LEGACY ACADEMY

FINANCIAL STATEMENTS

June 30, 2007

TABLE OF CONTENTS

S&C Swanhorst & Company LLC
Certified Public Accountants

Board of Directors
Legacy Academy
Elizabeth, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Legacy Academy, component unit of Elbert County School District No. C-1, as of and for the year ended June 30, 2007, which collectively comprise the basic financial statements of the Legacy Academy, as listed in the table of contents. These financial statements are the responsibility of the Legacy Academy's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Legacy Academy, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Legacy Academy's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Swanhorst & Company LLC

November 3, 2007

8400 E. Crescent Parkway • Suite 600 • Greenwood Village, CO 80111 • (720) 528-4306 Fax: (720) 528-4307

BASIC FINANCIAL STATEMENTS

LEGACY ACADEMY

STATEMENT OF NET ASSETS
June 30, 2007

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS 2007	TOTALS 2006
ASSETS				
Cash and Investments	$ 645,790	$ -	$ 645,790	$ 835,676
Restricted Cash and Investments	-	737,589	737,589	1,302,470
Grants Receivable	87,022	-	87,022	88,611
Deposits	633	-	633	27,423
Debt Issuance Costs, Net of Accumulated Amortization	-	194,952	194,952	200,891
Capital Assets, Not Being Depreciated	-	347,000	347,000	5,216,017
Capital Assets, Net of Accumulated Depreciation	-	5,465,722	5,465,722	199,319
TOTAL ASSETS	733,445	6,745,263	7,478,708	7,870,407
LIABILITIES				
Accounts Payable	41,308	-	41,308	283,773
Accrued Salaries and Benefits	141,796	-	141,796	129,687
Deferred Revenues	11,519	-	11,519	58,604
Retainage Payable	-	-	-	130,620
Accrued Interest Payable	-	144,606	144,606	145,956
Noncurrent Liabilities				
Due Within One Year	-	65,000	65,000	60,000
Due in More Than One Year	-	5,801,509	5,801,509	5,848,646
TOTAL LIABILITIES	194,623	6,011,115	6,205,738	6,657,286
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	-	141,165	141,165	(87,413)
Restricted for Debt Service	-	541,372	541,372	535,235
Restricted for Repairs and Replacements	-	51,611	51,611	25,102
Restricted for Emergencies	100,000	-	100,000	77,000
Unrestricted	438,822	-	438,822	663,197
TOTAL NET ASSETS	$ 538,822	$ 734,148	$ 1,272,970	$ 1,213,121

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

LEGACY ACADEMY

STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS
PRIMARY GOVERNMENT			
Governmental Activities			
Instruction	$ 1,708,408	$ 27,592	$ 67,231
Supporting Services	595,422	47,216	-
Total Governmental Activities	2,303,830	74,808	67,231
Business-Type Activities			
Building Corporation	548,668	-	-
TOTAL PRIMARY GOVERNMENT	$ 2,852,498	$ 74,808	$ 67,231

GENERAL REVENUES
Per Pupil Operating Revenue
Capital Construction Funding
Grants and Contributions not Restricted to Specific Programs
Investment Earnings
Miscellaneous
TRANSFERS
EXTRAORDINARY ITEM

TOTAL GENERAL REVENUES, TRANSFERS AND EXTRAORDINARY ITEM

CHANGE IN NET ASSETS

NET ASSETS, Beginning

NET ASSETS, Ending

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

NET (EXPENSES) REVENUES AND CHANGES IN NET ASSETS			
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS 2007	TOTALS 2006
$ (1,613,585)	$ -	$ (1,613,585)	$ (1,308,552)
(548,206)	-	(548,206)	(525,632)
(2,161,791)	-	(2,161,791)	(1,834,184)
-	(548,668)	(548,668)	(78,903)
(2,161,791)	(548,668)	(2,710,459)	(1,913,087)
2,426,083	-	2,426,083	1,961,656
78,556	-	78,556	47,301
178,620	-	178,620	189,660
23,664	37,012	60,676	186,780
26,373	-	26,373	91,757
(772,880)	772,880	-	-
-	-	-	(52,562)
1,960,416	809,892	2,770,308	2,424,592
(201,375)	261,224	59,849	511,505
740,197	472,924	1,213,121	701,616
$ 538,822	$ 734,148	$ 1,272,970	$ 1,213,121

