

**Minnesota Early Learning Academy
Charter School No. 4230
Brooklyn Park, Minnesota**

Financial Statements

June 30, 2017



**Minnesota Early Learning Academy
Charter School No. 4230
Table of Contents**

Board of Directors and Administration	1
Independent Auditor's Report	2
Management's Discussion and Analysis	5
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	16
Statement of Activities	17
Fund Financial Statements	
Balance Sheet – Governmental Funds	18
Reconciliation of the Balance Sheet to the Statement of Net Position – Governmental Funds	19
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities – Governmental Funds	21
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	22
Notes to Financial Statements	23
Required Supplementary Information	
Schedule of Academy's and Non-Employer Proportionate Share of Net Pension Liability General Employees Plan Retirement Funds	46
Schedule of Academy's and Non-Employer Proportionate Share of Net Pension Liability TRA Retirement Funds	46
Schedule of Academy Contributions General Employees Plan Retirement Funds	47
Schedule of Academy Contributions TRA Retirement Funds	47
Notes to the Required Supplementary Information	48
Supplementary Information	
Combining Balance Sheet – Nonmajor Governmental Funds	52
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	53
Uniform Financial Accounting and Reporting Standards Compliance Table	54
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	55
Report on Legal Compliance	57
Schedule of Findings and Corrective Action Plans on Legal Compliance	58

**Minnesota Early Learning Academy
Charter School No. 4230
Board of Directors and Administration
June 30, 2017**

<u>Board of Directors</u>	<u>Position</u>
Joseph Scherer	Board Chair
Victor Chavarria	Board Treasurer
Brienna D'Angelone	Board Secretary
Ruth Paredes	Board Member
Lisa Dotson	Board Member
<u>Administration</u>	
Jennifer Mitchell	Executive Director



Independent Auditor's Report

To the Board of Directors
Minnesota Early Learning Academy
Brooklyn Park, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Minnesota Early Learning Academy, Brooklyn Park, Minnesota, as of and for the year ended June 30, 2017, and the related notes to financial statements, which collectively comprise the Academy basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Academy preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



Opinions

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Minnesota Early Learning Academy, Brooklyn Park, Minnesota, as of June 30, 2017, and the respective changes in financial position thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming that the Academy will continue as a going concern. As discussed in the Note 9 to financial statements, the Academy has negative total fund balance in the governmental funds and is unable to satisfy obligations timely. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note 9. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, and the Required Supplementary Information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Academy's basic financial statements. The accompanying supplementary information identified in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.



Other Matters

Other Information

The accompanying supplementary information identified in the Table of Contents is the responsibility of management and was derived from and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2017, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

BerganKDV Ltd.

Minneapolis, Minnesota
September 7, 2017

**Minnesota Early Learning Academy
Charter School No. 4230
Management's Discussion and Analysis**

This section of Minnesota Excellence in Learning Academy's (the "Academy") annual financial report presents our discussion and analysis of the Academy's financial performance during the school year that ended on June 30, 2016. Please read it in conjunction with the Academy's financial statements, which immediately follow this section. The Management's Discussion and Analysis (MD&A) is a required element of required supplementary information specified in GASB Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued in June 1999.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2016-2017 year include the following:

- The total fund balance of the General Fund ended at a negative \$241,210.
- Overall General Fund revenues were \$2,869,165 as compared to \$2,845,385 of expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditor's Report, required supplementary information, which includes the MD&A (this section), the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the Academy:

- The first two statements are government-wide financial statements that provide both short-term and long-term information about the Academy's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Academy, reporting the Academy's operations in more detail than the government-wide statements.

The governmental funds statements tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.

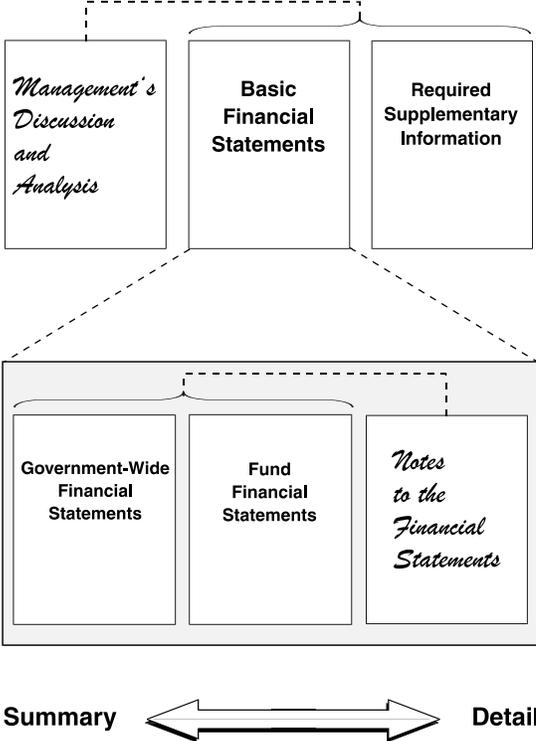
The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of supplementary information that further explains and supports the financial statements.

**Minnesota Early Learning Academy
Charter School No. 4230
Management's Discussion and Analysis**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**Figure A-1
Annual Report Format**



**Minnesota Early Learning Academy
Charter School No. 4230
Management's Discussion and Analysis**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The major features of the Academy's financial statements, including the portion of the Academy's activities they cover and the types of information they contain. The remainder of this overview section of the MD&A highlights the structure and contents of each of the statements.

Figure A-2. Major Features of the District's Government-wide and Fund Financial Statements

<i>Type of Statements</i>	Fund Statements			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	Entire school (except fiduciary funds) and the school's component units	The activities of the school that are not proprietary or fiduciary	Activities the school operates similar to private businesses: self insurance	Instances in which the school is the trustee or agent for someone else's resources
<i>Required financial statements</i>	<ul style="list-style-type: none"> ◆ Statement of Net Position ◆ Statement of Activities 	<ul style="list-style-type: none"> ◆ Balance Sheet ◆ Statement of Revenues, Expenditures and Changes in Fund Balances 	<ul style="list-style-type: none"> ◆ Statement of Net Position ◆ Statement of Revenues, Expenses and Changes in Fund Net Position ◆ Statement of Cash Flows 	<ul style="list-style-type: none"> ◆ Statement of Fiduciary Net ◆ Statement of Changes in Fiduciary Net Position
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Academy's funds not currently contain capital assets, although they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Government-Wide Statements

The government-wide statements report information about the Academy as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the Academy's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

**Minnesota Early Learning Academy
Charter School No. 4230
Management's Discussion and Analysis**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-Wide Statements (Continued)

The two government-wide statements report the Academy's net position and how they have changed. Net position, the difference between the Academy's assets and liabilities, is one way to measure the Academy's financial health or position.

- Over time, increases or decreases in the Academy's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the Academy you need to consider additional non-financial factors such as changes in the Academy's creditworthiness and the condition of academy buildings and other facilities.

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

Governmental Activities: Most of the Academy's basic services will be included here, such as regular and special education, transportation and administration. State and federal aids as well as federal and foundation grants financed these activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Academy's funds – focusing on its most significant or "major" funds – not the Academy as a whole. Funds are accounting devices the Academy uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The Academy may establish other funds to control and manage money for specific purposes.

The Academy has one kind of fund:

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

**Minnesota Early Learning Academy
Charter School No. 4230
Management's Discussion and Analysis**

FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE

Net Position

The Academy's combined net position was (\$594,786) on June 30, 2017 (See Table A-1).

**Table A-1
The Academy's Net Position**

	Governmental Activities
Current and other assets	\$ 654,950
Capital and noncurrent assets	84,896
Total assets	\$ 739,846
Deferred inflow of resources	\$ 2,432,416
Current liabilities	\$ 3,752,416
Noncurrent liabilities	-
Total liabilities	\$ 3,752,416
Deferred inflow of resources	\$ 14,632
Net position:	
Net investment in capital assets	\$ 84,896
Restricted	2,612
Unrestricted	(682,294)
Total net position	\$ (594,786)

**Minnesota Early Learning Academy
Charter School No. 4230
Management's Discussion and Analysis**

FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE (CONTINUED)

Changes in Net Position

The Academy's total revenues were \$3,087,152 for the period ended June 30, 2017. The majority of the revenues were from state/federal aids, as well as federal grants, donations, and investment earnings (See Table A-2.).

