent 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 institution that is not owned or controlled by the financial institution furnishing the collateral. The School's deposit policies do not further limit depository choices.

At June 30, 2009, the carrying amount of the School's deposit balance was \$358,350 and the bank balance was \$391,103, all of which was covered by federal depository insurance.

### C. Investments

At June 30, 2009, the School had an investment of \$1,072,890 in the Wells Fargo Advantage 100% Treasury Money Market Fund, which is rated AAAM by Standard and Poor's.

Investments are subject to various risks, the following of which are considered the most significant:

**Custodial Credit Risk** – For investments, this is the risk that in the event of a failure of the counterparty to an investment transaction (typically a broker-dealer) the School would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Although the School's investment policies do not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments, or by the control of who holds the securities.

**Credit Risk** – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes limit the School's investments to direct obligations or obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that receive the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 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 banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated 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; that are a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York; or certain Minnesota securities broker-dealers. The School's investment policies do not further restrict investing in specific financial instruments.

## NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

**Concentration Risk** – This is the risk associated with investing a significant portion of the School’s investments (considered 5 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The School’s investment policies do not address concentration risk.

**Interest Rate Risk** – This is the risk of potential variability in the fair value of fixed rate investments resulting from changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk). The School’s investment policies do not limit the maturities of investments; however, when purchasing investments the School considers such things as interest rates and cash flow needs.

## NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2009 is as follows:

	Balance – Beginning of Year	Additions	Deletions	Completed Construction	Balance – End of Year
Capital assets, not depreciated					
Building Company					
Land	\$ 472,500	\$ –	\$ –	\$ –	\$ 472,500
Construction in progress	3,351,792	3,108,187	–	(6,459,979)	–
Total capital assets, not depreciated	3,824,292	3,108,187	–	(6,459,979)	472,500
Capital assets, depreciated					
School					
Furniture and equipment	130,650	127,051	–	–	257,701
Building Company					
Building	–	–	–	6,459,979	6,459,979
Leasehold improvements	164,000	–	(164,000)	–	–
Total capital assets, depreciated	294,650	127,051	(164,000)	6,459,979	6,717,680
Less accumulated depreciation for					
School					
Furniture and equipment	(39,906)	(29,622)	–	–	(69,528)
Building Company					
Building	–	(96,900)	–	–	(96,900)
Leasehold improvements	(32,800)	(2,050)	34,850	–	–
Total accumulated depreciation	(72,706)	(128,572)	34,850	–	(166,428)
Net capital assets, depreciated	221,944	(1,521)	(129,150)	6,459,979	6,551,252
Total capital assets, net	<u>\$ 4,046,236</u>	<u>\$ 3,106,666</u>	<u>\$ (129,150)</u>	<u>\$ –</u>	<u>\$ 7,023,752</u>

**NOTE 3 – CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to the following governmental functions:

District support services	\$ 1,293
Elementary and secondary regular instruction	27,408
Instructional support services	640
Sites and buildings	98,999
Food service	<u>232</u>
Total depreciation expense	<u>\$ 128,572</u>

**NOTE 4 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE**

Substantially all employees of the School are required by state law to belong to defined benefit, multi-employer, cost-sharing pension plans administered by the Teachers' Retirement Association (TRA) or Public Employees' Retirement Association (PERA), all of which are administered on a state-wide basis. Disclosures relating to these plans are as follows:

**Teachers' Retirement Association (TRA)**

**A. Plan Description**

All teachers employed by the School are covered by defined benefit plans administered by 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 Basic Plan members were first hired prior to July 1, 1989. All new members must participate in the Coordinated Plan. These plans are established and administered in accordance with Minnesota Statutes, Chapters 354 and 356.

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

Two methods are used to compute benefits for TRA's Coordinated and Basic Plan members. Members first employed before July 1, 1989 receive the greater of the Tier I or Tier II as follows:

**Tier I**

	Step Rate Formula	Percentage per Year
<b>Basic Plan</b>		
First 10		2.2 percent
All years after		2.7 percent
<b>Coordinated Plan</b>		
First 10 years if service years are prior to July 1, 2006		1.2 percent
First 10 years if service years are July 1, 2006 or after		1.4 percent
All other years of service if service years are prior to July 1, 2006		1.7 percent
All other years of service if service years are July 1, 2006 or after		1.9 percent

## NOTE 4 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

With these provisions:

- Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
- Three percent per year early retirement reduction factors for all years under normal retirement age.
- Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

### Tier II

For years of service prior to July 1, 2006, a level formula of 1.7 percent per year for Coordinated Plan members and 2.7 percent per year for Basic Plan members. For years of service July 1, 2006 and after, a level formula of 1.9 percent per year for Coordinated Plan members and 2.7 percent for Basic Plan members applies. Actuarially equivalent early retirement reduction factors with augmentation are used for early retirement before the normal age of 65. These reduction factors average approximately 4–5.5 percent per year.

Members first employed after June 30, 1989 receive only the Tier II calculation with a normal retirement age that is their retirement age for full Social Security retirement benefits, but not to exceed age 66.

Six different types of annuities are available to members upon retirement. The No Refund Life Plan is a lifetime annuity that ceases upon the death of the retiree—no survivor annuity is payable. A retiring member may also choose to provide survivor benefits to a designated beneficiary(ies) by selecting one of the five plans which have survivorship features. Vested members may also leave their contributions in the TRA Fund upon termination of service in order to qualify for a deferred annuity at retirement age. Any member terminating service is also eligible for a refund of their employee contributions plus interest.