LEGACY ACADEMY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007

	GENERAL	CAPITAL RESERVE	TOTAL 2007	TOTAL 2006
ASSETS				
Cash and Investments	$ 645,790	$ -	$ 645,790	$ 835,676
Grants Receivable	87,022	-	87,022	88,611
Other Assets	633	-	633	27,423
TOTAL ASSETS	$ 733,445	$ -	$ 733,445	$ 951,710
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	$ 41,308	$ -	$ 41,308	$ 23,222
Accrued Salaries and Benefits	141,796	-	141,796	129,687
Deferred Revenues	11,519	-	11,519	58,604
TOTAL LIABILITIES	194,623	-	194,623	211,513
FUND BALANCES				
Reserved for Emergencies	100,000	-	100,000	77,000
Unreserved, Reported in General Fund	438,822	-	438,822	663,197
TOTAL FUND BALANCES	538,822	-	538,822	740,197
TOTAL LIABILITIES AND FUND BALANCES	$ 733,445	$ -	$ 733,445	$ 951,710

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

LEGACY ACADEMY

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2007

	GENERAL	CAPITAL RESERVE	TOTAL 2007	TOTAL 2006
REVENUES				
Local Sources				
Per Pupil Operating Revenue	$ 2,426,083	$ -	$ 2,426,083	$ 1,961,656
Contributions and Donations	46,612	-	46,612	109,746
Student Fees and Activities	27,592	-	27,592	34,868
Food Services	47,216	-	47,216	43,406
Investment Earnings	23,664	-	23,664	21,085
Grants	38,388	-	38,388	-
Miscellaneous	25,873	500	26,373	91,757
State Sources				
Capital Construction Funding	-	78,556	78,556	47,301
Grants	67,231	-	67,231	79,914
Federal Sources				
Grants	93,620	-	93,620	-
TOTAL REVENUES	2,796,279	79,056	2,875,335	2,389,733
EXPENDITURES				
Instruction	1,708,408	-	1,708,408	1,343,420
Supporting Services	745,011	349,746	1,094,757	549,094
Capital Outlay	-	-	-	19,944
TOTAL EXPENDITURES	2,453,419	349,746	2,803,165	1,912,458
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	342,860	(270,690)	72,170	477,275
OTHER FINANCING SOURCES (USES)				
Transfers In	-	270,690	270,690	89,980
Transfers Out	(544,235)	-	(544,235)	(320,719)
TOTAL OTHER FINANCING SOURCES (USES)	(544,235)	270,690	(273,545)	(230,739)
NET CHANGE IN FUND BALANCES	(201,375)	-	(201,375)	246,536
FUND BALANCES, Beginning	740,197	-	740,197	493,661
FUND BALANCES, Ending	$ 538,822	$ -	$ 538,822	$ 740,197

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

LEGACY ACADEMY

STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2007

	BUILDING CORPORATION 2007	BUILDING CORPORATION 2006
ASSETS		
CURRENT ASSETS		
Restricted Cash and Investments	$ 737,589	$ 1,302,470
TOTAL CURRENT ASSETS	737,589	1,302,470
NONCURRENT ASSETS		
Debt Issuance Costs, Net of Accumulated Amortization	194,952	200,891
Capital Assets, Not Being Depreciated	347,000	5,216,017
Capital Assets, Net of Accumulated Depreciation	5,465,722	199,319
TOTAL NONCURRENT ASSETS	6,007,674	5,616,227
TOTAL ASSETS	6,745,263	6,918,697
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	-	260,551
Retainage Payable	-	130,620
Accrued Interest Payable	144,606	145,956
Loan Payable, Current Portion	65,000	60,000
TOTAL NONCURRENT LIABILITIES	209,606	597,127
NONCURRENT LIABILITIES		
Loan Payable	5,801,509	5,848,646
TOTAL LIABILITIES	6,011,115	6,445,773
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	141,165	(87,413)
Restricted for Debt Service	541,372	535,235
Restricted for Repairs and Replacements	51,611	25,102
TOTAL NET ASSETS	$ 734,148	$ 472,924

