

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2018**

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CHARTER SCHOOL NO. 4090  
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## **INTRODUCTORY SECTION**

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
SCHOOL BOARD AND ADMINISTRATION  
JUNE 30, 2018**

**SCHOOL BOARD**

<b>NAME</b>	<b>TERM EXPIRES</b>	<b>BOARD POSITION</b>
Ben Miller	6/30/18	Board Chair
Bonnie Jean Flom	6/30/18	Vice-Chair
Kelsey Fitschen-Hemmah	6/30/18	Secretary
Ryan Krominga	6/30/20	Treasurer
Lisa Percy	6/30/18	Trustee
Gabe Meerts	6/30/19	Trustee
Jodi Doeden	6/30/19	Trustee
Trish Beckman	6/30/20	Trustee
Jason Buckmeier	6/30/20	Trustee
Simon Tyler		Director, Ex Officio
Keith Johnson		CFO, Ex Officio

**ADMINISTRATION**

Simon Tyler	Director of School
Keith Johnson	CFO
Colleen Braucher	Recording Secretary/Admin Asst.
School Office:	Charter School No. 4090 Prairie Creek Community School 27695 Denmark Avenue Northfield, MN 55057 (507) 645-9640

## **FINANCIAL SECTION**

## INDEPENDENT AUDITORS' REPORT

Members of the Board of Education  
Charter School No. 4090  
Prairie Creek Community School  
Northfield, Minnesota

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund, and the aggregate remaining fund information of Prairie Creek Community School, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Prairie Creek Community School's 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.

### ***Auditors' 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 auditors' 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 entity's 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 entity'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 above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Prairie Creek Community School as of June 30, 2018, and the respective changes in financial position and the respective budgetary comparison for the General Fund, the Food Service Fund and the Community Service Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Summarized Prior Year Information**

We have previously audited Prairie Creek Community School's 2017 financial statements of the governmental activities and each major fund, and we expressed an unmodified opinion on those audited financial statements in our report dated October 17, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, TRA Schedule of the School's Proportionate Share of the Net Pension Liability, TRA Schedule of School Contributions, PERA Schedule of the School's Proportionate Share of the Net Pension Liability, and PERA Schedule of School Contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures 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.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Prairie Creek Community School's basic financial statements. The Uniform Financial Accounting and Reporting Standards Compliance Table as listed in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Members of the Board of Directors  
Charter School No. 4090  
Prairie Creek Community School

*Supplementary Information (Continued)*

The Uniform Financial Accounting and Reporting Standards Compliance Table is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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 October 2, 2018, on our consideration of Prairie Creek Community School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's 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 Prairie Creek Community School's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
October 2, 2018

## **REQUIRED SUPPLEMENTARY INFORMATION**

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018**

This section of Prairie Creek Community School – Charter School No. 4090's annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year that ended on June 30, 2018. Please read it in conjunction with the School's financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2017-2018 fiscal year include the following:

- Overall General Fund revenues were \$2,135,763 as compared to \$2,119,023 of expenditures.
- The fund balance for the General Fund increased by \$16,740 from the prior year. Revenues and expenditures of the General Fund increased by 5.8% and 6.8%, respectively, from the previous year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial section of the annual report consists of four parts – Independent Auditors' Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplementary information. The basic financial statements include two kinds of statements that present different views of Prairie Creek Community School:

- The first two statements are *School-wide financial statements* that provide both *short-term* and *long-term* information about the School's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the School, reporting the School's operations in *more detail* than the School-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short term* as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018**

**School-Wide Statements**

The School-wide statements report information about Prairie Creek Community School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the School's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

- Over time, increases or decreases in Prairie Creek Community School's net position are an indicator of whether its financial position is improving or deteriorating.
- To assess the overall health of Prairie Creek Community School you need to consider additional nonfinancial factors such as changes in the School's creditworthiness and the condition of its school building.

In the School-wide financial statements Prairie Creek Community School's activities are shown in one category:

- *Governmental Activities* – Most of the School's basic services are included here, such as regular and special education, transportation, administration, food services, and community education. State aids finance most of these activities.

**Fund Financial Statements**

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

The School has one fund type:

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

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018**

**FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE**

**Net Position**

Prairie Creek Community School's *combined* net position was a deficit of \$915,033 on June 30, 2018 (see Table A-1).

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

	Governmental Activities as of June 30,		Percentage Change
	2018	2017	
Current and Other Assets	\$ 883,393	\$ 861,985	2.48 %
Capital Assets	301,953	329,805	(8.44)
Total Assets	<u>1,185,346</u>	<u>1,191,790</u>	(0.54)
Deferred Outflows of Resources	1,864,131	2,463,722	(24.34)
Current Liabilities	163,959	149,501	9.67
Long-Term Liabilities	3,254,393	3,855,440	(15.59)
Total Liabilities	<u>3,418,352</u>	<u>4,004,941</u>	(14.65)
Deferred Inflows of Resources	<u>546,158</u>	<u>72,940</u>	648.78
Net Position:			
Investment in Capital Assets	301,953	329,805	(8.44)
Restricted	52,440	62,230	(15.73)
Unrestricted	<u>(1,269,426)</u>	<u>(814,404)</u>	55.87
Total Net Position	<u>\$ (915,033)</u>	<u>\$ (422,369)</u>	116.64

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018**

**Changes in Net Position**

The School's total revenues were \$2,256,052 for the year ended June 30, 2018. Unrestricted state formula aid accounted for 55.5% of total revenue for the year (see Figure A-1). Program revenue accounted for 39.4% of total revenue for the year. Another 5.1% came from other general revenues combined with investment earnings.