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

TRA issues a publicly available comprehensive annual financial report presenting financial statements, supplemental information on funding levels, investment performance, and further information on benefits provisions. The report may be accessed at the TRA website at [tra.state.mn.us](http://tra.state.mn.us). Alternatively, a copy of the report may be obtained by writing TRA at Teachers' Retirement Association, 60 Empire Drive, Suite 400, St. Paul, Minnesota 55103-4000 or by calling (651) 296-6449 or (800) 657-3853.

### B. Funding Policy

Minnesota Statutes, Chapter 354 sets the rates for employee and employer contributions. These statutes are established and amended by the State Legislature. Coordinated and Basic Plan members are required to contribute 5.5 percent and 9.0 percent, respectively, of their annual covered salary as employee contributions. The employer contribution rate for Coordinated Plan members was 5.5 percent and 9.5 percent for Basic Plan members. Total covered payroll salaries for all TRA members state-wide during fiscal year 2008 was approximately \$3.645 billion.

The School's contributions for the years ended June 30, 2009, 2008, and 2007 were \$58,873, \$36,795, and \$30,371, respectively, equal to the contractually required contributions for each year as set by state statutes.

## **NOTE 4 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

### **Public Employees' Retirement Association (PERA)**

#### **A. Plan Description**

All non-teacher full-time and certain part-time employees of the School are covered by defined benefit pension plans administered by the Public Employees' Retirement Association of Minnesota (PERA). PERA administers the Public Employees' Retirement Fund (PERF), which is a cost-sharing, multi-employer retirement plan. This plan is established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

PERF 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.

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 statutes, 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.

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. For Coordinated Plan members it is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For all members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 65 for Basic and Coordinated Plan members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated Plan members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree—no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

The benefit provisions stated in the previous paragraphs 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 PERF. That report may be obtained on the web at [mnpera.org](http://mnpera.org); by writing to PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088; or by calling (651) 296-7460 or (800) 652-9026.

## **NOTE 4 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

### **B. 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. PERF Basic and Coordinated Plan members were required to contribute 9.1 percent and 6.0 percent, respectively, of their annual covered salary in 2008. The School is required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan PERF members and 6.5 percent for Coordinated Plan PERF members. Employer contribution rates for the Coordinated Plan increased to 6.75 percent, effective January 1, 2009. The School's contributions to PERF for the years ended June 30, 2009, 2008, and 2007 were \$21,724, \$18,245, and \$15,108, respectively, equal to the contractually required contributions for each year as set by state statutes.

## **NOTE 5 – LOANS PAYABLE**

### **A. Building Company Loan From the City of Falcon Heights**

In November 2007, the Building Company entered into an agreement for an \$8,610,000 loan from the City of Falcon Heights, Minnesota (the City) to purchase and improve land and buildings to be used as a school site by the School and to pay off the balance of the loan from Stonewood Properties. The loan is secured by a mortgage on the related land, building, and building contents, as well as the assignment of future lease revenue. The loan represents the proceeds of two lease revenue bond issues sold by the City. The first issue is the \$8,110,000 Lease Revenue Bonds, Series 2007A, which bear interest ranging from 5.5 to 6.0 percent, and have a final maturity of November 1, 2037. The second issue is the \$500,000 Taxable Lease Revenue Bonds, Series 2007B, which bear an interest rate of 7.5 percent, and have a final maturity of November 1, 2013. Through the terms of the loan agreement, the Building Company assumes all responsibility for the bonds issued by the City, and must make loan payments sufficient to meet the scheduled semiannual debt service payments to retire the bonds.

The School, in turn, entered into an operating lease agreement to rent the school site from the Building Company. The lease term covers a 30-year period ending June 30, 2038, and requires the School to make monthly base lease payments ranging from \$47,630 to \$58,602, plus operating expenses. The School's base lease payments are essentially equal to the loan payments the Building Company is required to make on the loan from the City. The School paid rent of \$601,421 to the Building Company during the fiscal year ended June 30, 2009 under this agreement.

**NOTE 5 – LOANS PAYABLE (CONTINUED)**

**B. Future Minimum Debt Payments**

The following is a schedule of the minimum future principal and interest payments due on the loans:

Year Ending June 30,	Principal	Interest	Total
2010	\$ 50,000	\$ 517,563	\$ 567,563
2011	115,000	511,581	626,581
2012	120,000	503,063	623,063
2013	130,000	494,000	624,000
2014	140,000	484,694	624,694
2015–2019	825,000	2,292,100	3,117,100
2020–2024	1,095,000	2,012,250	3,107,250
2025–2029	1,460,000	1,631,400	3,091,400
2030–2034	1,975,000	1,121,250	3,096,250
2035–2038	2,700,000	390,600	3,090,600
	<u>\$ 8,610,000</u>	<u>\$ 9,958,500</u>	<u>\$ 18,568,500</u>

**C. Changes in Long-Term Debt**

	June 30, 2008	Additions	Payments	June 30, 2009	Due Within One Year
Loans payable	<u>\$ 8,610,000</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 8,610,000</u>	<u>\$ 50,000</u>

**NOTE 6 – COMMITMENTS AND CONTINGENCIES**

**A. Federal and State Revenues**

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.