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

LEGACY ACADEMY

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
PROPRIETARY FUND
Year Ended June 30, 2007

	BUILDING CORPORATION 2007	BUILDING CORPORATION 2006
OPERATING INCOME		
Building Lease	$ 499,335	$ 230,739
TOTAL OPERATING INCOME	499,335	230,739
OPERATING EXPENSES		
Depreciation	150,375	3,119
Amortization of Debt Issuance Costs	5,939	5,939
Debt Service		
Interest	390,396	67,169
Fees	1,958	2,676
TOTAL OPERATING EXPENSES	548,668	78,903
OPERATING INCOME (LOSS)	(49,333)	151,836
NONOPERATING INCOME		
Investment Earnings	37,012	165,695
NET INCOME (LOSS) BEFORE TRANSFERS	(12,321)	317,531
Transfers In	273,545	-
NET INCOME BEFORE EXTRAORDINARY ITEM	261,224	317,531
EXTRAORDINARY ITEM		
Capital Asset Impairment	-	(52,562)
CHANGE IN NET ASSETS	261,224	264,969
NET ASSETS, Beginning	472,924	207,955
NET ASSETS, Ending	$ 734,148	$ 472,924

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

LEGACY ACADEMY

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2007
Increase (Decrease) in Cash and Cash Equivalents

	BUILDING CORPORATION 2007	BUILDING CORPORATION 2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Lease Payments Received	$ 499,335	$ 205,739
Cash Received from Charter School	-	25,000
Cash Received from Investment Earnings	37,012	165,695
Debt Principal Paid	(60,000)	-
Debt Interest and Fees Paid	(375,841)	(51,981)
Net Cash Provided by Operating Activities	100,506	344,453
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash Received from Sale of Modular Building	165,000	-
Transfer from Charter School	273,545	-
Acquisition of Property and Equipment	(1,103,932)	(3,784,996)
Debt Issuance Costs Paid	-	(34,596)
Net Cash Provided (Used) by Capital and Related Financing Activities	(665,387)	(3,819,592)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(564,881)	(3,475,139)
CASH AND CASH EQUIVALENTS, Beginning	1,302,470	4,777,609
CASH AND CASH EQUIVALENTS, Ending	$ 737,589	$ 1,302,470
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	$ (49,333)	$ 151,836
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities		
Depreciation Expense	150,375	3,119
Amortization of Debt Issuance Costs	5,939	5,939
Amortization of Discount	1,454	1,454
Amortization of Loss on Refunding	16,409	16,410
Investment Earnings	37,012	165,695
Changes in Assets and Liabilities		
Accrued Interest Payable	(1,350)	-
Loan Payable	(60,000)	-
Net Cash Provided by Operating Activities	$ 100,506	$ 344,453

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Legacy Academy, formerly known as Elbert County Charter School (the "School") was organized pursuant to the Colorado Charter Schools Act to form and operate a charter school within the Elbert County School District No. C-1 of the State of Colorado.

The accounting policies of the School conform to generally accepted accounting principles as applicable to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the more significant policies.

Reporting Entity

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

The School includes the Elbert County Charter School Building Corporation (the "Building Corporation") within its reporting entity. The Building Corporation was organized exclusively for the purpose of holding title to real and/or personal property for, and to make same available for use by, the School and to otherwise provide facilities, equipment and other physical plant and related support to the School. The Building Corporation is blended into the School's financial statements as an enterprise fund. Separate financial statements for the Building Corporation are not available.