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

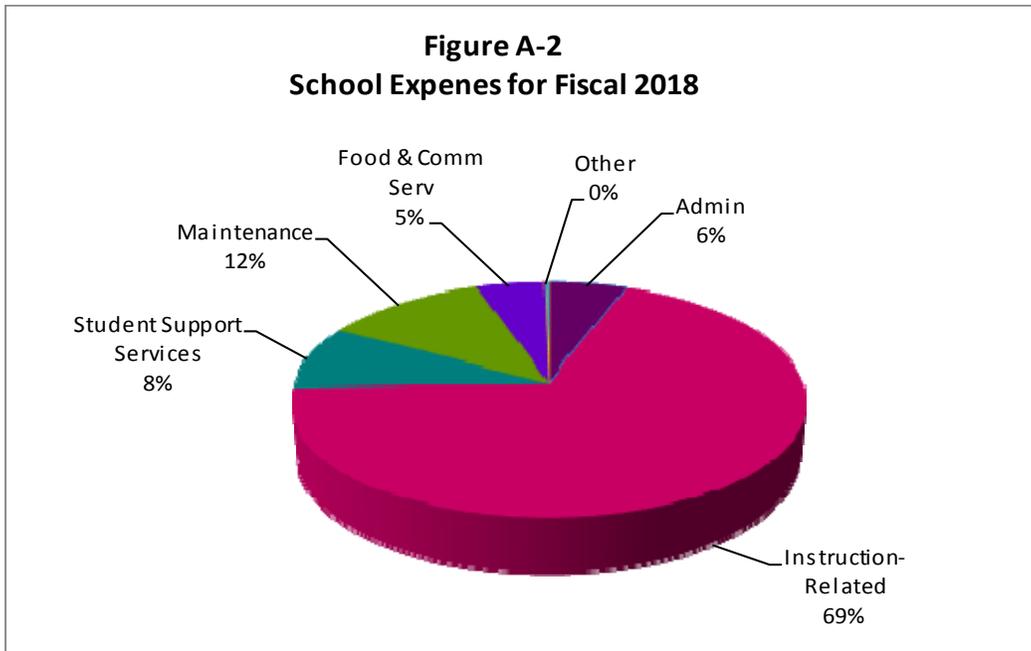
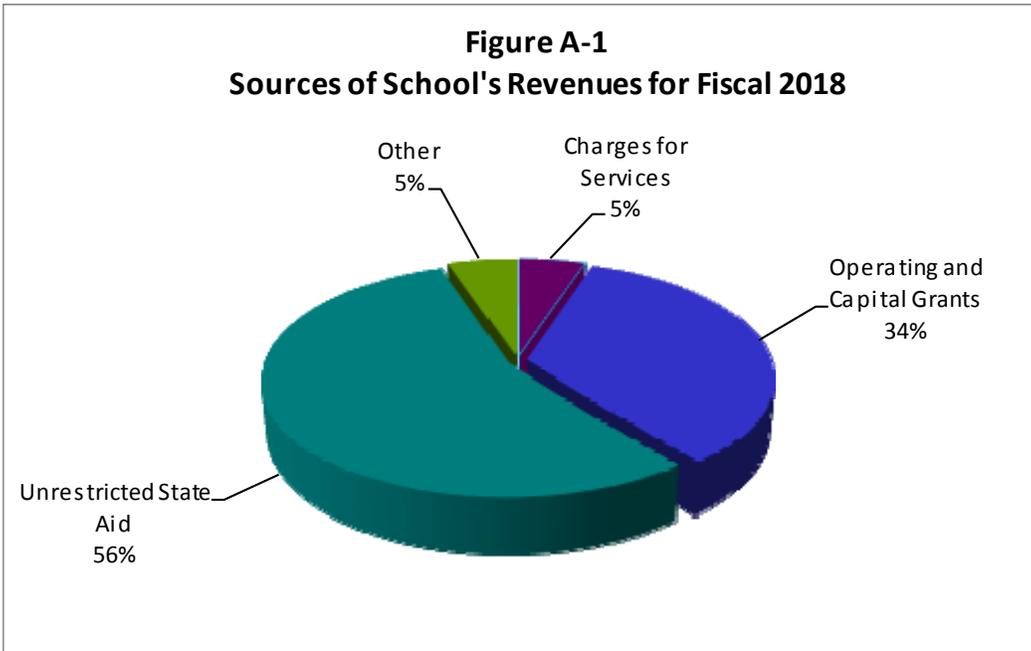
	Governmental Activities for the Fiscal Year Ended June 30,		Percentage Change
	2018	2017	
<b>Revenues</b>			
<u>Program Revenues</u>			
Charges for Services	\$ 115,047	\$ 116,074	(0.88)%
Operating Grants and Contributions	772,758	703,341	9.87
<u>General Revenues</u>			
Unrestricted State Aid	1,252,344	1,292,466	(3.10)
Investment Earnings	1,473	667	120.84
Other	114,430	79,640	43.68
Total Revenues	<u>2,256,052</u>	<u>2,192,188</u>	2.91
<b>Expenses</b>			
Administration	158,023	163,195	(3.17)
District Support Services	194,767	190,626	2.17
Regular Instruction	1,316,622	1,299,157	1.34
Special Education Instruction	567,964	528,904	7.39
Instructional Support Services	13,587	10,304	31.86
Pupil Support Services	26,839	23,051	16.43
Sites and Buildings	326,779	330,410	(1.10)
Fiscal and Other Fixed Cost Programs	8,516	8,355	1.93
Food Service	70,867	65,748	7.79
Community Service	64,752	56,163	15.29
Total Expenses	<u>2,748,716</u>	<u>2,675,913</u>	2.72
<b>Change in Net Position</b>	(492,664)	(483,725)	
Net Position - Beginning	<u>(422,369)</u>	<u>61,356</u>	
Net Position - Ending	<u>\$ (915,033)</u>	<u>\$ (422,369)</u>	

Total expenses exceeded revenues, decreasing net position by \$492,664 during the current fiscal year.

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018**

The cost of all *governmental* activities this year was \$2,748,716.

- Some of the cost was paid by the users of the Prairie Creek Community School's programs (\$115,047).
- The federal and state governments subsidized certain programs with restricted grants (\$772,758).
- The remainder of the School's costs was primarily paid for by unrestricted state aid.



**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018**

All governmental funds includes not only funds received for the general operation of the School, which are used for classroom instruction, but also includes resources from the entrepreneurial-type funds of Food Service and Community Service. Funding for the general operation of the School is controlled by the state and the School does not have the latitude to allocate money received in Food Service or Community Service to enhance classroom instruction resources. The School cannot take funds from these restricted areas and use the funds to hire teachers to enhance instruction.

**Table A-3  
Program Expenses and Net Cost of Services**

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2018	2017		2018	2017	
Administration	\$ 158,023	\$ 163,195	(3.17)%	\$ 157,549	\$ 162,697	(3.16)%
District Support Services	194,767	190,626	2.17	194,725	186,934	4.17
Regular Instruction	1,316,622	1,299,157	1.34	1,277,820	1,268,045	0.77
Special Education Instruction	567,964	528,904	7.39	117,454	137,344	(14.48)
Instructional Support Services	13,587	10,304	31.86	(13,451)	(14,871)	(9.55)
Pupil Support Services	26,839	23,051	16.43	26,740	22,968	16.42
Sites and Buildings	326,779	330,410	(1.10)	75,922	88,211	(13.93)
Fiscal and Other Fixed Cost Programs	8,516	8,355	1.93	8,516	8,355	1.93
Food Service	70,867	65,748	7.79	3,574	1,313	172.20
Community Service	64,752	56,163	15.29	12,062	(4,498)	(368.16)
Total	<u>\$ 2,748,716</u>	<u>\$ 2,675,913</u>	2.72	<u>\$ 1,860,911</u>	<u>\$ 1,856,498</u>	0.24

**FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS**

The financial performance of the School as a whole is reflected in its governmental funds as well. As Prairie Creek Community School completed the year, its governmental funds reported a *combined* fund balance of \$719,434, which was \$6,950 higher than last year's ending fund balance of \$712,484.

Revenues for the School's governmental funds were \$2,255,733 while total governmental funds expenditures were \$2,248,783.

**GENERAL FUND**

The General Fund includes the primary operations of the School in providing educational services to students from kindergarten through grade 6.