**Table A-2
Changes in Net Position**

	Governmental Activities
Revenues	
Program revenues	
Charges for services	\$ 5,022
Operating grants and contributions	1,216,199
General revenues	
Unrestricted federal and state aid	1,862,170
Other	3,761
Total revenues	3,087,152
Expenses	
Administration	318,052
District support services	412,914
Regular instruction	1,202,135
Special education instruction	578,829
Instructional support services	102,443
Pupil support services	216,923
Sites and buildings	468,643
Fiscal and other fixed cost programs	15,868
Food service	198,235
Community service	2,353
Total expenses	3,516,395
Change in net position	(429,243)
Net Position	
Beginning of year	(165,543)
End of year	\$ (594,786)

The total cost of all programs was \$3,516,395. Expenses exceeded revenues by \$429,243.

**Minnesota Early Learning Academy
Charter School No. 4230
Management's Discussion and Analysis**

FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE (CONTINUED)

Figure A-3 Sources of Academy's Revenues for 2017

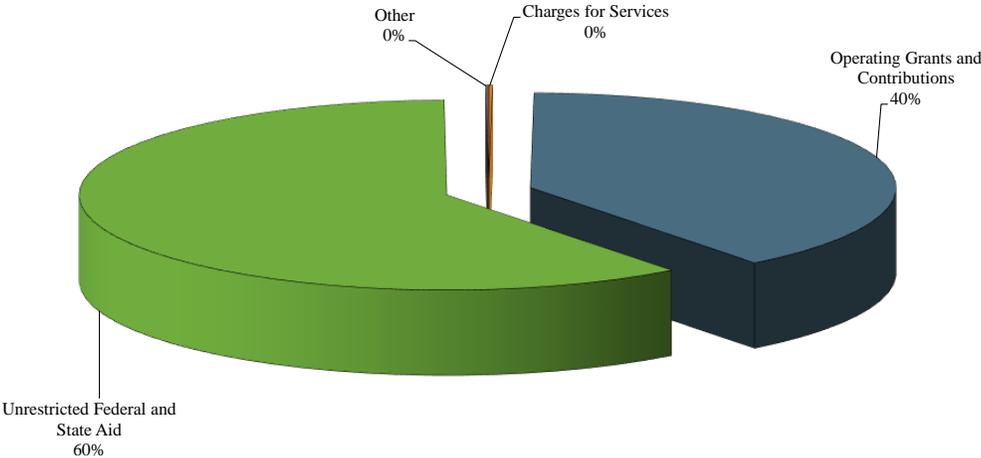
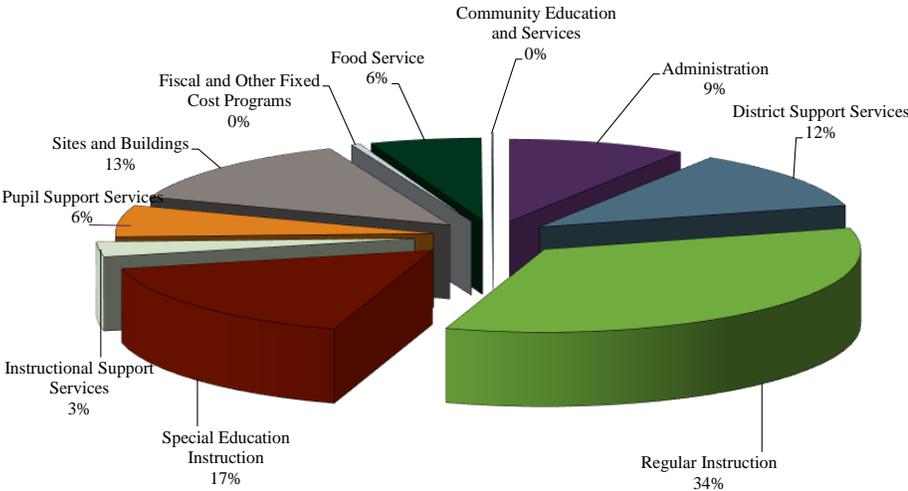


Figure A-4 Academy Expenses for 2017



**Minnesota Early Learning Academy
Charter School No. 4230
Management's Discussion and Analysis**

FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE (CONTINUED)

	Total Costs of Services	Net Costs of Services
Administration	\$ 318,052	\$ 318,052
District support services	412,914	412,914
Regular instruction	1,202,135	943,501
Special education instruction	578,829	61,045
Instructional support services	102,443	102,443
Pupil support services	216,923	216,923
Sites and buildings	468,643	208,866
Fiscal and other fixed cost programs	15,868	15,868
Food service	198,235	16,454
Community education and services	2,353	(892)
Total	\$ 3,516,395	\$ 2,295,174

In 2016-2017 the Academy enrolled 68 students in kindergarten and 130 students in grades 1-3.

GENERAL FUND

The General Fund includes the primary operations of the Academy in providing educational services to students from kindergarten through grade 3, including pupil transportation activities and capital outlay projects.

The schedule below presents a summary of General Fund revenues.

**Table A-5
General Fund Revenues**

Other local revenues	\$ 4,081
State sources	2,569,921
Federal sources	295,163
Sales and other conversion of assets	-
Total general fund revenue	\$ 2,869,165

**Minnesota Early Learning Academy
Charter School No. 4230
Management's Discussion and Analysis**

GENERAL FUND (CONTINUED)

The following schedule presents a summary of General Fund expenditures. Of the total expenditures, about 53% were personnel salaries and benefits. Another 40% of total expenditures were purchased services to continue developing the educational program, provide facility and administrative services and direct services to students. Table A-6 below presents a summary of General Fund expenditures.

**Table A-6
General Fund Expenditures**

Salaries	\$ 1,235,696	43.43%
Employee benefits	275,521	9.68%
Purchased services	1,140,417	40.08%
Supplies and materials	83,373	2.93%
Capital expenditures	88,389	3.11%
Debt service	2,409	0.08%
Other expenditures	19,581	0.69%
Total expenditures	\$ 2,845,385	

In 2016-2017 General Fund revenues exceeded expenditures by \$23,780 bringing the fund balance to (\$241,210).

GENERAL FUND BUDGETARY HIGHLIGHTS

Following approval of the budget, the Academy can revise the annual operating budget in mid-year. These budget amendments fall into two categories:

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

**Minnesota Early Learning Academy
Charter School No. 4230
Management's Discussion and Analysis**

GENERAL FUND BUDGETARY HIGHLIGHTS (CONTINUED)

Capital Assets

By the end of 2017, the Academy had invested \$103,465 in capital assets, including computers, equipment, and furniture (See Table A-7). More detailed information about capital assets can be found in Note 4 to the financial statements. Total depreciation expense for the year was \$18,569.

**Table A-7
Capital Assets**

Equipment	\$ 103,465
Less accumulated depreciation	<u>(18,569)</u>
Total	<u><u>\$ 84,896</u></u>

FACTORS BEARING ON THE ACADEMY'S FUTURE

The Academy is dependent on the State of Minnesota for its revenue authority. Recent experience demonstrates that legislated revenue increases have not been sufficient to meet instructional program needs and increased costs due to inflation.

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

CONTACTING THE ACADEMY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our constituents, state oversight agencies, lenders, customers, legislative leaders, and creditors with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Minnesota Excellence in Learning Academy, 9060 Zanzibar Ln N, Maple Grove, MN 55311 .