The School is a component unit of the Elbert County School District No. C-1 (the "District"). The majority of the School's funding is provided by the District.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all activities of the School. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges for interfund services that are reasonably equivalent to the services provided. *Governmental activities*, which normally are supported by intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to students or others who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted intergovernmental revenues not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for the governmental and proprietary funds. Major individual funds are reported in separate columns in the fund financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current year.

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

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, are recorded only when payment is due.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The School has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

The School reports the following major governmental fund:

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

The School reports one major proprietary fund, as follows:

Building Corporation -- This fund is used to account for the accumulation of resources for, and payment of, the Building Corporation's capital and debt service costs.

The School reports one nonmajor governmental fund:

Capital Reserve -- This fund is used to account for specific revenue sources that are restricted to capital purposes and the related expenditures.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Balances/Net Assets

Cash and Investments -- Cash equivalents include investments with original maturities of three months or less. Investments are reported at fair value.

Accounts Receivable -- All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Capital Assets -- Capital assets, which include property and equipment, are reported in the government-wide financial statements and the proprietary fund in the fund financial statements. Capital assets are defined by the School as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Buildings and Improvements	40 years

Interest incurred during construction is included in the capitalized value of the capital assets in the proprietary fund.

Accrued Salaries and Benefits -- Salaries and benefits of certain contractually employed personnel are paid over a twelve month period from August to July, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, are reported as a liability of the General Fund.

Deferred Revenues -- Deferred revenues include grant funding that has been collected but the corresponding expenditures have not been incurred.

Long-Term Debt -- In the government-wide financial statements, and the proprietary fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund. Issuance costs are deferred and amortized over the life of the debt using the straight-line method.

In the fund financial statements, governmental funds recognize the face amount of debt issued as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenditures.

Compensated Absences -- The School's compensated absences policy does not provide for the payment of accrued amounts upon termination. Therefore, no liability has been reported in the financial statements.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Risk Management

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

Comparative Information

Comparative total information for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the School's financial position and operations. However, complete comparative information in accordance with generally accepted accounting principles has not been presented since its inclusion would make the financial statements unduly complex and difficult to understand. Certain prior year amounts have been reclassified to conform to the current year presentation.

NOTE 2: CASH AND INVESTMENTS

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2007, the School had bank deposits of $554,318 collateralized with securities held by the financial institution's agent but not in the School's name.

Investments

The School is required to comply with State statutes which specify investment instruments meeting defined rating, maturity, and concentration risk criteria in which local governments may invest, which include the following. State statutes do not address custodial risk.

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

At June 30, 2007, the Building Corporation had the following investments:

Investment	Maturity	Fair Value
Money Market Fund	NA	$ 233,464
Guaranteed Investment Contract	3/1/35	504,125
Total		**$ 737,589**

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments (Continued)

Interest Rate Risk -- State statutes limit investments in guaranteed investment contracts (GICs) to a maturity of three years unless pledged to the payment of debt.

Credit Risk -- State statutes limit investments in money market funds to those that maintain a constant share price, with a maximum remaining maturity in accordance with Rule 2a-7, and either have assets of one billion dollars or the highest rating issued by a nationally recognized statistical rating organizations ("NRSRO"). At June 30, 2007, the Building Corporation's investment in a money market fund was rated AAAm by Standard & Poor's.

State statues limit investments in GICs to those where the issuing party has obtained one of the two highest ratings issued by two or more NRSROs at the date of purchase. The issuer of the Building Corporation's GIC had a long-term rating of AAA from Fitch Ratings.

Concentration of Credit Risk -- State statutes do not limit the amount the School or the Building Corporation may invest in one issuer. At June 30, 2007, the Building Corporation's investment in the guaranteed investment contract represented 68% of total investments.

Restricted Cash and Investments

Cash and investments of $737,589 have been restricted by the Building Corporation for debt service and building repairs.