**B. Line of Credit**

In January 2009, the School obtained an unsecured line of credit in the amount of \$150,000 through Wells Fargo Bank. The line of credit bears an annual interest rate of 5.25 percent and expires February 10, 2010. This line of credit replaces a similar agreement that expired in December 2008. The School paid interest of \$1,188 on these lines of credit during the year. The School's borrowing activity on these lines of credit during the year ended June 30, 2009 was as follows:

	June 30, 2008	Additions	Payments	June 30, 2009
Line of credit	<u>\$ –</u>	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ –</u>

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

KALEIDOSCOPE CHARTER SCHOOL

General Fund  
Comparative Balance Sheet  
as of June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Assets		
Cash and temporary investments	\$ 341,540	\$ 99,295
Receivables		
Accounts	383	-
Due from other governmental units	393,797	590,380
Due from other funds	166,503	6,166
Prepaid items	<u>14,053</u>	<u>966</u>
Total assets	<u>\$ 916,276</u>	<u>\$ 696,807</u>
Liabilities and Fund Balances		
Liabilities		
Salaries and benefits payable	\$ 117,503	\$ 96,486
Accounts and contracts payable	50,604	18,409
Unearned revenue	<u>33,340</u>	<u>132,690</u>
Total liabilities	201,447	247,585
Fund balances		
Unreserved -- undesignated	<u>714,829</u>	<u>449,222</u>
Total liabilities and fund balances	<u>\$ 916,276</u>	<u>\$ 696,807</u>

KALEIDOSCOPE CHARTER SCHOOL

General Fund  
 Schedule of Revenue, Expenditures, and Changes in Fund Balances  
 Budget and Actual  
 Year Ended June 30, 2009  
 (With Comparative Actual Amounts for the Year Ended June 30, 2008)

	2009		Over (Under) Budget	2008
	Budget	Actual		Actual
<b>Revenue</b>				
Federal sources	\$ 187,008	\$ 186,810	\$ (198)	\$ 78,687
State sources	3,090,208	3,130,246	40,038	1,888,700
<b>Local sources</b>				
Grants	125,281	91,941	(33,340)	34,719
Investment earnings	100	2	(98)	48
Other	26,125	31,162	5,037	21,082
Total revenue	3,428,722	3,440,161	11,439	2,023,236
<b>Expenditures</b>				
<b>Current</b>				
<b>Administration</b>				
Salaries	63,800	63,783	(17)	60,477
Employee benefits	9,050	8,743	(307)	8,488
Purchased services	7,700	7,162	(538)	7,365
Supplies and materials	100	-	(100)	461
Other	50	6,403	6,353	2,300
Total administration	80,700	86,091	5,391	79,091
<b>District support services</b>				
Salaries	89,165	96,626	7,461	73,243
Employee benefits	18,750	18,815	65	16,166
Purchased services	238,942	270,542	31,600	110,023
Supplies and materials	37,980	32,931	(5,049)	19,217
Capital expenditures	-	-	-	20,815
Other	7,700	60	(7,640)	50
Total district support services	392,537	418,974	26,437	239,514
<b>Elementary and secondary regular instruction</b>				
Salaries	904,231	906,300	2,069	602,865
Employee benefits	185,584	194,134	8,550	128,423
Purchased services	32,150	37,459	5,309	21,473
Supplies and materials	82,460	94,022	11,562	112,993
Capital expenditures	210,782	164,160	(46,622)	49,064
Other	2,000	1,735	(265)	2,109
Total elementary and secondary regular instruction	1,417,207	1,397,810	(19,397)	916,927
<b>Special education instruction</b>				
Salaries	211,776	193,250	(18,526)	178,547
Employee benefits	56,080	37,604	(18,476)	36,066
Purchased services	89,600	97,821	8,221	40,647
Supplies and materials	3,500	2,850	(650)	3,413
Total special education instruction	360,956	331,525	(29,431)	258,673

(continued)

KALEIDOSCOPE CHARTER SCHOOL

General Fund  
 Schedule of Revenue, Expenditures, and Changes in Fund Balances  
 Budget and Actual (continued)  
 Year Ended June 30, 2009  
 (With Comparative Actual Amounts for the Year Ended June 30, 2008)

	2009		Over (Under)	2008
	Budget	Actual	Budget	Actual
Expenditures (continued)				
Current (continued)				
Instructional support services				
Salaries	53,155	46,661	(6,494)	-
Employee benefits	6,990	6,136	(854)	-
Purchased services	23,500	12,203	(11,297)	16,463
Supplies and materials	2,500	4,016	1,516	6,741
Capital expenditures	5,500	-	(5,500)	3,200
Total instructional support services	91,645	69,016	(22,629)	26,404
Pupil support services				
Salaries	42,500	44,170	1,670	-
Employee benefits	9,189	8,068	(1,121)	-
Purchased services	5,500	3,375	(2,125)	1,458
Supplies and materials	1,000	1,005	5	230
Total pupil support services	58,189	56,618	(1,571)	1,688
Sites and buildings				
Salaries	47,000	48,080	1,080	41,700
Employee benefits	6,709	6,865	156	5,853
Purchased services	731,421	712,786	(18,635)	434,085
Supplies and materials	15,000	12,767	(2,233)	7,443
Other	2,500	343	(2,157)	1,143
Total sites and buildings	802,630	780,841	(21,789)	490,224
Fiscal and other fixed costs programs				
Purchased services	15,000	10,878	(4,122)	5,474
Debt service				
Interest and fiscal charges	1,200	1,188	(12)	-
Total expenditures	3,220,064	3,152,941	(67,123)	2,017,995
Excess of revenue over expenditures	208,658	287,220	78,562	5,241
Other financing sources (uses)				
Transfers (out)	(36,150)	(21,613)	14,537	(22,148)
Net change in fund balances	\$ 172,508	265,607	\$ 93,099	(16,907)
Fund balances				
Beginning of year		449,222		466,129
End of year		\$ 714,829		\$ 449,222