BASIC FINANCIAL STATEMENTS

**Minnesota Early Learning Academy
Charter School No. 4230
Statement of Net Position
June 30, 2017**

	<u>Governmental Activities</u>
Assets	
Cash	\$ 44,394
Due from Department of Education	514,578
Due from Federal Government through Department of Education	8,756
Prepaid items	87,222
Capital assets	
Furniture and equipment	103,465
Less accumulated depreciation	<u>(18,569)</u>
Total assets	<u>739,846</u>
 Deferred Outflows of Resources	
Deferred outflows related to pensions	<u>2,432,416</u>
Total assets and deferred outflows of resources	<u><u>\$ 3,172,262</u></u>
 Liabilities	
Accounts payable	\$ 728,036
Salaries and benefits payable	10,885
Line of credit payable	170,000
Net pension liability	<u>2,843,495</u>
Total liabilities	<u>3,752,416</u>
 Deferred Inflows of Resources	
Deferred inflows related to pensions	<u>14,632</u>
 Net Position	
Net investment in capital assets	84,896
Restricted community service	2,612
Unrestricted	<u>(682,294)</u>
Total net position	<u>(594,786)</u>
Total liabilities and net position	<u><u>\$ 3,172,262</u></u>

**Minnesota Early Learning Academy
Charter School No. 4230
Statement of Activities
Year Ended June 30, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities					
Administration	\$ 318,052	\$ -	\$ -	\$ -	\$ (318,052)
District support services	412,914	-	-	-	(412,914)
Elementary and secondary regular instruction	1,202,135	320	258,314	-	(943,501)
Special education instruction	578,829	-	517,784	-	(61,045)
Instructional support services	102,443	-	-	-	(102,443)
Pupil support services	216,923	-	-	-	(216,923)
Sites and buildings	468,643	-	259,777	-	(208,866)
Fiscal and other fixed cost programs	15,868	-	-	-	(15,868)
Food service	198,235	1,457	180,324	-	(16,454)
Community education and services	2,353	3,245	-	-	892
	<u>\$ 3,516,395</u>	<u>\$ 5,022</u>	<u>\$ 1,216,199</u>	<u>\$ -</u>	(2,295,174)
General revenues					
State aid-formula grants					1,862,170
Other general revenues					3,671
Investment income					90
Total general revenues					<u>1,865,931</u>
Change in net position					(429,243)
Net position - beginning					<u>(165,543)</u>
Net position - ending					<u>\$ (594,786)</u>

**Minnesota Early Learning Academy
Charter School No. 4230
Balance Sheet - Governmental Funds
June 30, 2017**

	<u>General</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash	\$ 20,008	\$ 24,386	\$ 44,394
Due from Department of Education	514,232	346	514,578
Due from Federal Government through Department of Education	-	8,756	8,756
Prepaid items	<u>87,222</u>	<u>-</u>	<u>87,222</u>
Total assets	<u><u>\$ 621,462</u></u>	<u><u>\$ 33,488</u></u>	<u><u>\$ 654,950</u></u>
Liabilities			
Accounts payable	\$ 681,787	\$ 46,249	\$ 728,036
Salaries and benefits payable	10,885	-	10,885
Line of credit payable	<u>170,000</u>	<u>-</u>	<u>170,000</u>
Total liabilities	<u><u>862,672</u></u>	<u><u>46,249</u></u>	<u><u>908,921</u></u>
Fund Balances			
Nonspendable	87,222	-	87,222
Restricted	-	2,612	2,612
Unassigned	<u>(328,432)</u>	<u>(15,373)</u>	<u>(343,805)</u>
Total fund balances	<u><u>(241,210)</u></u>	<u><u>(12,761)</u></u>	<u><u>(253,971)</u></u>
Total liabilities and fund balances	<u><u>\$ 621,462</u></u>	<u><u>\$ 33,488</u></u>	<u><u>\$ 654,950</u></u>

**Minnesota Early Learning Academy
Charter School No. 4230
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
June 30, 2017**

Total fund balances - governmental funds	\$	(253,971)
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.

Cost of capital assets		103,465
Less accumulated depreciation		(18,569)

Long-term liabilities, including loans payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Net pension liability		(2,843,495)
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Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.

Deferred outflows of resources related to pensions		2,432,416
Deferred inflows related to pensions		(14,632)

Total net position - governmental activities	\$	<u>(594,786)</u>
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**Minnesota Early Learning Academy
Charter School No. 4230
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2017**

	General	Nonmajor Funds	Total Governmental Funds
Revenues			
Other local revenues	\$ 4,081	\$ 3,245	\$ 7,326
Revenue from state sources	2,569,921	6,241	2,576,162
Revenue from federal sources	295,163	174,083	469,246
Sales and other conversion of assets	-	1,457	1,457
Total revenues	<u>2,869,165</u>	<u>185,026</u>	<u>3,054,191</u>
Expenditures			
Current			
Administration	241,688	-	241,688
District support services	395,052	-	395,052
Elementary and secondary regular			
Instruction	860,514	-	860,514
Special education instruction	499,724	-	499,724
Instructional support services	91,031	-	91,031
Pupil support services	212,714	-	212,714
Sites and buildings	440,405	-	440,405
Fiscal and other fixed cost programs	15,868	-	15,868
Food service	-	197,155	197,155
Community education and services	-	2,353	2,353
Capital outlay			
District support services	11,610	-	11,610
Elementary and secondary regular			
instruction	65,267	-	65,267
Sites and buildings	11,512	-	11,512
Total expenditures	<u>2,845,385</u>	<u>199,508</u>	<u>3,044,893</u>
Excess of revenues over (under) expenditures	23,780	(14,482)	9,298
Other Financing Sources (Uses)			
Transfers in	-	21,909	21,909
Transfers out	(21,909)	-	(21,909)
Total other financing sources (uses)	<u>(21,909)</u>	<u>21,909</u>	<u>-</u>
Net change in fund balances	1,871	7,427	9,298
Fund Balances			
Beginning of year	<u>(243,081)</u>	<u>(20,188)</u>	<u>(263,269)</u>
End of year	<u>\$ (241,210)</u>	<u>\$ (12,761)</u>	<u>\$ (253,971)</u>

See notes to financial statements.

**Minnesota Early Learning Academy
Charter School No. 4230
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances
to the Statement of Activities - Governmental Funds
Year Ended June 30, 2017**

Net change in fund balances - total governmental funds	\$	9,298
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Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.

Capital outlays		88,718
Depreciation expense		(18,389)
Loss on disposal		(27,047)

Governmental funds recognized pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective.

Pension expense		(514,784)
State aid related to pension expense		32,961

Change in net position - governmental activities	\$	<u>(429,243)</u>
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**Minnesota Early Learning Academy
Charter School No. 4230
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Period Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Revenues				
Other local revenues	\$ -	\$ 13,916	\$ 4,081	\$ (9,835)
Revenue from state sources	2,319,820	2,397,755	2,569,921	172,166
Revenue from federal sources	99,269	280,670	295,163	14,493
Total revenues	<u>2,419,089</u>	<u>2,692,341</u>	<u>2,869,165</u>	<u>176,824</u>
Expenditures				
Current				
Administration	150,058	204,013	241,688	37,675
District support services	323,971	380,722	395,052	14,330
Elementary and secondary regular instruction	774,018	839,346	860,514	21,168
Special education instruction	161,584	289,729	499,724	209,995
Instructional support services	97,755	116,019	91,031	(24,988)
Pupil support services	292,617	260,411	212,714	(47,697)
Sites and buildings	449,020	392,961	440,405	47,444
Fiscal and other fixed cost programs	20,000	20,000	15,868	(4,132)
Capital outlay				
District support services	2,000	13,507	11,610	(1,897)
Elementary and secondary regular instruction	20,000	44,774	65,267	20,493
Sites and buildings	25,300	45,300	11,512	(33,788)
Total expenditures	<u>2,316,323</u>	<u>2,606,782</u>	<u>2,845,385</u>	<u>238,603</u>
Excess of revenues over (under) expenditures	102,766	85,559	23,780	(61,779)
Other Financing Uses				
Transfers out	<u>(8,800)</u>	<u>(17,500)</u>	<u>(21,909)</u>	<u>(4,409)</u>
Net change in fund balance	<u>\$ 93,966</u>	<u>\$ 68,059</u>	1,871	<u>\$ (66,188)</u>
Fund Balance				
Beginning of year			<u>(243,081)</u>	
End of year			<u>\$ (241,210)</u>	

Minnesota Early Learning Academy
Charter School No. 4230
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Academy is a nonprofit corporation that was formed in January 2014 in accordance with *Minnesota Statutes* 317A and began educating students during the 2015-2016 Academy year. The Academy is authorized by Innovative Quality Schools. The Academy is a public school which served grades K-3 in the 2016-2017 Academy year. The mission of the Academy is to serve children and families in urban communities by providing a high-quality learning environment that accelerates achievement, performance, and college-preparedness through careful analysis of student needs and effective use of data to personalize and monitor student learning. The governing body consists of a Board composed of a Chair, Treasurer, Secretary, and other members.