NOTE 3: CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2007, are summarized below:

	Balances 6/30/06	Additions	Deletions	Balances 6/30/07
Business-Type Activities				
Capital Assets, Not Being Depreciated				
Land	$ 347,000	$ -	$ -	$ 347,000
Construction in Progress	4,869,017	-	4,869,017	-
Total Capital Assets, Not Being Depreciated	5,216,017	-	4,869,017	347,000
Capital Assets, Being Depreciated				
Buildings and Improvements	439,945	5,581,778	393,147	5,628,576
Less Accumulated Depreciation	(240,626)	(150,375)	(228,147)	(162,854)
Total Capital Assets, Being Depreciated, Net	199,319	5,431,403	165,000	5,465,722
Business-Type Activities Capital Assets, Net	**$ 5,415,336**	**$ 5,431,403**	**$ 5,034,017**	**$ 5,812,722**

NOTE 4: LONG-TERM DEBT

Following is a summary of the School's long-term debt transactions for the year ended June 30, 2007:

	Balances 6/30/06	Additions	Payments	Balances 6/30/07	Due Within One Year
Business-Type Activities					
2004 Building Loan	$ 6,015,000	$ -	$ (60,000)	$ 5,955,000	$ 65,000
Discount	(40,716)	-	1,454	(39,262)	-
Loss on Refunding	(65,638)	-	16,409	(49,229)	-
Total	$ 5,908,646	$ -	$ (42,137)	$ 5,866,509	$ 65,000

Building Loan

In November, 2004, the Colorado Educational and Cultural Facilities Authority ("CECFA") issued $6,015,000 Charter School Revenue Refunding and Improvement Bonds (Elbert County Charter School Project), Series 2004. A portion of the bond proceeds were used to refund the CECFA Charter School Revenue Bonds, Series 2000, and the remainder was loaned to the Building Corporation under a mortgage and loan agreement to construct a school facility. Proceeds of the Series 2000 Bonds were used to purchase and place in service modular facilities for the School. The School is obligated under a lease agreement to make monthly lease payments to the Building Corporation for use of the facilities. The Building Corporation is required to make monthly loan payments to the Trustee, for payment of the bonds. Annual principal payments and semi-annual interest payments, with interest accruing at rates ranging from 2.5% to 4.5%, are required under the bond indenture. The bonds mature on March 1, 2035.

Future debt service requirements for the bonds are as follows:

Year Ended June 30,	Principal	Interest	Total
2008	$ 65,000	$ 433,819	$ 498,819
2009	70,000	429,431	499,431
2010	75,000	424,706	499,706
2011	80,000	419,644	499,644
2012	85,000	414,244	499,244
2013 - 2017	525,000	1,974,781	2,499,781
2018 - 2022	750,000	1,755,469	2,505,469
2023 - 2027	1,065,000	1,441,094	2,506,094
2028 - 2032	1,520,000	987,144	2,507,144
2033 - 2035	1,720,000	295,368	2,015,368
Total	$ 5,955,000	$ 8,575,700	$ 14,530,700

Defeased Debt

CECFA bond proceeds of $598,458 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments for $500,000 of the 2000 Bonds. As a result, the refunded bonds are considered defeased and have been removed from the financial statements. The outstanding balance of the defeased debt at June 30, 2007, was $310,000.

NOTE 5: INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2007, were comprised of the following:

Transfers In	Transfers Out	Amount
Capital Reserve	General	$ 270,690
Building Corporation	General	273,545
Total		**$ 544,235**

The School is required by State statutes to allocate $279 per funded pupil for insurance and capital expenditures. To comply with this requirement, the General Fund transferred certain amounts to the Capital Reserve Fund. The General Fund provided funding to the Building Corporation to complete the building construction.

NOTE 6: DEFINED BENEFIT PENSION PLAN

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

Funding Policy - Plan members and the School are required to contribute at a rate set by statute. The contribution requirements of Plan members and the School are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members was 8% of covered salary and for the School was 10.65% from July 1, 2006, through December 31, 2006, and 11.15% thereafter. A portion of the School's contribution (1.02% of covered salary) is allocated to the Health Care Trust Fund. The School's contributions to CSSDTF for the years ended June 30, 2007, 2006 and 2005, were $144,364, $121,674 and $111,274, respectively, equal to the required contributions for each year.