KALEIDOSCOPE CHARTER SCHOOL

Food Service Special Revenue Fund  
 Comparative Balance Sheet  
 as of June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Assets		
Cash	\$ -	\$ 124
Receivables		
Accounts	<u>8,216</u>	<u>-</u>
Total assets	<u>\$ 8,216</u>	<u>\$ 124</u>
Liabilities and Fund Balances		
Liabilities		
Accounts and contracts payable	\$ 84	\$ 124
Due to other funds	<u>8,132</u>	<u>-</u>
Total liabilities	8,216	124
Fund balances		
Unreserved -- undesignated	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 8,216</u>	<u>\$ 124</u>

KALEIDOSCOPE CHARTER SCHOOL

Food Service Special Revenue Fund  
 Schedule of Revenue, Expenditures, and Changes in Fund Balances  
 Budget and Actual  
 Year Ended June 30, 2009  
 (With Comparative Actual Amounts for the Year Ended June 30, 2008)

	2009			2008
	Final Budget	Actual	Over (Under) Final Budget	Actual
Revenue				
Local sources				
Other – primarily meal sales	\$ 67,000	\$ 83,186	\$ 16,186	\$ 41,124
Expenditures				
Current				
Food service				
Supplies and materials	102,150	104,239	2,089	63,202
Other expenditures	1,000	560	(440)	70
Total expenditures	<u>103,150</u>	<u>104,799</u>	<u>1,649</u>	<u>63,272</u>
Excess (deficiency) of revenue over expenditures	(36,150)	(21,613)	14,537	(22,148)
Other financing sources				
Transfers in	<u>36,150</u>	<u>21,613</u>	<u>(14,537)</u>	<u>22,148</u>
Net change in fund balances	<u>\$ —</u>	<u>—</u>	<u>\$ —</u>	<u>—</u>
Fund balances				
Beginning of year		<u>—</u>		<u>—</u>
End of year		<u>\$ —</u>		<u>\$ —</u>

KALEIDOSCOPE CHARTER SCHOOL

Building Company Special Revenue Fund  
 Comparative Balance Sheet  
 as of June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Assets		
Cash and temporary investments	\$ 16,810	\$ 11,000
Cash and investments held by trustee	<u>1,072,890</u>	<u>5,092,171</u>
Total assets	<u>\$ 1,089,700</u>	<u>\$ 5,103,171</u>
Liabilities and Fund Balances		
Liabilities		
Accounts and contracts payable	\$ -	\$ 1,089,537
Due to other funds	<u>158,371</u>	<u>6,166</u>
Total liabilities	158,371	1,095,703
Fund balances		
Reserved for building construction	16,705	3,119,617
Reserved for debt service	899,714	878,751
Unreserved – undesignated	<u>14,910</u>	<u>9,100</u>
Total fund balances	<u>931,329</u>	<u>4,007,468</u>
Total liabilities and fund balances	<u>\$ 1,089,700</u>	<u>\$ 5,103,171</u>

KALEIDOSCOPE CHARTER SCHOOL

Building Company Special Revenue Fund  
 Comparative Schedule of Revenue, Expenditures, and Changes in Fund Balances  
 Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Revenue		
Local sources		
Investment earnings	\$ 22,193	\$ 94,906
Other		
Rent	601,421	377,787
Miscellaneous	7,007	213
Total revenue	<u>630,621</u>	<u>472,906</u>
Expenditures		
Capital outlay		
Capital expenditures	3,187,385	4,071,751
Debt service		
Principal	-	67,379
Interest and fiscal charges	519,375	462,293
Total expenditures	<u>3,706,760</u>	<u>4,601,423</u>
Excess (deficiency) of revenue over expenditures	(3,076,139)	(4,128,517)
Other financing sources (uses)		
Debt issued	-	8,610,000
Discount on debt issuance	-	(363,636)
Total other financing sources (uses)	<u>-</u>	<u>8,246,364</u>
Net change in fund balances	(3,076,139)	4,117,847
Fund balances (deficits)		
Beginning of year	<u>4,007,468</u>	<u>(110,379)</u>
End of year	<u>\$ 931,329</u>	<u>\$ 4,007,468</u>

OTHER REQUIRED REPORTS



PRINCIPALS

Kenneth W. Malloy, CPA  
Thomas M. Montague, CPA  
Thomas A. Karnowski, CPA  
Paul A. Radosevich, CPA  
William J. Lauer, CPA  
James H. Eichten, CPA  
Aaron J. Nielsen, CPA  
Victoria L. Holinka, CPA

INDEPENDENT AUDITOR'S 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 Kaleidoscope Charter School  
Otsego, Minnesota

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kaleidoscope Charter School (the School) as of and for the year ended June 30, 2009, which collectively comprise the School's basic financial statements, and have issued our report thereon dated December 22, 2009. 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 the School'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 the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified one deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School's ability to record, process, summarize, and report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the School's financial statements that is more than inconsequential will not be prevented or detected by the School's internal control. We consider the deficiency described in the accompanying Schedule of Findings as item 2009-1 to be a significant deficiency in internal control over financial reporting.

(continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the School's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described previously to be a material weakness.

### **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 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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management at the School in a separate letter dated December 22, 2009.

The School's corrective action plan related to the finding identified in our audit is described in the accompanying Schedule of Findings. We did not audit the School's corrective action plan and, accordingly, we express no opinion on it.

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

*Malloy, Montague, Karnowski, Radosevich & Co., P.A.*

December 22, 2009



PRINCIPALS

Kenneth W. Malloy, CPA  
Thomas M. Montague, CPA  
Thomas A. Karnowski, CPA  
Paul A. Radosovich, CPA  
William J. Lauer, CPA  
James H. Eichten, CPA  
Aaron J. Nielsen, CPA  
Victoria L. Holinka, CPA

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
WITH MINNESOTA STATE LAWS AND REGULATIONS

To the Board of Kaleidoscope Charter School  
Otsego, Minnesota

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kaleidoscope Charter School (the School) as of and for the year ended June 30, 2009, which collectively comprise the School's basic financial statements, and have issued our report thereon dated December 22, 2009.