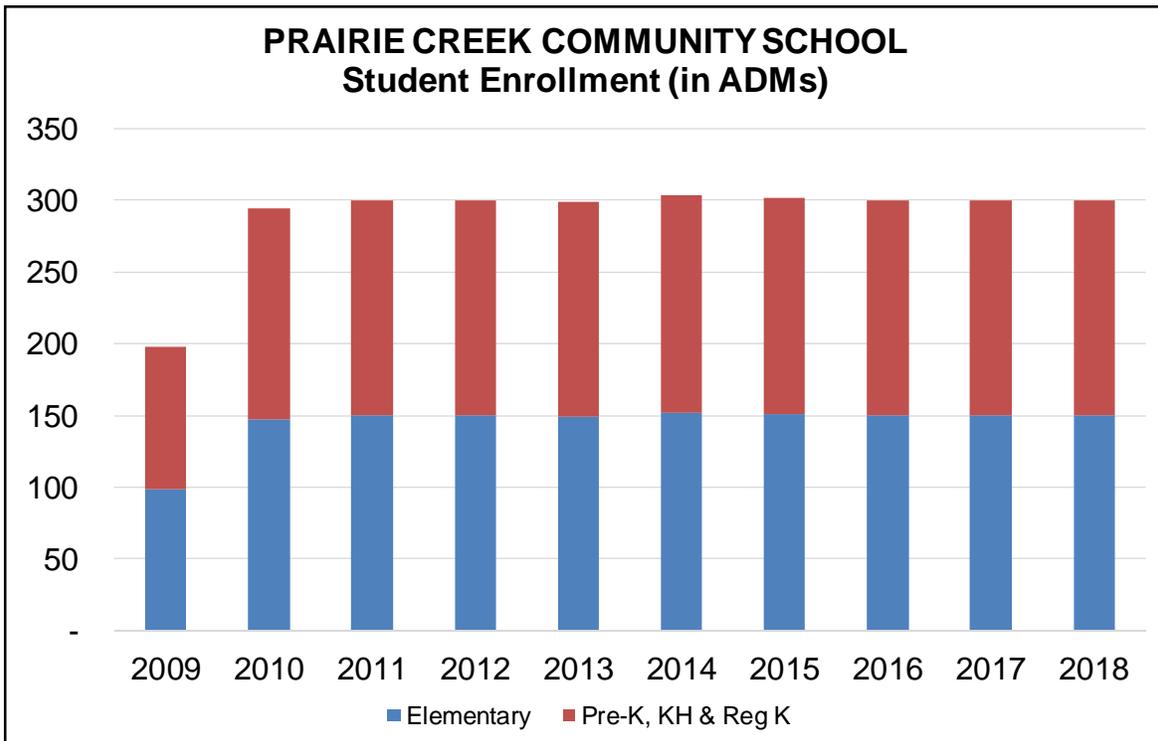
Approximately 90% of General Fund operational revenue is controlled by a complex set of state funding formulas resulting in the local school board having no meaningful authority to determine the level of resources. This includes special education state aid that is based upon a cost reimbursement model providing approximately 96% of personnel expenditures.

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018**

**ENROLLMENT**

Enrollment is a critical factor in determining revenue with approximately 90% of General Fund revenue being determined by enrollment. The following chart shows that the number of students over the past nine years has been stable and constant.

**Table A-4  
Enrollment Trend  
Average Daily Membership (ADM)**



In the winter of 2009, Prairie Creek Community School completed a large expansion of its building enabling the School to add up to another 60 students to the School. Over the last nine years, the School has maintained an average daily membership of between 178-181 students and it is anticipated that enrollment will remain steady in the future at 180. The School has a waiting list of students wishing to attend the School and, therefore, performs lottery drawings annually for available spaces.

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018**

The following schedule presents a summary of General Fund Revenues.

**Table A-5  
General Fund Revenues**

	Year Ended		Change	
	June 30, 2018	June 30, 2017	Increase (Decrease)	Percent Change
Local Sources:				
Earnings on Investments	\$ 1,473	\$ 667	\$ 806	120.8 %
Other	136,496	107,334	29,162	27.2
State Sources	1,903,096	1,831,243	71,853	3.9
Federal Sources	94,698	78,705	15,993	20.3
Total General Fund Revenue	<u>\$ 2,135,763</u>	<u>\$ 2,017,949</u>	<u>\$ 117,814</u>	5.8

Total General Fund Revenue increased by \$117,814 or 5.8% from the previous mainly year due to increased special education reimbursements, the formula improvement for General Education aid and an increase related to the implementation of the Alternative Compensation (or QComp) program.

The following schedule presents a summary of General Fund Expenditures.

**Table A-6  
General Fund Expenditures**

	Year Ended		Change	
	June 30, 2018	June 30, 2017	Increase (Decrease)	Percent Change
Salaries	\$ 1,161,381	\$ 1,060,177	\$ 101,204	9.5 %
Employee Benefits	307,134	277,102	30,032	10.8
Purchased Services	558,751	540,052	18,699	3.5
Supplies and Materials	48,087	58,653	(10,566)	(18.0)
Capital Expenditures	13,895	19,676	(5,781)	(29.4)
Other Expenditures	29,775	29,070	705	2.4
Total General Fund Expenditures	<u>\$ 2,119,023</u>	<u>\$ 1,984,730</u>	<u>\$ 134,293</u>	6.8

Total General Fund Expenditures increased \$134,293 or 6.8% from the previous year. This increase includes the implementation of the QComp program referenced above.

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018**

**General Fund Budgetary Highlights**

Following approval of the budget prior to the beginning of the fiscal year, Prairie Creek revises the annual operating budget in mid-year (if necessary) and then in late spring. These budget amendments typically fall into two categories:

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

Actual revenues were \$8,233 (0.39%) more than expected. The actual expenditures were \$2,979 less than budget for a (0.14)% variance. While the budget had reflected a surplus of \$5,528 for the year the actual results reflected a net \$16,740 increase in ending fund balance for a net variance of \$11,212.

**OTHER MAJOR FUNDS**

Expenditures exceeded revenues in the Food Service Fund by \$3,574.

Expenditures exceeded revenues in the Community Service Fund by \$6,216.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2018, the Prairie Creek Community School had invested \$597,703 in its capital assets, including learning materials, computer and audio-visual equipment, leasehold improvements, and furniture (see Table A-7). (More detailed information about net investment in capital assets can be found in Note 4 to the financial statements.) Total depreciation expense for the year was \$29,477.

**Table A-7  
The School's Capital Assets**

	2018	2017	Percentage Change
Leasehold Improvements	\$ 419,566	\$ 419,566	-
Furniture and Equipment	178,137	176,512	0.9
Less: Accumulated Depreciation	(295,750)	(266,273)	11.1
Total Capital Assets	<u>\$ 301,953</u>	<u>\$ 329,805</u>	(8.4)

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018**

**Long-Term Liabilities**

The School's only long-term debt relates to the amounts required to be recorded under recent GASB standards which relates to the recording of the School's share of the estimated unfunded liability for the two statewide pension plans (TRA and PERA). (More detailed information about pension liabilities can be found in Note 5 to the financial statements.)

**Table A-8  
The School's Long-Term Liabilities**

	<u>2018</u>	<u>2017</u>	<u>Percentage Change</u>
Net Pension Liability	<u>\$ 3,254,393</u>	<u>\$ 3,855,440</u>	(15.6)%
Long-Term Liabilities: Due in More Than One Year	<u>\$ 3,254,393</u>	<u>\$ 3,855,440</u>	

**FACTORS BEARING ON PRAIRIE CREEK COMMUNITY SCHOOL'S FUTURE**

Prairie Creek Community School 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.

Prairie Creek will maintain its long-standing commitment to academic excellence and educational opportunity for students within a framework of financial fiduciary responsibility.

**CONTACTING THE SCHOOL'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 Prairie Creek's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Prairie Creek Community School, 27695 Denmark Avenue, Northfield, Minnesota 55057. The telephone number is 507-645-9640.

## **BASIC FINANCIAL STATEMENTS**

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
STATEMENT OF NET POSITION  
JUNE 30, 2018  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2017)**

	Governmental Activities	
	2018	2017
<b>ASSETS</b>		
Cash and Investments	\$ 549,817	\$ 560,953
Receivables:		
Other Governments	316,304	287,604
Prepaid Items	17,272	13,428
Capital Assets, Net of Depreciation	301,953	329,805
Total Assets	1,185,346	1,191,790
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Outflows - Pension Payments	1,864,131	2,463,722
 <b>LIABILITIES</b>		
Salaries Payable	142,872	141,309
Accounts and Contracts Payable	21,087	8,192
Net Pension Liability	3,254,393	3,855,440
Total Liabilities	3,418,352	4,004,941
 <b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Inflows - Pensions	546,158	72,940
 <b>NET POSITION</b>		
Investment in Capital Assets	301,953	329,805
Restricted for:		
Food Service	1,910	5,484
Community Service	50,530	56,746
Unrestricted	(1,269,426)	(814,404)
Total Net Position	\$ (915,033)	\$ (422,369)

See accompanying Notes to Basic Financial Statements.