The accounting policies of the Academy conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies.

A. Reporting Entity

The financial statements present the Academy and its component units. The Academy includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate from such. Component units are legally separate organizations for which the appointed officials of the Academy are financially accountable and are included within the financial statements of the Academy because of the significance of their operational or financial relationships with the Academy.

The Academy is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and it is able to impose its will on the organization by significantly influencing the programs, projects, activities, or level of services performed or provided by the organization, or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on, the Academy.

As a result of applying the component unit definition criteria above, it has been determined the Academy has no component units.

Any student activities the Academy may have are accounted for in the General Fund.

B. Basic Financial Statement Information

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the Academy.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments 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 items not properly included among program revenues are reported instead as general revenues.

**Minnesota Early Learning Academy
Charter School No. 4230
Notes to Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statement Information (Continued)

Depreciation expense that can be specifically identified by function is included in the direct expenses of that function. The effect of interfund activity has been removed from these statements.

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

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting, transactions are recorded in the following manner.

1. Revenue Recognition

Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. State revenue is recognized in the year to which it applies according to *Minnesota Statutes* and accounting principles generally accepted in the United States of America. *Minnesota Statutes* include state aid funding formulas for specific years. Federal revenue is recorded in the year in which the related expenditure is made. Other revenue is considered available if collected within 60 days.

2. Recording of Expenditures

Expenditures are generally recorded when a liability is incurred.

The Academy applies restricted resources first when an expenditure is incurred for a purpose for which both restricted and unrestricted fund balances are available. Further, the Academy applies unrestricted funds in this order if various levels of unrestricted fund balances exist: committed, assigned, and unassigned.

Description of Funds:

As required by state statute, the Academy operates as a nonprofit corporation under *Minnesota Statutes* 317A. However, state law also requires the Academy comply with Uniform Financial Accounting and Reporting Standards (UFARS) for Minnesota Schools which mandates the use of a governmental fund accounting structure. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Descriptions of the funds included in this report are on following page.

**Minnesota Early Learning Academy
Charter School No. 4230
Notes to Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Description of Funds (Continued):

Major Fund:

General Fund – This fund is the basic operating fund of the Academy and is used to account for all financial resources except those required to be accounted for in another fund.

Nonmajor Funds:

Food Service Special Revenue Fund – This fund is used to account for food service revenues and expenditures.

Community Service Special Revenue Fund – This fund is used to account for after school enrichment.

D. Deposits and Investments

Cash and investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled deposits are recorded in the General Fund.

Cash and investments at June 30, 2017, were comprised of deposits.

Minnesota Statutes requires all deposits be protected by federal deposit insurance, corporate surety bonds, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by Federal Deposit Insurance Corporation (FDIC) insurance or corporate surety bonds.

E. Prepaid Items

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

F. Capital Assets

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements.

Capital assets are defined by the Academy as assets with an initial individual cost of more than \$1,000. Such assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at acquisition value at the date of donation.

**Minnesota Early Learning Academy
Charter School No. 4230
Notes to Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Capital Assets (Continued)

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets lives are not capitalized.

Capital assets are depreciated using the straight-line method using actual month convention and depreciated down to the asset's salvage value.

G. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The Academy has one item that qualifies for reporting in this category. A deferred outflow relating to pension activity is reported in the government-wide Statement of Net Position. A deferred outflows of resources related to pensions is recorded for various estimate differences that will be amortized and recognized over future years.

In addition to liabilities, the Statement of Financial Position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item which qualifies for reporting in this category. Deferred inflows of resources related to pensions is recorded on the government-wide statements for various estimate differences that will be amortized and recognized over future years.

H. Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and Teachers Retirement Association (TRA) and additions to/deductions from PERA's and TRA's fiduciary net position have been determined on the same basis as they are reported by PERA and TRA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis, and Minneapolis Academy. The direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association merger into TRA in 2006. A second direct aid source is from the State of Minnesota for the merger of the Duluth Teacher's Retirement Fund Association (DTRFA) in 2015.

Minnesota Early Learning Academy
Charter School No. 4230
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Risk Management

The Academy is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; natural disasters; and injuries to employees for which the Academy carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in the Academy's insurance coverage during the year ended June 30, 2017.

J. Fund Equity

1. Classification

In the fund financial statements, the governmental fund report fund classifications that comprise a hierarchy based primarily on the extent to which the Academy is bound to honor constraints on the specific purpose for which amounts in those funds can be spent. Nonspendable fund balances include amounts that cannot be spent because they are not in spendable form. Amounts that are restricted to specific purposes either by a) constraints placed on the use of resources by creditors, grantors, contributors or laws or regulations of other governments or b) imposed by law through enabling legislation are classified as restricted fund balances. Amounts that can only be used for specific purposes pursuant to constraints imposed by the Board of Directors (highest level of decision making authority) through resolution are classified as committed fund balances. Amounts that are constrained by the Academy's intent to be used for specific purposes but are neither restricted nor committed are classified as assigned fund balances. Unassigned fund balance represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to a specific purpose in the General Fund.

2. Minimum Fund Balance

The Academy does not have a formal fund balance policy.

K. Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources in the government-wide financial statements. Net investment in capital assets consists of capital assets net of accumulated depreciation less any debt used to acquire them. Net position is reported as restricted in the government-wide financial statement when there are limitations on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

L. 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 disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenditures/expense during the reporting period. Actual results could differ from those estimates.

Minnesota Early Learning Academy
Charter School No. 4230
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Tax Status

The Academy is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Academy is also exempt from Minnesota Franchise or income tax.

The Academy is required to assess whether an uncertain tax position exists and if there should be recognition of a related benefit or liability in the financial statements. The Academy has determined there are not amounts to record as assets or liabilities related to uncertain tax positions.

N. Budgetary Information

The Academy follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to July 1, the Academy Director submits to the Governing Board, a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. The Academy Director is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Governing Board.
3. Formal budgetary integration is employed as a management control device during the year for the General and Food Service Special Revenue Funds.
4. Budgets for the General and Food Service Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Budgets are as originally adopted or as amended by the Governing Board. Budgeted expenditure appropriations lapse at year-end.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits

In accordance with applicable *Minnesota Statutes*, the Academy maintains deposits at depository banks authorized by the Academy's Board of Directors.

Custodial Credit Risk – Deposits: This is the risk that, in the event of the failure of a depository financial institution, the Academy will not be able to recover deposits or collateral securities that are in the possession of an outside party. As of June 30, 2017, the Academy's bank balance was \$211,538. At June 30, 2017, all deposits for the Academy were fully insured by the Federal Deposit Insurance Corporation (FDIC) insurance.

Deposits are presented in the Statement of Net Position at June 30, 2017, as follows:

Cash	\$ 44,394
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The Academy did not have formal policies in place as of June 30, 2017 to address custodial credit risk for deposits. The Academy also does not have a policy in place to address credit risk, or concentration of credit risk, custodial credit risk or interest rate risk for investments.