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 Local Governments*, promulgated by the Office of the State Auditor pursuant to Minnesota Statute § 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 Local Governments* covers two main categories of compliance to be tested in audits of charter schools: uniform financial accounting and reporting standards, and charter schools. Our study included both the listed categories.

The results of our tests indicate that, for the items tested, the School complied with the material terms and conditions of applicable legal provisions.

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

*Malloy, Montague, Karnowski, Radosovich & Co., P.A.*

December 22, 2009

KALEIDOSCOPE CHARTER SCHOOL

Schedule of Findings  
Year Ended June 30, 2009

**INTERNAL CONTROL OVER FINANCIAL REPORTING – MATERIAL WEAKNESS**

**2009-1 SEGREGATION OF DUTIES AND BOARD OVERSIGHT OVER MANUAL DISBURSEMENTS**

**Criteria** – Management is responsible for establishing and maintaining effective internal controls. These controls include the responsibility for segregating duties such that no individual has the responsibility to authorize and execute a transaction, have physical access to the related assets, and have responsibility or authority to record the transaction.

**Condition** – One employee was able to issue numerous manual checks without proper authorization, approval, or supporting documentation.

**Context** – This is a current year finding. This condition was communicated in our management report issued in conjunction with Kaleidoscope Charter School's (the School) audit for the year ended June 30, 2008. At that time, due to the minimal level of activity in this account, this condition was not reported as a significant internal control deficiency.

**Cause** – This condition was primarily caused by a lack of segregation of duties over manual disbursements. The processing of these transactions did not follow the School's regular disbursement procedures, which allowed the individual to circumvent the School's internal controls and provided the opportunity for fraud to occur.

**Effect** – One important element of internal accounting controls is an adequate segregation of duties such that no individual has responsibility to authorize and execute a transaction, have physical access to the related assets, and have responsibility or authority to record the transaction. A lack of segregation of duties subjects the School to a higher risk that errors or fraud could occur and not be detected in a timely manner in the normal course of business.

**Recommendation** – We recommend that the School review its internal controls for processing manual checks to ensure adequate segregation of duties, review, and approval. When possible, all disbursements should be processed through the School's normal disbursement process, which includes a number of control procedures that were not followed for these transactions.

**Corrective Action Plan**

Actions Planned – The School's Board will review the accounting procedures in place.

Official Responsible – David Hoffman, Executive Director.

Planned Completion Date – June 30, 2010.

Disagreement With or Explanation of Finding – The School agrees with the finding.

Plan to Monitor – The Board has since received additional training on governance and financial statement analysis. The School hired a new executive director and a business manager to improve segregation of duties. Also, the Board now requires dual signatures on all manual checks with one signature from a boardmember.

KALEIDOSCOPE CHARTER SCHOOL

Uniform Financial Accounting and Reporting Standards  
Compliance Table  
June 30, 2009

		Audit	UFARS	Audit - UFARS
<b>General Fund</b>				
Total revenue		\$ 3,440,161	\$ 3,440,161	\$ -
Total expenditures		\$ 3,152,941	\$ 3,152,941	\$ -
Reserved				
403	Staff development	\$ -	\$ -	\$ -
405	Deferred maintenance	\$ -	\$ -	\$ -
406	Health and safety	\$ -	\$ -	\$ -
407	Capital projects levy	\$ -	\$ -	\$ -
408	Cooperative revenue	\$ -	\$ -	\$ -
411	Severance pay	\$ -	\$ -	\$ -
414	Operating debt	\$ -	\$ -	\$ -
416	Levy reduction	\$ -	\$ -	\$ -
417	Taconite building maintenance	\$ -	\$ -	\$ -
419	Encumbrances	\$ -	\$ -	\$ -
423	Certain teacher programs	\$ -	\$ -	\$ -
424	Operating capital	\$ -	\$ -	\$ -
426	\$25 taconite	\$ -	\$ -	\$ -
427	Disabled accessibility	\$ -	\$ -	\$ -
428	Learning and development	\$ -	\$ -	\$ -
434	Area learning center	\$ -	\$ -	\$ -
435	Contracted alternative programs	\$ -	\$ -	\$ -
436	State approved alternative program	\$ -	\$ -	\$ -
438	Gifted and talented	\$ -	\$ -	\$ -
441	Basic skills programs	\$ -	\$ -	\$ -
445	Career and technical programs	\$ -	\$ -	\$ -
446	First grade preparedness	\$ -	\$ -	\$ -
449	Safe school crime	\$ -	\$ -	\$ -
450	Pre-kindergarten	\$ -	\$ -	\$ -
451	QZAB payments	\$ -	\$ -	\$ -
452	OPEB liability not in trust	\$ -	\$ -	\$ -
453	Unfunded severance and retirement levy	\$ -	\$ -	\$ -
Unreserved				
418	Severance - insurance premiums	\$ -	\$ -	\$ -
422	Unreserved - undesignated	\$ 714,829	\$ 714,829	\$ -
<b>Food Service</b>				
Total revenue		\$ 83,186	\$ 83,186	\$ -
Total expenditures		\$ 104,799	\$ 104,799	\$ -
Reserved				
411	Severance pay	\$ -	\$ -	\$ -
419	Encumbrances	\$ -	\$ -	\$ -
452	OPEB liability not in trust	\$ -	\$ -	\$ -
Unreserved				
418	Severance - insurance premiums	\$ -	\$ -	\$ -
422	Unreserved - undesignated	\$ -	\$ -	\$ -
<b>Community Service</b>				
Total revenue		\$ -	\$ -	\$ -
Total expenditures		\$ -	\$ -	\$ -
Reserved				
411	Severance	\$ -	\$ -	\$ -
419	Encumbrances	\$ -	\$ -	\$ -
426	\$25 taconite	\$ -	\$ -	\$ -
431	Community education	\$ -	\$ -	\$ -
432	ECFE	\$ -	\$ -	\$ -
444	School readiness	\$ -	\$ -	\$ -
447	Adult basic education	\$ -	\$ -	\$ -
452	OPEB liability not in trust	\$ -	\$ -	\$ -
Unreserved				
418	Severance - insurance premiums	\$ -	\$ -	\$ -
422	Unreserved - undesignated	\$ -	\$ -	\$ -
<b>Building Construction</b>				
Total revenue		\$ -	\$ -	\$ -
Total expenditures		\$ -	\$ -	\$ -
Reserved				
407	Capital projects levy	\$ -	\$ -	\$ -
409	Alternative facility program	\$ -	\$ -	\$ -
413	Project funded by COP	\$ -	\$ -	\$ -
419	Encumbrances	\$ -	\$ -	\$ -
Unreserved				
422	Unreserved - undesignated	\$ -	\$ -	\$ -