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2018  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2017)**

Functions	2018			2017	
	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position	Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Total Governmental Activities	Total Governmental Activities
<b>Governmental Activities</b>					
Administration	\$ 158,023	\$ -	\$ 474	\$ (157,549)	\$ (162,697)
District Support Services	194,767	-	42	(194,725)	(186,934)
Regular Instruction	1,316,622	20,897	17,905	(1,277,820)	(1,268,045)
Special Education Instruction	567,964	-	450,510	(117,454)	(137,344)
Instructional Support Services	13,587	-	27,038	13,451	14,871
Pupil Support Services	26,839	-	99	(26,740)	(22,968)
Sites and Buildings	326,779	-	250,857	(75,922)	(88,211)
Fiscal and Other Fixed Cost Programs	8,516	-	-	(8,516)	(8,355)
Food Service	70,867	41,526	25,767	(3,574)	(1,313)
Community Service	64,752	52,624	66	(12,062)	4,498
Total School District	<u>\$ 2,748,716</u>	<u>\$ 115,047</u>	<u>\$ 772,758</u>	(1,860,911)	(1,856,498)
<b>General Revenues</b>					
State Aid Not Restricted to Specific Purposes				1,252,344	1,292,466
Earnings on Investments				1,473	667
Miscellaneous				114,430	79,640
Total General Revenues				<u>1,368,247</u>	<u>1,372,773</u>
Change in Net Position				(492,664)	(483,725)
Net Position - Beginning				(422,369)	61,356
Net Position - Ending				<u>\$ (915,033)</u>	<u>\$ (422,369)</u>

See accompanying Notes to Basic Financial Statements.

**PRAIRIE CREEK COMMUNITY SCHOOL  
 CHARTER SCHOOL NO. 4090  
 BALANCE SHEET  
 GOVERNMENTAL FUNDS  
 JUNE 30, 2018  
 (WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2017)**

	Major Funds			Total Governmental Funds	
	General	Food Service	Community Service	2018	2017
<b>ASSETS</b>					
Cash	\$ 497,377	\$ 1,910	\$ 50,530	\$ 549,817	\$ 560,953
Receivables:					
Due from Minnesota Department of Education	273,610	-	-	273,610	266,335
Due from Federal through Minnesota Department of Education	42,694	-	-	42,694	21,269
Prepays	17,272	-	-	17,272	13,428
Total Assets	<u>\$ 830,953</u>	<u>\$ 1,910</u>	<u>\$ 50,530</u>	<u>\$ 883,393</u>	<u>\$ 861,985</u>
<b>LIABILITIES AND FUND BALANCE</b>					
Liabilities:					
Salaries Payable	\$ 122,823	\$ -	-	\$ 122,823	\$ 122,339
Payroll Deductions and Employer Contributions Payable	20,049	-	-	20,049	18,970
Accounts and Contracts Payable	21,087	-	-	21,087	8,192
Total Liabilities	163,959	-	-	163,959	149,501
Fund Balance:					
Nonspendable:					
Prepays	17,272	-	-	17,272	13,428
Restricted for:					
Food Service	-	1,910	-	1,910	5,484
Community Service	-	-	50,530	50,530	56,746
Unassigned	649,722	-	-	649,722	636,826
Total Fund Balance	666,994	1,910	50,530	719,434	712,484
Total Liabilities and Fund Balance	<u>\$ 830,953</u>	<u>\$ 1,910</u>	<u>\$ 50,530</u>	<u>\$ 883,393</u>	<u>\$ 861,985</u>

See accompanying Notes to Basic Financial Statements.

**PRAIRIE CREEK COMMUNITY SCHOOL  
 CHARTER SCHOOL NO. 4090  
 RECONCILIATION OF THE BALANCE SHEET  
 GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2018  
 (WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2017)**

	2018	2017
<b>Total Fund Balance for Governmental Funds</b>	<b>\$ 719,434</b>	<b>\$ 712,484</b>
<p>Total net position reported for governmental activities in the statement of net position is different because:</p> <p>Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:</p>		
Leasehold Improvements, Net of Accumulated Depreciation	262,231	283,209
Equipment, Net of Accumulated Depreciation	39,722	46,596
<p>The School's Net Pension Liability and related deferred inflows and outflows are recorded only on the statement of net position. Balances at year-end are:</p>		
Net Pension Liability	(3,254,393)	(3,855,440)
Deferred Inflows of Resources - Pensions	(546,158)	(72,940)
Deferred Outflows of Resources - Pensions	1,864,131	2,463,722
<b>Total Net Position of Governmental Activities</b>	<b>\$ (915,033)</b>	<b>\$ (422,369)</b>

See accompanying Notes to Basic Financial Statements.

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2018  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2017)**

	Major Funds			Total Governmental Funds	
	General	Food Service	Community Service	2018	2017
<b>REVENUES</b>					
Local Sources:					
Earnings and Investments	\$ 1,473	\$ -	\$ -	\$ 1,473	\$ 667
Other	136,496	41,526	52,624	230,646	205,916
State Sources	1,903,096	6,996	53	1,910,145	1,838,790
Federal Sources	94,698	18,771	-	113,469	97,672
Total Revenues	<u>2,135,763</u>	<u>67,293</u>	<u>52,677</u>	<u>2,255,733</u>	<u>2,143,045</u>
<b>EXPENDITURES</b>					
Current:					
Administration	117,993	-	-	117,993	113,485
District Support Services	191,167	-	-	191,167	182,708
Elementary and Secondary Regular Instruction	965,614	-	-	965,614	878,607
Special Education Instruction	462,958	-	-	462,958	426,722
Instructional Support Services	13,587	-	-	13,587	10,304
Pupil Support Services	18,514	-	-	18,514	14,463
Sites and Buildings	326,779	-	-	326,779	330,410
Fiscal and Other Fixed Cost Programs	8,516	-	-	8,516	8,355
Food Service	-	70,867	-	70,867	65,748
Community Service	-	-	58,893	58,893	55,963
Capital Outlay	13,895	-	-	13,895	19,676
Total Expenditures	<u>2,119,023</u>	<u>70,867</u>	<u>58,893</u>	<u>2,248,783</u>	<u>2,106,441</u>
<b>NET CHANGE IN FUND BALANCE</b>	16,740	(3,574)	(6,216)	6,950	36,604
<b>FUND BALANCE</b>					
Beginning of Year	650,254	5,484	56,746	712,484	675,880
End of Year	<u>\$ 666,994</u>	<u>\$ 1,910</u>	<u>\$ 50,530</u>	<u>\$ 719,434</u>	<u>\$ 712,484</u>

See accompanying Notes to Basic Financial Statements.

**PRAIRIE CREEK COMMUNITY SCHOOL  
 CHARTER SCHOOL NO. 4090  
 RECONCILIATION OF THE STATEMENT OF  
 REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
 GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2018  
 (WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2017)**

	2018	2017
<b>Net Change in Fund Balance - Total Governmental Funds</b>	\$ 6,950	\$ 36,604
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. The amount by which depreciation exceeded capital outlays in the current period is:</p>		
Capital Outlays	1,625	2,145
Depreciation Expense	(29,477)	(30,494)
<p>Pension expenses in the governmental funds are measured by current year employer contributions. Pension expenditures on the statement of activities are measured by the change in the net pension liability and the related deferred inflows and outflows of resources.</p>		
	(471,762)	(491,980)
Total	\$ (492,664)	\$ (483,725)

See accompanying Notes to Basic Financial Statements.