**Minnesota Early Learning Academy
Charter School No. 4230
Notes to Financial Statements**

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets being depreciated				
Furniture and equipment	\$ 44,159	\$ 88,718	\$ 29,412	\$ 103,465
Less accumulated depreciation for				
Furniture and equipment	2,545	18,389	2,365	18,569
Governmental activities, capital assets, net	<u>\$ 41,614</u>	<u>\$ 70,329</u>	<u>\$ 27,047</u>	<u>\$ 84,896</u>

Depreciation expense of \$18,389 for the year ended June 30, 2017, was charged to the following functions:

District support services	\$ 3,169
Elementary and secondary regular instruction	14,029
Sites, buildings, and equipment	<u>1,191</u>
Total depreciation expense	<u>\$ 18,389</u>

NOTE 4 – INTERFUND ACTIVITY

The General Fund transferred \$21,909 to the Food Service Fund to eliminate the prior year deficit fund balance.

NOTE 5 – LINE OF CREDIT

The Academy has two line of credit agreements with Nonprofits Assistance Fund. The lender agrees to make loans to the Academy as requested. The first agreement allows the Academy to borrow up to \$120,000 at an interest rate of 6.5%. The line of credit is secured by all Academy assets and expires on October 31, 2017. The second agreement allows the Academy to borrow up to \$50,000 at an interest rate of 6.5%. The line of credit is secured by all Academy assets and expires on September 30, 2017.

Changes in short-term debt were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Western Bank	<u>\$ 60,000</u>	<u>\$ 197,000</u>	<u>\$ 87,000</u>	<u>\$ 170,000</u>

**Minnesota Early Learning Academy
Charter School No. 4230
Notes to Financial Statements**

NOTE 6 – FUND BALANCES

Certain portions of fund balance are restricted based on state requirements to track special program funding, to provide for funding on certain long-term liabilities or as required by other outside parties.

Fund Equity

Fund equity balances are classified as follows to reflect the limitations and restrictions of the respective funds.

Restricted for Community Service – The balance of \$2,612 represents the positive fund balance of the Community Service Fund.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

The district participates in various pension plans, total pension expense for the year ended June 30, 2017 was \$602,834. The components of pension expense are noted in the following Plan summaries.

Teachers' Retirement Association

A. Plan Description

The Teachers Retirement Association (TRA) is an administrator of a multiple employer, cost-sharing, defined benefit retirement fund. TRA administers a Basic Plan (without Social Security coverage) and a Coordinated Plan (with Social Security coverage) in accordance with *Minnesota Statutes*, Chapters 354 and 356. TRA is a separate statutory entity and administered by a Board of Trustees. The Board consists of four active members, one retired member, and three statutory officials.

Teachers employed in Minnesota's public elementary and secondary school, charter schools and certain educational institutions maintained by the state (except those teachers employed by the Cities of Duluth and St. Paul and by the University of Minnesota system) are required to be TRA members. State university, community college, and technical college teachers first employed by the Minnesota State College and Universities (MnSCU) may elect TRA coverage within one year of eligible employment. Alternatively, these teachers may elect coverage through the Defined Contribution Retirement Plan (DCR) administered by MnSCU.

B. Benefits Provided

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 benefits as described.

**Minnesota Early Learning Academy
Charter School No. 4230
Notes to Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

B. Benefits Provided (Continued)

Tier I Benefits

Tier 1	Step Rate Formula	Percentage
Basic	First 10 years of service	2.2% per year
	All years after	2.7% per year
Coordinated	First 10 years if service years are up to July 1, 2006	1.2% per year
	First 10 years if service years are July 1, 2006, or after	1.4% per year
	All other years of service if service years are up to July 1, 2006	1.7% per year
	All other years of service if service years are July 1, 2006, or after	1.9% per year

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.
- 3% per year early retirement reduction factor 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 Benefits

For years of service prior to July 1, 2006, a level formula of 1.7% per year for coordinated members and 2.7% per year for basic members is applied. For years of service July 1, 2006, and after, a level formula of 1.9% per year for Coordinated members and 2.7% for Basic members applies. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under *Minnesota Statute*. Smaller reductions, more favorable to the member, will be applied to individuals who reach age 62 and have 30 years or more of service credit.

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 that 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 eligible for a refund of their employee contributions plus interest.

**Minnesota Early Learning Academy
Charter School No. 4230
Notes to Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

B. Benefits Provided (Continued)

Tier II Benefits (Continued)

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

C. Contribution Rate

Per *Minnesota Statutes*, Chapter 354 sets the contribution rates for employees and employers. Rates for fiscal years ended June 30, 2015, June 30, 2016, and June 30, 2017, were:

	Employee	Employer
Basic	11.0%	11.5%
Coordinated	7.5%	7.5%

The following is a reconciliation of employer contributions in TRA's CAFR "Statement of Changes in Fiduciary Net Position" to the employer contributions used in Schedule of Employer and Non-Employer Pension Allocations.

Employer contributions reported in TRA's CAFR Statement of Changes in Fiduciary Net Position		\$ 354,961,140
Deduct Employer contributions not related to future contribution efforts		26,356
Deduct TRA's contributions not included in allocation		<u>(442,978)</u>
Total employer contributions		354,544,518
Total non-employer contributions		<u>35,587,410</u>
Total contributions reported in schedule of employer and non-employer pension allocations		<u><u>\$ 390,131,928</u></u>

Amounts reported in the allocation schedules may not precisely agree with financial statement amounts or actuarial valuations due to the number of decimal places used in the allocations. TRA has rounded percentage amounts to the nearest ten thousandths.

**Minnesota Early Learning Academy
Charter School No. 4230
Notes to Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information

Valuation date	July 1, 2016
Experience study	June 5, 2015
Actuarial cost method	Entry Age Normal
Actuarial assumptions	
Investment rate of return	4.66%, from the single equivalent interest rate calculation
Price inflation	2.75%
Wage growth rate	3.50%
Projected salary increase	3.50-9.50%
Cost of living adjustment	2.00%

Mortality Assumption

Pre-retirement	RP 2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP 2015 scale.
Post-retirement	RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of set rates. Generational projections uses the MP 2015 scale.
Post-disability	RP 2014 disabled retiree mortality table, without adjustment.

**Minnesota Early Learning Academy
Charter School No. 4230
Notes to Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation % and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term
Domestic stocks	45 %	5.50 %
Internal stocks	15	6.00
Bonds	18	1.45
Alternative assets	20	6.40
Cash	2	0.50
	<hr/>	
Total	100 %	
	<hr/> <hr/>	

The TRA actuary has determined the average of the expected remaining services lives of all members for fiscal year 2016 is six years. The "Difference Between Expected and Actual Experience", "Changes of Assumptions", and "Changes in Proportion" use the amortization period of six years in the schedule presented. The amortization period for "Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments" is over a period of five years as required by GASB 68.

E. Discount Rate

The discount rate used to measure the total pension liability was 4.66%. This is a decrease from the discount rate at the prior measurement date of 8.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal 2017 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be depleted in 2052 and, as a result, the Municipal Bond Index Rate was used in determination of the Single Equivalent Interest Rate (SEIR). The long-term expected rate of return was applied to periods before 2052 and the Municipal Bond Index Rate of 3.01% was applied to periods on and after 2052, resulting in a SEIR of 4.66%. Based on Fiduciary Net Position at the prior year measurement date, the discount rate of 8.00% was used and it was not necessary to calculate the SEIR.

**Minnesota Early Learning Academy
Charter School No. 4230
Notes to Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

F. Net Pension Liability

On June 30, 2017, the Academy reported a liability of \$2,599,910 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Academy's proportion of the net pension liability was based on the Academy's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis, and Minneapolis School District. Academy proportionate share was 0.0109% at the end of the measurement period and 0.0000% for the beginning of the year.

The pension liability amount reflected a reduction due to direct aid provided to TRA. The amount recognized by the Academy as its proportionate share of the net pension liability, the direct aid and total portion of the net pension liability that was associated with the Academy were as follows:

District's proportionate share of net pension liability	\$ 2,599,910
State's proportionate share of the net pension liability associated with the Academy	261,092

There was a change in actuarial assumptions that affected the measurement of the total liability since the prior measurement date. Post-retirement benefit adjustments are now assumed to remain level at 2.0% annually. While in the previous measurement the COLA increased to 2.5% in 2034.

