

SIERRA SUMMIT ACADEMY
4200 EAST RAMSEY ROAD
HEREFORD, AZ 85615

April 4, 2007

Andrea Leder
Director of Government & Financial Services
Arizona State Board for Charter Schools
1700 West Washington Street, Room 164
Phoenix, AZ 85007

Dear Ms. Leder:

The purpose of this letter is to acknowledge our receipt of your letter of April 10, 2009 and to provide you with a summary of the financial circumstances that have made it impossible for us to implement the corrective plan of action for the deficiencies noted in our fiscal 2008 annual audit.

We acknowledge that Sierra Summit did not expend Classroom Site Fund monies for merit compensation during FY 2006, FY 2007, and FY 2008. The accumulated balance at this point is \$30,756.

We do not believe that there has been sufficient stability of highly qualified teachers on our staff to warrant the award of merit compensation. When we feel we have found someone who would qualify for a merit payment they are either hired away by a district that does not face the challenges we do or an event occurs that definitely puts a different spin on our perceptions of that particular person. We expended accumulated funds in the 20 % base allocation and 40% site allocation in accordance with the A.R.S 15-977 and Memorandum #44 guidelines.

Due to the transient nature of the population we serve we have not been able to maintain an adequate student enrollment to sustain the operational costs of our school. Just as we are about to reach a point where we can accumulate a cash reserve of funds required to carry a balance in Proposition 301 merit funds, we receive a reduction in equalization funds due either a decrease in ADM, penalty for excessive absence, or reduction in the funding formula. Presently, we are able to maintain only our month-to month operating expenses.

We have kept a running balance of the Classroom Site Fund payables. We have no intention of not making those funds available for their intended purpose if and when we identify staff who are truly deserving of merit. In the interim, we can do nothing more than to continue in our attempts to build the cash reserve of funds equal to the accumulated balance. We would welcome any suggestions that your office might make to help us expedite that process.

We have made the appropriate filings with the IRS for tax exempt status. For some reason it seems to be a never ending process. We submitted the initial application which was followed by months with no response. Suddenly, we had a request for additional information. We provided the information requested and waited again. Just recently we have had a request for additional information which we are providing. The correspondence regarding this process is attached for your review. The IRS seems to move at its own pace and does not appear to be in any particular hurry to make a determination. We have no way to bring any pressure to bear that we are aware of.

We have no objection to your placing on hold any requests to amend our charter with respect to enrollment cap, adding sites, or adding grade levels. Frankly, we would be extremely pleased if we had sufficient stable enrollment to place us in a position requiring us to expand. We would, however, respectfully request that you not take any action to withhold any portion of our equalization. That would only make the financial circumstances increasingly worse.

We would propose that we place 5% of the monthly equalization payment awarded to Sierra Summit Academy in an interest bearing Money Market Account each month dedicated to building the cash reserve for Proposition 301. We agree to make that forced savings each month and would continue such payments until the full balance is on deposit. All future payment of proposition 301 merit compensation [40% of the monthly Prop 301 payment] will also be deposited in that account, further contributing to the balance.

We have read A.R.S. 15-977 and USFRCS Memorandum #44 thoroughly. We have used those documents as guidelines in reviewing our local policy and making revisions where appropriate.

The GAAP issue is one that remains elusive. We have attempted to comply with all Generally Accepted Accounting Principles. We have restructured our management team and have/are making every attempt to obtain the specific GAAP elements that we are deficient in to facilitate our improvement in meeting those financial reporting requirements.

Sincerely,



Lisa Cohne



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