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
<b>REVENUES</b>				
Local Sources:				
Earnings and Investments	\$ 800	\$ 1,400	\$ 1,473	\$ 73
Other	100,050	135,628	136,496	868
State Sources	1,827,370	1,895,173	1,903,096	7,923
Federal Sources	74,230	95,329	94,698	(631)
Total Revenues	2,002,450	2,127,530	2,135,763	8,233
<b>EXPENDITURES</b>				
Current:				
Administration	119,065	120,692	117,993	(2,699)
District Support Services	200,500	197,400	191,167	(6,233)
Elementary and Secondary Regular Instruction	934,923	960,856	965,614	4,758
Special Education Instruction	388,767	460,958	462,958	2,000
Instructional Support Services	10,700	12,400	13,587	1,187
Pupil Support Services	18,424	18,424	18,514	90
Sites and Buildings	335,356	328,856	326,779	(2,077)
Fiscal and Other Fixed Cost Programs	13,950	8,516	8,516	-
Capital Outlay	13,500	13,900	13,895	(5)
Total Expenditures	2,035,185	2,122,002	2,119,023	(2,979)
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (32,735)</b>	<b>\$ 5,528</b>	16,740	<b>\$ 11,212</b>
<b>FUND BALANCE</b>				
Beginning of Year			650,254	
End of Year			<b>\$ 666,994</b>	

See accompanying Notes to Basic Financial Statements.

**PRAIRIE CREEK COMMUNITY SCHOOL  
 CHARTER SCHOOL NO. 4090  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
 BUDGET AND ACTUAL  
 MAJOR FOOD SERVICE FUND  
 YEAR ENDED JUNE 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Local Sources:				
Other - Primarily Meal Sales	\$ 38,379	\$ 41,400	\$ 41,526	\$ 126
State Sources	5,955	6,730	6,996	266
Federal Sources	15,300	19,000	18,771	(229)
Total Revenues	<u>59,634</u>	<u>67,130</u>	<u>67,293</u>	<u>163</u>
<b>EXPENDITURES</b>				
Current:				
Food Service	<u>60,368</u>	<u>70,758</u>	<u>70,867</u>	<u>109</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u><u>\$ (734)</u></u>	<u><u>\$ (3,628)</u></u>	<u>(3,574)</u>	<u><u>\$ 54</u></u>
<b>FUND BALANCE</b>				
Beginning of Year			<u>5,484</u>	
End of Year			<u><u>\$ 1,910</u></u>	

See accompanying Notes to Basic Financial Statements.

**PRAIRIE CREEK COMMUNITY SCHOOL  
 CHARTER SCHOOL NO. 4090  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
 BUDGET AND ACTUAL  
 MAJOR COMMUNITY SERVICE FUND  
 YEAR ENDED JUNE 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Local Sources:				
Other - Primarily Tuition and Fees	\$ 48,350	\$ 52,000	\$ 52,624	\$ 624
State Sources	-	-	53	53
Total Revenues	<u>48,350</u>	<u>52,000</u>	<u>52,677</u>	<u>677</u>
<b>EXPENDITURES</b>				
Current:				
Community Service	<u>49,181</u>	<u>58,093</u>	<u>58,893</u>	<u>800</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u><u>\$ (831)</u></u>	<u><u>\$ (6,093)</u></u>	(6,216)	<u><u>\$ (123)</u></u>
<b>FUND BALANCE</b>				
Beginning of Year			<u>56,746</u>	
End of Year			<u><u>\$ 50,530</u></u>	

See accompanying Notes to Basic Financial Statements.

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

The financial statements of Prairie Creek Community School have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

**B. Financial Reporting Entity**

Charter School No. 4090, also known as Prairie Creek Community School (the School), is a nonprofit corporation that was formed on February 20, 2002, in accordance with Minnesota Statutes. The School is authorized by Northfield Public Schools – and operates under a five-year charter school contract extending through June 30, 2021. The School is dedicated to providing imaginative teaching in an atmosphere of mutual respect. The governing body consists of a board of directors composed of up to eleven members elected by voters of the general membership of the School to serve either one or two-year terms.

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

Component units are legally separate entities for which the School is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit include whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit. Based on these criteria, there are no organizations considered to be component units of the School.

Aside from its authorizer role, Northfield Public Schools, has no authority, control, power, or administrative responsibilities over Prairie Creek Community School. Therefore, the School is not considered a component unit of the Northfield Public Schools.

Extracurricular student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside of school hours. In accordance with Minnesota Statutes, school boards can elect to either control or not control extracurricular activities. The School Board has elected to control extracurricular activities; therefore, the extracurricular student activity accounts are included in the School's basic financial statements as part of the General Fund.

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

C. Basic Financial Statement Presentation

The School-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 School.

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

The School applies restricted resources first when an expense is incurred for purpose for which both restricted and unrestricted net position is available. Depreciation expense that can be specifically identified by function is included in the direct expenses of each function. Interest on long-term debt is considered an indirect expense and is reported separately on the statement of activities. Generally, the effect of material interfund activity has been removed from the School-wide financial statements.

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

D. Measurement Focus and Basis of Accounting

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

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

D. Measurement Focus and Basis of Accounting (Continued)

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 GAAP. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Food service sales, community education tuition, and other miscellaneous revenue (except investment earnings) are recorded as revenues when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measurable and available. A six-month availability period is generally used for other fund revenue.

**2. Recording of Expenditures**

Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements incurred in advance of the year in which the item is to be used.

Description of Funds

As required by state statute, Prairie Creek Community School operates as a nonprofit corporation under Minnesota Statutes §317A. However, state law also requires that the School comply with Uniform Financial Accounting and Reporting Standards for Minnesota School Districts (UFARS) 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. A description of the funds included in this report is as follows:

*Major Governmental Funds*

General Fund

The General Fund is used to account for all financial resources except those required to be accounted for in another fund. It includes the general operations of the School as well as the capital related activities such as maintenance of facilities and equipment purchases.

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

D. Measurement Focus and Basis of Accounting (Continued)

Description of Funds (Continued)

*Major Governmental Funds (Continued)*

Food Service Special Revenue Fund

The Food Service Fund is used to account for food service revenues and expenditures. Revenue is generated from the sales of meals to students and teachers.

Community Service Special Revenue Fund

The Community Service Fund is used to account for services provided for school age care and a full-day kindergarten program. Revenue is generated from program fees paid by program participants.

E. Income Taxes

The School is classified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and comparable sections of the Minnesota income tax statutes.

F. Budgeting

Budgets presented in this report for comparison to actual amounts are presented in accordance with GAAP. For fiscal 2018, the School Board adopted an annual budget for the General, Food Service, and Community Service Funds. Reported budget amounts represent the amended budget as adopted by the School Board. Legal budgetary control is at the fund level.

Procedurally, in establishing the budgetary data reflected in these financial statements, the Director submits to the School Board prior to July 1, a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means to finance them. The budget is legally enacted by School Board action. Revisions to budgeted amounts must be approved by the School Board.

Total fund expenditures in excess of the budget require approval of the School Board. Spending control is established by the amount of expenditures budgeted for the fund, but management control is exercised at the line item level.

At the end of each fiscal year, if the General Fund has a net unassigned deficit fund balance, calculated in accordance with the uniform financial accounting and reporting standards for Minnesota schools which excludes certain reserves specified in Minnesota Statutes, exceeding 2.5% of expenditures, a condition referred to as "statutory operating debt" exists. That debt requires retirement through the accumulation of subsequent operating surpluses in accordance with a "special operating plan" approved by the Commissioner of the Department of Education.