For the year ended June 30, 2017, the Academy recognized pension expense of \$529,679. It also recognized \$36,457 as an increase to pension expense for the support provided by direct aid.

On June 30, 2017, the Academy had deferred resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 70
Net difference between projected and actual earnings on plan investments	141,281	-
Changes of assumptions	1,441,694	-
Changes in proportion	561,895	-
Contributions to TRA subsequent to the measurement date	64,597	-
Total	<u>\$ 2,209,467</u>	<u>\$ 70</u>

**Minnesota Early Learning Academy
Charter School No. 4230
Notes to Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

F. Net Pension Liability (Continued)

\$64,597 reported as deferred outflows of resources related to pensions resulting from Academy contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

Other amounts reported as deferred outflows of resources and (deferred inflows of resources) will be recognized in pension expense as follows:

2018		\$ 436,024
2019		436,024
2020		436,024
2021		436,025
2022		<u>400,703</u>
Total		<u><u>\$ 2,144,800</u></u>

G. Pension Liability Sensitivity

The following presents the Academy's proportionate share of the net pension liability calculated using the discount rate of 4.66% as well as the liability measured using 1 percent lower and 1 percent higher.

Academy proportionate share of NPL		
1% decrease (3.66%)	Current (4.66%)	1% increase (5.66%)
\$ 3,349,334	\$ 2,599,910	\$ 1,989,529

The Academy's proportion of the net pension liability was based on the employer contributions to TRA in relation to TRA's total employer contributions including direct aid contributions from the State of Minnesota, City of Minneapolis, and Minneapolis School District.

H. Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in a separately-issued TRA financial report. That can be obtained at www.MinnesotaTRA.org, or by writing to TRA at 60 Empire Drive, Suite 400, St. Paul, MN, 55103-4000, or by calling (651) 296-2409 or (800) 657-3669.

Minnesota Early Learning Academy
Charter School No. 4230
Notes to Financial Statements

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employee' Retirement Association

A. Plan Description

The Academy participates in the following cost-sharing multiple-employer defined benefit pension plans administered by PERA. PERA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan (General Employees Plan (accounted for in the General Employees Fund))

All full-time and certain part-time employees of the Academy other than teachers are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90% funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

The benefit provisions stated in the following 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.

General Employees Plan Benefits

General Employees Plan 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 Coordinated Plan member is 1.2% of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 1.7% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Minnesota Early Learning Academy
Charter School No. 4230
Notes to Financial Statements

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

C. Contributions

Minnesota Statutes Chapter 353 set the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

General Employees Plan Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2017. The Academy was required to contribute 7.5% for Coordinated Plan members in fiscal year 2017. The Academy's contributions to the General Employees Fund for the year ended June 30, 2017, were \$23,453. The Academy's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Plan Pension Costs

At June 30, 2017, the Academy reported a liability of \$243,585 for its proportionate share of the General Employees Fund's net pension liability. The Academy's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2016. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the Academy totaled \$3,140. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Academy's proportion of the net pension liability was based on the Academy's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the Academy's proportion was 0.0030%, which was an increase of 0.0030% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2016, the Academy recognized pension expense of \$73,155 for its proportionate share of the General Employees Plan's pension expense. In addition, the Academy recognized an additional \$936 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the General Employees Fund.

**Minnesota Early Learning Academy
Charter School No. 4230
Notes to Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Plan Pension Costs (Continued)

At June 30, 2017, the Academy reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ -	\$ 14,562
Changes in actuarial assumptions	47,694	-
Difference between projected and actual investments earnings	35,195	-
Change in proportion	116,607	-
Contributions paid to PERA subsequent to the measurement date	<u>23,453</u>	<u>-</u>
Total	<u>\$ 222,949</u>	<u>\$ 14,562</u>

\$23,453 reported as deferred outflows of resources related to pensions resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2018	\$ 58,712
2019	58,712
2020	58,712
2021	<u>8,798</u>
Total	<u>\$ 184,934</u>

**Minnesota Early Learning Academy
Charter School No. 4230
Notes to Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions

The total pension liability in the June 30, 2016, actuarial valuation was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

General Employees Plan

Inflation	2.50 % Per year
Active member payroll growth	3.25 Per year
Investment rate of return	7.50

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP 2014 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1% per year for all future years for the General Employees Plan.

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2015.

The following changes in actuarial assumptions occurred in 2016:

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages.

**Minnesota Early Learning Academy
Charter School No. 4230
Notes to Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions (Continued)

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table.

Asset Class	Target	Long-Term Expected Real Rate of Return
Domestic stocks	45 %	5.50 %
International stocks	15	6.00
Bonds	18	1.45
Alternative assets	20	6.40
Unallocated cash	2	0.50
Total	<u>100 %</u>	

F. Discount Rates

The discount rate used to measure the total pension liability in 2016 was 7.5%, a reduction from the 7.9% used in 2015. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in *Minnesota Statutes*. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

The following table presents the Academy's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the Academy's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
Academy's proportionate share of the PERA net pension liability	\$ 345,963	\$ 243,585	\$ 159,254

**Minnesota Early Learning Academy
Charter School No. 4230
Notes to Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

G. Pension Plan Fiduciary Net Position (Continued)

Detailed information about the General Employees Fund's fiduciary net position is available in a separately-issued PERA financial report that includes the financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

NOTE 8 – COMMITMENTS

A. Lease Commitments and Terms

On April 15, 2015, the Academy (Lessee) signed a lease for educational space with Northern Light Church of Christ. The term of the lease agreement covers periods July 1, 2015 through June 30, 2020. Rent on this space was \$291,984 for 2017 and paid in 12 equal installments. The Academy is also responsible for its proportionate share of all operating costs. This lease was terminated on June 30, 2017.

On May 5, 2017, the Academy (Lessee) signed a lease for education space with Church of the Open Door. The term of the lease agreement covers periods July 1, 2017 through June 30, 2027. Yearly rent payments for the years ending June 30, 2018, 2019, and 2020-2027 are \$401,500, \$511,500, and \$620,500, respectively. The Academy is also responsible for its proportionate share of all operating costs.

For 2017, the Academy qualified for state charter school lease aid which equaled the lesser of 90% of the approved lease cost or \$1,314 per pupil units served, or \$259,804.

The Academy's ability to make payments under the lease agreement is dependent on its revenues which are in turn, largely dependent on sufficient enrollment being served at the Academy and sufficient state aids per student being authorized and received from the State of Minnesota. The Academy believes its enrollments and aid entitlements will be sufficient to meet the lease obligations as they become due.

NOTE 9 – GOING CONCERN AND MANAGEMENT'S PLANS

Minnesota Early Learning Academy is considered to be in the development stage and is currently working toward maximizing enrollment goals to increase state funding and cover operating costs. The financial statements were prepared on a going concern basis. The going concern basis assumes that the Academy will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. However, as of June 30, 2017, the Academy had a deficit total fund balance in the governmental funds. This and other factors raise substantial doubt about the Academy's ability to continue as a going concern.

Minnesota Early Learning Academy
Charter School No. 4230
Notes to Financial Statements

NOTE 9 – GOING CONCERN AND MANAGEMENT'S PLANS (CONTINUED)

The ability of the Academy to continue as a going concern is dependent upon its ability to sustain current 2017-2018 enrollment, raise additional funds, and continue with positive operations. This need may be adversely impacted by uncertain economic conditions and approval by regulatory bodies. The Academy currently has a strategic plan to sustain operations, including strict cost management, engaging in additional fundraising activity and maximizing enrollment through recruitment efforts.

NOTE 10 – GASB STANDARDS ISSUED BUT NOT YET IMPLEMENTED

Government Accounting Standards Board (GASB) has issued GASB Statement 75 relating to accounting and financial reporting for postemployment benefits other than pensions. The new statement requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about OPEB liabilities.

NOTE 11 – SUBSEQUENT EVENT

On July 1, 2017, Minnesota Early Learning Academy changed their name to Minnesota Excellence in Learning Academy.