KALEIDOSCOPE CHARTER SCHOOL

Uniform Financial Accounting and Reporting Standards  
Compliance Table (continued)  
June 30, 2009

	Audit	UFARS	Audit - UFARS
<b>Debt Service</b>			
Total revenue	\$ -	\$ -	\$ -
Total expenditures	\$ -	\$ -	\$ -
Reserved			
425 Bond refundings	\$ -	\$ -	\$ -
451 QZAB payments	\$ -	\$ -	\$ -
Unreserved			
422 Unreserved - undesignated	\$ -	\$ -	\$ -
<b>Trust</b>			
Total revenue	\$ -	\$ -	\$ -
Total expenditures	\$ -	\$ -	\$ -
Reserved			
419 Encumbrances	\$ -	\$ -	\$ -
Unreserved			
422 Unreserved - undesignated	\$ -	\$ -	\$ -
<b>Agency</b>			
Unreserved			
422 Unreserved - undesignated	\$ -	\$ -	\$ -
<b>Internal Service</b>			
Total revenue	\$ -	\$ -	\$ -
Total expenditures	\$ -	\$ -	\$ -
Reserved			
419 Encumbrances	\$ -	\$ -	\$ -
Unreserved			
422 Unreserved - undesignated	\$ -	\$ -	\$ -
<b>OPEB Revocable Trust</b>			
Total revenue	\$ -	\$ -	\$ -
Total expenditures	\$ -	\$ -	\$ -
Reserved			
419 Encumbrances	\$ -	\$ -	\$ -
Unreserved			
422 Unreserved - undesignated	\$ -	\$ -	\$ -
<b>OPEB Irrevocable Trust</b>			
Total revenue	\$ -	\$ -	\$ -
Total expenditures	\$ -	\$ -	\$ -
Reserved			
Unreserved			
422 Unreserved - undesignated	\$ -	\$ -	\$ -
<b>OPEB Debt Service</b>			
Total revenue	\$ -	\$ -	\$ -
Total expenditures	\$ -	\$ -	\$ -
Reserved			
425 Bond refundings	\$ -	\$ -	\$ -
Unreserved			
422 Unreserved - undesignated	\$ -	\$ -	\$ -

Note 1: Kaleidoscope Charter School (the School) may report certain additional reserved and designated fund balances for financial reporting purposes that are reported to the Minnesota Department of Education as unreserved for purposes of this table.

Note 2: The activity and balances of the School (the primary government) are included in this table. The activity and balances of KCS Building Company (a blended component unit) are not included.

Unaudited Data Reporting Elements

Fiscal Year 2009 Safe School Maintenance of Effort

Total expenditures	\$ -
FTE	-

Fiscal Year 2009 Operating Capital Transfer

Per pupil amount	\$ -
Adjusted marginal cost pupil unit	-
Total transfer	\$ -

Here is a list of some of the projects completed this year by the leadership kids.

Painted a 4 square court

Planted tulips spelling KCS

Tutored younger grade students

Kindergarten Buddies

Initiated the process for getting video announcements

Wrote and delivered morning announcements

Pet supply drive

Clothing and stuffed animal drive for children's hospital

Created bulletin board game (match teacher to pet)

Created banners and signs to make school feel better

Organized a tubing trip

Organized a trip to feed my starving children

Help with cleaning and fixing things around school

Initiated the ordering of new social studies atlases

Worked on putting together new basketball hoops

Organized and taught after school fun day for k-2

Organized and taught after school doodling class for 5-8

Organized locker decorating committee for people's birthdays

Presented the student perspective to the school board.

## ***Service Learning at Kaleidoscope Charter School***

All students at Kaleidoscope Charter School will participate in engaging, high quality, service learning projects. The students need to complete 20 hours annually. Documentation needs to be verified by Kaleidoscope teachers using the documentation defined below.

1. Written and oral reflection by student
2. Rubric assessment
3. Documentation of work done (pre-, during, post photos and written plans)
4. Involvement in a variety of service learning areas:
  - a. Labor-based
  - b. Technical tasks (mechanical, mental)
  - c. Human services –senior citizens, ESL, homeless, etc
  - d. Sharing the story of another
  - e. A project that connects two different communities  
(Kaleidoscope, international, downtown, church, family, offices, etc.)