NOTE 7: POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description - The School contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer postemployment healthcare plan administered by the PERA. The HCTF provides a health care premium subsidy to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the CRS, as amended, assigns the authority to establish the HCTF benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the HCTF. That report may be obtained by contacting PERA as described above.

NOTE 7: POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

Funding Policy - The School was required to contribute at a rate of 1.02% of covered salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the School are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contribution to the HCTF is established under Title 24, Article 51, Section 208, CRS, as amended. The School's contributions to HCTF for the years ended June 30, 2007, 2006 and 2005, were $13,505, $11,930 and $11,427, respectively, equal to the required contributions for each year.

NOTE 8: COMMITMENTS AND CONTINGENCIES

Tabor Amendment

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local government. The Amendment is complex and subject to judicial interpretation. The School believes it is in compliance with the requirements of the Amendment. The Amendment requires the School to establish a reserve for emergencies. At June 30, 2007, the School's reserve, of $100,000, was reported as a reservation of fund balance in the General Fund.

Claims and Judgments

The School participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental entities. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the School may be required to reimburse the grantor government. At June 30, 2007, significant grant expenditures have not been audited but the School believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the School.

REQUIRED SUPPLEMENTARY INFORMATION

LEGACY ACADEMY

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended June 30, 2007

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Per Pupil Operating Revenue	$ 2,169,791	$ 2,426,114	$ 2,426,083	$ (31)
Contributions and Donations	25,150	25,000	46,612	21,612
Student Fees and Activities	22,660	46,000	27,592	(18,408)
Food Services	49,699	50,000	47,216	(2,784)
Grants	37,500	93,620	199,239	105,619
Investment Earnings	500	20,000	23,664	3,664
Miscellaneous	10,300	2,000	25,873	23,873
TOTAL REVENUES	2,315,600	2,662,734	2,796,279	133,545
EXPENDITURES				
Salaries	1,255,361	1,394,408	1,377,379	17,029
Employee Benefits	284,969	309,350	302,229	7,121
Purchased Services	222,733	342,529	392,663	(50,134)
Supplies and Materials	152,414	214,375	198,274	16,101
Property	69,500	635,945	156,402	479,543
Miscellaneous	9,191	31,498	26,472	5,026
TOTAL EXPENDITURES	1,994,168	2,928,105	2,453,419	474,686
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	321,432	(265,371)	342,860	608,231
OTHER FINANCING SOURCES (USES)				
Transfers Out	(158,835)	(254,629)	(544,235)	(289,606)
NET CHANGE IN FUND BALANCE	162,597	(520,000)	(201,375)	318,625
FUND BALANCE, Beginning	-	566,773	740,197	173,424
FUND BALANCE, Ending	$ 162,597	$ 46,773	$ 538,822	$ 492,049

See the accompanying independent auditors' report.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2007

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

A budget is adopted for all funds of the School on a basis consistent with generally accepted accounting principles.

A proposed budget is submitted to the Board of Directors for the fiscal year commencing the following July 1, for their approval. The budget includes proposed expenditures and the means of financing them. All annual appropriations lapse at year end.

Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures of any fund must be approved by the Board of Directors.

SUPPLEMENTARY INFORMATION

LEGACY ACADEMY

BUDGETARY COMPARISON SCHEDULE
CAPITAL RESERVE FUND
Year Ended June 30, 2007

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Local Sources				
Miscellaneous	$ 200,000	$ 165,500	$ 500	$ (165,000)
State Sources				
Capital Construction Funding	-	78,556	78,556	-
TOTAL REVENUES	200,000	244,056	79,056	(165,000)
EXPENDITURES				
Building Lease	294,850	349,746	349,746	-
TOTAL EXPENDITURES	294,850	349,746	349,746	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(94,850)	(105,690)	(270,690)	(165,000)
OTHER FINANCING SOURCES				
Transfers In	94,850	105,690	270,690	165,000
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE, Beginning	-	-	-	-
FUND BALANCE, Ending	$ -	$ -	$ -	$ -

See the accompanying independent auditors' report.