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REQUIRED SUPPLEMENTARY INFORMATION

**Minnesota Early Learning Academy
Charter School No. 4230
Schedule of Academy's and Non-Employer Proportionate Share
(if Applicable) of Net Pension Liability
Last Ten Years GERS Retirement Funds**

For Fiscal Year Ended June 30,	School's Proportion of the Net Pension Liability (Asset)	School's Proportionate Share of the Net Pension Liability (Asset)	School's Proportionate Share of State of Minnesota's Proportionated Share of the Net Pension Liability	School's Proportionate Share of the District's Share of the State of Minnesota's Share of the Net Pension of Liability	School's Covered Payroll	School's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.0000%	\$ -	\$ -	\$ -	\$ -	0.00%	78.20%
2016	0.0030%	243,585	3,140	246,725	183,573	132.69%	68.91%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

**Schedule of Academy's and Non-Employer Proportionate Share
(if Applicable) of Net Pension Liability
Last Ten Years TRA Retirement Funds**

For Fiscal Year Ended June 30,	School's Proportion of the Net Pension Liability (Asset)	School's Proportionate Share of the Net Pension Liability (Asset)	School's Proportionate Share of State of Minnesota's Proportionated Share of the Net Pension Liability	School's Proportionate Share of the District's Share of the State of Minnesota's Share of the Net Pension of Liability	School's Covered Payroll	School's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.0000%	\$ -	\$ -	\$ -	\$ -	0.0%	76.8%
2016	0.0109%	2,599,910	261,092	2,861,002	564,853	460.3%	44.9%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

**Minnesota Early Learning Academy
Charter School No. 4230
Schedule of Academy Contributions
GERF Retirement Funds
Last Ten Years**

<u>Fiscal Year Ending June 30,</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>School's Covered- Employee Payroll</u>	<u>Contributions as a Percentage of Covered- Employee Payroll</u>
2016	\$ 13,768	\$ 13,768	\$ -	\$ 183,573	7.50%
2017	23,453	23,453	-	312,707	7.50%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

**Schedule of Academy Contributions
TRA Retirement Funds
Last Ten Years**

<u>Fiscal Year Ending June 30,</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>School's Covered- Employee Payroll</u>	<u>Contributions as a Percentage of Covered- Employee Payroll</u>
2016	\$ 42,364	\$ 42,364	\$ -	\$ 564,853	7.50%
2017	64,597	64,597	-	861,293	7.50%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

**Minnesota Early Learning Academy
Charter School No. 4230
Notes to the Required Supplementary Information**

TRA Retirement Fund

2016 Changes

Changes in Actuarial Assumptions

- The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2% for all future years.
- The price inflation assumption was lowered from 3% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes as some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP 2014 white collar employee table, male rates set back 6 years and female rates set back 5 years. Generational projection uses the MP 2015 scale.
- The post-retirement mortality assumption was changed to the RP 2014 white collar annuitant table, male rates set back 3 years and female rates set back 3 years, with further adjustments of the rates. Generational projection uses the MP 2015 scale.
- The post-disability mortality assumption was changed to the RP 2014 disabled retiree mortality table, without adjustment.
- Separate retirement assumptions for members hired before or after July 1, 1989, were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional form of annuity payment at retirement were made.

2015 Changes

Changes of Benefit Terms

- The DTRFA was merged into TRA on June 30, 2015.

Changes in Actuarial Assumptions

- The annual COLA for the June 30, 2015, valuation assumed 2%. The prior year valuation used 2% with an increase to 2.5% commencing in 2034. The discount rate used to measure the total pension liability was 8.0%. This is a decrease from the discount rate at the prior measurement date of 8.25%.

**Minnesota Early Learning Academy
Charter School No. 4230
Notes to the Required Supplementary Information**

General Employees Fund

2016 Changes

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.

Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, the inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

2015 Changes

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% per year thereafter.

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SUPPLEMENTARY INFORMATION

**Minnesota Early Learning Academy
Combining Balance Sheet -
Nonmajor Governmental Funds
Year Ended June 30, 2016**

	<u>Special Revenue Funds</u>		<u>Total Nonmajor Funds</u>
	<u>Food Service</u>	<u>Community Service</u>	
Assets			
Cash	\$ 21,774	\$ 2,612	\$ 24,386
Due from Department of Education	346	-	346
Due from Federal Government through Department of Education	8,756	-	8,756
	<u>30,876</u>	<u>2,612</u>	<u>33,488</u>
Total assets	<u>\$ 30,876</u>	<u>\$ 2,612</u>	<u>\$ 33,488</u>
Liabilities			
Accounts payable	<u>\$ 46,249</u>	<u>\$ -</u>	<u>\$ 46,249</u>
Fund Balances			
Restricted	-	2,612	2,612
Unassigned	<u>(15,373)</u>	<u>-</u>	<u>(15,373)</u>
Total fund balances	<u>(15,373)</u>	<u>2,612</u>	<u>(12,761)</u>
	<u>\$ 30,876</u>	<u>\$ 2,612</u>	<u>\$ 33,488</u>
Total liabilities and fund balances	<u>\$ 30,876</u>	<u>\$ 2,612</u>	<u>\$ 33,488</u>

Minnesota Early Learning Academy
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended June 30, 2016

	Special Revenue Funds		Total Nonmajor Funds
	Food Service	Community Service	
Revenues			
Other local revenues	\$ -	\$ 3,245	\$ 3,245
Revenue from state sources	6,241	-	6,241
Revenue from federal sources	174,083	-	174,083
Sales and other conversion of assets	1,457	-	1,457
Total revenues	181,781	3,245	185,026
Expenditures			
Current			
Food service	197,155	-	197,155
Community education and services	-	2,353	2,353
Total expenditures	197,155	2,353	199,508
Excess of revenues over (under) expenditures	(15,374)	892	(14,482)
Other Financing Uses			
Transfers in	21,909	-	21,909
Net change in fund balances	6,535	892	7,427
Fund Balances			
Beginning of year	(21,908)	1,720	(20,188)
End of year	\$ (15,373)	\$ 2,612	\$ (12,761)

Minnesota Early Learning Academy
Charter School No. 4230
Uniform Financial Accounting and Reporting Standards
Compliance Table
Year Ended June 30, 2017