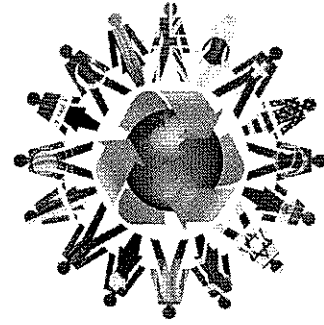
\*An example has been included. Please make sure the pictures you include are of students Kaleidoscope has permission to publish.

**Title:** Paper and Food Recycling

**Teacher/s:** Allyson Schultes, Jamie Bernu, Ashley Danner and Liz Barnes

**Grade Level:** 3<sup>rd</sup> and 4<sup>th</sup> Grade

**Service Area Involvement:** The children collected paper on a daily basis to help reduce landfill. The children also helped to implement food recycling to donate to a local pig farmer, again to reduce rubbish in landfills.

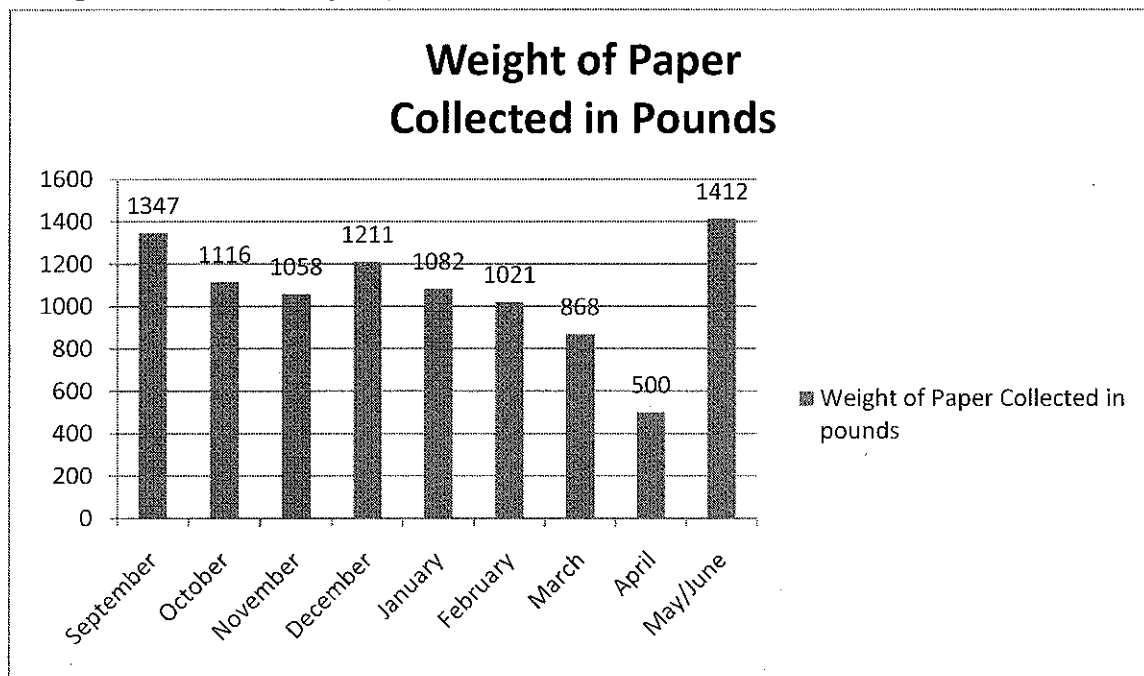


**Total Hours Completed:** 100 hours

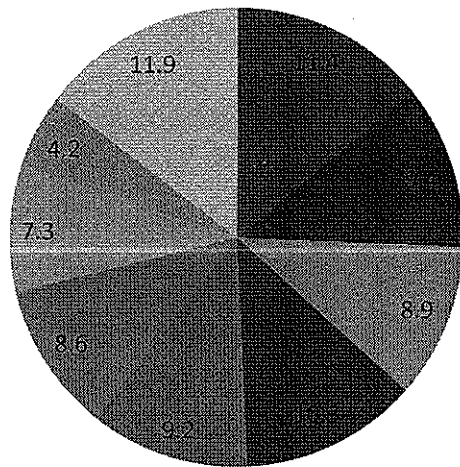
**Project Description:** The children collected and weighed paper products at our school to see how much paper we accumulate and how many trees we saved by recycling. The children also implemented a food waste program where our school recycles food instead of throwing it in the trash, along with the food recycling they also implemented the can, glass and plastic recycling program.

**Preparation of the Students:** The children collected and weighed paper recycling on a daily basis, to calculate how many trees our school could save over a school year. The children also helped implement a food recycling program by learning about the importance of this type of recycling, and demonstrating and teaching the other children of the school how to utilize and participate in this food recycling program.

**During the Service Learning Project:**



## Trees Saved Per Month



- September
- October
- November
- December
- January
- February
- March
- April
- May/June

82 Trees Saved

**Post Service Learning Project:** Children created a tree for every tree the school saved.

**Reflections:** "Recycling is fun to do. When you go around the school you get to see a lot of friends. It is also a lot of fun to learn with your friends about recycling."

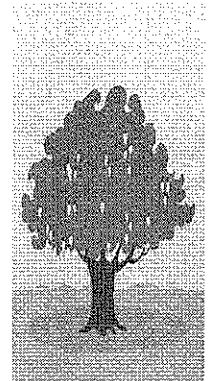
Blake S. 3<sup>rd</sup> Grade

"It felt fun because I could push the cart and laugh with friends. Weighing the paper was a lot of fun."