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

F. Budgeting (Continued)

Budgeted amounts include mid-year budget amendments that changed revenue and expenditure budgets as follows:

	Original Budget	Amendments	Amended Budget
<u>Revenues</u>			
General Fund	\$ 2,002,450	\$ 125,080	\$ 2,127,530
Special Revenue Funds:			
Food Service Fund	59,634	7,496	67,130
Community Service Fund	48,350	3,650	52,000
<u>Expenditures</u>			
General Fund	\$ 2,035,185	\$ 86,817	\$ 2,122,002
Special Revenue Funds:			
Food Service Fund	60,368	10,390	70,758
Community Service Fund	49,181	8,912	58,093

G. Cash

Cash balances from all funds are combined and invested to the extent available in various securities as authorized by Minnesota Statutes. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

H. Accounts Receivable

Accounts receivable represents amounts due from individuals, firms, and corporations for goods and services furnished by the School. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary.

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments. Expense is allocated over the period benefitted.

J. Capital Assets

Capital 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 their estimated fair market value at the date of donation. The School maintains a threshold level of \$1,500 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

J. Capital Assets (Continued)

Capital assets are recorded in the School-wide financial statement, but are not reported in the Fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the School, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 5 to 20 years for equipment and leasehold improvements.

The School does not possess any material amounts of infrastructure capital assets.

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, 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 then. The School has one item that qualifies for reporting in this category related to pensions.

In addition to liabilities, the statement of financial position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, 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 School has one item that qualifies for reporting in this category related to pensions.

L. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

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

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

M. 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 School District. This 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. Additional information can be found in Note 5.

N. Accrued Employee Benefits

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

O. Fund Balance

In the fund financial statements, governmental funds report nonspendable portions of fund balance related to prepaid items, inventories, long-term receivables, and corpus on any permanent fund. Restricted funds are constrained from outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Education. The Board of Education chose not to authorize anyone to assign fund balances and their intended uses. Unassigned fund balances are considered the remaining amounts in the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the School's policy to use restricted first, then unrestricted fund balance.

P. Risk Management

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School purchases commercial insurance coverage for such risks.

There has been no significant reduction in insurance coverage from the previous year in any of the School's policies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

Q. Net Position

Net position represents the difference between assets and liabilities in the School-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulation depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the School-wide financial statement when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

R. Summarized Comparative Data

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the School's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

**NOTE 2 STEWARDSHIP AND ACCOUNTABILITY**

Excess of Expenditures Over Budget

Expenditures exceeded budgeted amounts at June 30, 2018 as follows:

	<u>Budget</u>	<u>Expenditures</u>	<u>Excess</u>
Special Revenue Funds:			
Food Service Fund	\$ 70,758	\$ 70,867	\$ 109
Community Service Fund	58,093	58,893	800

The overages were considered by School management to be the result of necessary expenditures critical to operations and were approved by the Board.

**NOTE 3 DEPOSITS**

The School maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the statement of net position and the balance sheet as "Cash." In accordance with Minnesota Statutes, the School maintains deposits at financial institutions which are authorized by the School Board.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the School's deposits may not be returned to it. The School does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits.

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 3 DEPOSITS (CONTINUED)**

Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds.

Authorized collateral include: U.S. government treasury bills, notes, or bonds; issues of a U.S. government agency; general obligations of a state or local government rated "A" or better; revenue obligations of a state or local government rated "AA" or better; irrevocable standby letter of credit issued by a Federal Home Loan Bank; and time deposits insured by a federal agency. Minnesota Statutes require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust departments of a commercial bank or other financial institution not owned or controlled by the depository.

The School's deposits in banks at June 30, 2018 in the amount of \$558,178 were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

**NOTE 4 CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Capital Assets, Being Depreciated:				
Leasehold Improvements	\$ 419,566	\$ -	\$ -	\$ 419,566
Equipment	176,512	1,625	-	178,137
Total Capital Assets, Being Depreciated	<u>596,078</u>	<u>1,625</u>	<u>-</u>	<u>597,703</u>
Accumulated Depreciation for:				
Leasehold Improvements	(136,357)	(20,978)	-	(157,335)
Equipment	(129,916)	(8,499)	-	(138,415)
Total Accumulated Depreciation	<u>(266,273)</u>	<u>(29,477)</u>	<u>-</u>	<u>(295,750)</u>
Governmental Activities Capital Assets, Net	<u>\$ 329,805</u>	<u>\$ (27,852)</u>	<u>\$ -</u>	<u>\$ 301,953</u>

Depreciation expense was charged to functions of the School as follows:

<b>Governmental Activities</b>	
Regular Instruction	\$ 29,167
Special Education Instruction	110
Community Service	200
Total Depreciation Expense, Governmental Activities	<u>\$ 29,477</u>

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 5 DEFINED BENEFIT PENSION PLANS**

Substantially all employees of the Prairie Creek Community School are required by state law to belong to pension plans administered by Teachers' Retirement Association (TRA) or Public Employees' Retirement Association (PERA), all of which are administered on a statewide basis. Disclosures relating to these plans follow:

**A. Plan Description**

The District participates in the following defined benefit pension plans administered by the Public Employees Retirement Association (PERA) and Teachers Retirement Fund (TRA). PERA's and TRA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes. PERA's and TRA's defined benefit pension plans are tax-qualified plans under Section 401(a) of the Internal Revenue Code.

**1. General Employees Retirement Plan (General Employees Plan (accounted for in the General Employees Fund)) (GERF)**

PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. All full-time and certain part-time employees of the School other than teachers are covered by the General Employees Plan. General Employees Plan members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

**2. Teachers Retirement Fund (TRA)**

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 schools, charter schools, and certain educational institutions maintained by the state (except those teachers employed by the city of 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.

**PRAIRIE CREEK COMMUNITY SCHOOL  
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NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**B. Benefits Provided**

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

**PERA:** 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.

**TRA:** Postretirement benefit increases are provided to eligible benefit recipients each January. The TRA increase is 2.0%. After the TRA funded ratio exceeds 90% for two consecutive years, the annual postretirement benefit will increase to 2.5%.

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.

**1. General Employee Plan Benefits**

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first 10 years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first 10 years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 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.

**2. TRA Benefits**

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.

**PRAIRIE CREEK COMMUNITY SCHOOL  
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NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

B. Benefits Provided (Continued)

**2. TRA Benefits (Continued)**

*Tier 1 Benefits*

Tier 1	Step Rate Formula	Percentage
Basic	First Ten Years of Service	2.2% per Year
	All Years After	2.7% per Year
Coordinated	First Ten Years if Service Years Are Up to July 1, 2006	1.2% per Year
	First Ten 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:

- (a) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
- (b) 3.0% per year early retirement reduction factor for all years under normal retirement age.
- (c) Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

or

*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. 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

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.

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

C. Contributions

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

**1. GERF Contributions**

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2018. In fiscal year 2018, the School was required to contribute 7.5% for Coordinated Plan members. The School's contributions to the General Employees Fund for the plan's fiscal year ended June 30, 2018 were \$22,806. The School's contributions were equal to the required contributions for each year as set by state statute.

**2. TRA Contributions**

Per Minnesota Statutes, Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year were:

	2018		2017	
	Employee	Employer	Employee	Employer
Basic	11.0%	11.5%	11.0%	11.5%
Coordinate	7.5%	7.5%	7.5%	7.5%

The School's contributions to TRA for the plan's fiscal year ended June 30, 2018 were \$66,627. The School's contributions were equal to the required contributions for each year as set by state statute.

D. Pension Costs

**1. GERF Pension Costs**

At June 30, 2018, the School reported a liability of \$300,045 for its proportionate share of the GERF's net pension liability. The School's net pension liability reflected a reduction due to the state of Minnesota's contribution of \$6 million to the fund in 2017. The state of Minnesota is considered a nonemployer 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 School totaled \$3,752. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on the School's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016 through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. As of the June 30, 2017 measurement date, the School's proportion was .0047%, which was an increase of .0004% from its proportion measured as of June 30, 2016.