	Audit	UFARS	Audit-UFARS		Audit	UFARS	Audit-UFARS
01 General Fund				06 Building Construction Fund			
Total revenue	\$ 2,869,165	\$ 2,869,167	\$ (2)	Total revenue	\$ -	\$ -	\$ -
Total expenditures	2,845,385	2,845,389	(4)	Total expenditures	-	-	-
<i>Nonspendable:</i>				<i>Nonspendable:</i>			
460 Nonspendable fund balance	87,222	87,222	-	460 Nonspendable fund balance	-	-	-
<i>Restricted/Reserved:</i>				<i>Restricted/Reserved:</i>			
403 Staff Development	-	-	-	407 Capital Projects Levy	-	-	-
405 Deferred Maintenance	-	-	-	409 Alternative Facility Program	-	-	-
406 Health and Safety	-	-	-	413 Building Projects Funded by COP/LP	-	-	-
407 Capital Projects Levy	-	-	-	<i>Restricted:</i>			
408 Cooperative Programs	-	-	-	464 Restricted fund balance	-	-	-
409 Alternative Facility Program	-	-	-	<i>Unassigned:</i>			
413 Building Projects Funded by COP/LP	-	-	-	463 Unassigned fund balance	-	-	-
414 Operating Debt	-	-	-	07 Debt Service Fund			
416 Levy Reduction	-	-	-	Total revenue	\$ -	\$ -	\$ -
417 Taconite Building Maintenance	-	-	-	Total expenditures	-	-	-
424 Operating Capital	-	-	-	<i>Nonspendable:</i>			
426 \$25 Taconite	-	-	-	460 Nonspendable fund balance	-	-	-
427 Disabled Accessibility	-	-	-	<i>Restricted/Reserved:</i>			
428 Learning and Development	-	-	-	425 Bond refunding	-	-	-
434 Area Learning Center	-	-	-	451 QZAB and QSCB payments	-	-	-
435 Contracted Alternative Programs	-	-	-	<i>Restricted:</i>			
436 State Approved Alternative Program	-	-	-	464 Restricted fund balance	-	-	-
438 Gifted and Talented	-	-	-	<i>Unassigned:</i>			
440 Teacher Development and Evaluation	-	-	-	463 Unassigned fund balance	-	-	-
441 Basic Skills Programs	-	-	-	08 Trust Fund			
445 Career Technical Programs	-	-	-	Total revenue	\$ -	\$ -	\$ -
446 First Grade Preparedness	-	-	-	Total expenditures	-	-	-
448 Achievement and Integration Revenue	-	-	-	<i>Unassigned:</i>			
449 Safe School Crime	-	-	-	422 Unassigned fund balance (net position)	-	-	-
450 Transition for Pre-Kindergarten	-	-	-	20 Internal Service Fund			
451 QZAB and QCSB Payments	-	-	-	Total revenue	\$ -	\$ -	\$ -
452 OPEB Liabilities not Held in Trust	-	-	-	Total expenditures	-	-	-
453 Unfunded Severance and Retirement Levy	-	-	-	<i>Unassigned:</i>			
<i>Restricted:</i>				422 Unassigned fund balance (net position)	-	-	-
464 Restricted fund balance	-	-	-	25 OPEB Revocable Trust			
<i>Committed:</i>				Total revenue	\$ -	\$ -	\$ -
418 Committed for separation	-	-	-	Total expenditures	-	-	-
461 Committed	-	-	-	<i>Unassigned:</i>			
<i>Assigned:</i>				422 Unassigned fund balance (net position)	-	-	-
462 Assigned fund balance	-	-	-	45 OPEB Irrevocable Trust			
<i>Unassigned:</i>				Total revenue	\$ -	\$ -	\$ -
422 Unassigned fund balance (net position)	(328,432)	(328,434)	2	Total expenditures	-	-	-
02 Food Services Fund				<i>Unassigned:</i>			
Total revenue	\$ 181,781	\$ 181,781	\$ -	422 Unassigned fund balance (net position)	-	-	-
Total expenditures	197,155	197,155	-	47 OPEB Debt Service			
<i>Nonspendable:</i>				Total revenue	\$ -	\$ -	\$ -
460 Nonspendable fund balance	-	-	-	Total expenditures	-	-	-
<i>Restricted/Reserved:</i>				<i>Nonspendable:</i>			
452 OPEB liabilities not held in trust	-	-	-	460 Nonspendable fund balance	-	-	-
<i>Restricted:</i>				<i>Restricted:</i>			
464 Restricted fund balance	-	-	-	425 Bond refundings	-	-	-
<i>Unassigned:</i>				464 Restricted fund balance	-	-	-
463 Unassigned fund balance	(15,373)	(15,374)	1	<i>Unassigned:</i>			
04 Community Service Fund				463 Unassigned fund balance	-	-	-
Total revenue	\$ 3,245	\$ 3,245	\$ -	01 General Fund			
Total expenditures	2,353	2,353	-	Total revenue	\$ 2,869,165	\$ 2,869,167	\$ (2)
<i>Nonspendable:</i>				Total expenditures	2,845,385	2,845,389	(4)
460 Nonspendable fund balance	-	-	-	<i>Nonspendable:</i>			
<i>Restricted/Reserved:</i>				460 Nonspendable fund balance	87,222	87,222	-
426 \$25 Taconite	-	-	-	<i>Restricted/Reserved:</i>			
431 Community Education	-	-	-	403 Staff Development	-	-	-
432 ECFE	-	-	-	405 Deferred Maintenance	-	-	-
440 Teacher Development and Evaluation	-	-	-	406 Health and Safety	-	-	-
444 School Readiness	-	-	-	407 Capital Projects Levy	-	-	-
447 Adult Basic Education	-	-	-	408 Cooperative Programs	-	-	-
452 OPEB Liabilities not held in trust	-	-	-	409 Alternative Facility Program	-	-	-
<i>Restricted:</i>				413 Building Projects Funded by COP/LP	-	-	-
464 Restricted fund balance	2,612	2,612	-	414 Operating Debt	-	-	-
<i>Unassigned:</i>				416 Levy Reduction	-	-	-
463 Unassigned fund balance	-	-	-	417 Taconite Building Maintenance	-	-	-



**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***

Independent Auditor's Report

To the Board of Directors
Minnesota Early Learning Academy
Brooklyn Park, Minnesota

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Minnesota Early Learning Academy, Brooklyn Park, Minnesota, as of and for the year ending June 30, 2017, and the related notes to financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated September 7, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Academy's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Academy's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BerganKDV Ltd.

Minneapolis, Minnesota
September 7, 2017



Report on Legal Compliance

Independent Auditor's Report

To the Board of Directors
Minnesota Early Learning Academy
Brooklyn Park, Minnesota

We have audited, 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, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Minnesota Early Learning Academy, Brooklyn Park, Minnesota, as of and for the year ended June 30, 2017, and the related notes to financial statements, and have issued our report thereon dated September 7, 2017.

The *Minnesota Legal Compliance Audit Guide for Charter Schools*, promulgated by the State Auditor pursuant to *Minnesota Statutes* § 6.65, contains two categories of compliance to be tested in audits of Charter Schools: uniform financial accounting and reporting standards, and Charter Schools.

In connection with our audit, nothing came to our attention that caused us to believe that the Academy failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Charter Schools*, except as described in the Schedule of Findings and Corrective Action Plans on Legal Compliance and Internal Control. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Academy's noncompliance with the above referenced provisions.

The purpose of this report is solely to describe the scope of our testing of compliance and the result of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads 'BerganKDV Ltd.' followed by a period.

Minneapolis, Minnesota
September 7, 2017

**Minnesota Early Learning Academy
Charter School No. 4230
Schedule of Findings and Corrective Action Plans
on Legal Compliance**

CURRENT YEAR LEGAL COMPLIANCE FINDING:

Closed Meetings

Minnesota Statutes 13D.05, Subdivision 1 requires all closed board meetings, except those closed as permitted by attorney-client privilege, be tape recorded. It further states that the recordings must be preserved for at least three years after the date of the meeting.

During our audit, it was noted the Academy did not record meeting sessions closed for a discussion on charter school facility expansion.

In order to be in compliance with *Minnesota Statutes*, we recommend the Academy record all closed meetings of the Board of Directors and retain recordings.

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding
The Academy will record all closed meetings of the Board of Directors and retain records.
3. Official Responsible for Ensuring CAP
Jennifer Mitchell, Executive Director, is the official responsible for ensuring corrective action of the deficiency.
4. Planned Completion Date for CAP
The planned completion date for the CAP is June 30, 2018.
5. Plan to Monitor Completion of CAP
The Board of Directors will be monitoring this CAP.

**Minnesota Early Learning Academy
Charter School No. 4230
Schedule of Findings and Corrective Action Plans
on Legal Compliance**

CURRENT YEAR LEGAL COMPLIANCE FINDING:

Timely Vendor Payments

Minnesota Statutes 471.425, Subdivision 2 requires all bills to be paid within the time period set by the terms of the contract or within the standard payment period. The standard payment period is defined as 35 days for organizations with governing boards meeting monthly and 45 days for all others.

During our audit, it was noted the Academy did not make payment to all vendors within these time frames.

In order to be in compliance with *Minnesota Statutes*, we recommend the Academy follow these timelines.

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding
The Academy will ensure vendors are paid within the statutory timeframe.
3. Official Responsible for Ensuring CAP
Jennifer Mitchell, Executive Director, is the official responsible for ensuring corrective action of the deficiency.
4. Planned Completion Date for CAP
The planned completion date for the CAP is June 30, 2018.
5. Plan to Monitor Completion of CAP
The Board of Directors will be monitoring this CAP.