Connor H. 3<sup>rd</sup> Grade

"Recycling was very fun going around the school and collecting the papers. We got to see how many trees we saved. We weighed the papers and every 118 pounds we saved a tree."

Kennan Y. & Alexis R. 4<sup>th</sup> Grade



**Rubric Assessment:** We did not have an assessment with this service learning project other than creating Earth conscious citizens.

**Title:** 1<sup>st</sup> Grade Buddies – 2009/2010 school year

**Teacher/s:** Lisa Anderson, Renee Seuss, Kirby Rients

**Grade Level:** 1<sup>st</sup> Grade and 7<sup>th</sup> Grade

**Service Area Involvement:** Connecting the 1<sup>st</sup> Grade classroom communities and Mr. Rients' 7<sup>th</sup> grade Language Arts community of Kaleidoscope Charter School

**Total Hours Completed:** 17

**Project Description:** Each 7<sup>th</sup> grade student in Mr. Rients' Language Arts class is paired with a 1<sup>st</sup> Grade student from Mrs. Anderson's and Mrs. Seuss's homeroom for several weeks to work with them on several projects. A description of the meeting times and the projects completed is listed below. During this time the students built quality relationships while assisting the 1<sup>st</sup> Graders with some of the daily skills that they had been working on.

**Preparation of the Middle School Students:** This is the second time for a number of the middle school students to have buddies. To prepare the students, we talked about being role models for the younger kids and what that means to the middle school students and, to the 1<sup>st</sup> Grade students. We discussed the importance of letting the student take control over some of the situations such as the counting, organizing, coloring, etc. Each week, before we meet with the buddies, we talk about what they will work on with their buddies and follow that up with a reflection the class period after we visit them.

**During the Service Learning Project:** Students worked on the following projects

Date	Minutes Completed	Project Completed
1/15/10	60	Anderson – 7 <sup>th</sup> grade students worked with 1 <sup>st</sup> grade students on their reading assignments. 1 <sup>st</sup> graders read their stories to the 7 <sup>th</sup> graders and explained various elements of the story to them.
1/22/10	60	Seuss – 7 <sup>th</sup> grade students assisted 1 <sup>st</sup> grade students in the writing of their personal narratives. They explained what the purpose of a narrative is all about and help them with various proofreading techniques.
2/5/10	60	Anderson – 7 <sup>th</sup> grade students worked with 1 <sup>st</sup> grade students on various elements of Language Arts. Some of the activities covered included assisting with writing assignments, group reading time, and help with spelling.
2/12/10	60	Seuss – 7 <sup>th</sup> Grade students worked with 1 <sup>st</sup> grade students on their skills with sight words as well as reading from their books. They also assisted students with writing Thank You letters.
2/19/10	60	Anderson - 7 <sup>th</sup> grade students worked with 1 <sup>st</sup> grade students on working with sight words and incorporating them into stories that they were writing.
2/26/10	60	Seuss - 7 <sup>th</sup> grade students worked with 1 <sup>st</sup> grade students on assisting them with their reading skills as each student had a book that they were reading. This was beneficial for all of the students.

3/5/10	60	Anderson - 7 <sup>th</sup> grade students worked with 1 <sup>st</sup> grade students on working on their sight words and how they spell them.
3/12/10	60	Seuss - 7 <sup>th</sup> grade students assisted 1 <sup>st</sup> grade students with their reading assignments as each student had a different book that they were reading.
3/19/10	60	Anderson - 7 <sup>th</sup> grade students worked with 1 <sup>st</sup> grade students on writing narrative stories. They assisted with spelling, structure, and proofreading.
3/26/10	60	Seuss - 7 <sup>th</sup> grade students worked with 1 <sup>st</sup> grade students on putting together a poster that encompassed writing, art, and creativity.
3/30/10	60	Anderson - 7 <sup>th</sup> grade students worked with 1 <sup>st</sup> grade students as they were getting ready for spring break. They organized folders, tied up some loose ends, and had a fun time before the break.
4/9/10	60	Seuss - 7 <sup>th</sup> grade students worked with 1 <sup>st</sup> grade students on specific spelling words that they were going to be assessed on. They played some fun, learning games and practiced for their test.
4/16/10	60	Anderson - 7 <sup>th</sup> grade students worked with 1 <sup>st</sup> grade students on some math problems that dealt specifically with money and how to make change from various monetary perspectives.
4/23/10	60	Seuss - 7 <sup>th</sup> grade students worked with 1 <sup>st</sup> grade students on a poetry unit that was being taught that had the spring theme behind it.
5/7/10	60	Anderson - 7 <sup>th</sup> grade students worked with 1 <sup>st</sup> grade students on reading assignments that they had. They assisted with comprehension questions that were posed with the reading.
5/14/10	60	Seuss - 7 <sup>th</sup> grade students worked with 1 <sup>st</sup> grade students on writing a letter of appreciation for their mothers for Mother's Day.
5/26/10	60	Anderson - 7 <sup>th</sup> grade students worked with 1 <sup>st</sup> grade students on organizing their writing portfolios that they will have with them throughout their time at KCS.

**Post Service Learning Project:** We took time, in the classes, to discuss the time that we spent with our buddies this year. We stressed the importance of being a role model, especially at a school like Kaleidoscope. The students were to take what they have learned and now apply that with all of their interactions in various communities.

**Reflection:** Overall, I felt that it was a great experience for everyone that was involved. It gave the first grade students a chance to hang with the "big kids" and for the 7<sup>th</sup> grade students to take on a leadership role and to learn responsibility.