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

D. Pension Costs (Continued)

**1. GERF Pension Costs (Continued)**

For the year ended June 30, 2018, the School recognized pension expense of \$36,909 for its proportionate share of GERF's pension expense. It also recognized \$108 as pension expense for the support provided by direct aid.

At June 30, 2018, the School reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual		
Economic Experience	\$ 9,889	\$ 19,303
Changes in Actuarial Assumptions	49,814	30,080
Net Difference Between Projected and Actual		
Earnings on Plan Investments	-	12,976
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	23,826	10,821
School Contributions Subsequent to the Measurement Date	22,806	-
Total	<u>\$ 106,335</u>	<u>\$ 73,180</u>

A total of \$22,806 reported as deferred outflows of resources related to pensions resulting from School contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

Year Ending June 30.	Pension Expense Amount
2019	\$ (3,579)
2020	26,250
2021	415
2022	(12,737)

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

D. Pension Costs (Continued)

**2. TRA Pension Costs**

At June 30, 2018, the School reported a liability of \$2,954,348 for its proportionate share of TRA's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on the School'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. The School's proportionate share was 0.0148% at the end of the measurement period and 0.0147% for the beginning of the period.

The pension liability amount reflected a reduction due to direct aid provided to TRA. The amount recognized by the School 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 School were as follows:

Description	Amount
School's Proportionate Share of the TRA Net Pension Liability	\$ 2,954,348
State's Proportionate Share of the Net Pension Liability Associated with the School	285,048

For the year ended June 30, 2018, the School recognized pension expense of \$530,236. It also recognized \$5,477 as pension expense for the support provided by direct aid.

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

D. Pension Costs (Continued)

**2. TRA Pension Costs (Continued)**

At June 30, 2018, the School reported its proportionate share of the TRA's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual		
Economic Experience	\$ 22,248	\$ 20,746
Changes in Actuarial Assumptions	1,606,643	413,858
Net Difference Between Projected and Actual		
Earnings on Plan Investments	-	23,150
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	62,278	15,224
School Contributions Subsequent to the Measurement Date	66,627	-
Total	<u>\$ 1,757,796</u>	<u>\$ 472,978</u>

A total of \$66,627 reported as deferred outflows of resources related to pensions resulting from School contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to TRA will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2019	\$ 326,393
2020	373,768
2021	331,196
2022	272,242
2023	(85,408)

The School recognized total pension expenses of \$572,730 for all of the pension plans in which it participates. This includes \$5,477 and \$108 in TRA and GEF, respectfully, related to direct aid recognized as pension expense.

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

E. Actuarial Assumptions

The total pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions:

Assumptions	GERF	TRA
Inflation	2.50% per Year	2.50%
Active Member Payroll Growth	3.25% per Year	2.85 - 9.25%
Investment Rate of Return	7.50%	5.12%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP 2014 tables, with slight adjustments to fit PERA's and TRA's experience. Cost of living benefit increases for retirees are assumed to be 1.0% per year for all future years for the General Employees Plan. Cost of living benefit increases for retirees are assumed to be 2.0% per year for all future years for the TRA.

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan and TRA was completed in 2015.

The following changes in actuarial assumptions for General Employees Fund occurred in 2017:

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60.0% for vested and nonvested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability, and 3.0% for nonvested deferred member liability.
- The assumed postretirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

The following changes in actuarial assumptions for TRA occurred in 2017:

- The cost of living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
- The COLA was not assumed to increase to 2.5%, but remain at 2.0% for all future years.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the nonvested inactive load increased from 4.0% to 9.0%.
- The investment return assumption was changed from 8.00% to 7.50%.
- The price inflation assumption was lowered from 2.75% to 2.50%.

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

E. Actuarial Assumptions (Continued)

- The payroll growth assumption was lowered from 3.50% to 3.00%.
- The general wage growth assumption was lowered from 3.50% to 2.85% for 10 years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	39 %	5.10 %
International Equity	19	5.30
Bonds	20	0.75
Alternative Assets	20	5.90
Cash	2	-
Totals	100 %	

F. Discount Rate

The discount rate used to measure the total pension liability was 7.50% for the General Employee's Fund and 5.12% for TRA. For TRA, this was an increase from the discount rate at the prior measurement date of 4.66%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in Minnesota Statutes.

Based on PERA's assumptions, the fiduciary net position of the General Employees Fund 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.

Based on TRA's assumptions, the pension plan's fiduciary net position was projected to be depleted in 2053 and, as a result, the Municipal Bond Index Rate was used in the determination of the Single Equivalent Interest Rate (SEIR). The long-term expected rate of return (7.50%) was applied to periods before 2053 and the Municipal Bond Index Rate of 3.56% was applied to periods on and after 2053, resulting in a SEIR of 5.1%. There was a change in the Municipal Bond Index Rate from the prior year measurement date (3.01%).

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

G. Pension Liability Sensitivity

The following presents the School'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 School's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

Description	1% Decrease	Current Discount Rate	1% Increase in Discount Rate
<u>GERF Discount Rate</u>	6.50%	7.50%	8.50%
School's Proportionate Share of the GERF Net Pension Liability	\$ 465,392	\$ 300,045	\$ 164,678
<u>TRA Discount Rate</u>	4.12%	5.12%	6.12%
School's Proportionate Share of the TRA Net Pension Liability	\$ 3,899,171	\$ 2,954,348	\$ 2,157,748

H. Pension Plan Fiduciary Net Position

Detailed information about the General Employees Fund fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org).

Detailed information about TRA's fiduciary net position is available in a separately issued TRA financial report. That report can be obtained at [www.MinnesotaTRA.org](http://www.MinnesotaTRA.org), by writing to TRA at 60 Empire Drive, Suite 400, St. Paul, Minnesota, 55103-4000; or by calling (651) 296-2409 or 1-800-657-3669.

**NOTE 6 COMMITMENTS AND CONTINGENCIES**

A. Federal and State Programs

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

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 6 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

B. Lease Commitments and Terms

During fiscal year 2009, the School signed a new lease effective July 1, 2009, with a 21-year period through June 30, 2030. The initial base lease of \$236,250 requires monthly payments of \$19,688 and the lessee to pay the cost of utilities. The cost per square foot of the base lease is \$11.25. The yearly cost of the base lease will increase each year based on a \$.25 increase per sq. ft. as an inflationary factor, except in fiscal year 2016, for which there was zero increase. Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 278,250
2020	283,500
2021	288,750
2022	294,000
2023	299,250
2024-2028	1,575,000
2029-2031	666,750
Total Minimum Lease Payments	<u><u>\$ 3,685,500</u></u>

For fiscal 2018, the School qualified for state charter school lease aid of \$236,250 based on 90% of the state-approved lease expenditures. Such aid entitlement is expected to be prorated if statewide appropriations are insufficient to fully fund the charter school lease aid entitlements. The total amount of rent paid by the School to under the terms of the lease agreement was \$262,500 for fiscal 2018.

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

On August 29, 2014, the School entered into a lease agreement for two copiers. The term of the lease is five years ending on August 29, 2019. The lease calls for monthly payments of \$245 and future minimum payments on the lease are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 2,940

## **REQUIRED SUPPLEMENTARY INFORMATION**

**PRAIRIE CREEK COMMUNITY SCHOOL  
 CHARTER SCHOOL NO. 4090  
 TRA SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE  
 OF THE NET PENSION LIABILITY  
 LAST FOUR MEASUREMENT PERIODS \***

**TRA Schedule of the School's Proportionate Share of the  
 Net Pension Liability**

	Measurement Date June 30,			
	2017	2016	2015	2014
School's Proportion of the Net Pension Liability	0.0148%	0.0147%	0.0141%	0.0152%
School's Proportionate Share of the Net Pension Liability	\$ 2,954,348	\$ 3,506,301	\$ 872,225	\$ 700,405
State's Proportionate Share of the Net Pension Liability Associated with School	285,048	352,474	106,787	49,366
Total	<u>\$ 3,239,396</u>	<u>\$ 3,858,775</u>	<u>\$ 979,012</u>	<u>\$ 749,771</u>
School's Covered Payroll	\$ 784,040	\$ 765,680	\$ 720,147	\$ 704,214
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	376.81%	457.93%	121.12%	99.46%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	51.57%	44.88%	76.80%	81.50%

\* - The School implemented GASB Statement No. 68 in fiscal 2015, and the above table will be expanded to 10 years as information is available.

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
TRA SCHEDULE OF SCHOOL CONTRIBUTIONS  
LAST FIVE FISCAL YEARS \***

**TRA Schedule of School Contributions  
Last Five Fiscal Years**

	Fiscal Year Ended June 30,				
	2018	2017	2016	2015	2014
Statutorily Required Contribution	\$ 66,627	\$ 58,803	\$ 57,426	\$ 54,011	\$ 49,295
Contributions in Relation to the Statutorily Required Contribution	(66,627)	(58,803)	(57,426)	(54,011)	(49,295)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's Covered Payroll	\$ 888,360	\$ 784,040	\$ 765,680	\$ 720,147	\$ 704,214
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%	7.00%

\* - The School implemented GASB Statement No. 68 in fiscal 2015, and the above table will be expanded to 10 years as information is available.

**PRAIRIE CREEK COMMUNITY SCHOOL  
 CHARTER SCHOOL NO. 4090  
 PERA SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE  
 OF THE NET PENSION LIABILITY  
 LAST FOUR MEASUREMENT PERIODS \***

**PERA Schedule of the School's Proportionate Share of the  
 Net Pension Liability**

	Measurement Date June 30,			
	2017	2016	2015	2014
School's Proportion of the Net Pension Liability	0.0047%	0.0043%	0.0041%	0.0049%
School's Proportionate Share of the Net Pension Liability	\$ 300,045	\$ 349,139	\$ 212,485	\$ 230,178
State's Proportionate Share of the Net Pension Liability Associated with School	3,752	4,606	-	-
Total	<u>\$ 303,797</u>	<u>\$ 353,745</u>	<u>\$ 212,485</u>	<u>\$ 230,178</u>
School's Covered Payroll	235,867	274,440	243,525	256,924
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	127.21%	127.22%	87.25%	89.59%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.90%	68.90%	78.20%	78.70%

\* - The School implemented GASB Statement No. 68 in fiscal 2015, and the above table will be expanded to 10 years as information is available.

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
PERA SCHEDULE OF SCHOOL CONTRIBUTIONS  
LAST FIVE FISCAL YEARS \***

**PERA Schedule of School Contributions  
Last Five Fiscal Years**

	Fiscal Year Ended June 30,				
	2018	2017	2016	2015	2014
Statutorily Required Contribution	\$ 22,806	\$ 17,690	\$ 20,583	\$ 17,960	\$ 18,627
Contributions in Relation to the Statutorily Required Contribution	(22,806)	(17,690)	(20,583)	(17,960)	(18,627)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's Covered Payroll	\$ 304,080	\$ 235,867	\$ 274,440	\$ 243,525	\$ 256,924
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.375%	7.25%

\* - The School implemented GASB Statement No. 68 in fiscal 2015, and the above table will be expanded to 10 years as information is available.

## **SUPPLEMENTARY INFORMATION**

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS  
COMPLIANCE TABLE  
JUNE 30, 2018**

	AUDIT	UFARS	DIFFERENCE
<b>01 GENERAL FUND</b>			
Total Revenue	\$ 2,135,763	\$ 2,135,763	\$ -
Total Expenditures	2,119,023	2,119,022	1
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	17,272	17,272	-
<i>Restricted:</i>			
403 Staff Development	-	-	-
405 Deferred Maintenance	-	-	-
406 Health and Safety	-	-	-
407 Capital Project Levy	-	-	-
408 Cooperative Programs	-	-	-
413 Projects Funded by COP	-	-	-
414 Operating Debt	-	-	-
416 Levy Reduction	-	-	-
417 Taconite Building Maintenance	-	-	-
424 Operating Capital	-	-	-
426 \$25 Taconite	-	-	-
427 Disabled Accessibility	-	-	-
428 Learning and Development	-	-	-
434 Area Learning Center	-	-	-
435 Contracted Alternative Programs	-	-	-
436 State-Approved Alternative Programs	-	-	-
438 Gifted and Talented	-	-	-
440 Teacher Development and Evaluations	-	-	-
441 Basic Skills Programs	-	-	-
445 Career and Technical Programs	-	-	-
448 Achievement and Integration	-	-	-
449 Sage Schools Crime Levy	-	-	-
451 QZAB Payments	-	-	-
452 OPEB Liability Not Held in Trust	-	-	-
453 Unfunded Severance & Retirement Levy	-	-	-
464 Restricted Fund Balance	-	-	-
<i>Committed:</i>			
418 Committed for Separation	-	-	-
461 Committed Fund Balance	-	-	-
<i>Assigned:</i>			
462 Assigned Fund Balance	-	-	-
<i>Unassigned:</i>			
422 Unassigned Fund Balance	649,722	649,722	-
<b>02 FOOD SERVICE</b>			
Total Revenue	67,293	67,293	-
Total Expenditures	70,867	70,867	-
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	-	-	-
<i>Restricted:</i>			
452 OPEB Liability Not Held in Trust	-	-	-
464 Restricted Fund Balance	1,910	1,910	-
<i>Unassigned:</i>			
463 Unassigned Fund Balance	-	-	-
<b>04 COMMUNITY SERVICE</b>			
Total Revenue	52,677	52,677	-
Total Expenditures	58,893	58,893	-
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	-	-	-
<i>Restricted:</i>			
426 \$25 Taconite	-	-	-
431 Community Education	-	-	-
432 E.C.F.E.	-	-	-
440 Teacher Development and Evaluations	-	-	-
444 School Readiness	-	-	-
447 Adult Basic Education	-	-	-
452 OPEB Liability Not Held in Trust	-	-	-
464 Restricted Fund Balance	50,530	50,530	-
<i>Unassigned:</i>			
463 Unassigned Fund Balance	-	-	-

## **OTHER REQUIRED REPORTS**

**INDEPENDENT AUDITORS' 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**

Members of the Board of Education  
Charter School No. 4090  
Prairie Creek Community School  
Northfield, 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 and each major fund of Prairie Creek Community School, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Prairie Creek Community School's basic financial statements, and have issued our report thereon dated October 2, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Prairie Creek Community School'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 Prairie Creek Community School's internal control. Accordingly, we do not express an opinion on the effectiveness of Prairie Creek Community School'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 entity'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.

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.

Members of the Board of Education  
Charter School No. 4090  
Prairie Creek Community School

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Prairie Creek Community School'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 Prairie Creek Community School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Prairie Creek Community School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
October 2, 2018

## INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Members of the Board of Education  
Charter School No. 4090  
Prairie Creek Community School  
Northfield, 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 and each major fund of Prairie Creek Community School as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated October 2, 2018.

The *Minnesota Legal Compliance Audit Guide for Charter Schools* promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, identifies two main categories of compliance to be tested in audits of charter schools: uniform financial accounting and reporting standards and charter schools. Our study included the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that Prairie Creek Community School failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Charter Schools*. 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 Prairie Creek Community School's noncompliance with the above-referenced provisions.

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of the *Minnesota Legal Compliance Audit Guide for Charter Schools* and the results of that testing, and not to provide an opinion on the effectiveness of Prairie Creek Community School's compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
October 2, 2018