

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

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2016**

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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, 2016**

**SCHOOL BOARD**

<b>NAME</b>	<b>TERM EXPIRES</b>	<b>BOARD POSITION</b>
Roz Eaton-Neeb	6/30/17	Board Chair
Bonnie Jean Flom	6/30/18	Vice-Chair
Kelsey Fitschen	6/30/16	Secretary
Ben Miller	6/30/18	Treasurer
Lisa Percy	6/30/18	Trustee
Nancy Dennis	6/30/17	Trustee
Julie Cohrs	6/30/16	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
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## **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 of Prairie Creek Community School, as of and for the year ended June 30, 2016, 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, 2016, 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 2015 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 12, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 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.

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 individual fund statements and the accompanying Uniform Financial Accounting and Reporting Standards Compliance Table as listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.



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

**Other Matters (Continued)**

*Other Information (Continued)*

Supplementary information is the responsibility of management and was derived from and relates 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 4, 2016, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Prairie Creek Community School's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
October 4, 2016

## **REQUIRED SUPPLEMENTARY INFORMATION**

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016**

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, 2016. Please read it in conjunction with the School's financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2015-2016 fiscal year include the following:

- Overall General Fund revenues were \$1,894,823 as compared to \$1,886,823 of expenditures.
- The fund balance for the General Fund increased by \$8,000 from the prior year. Revenues and expenditures of the General Fund increased by 3.6% and 4.1%, 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, 2016**

**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 non-financial 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, 2016**

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

**Net Position**

Prairie Creek Community School's *combined* net position was \$61,356 on June 30, 2016 (see Table A-1).

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

	Governmental Activities as of June 30,		Percentage Change
	2016	2015	
Current and Other Assets	\$ 834,766	\$ 804,506	3.76 %
Capital and Non-Current Assets	358,154	379,649	(5.66)
<b>Total Assets</b>	<u>1,192,920</u>	<u>1,184,155</u>	0.74
<b>Deferred Outflows</b>	271,282	242,815	11.72
Current Liabilities	158,886	132,217	20.17
Long Term Liabilities	1,084,710	930,584	16.56
<b>Total Liabilities</b>	<u>1,243,596</u>	<u>1,062,801</u>	17.01
<b>Deferred Inflows</b>	<u>159,250</u>	<u>282,394</u>	(43.61)
Net Position:			
Investment in Capital Assets	358,154	379,649	(5.66)
Restricted	58,845	63,254	(6.97)
Unrestricted	(355,643)	(361,128)	(1.52)
<b>Total Net Position</b>	<u><u>\$ 61,356</u></u>	<u><u>\$ 81,775</u></u>	(24.97)

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016**

**Changes in Net Position**

The School's total revenues were \$2,032,770 for the year ended June 30, 2016. Unrestricted state formula aid accounted for 59.8% of total revenue for the year (see Figure A-1). Program revenue accounted for 37.8% of total revenue for the year. Another 2.4% came from other general revenues combined with investment earnings.

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

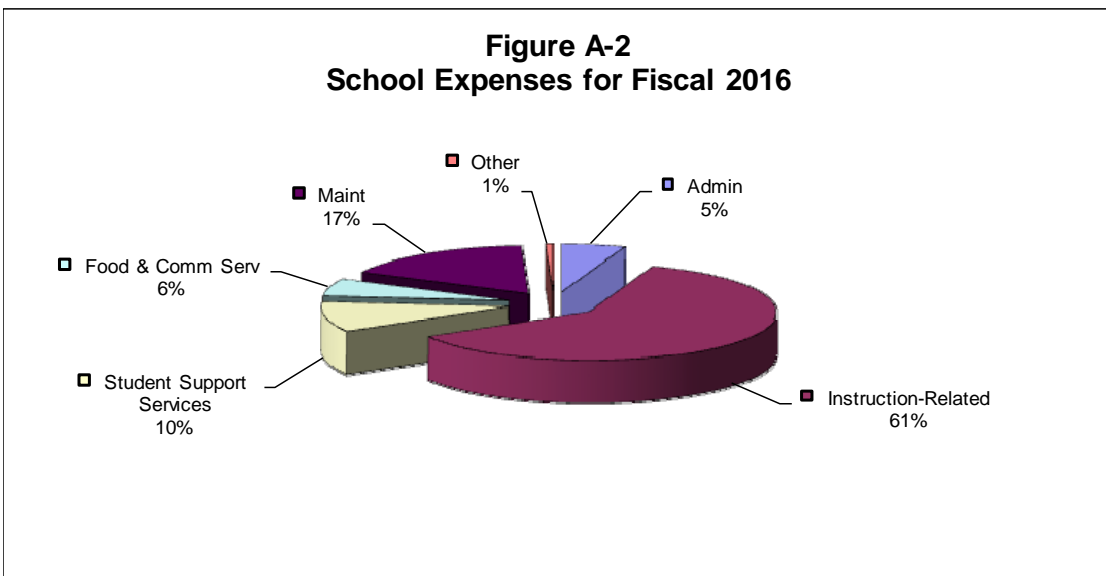
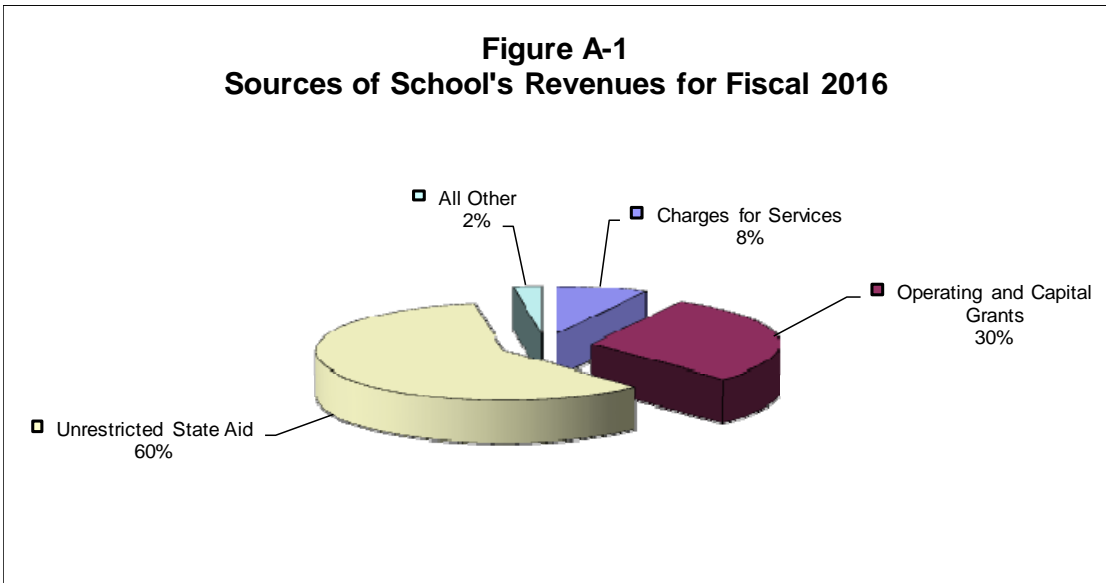
	Governmental Activities for the Fiscal Year Ended June 30,		Total % Change
	2016	2015	
<b>Revenues</b>			
<u>Program Revenues</u>			
Charges for Services	\$ 159,398	\$ 99,801	59.72 %
Operating Grants and Contributions	608,296	618,794	(1.70)
<u>General Revenues</u>			
Unrestricted State Aid	1,214,783	1,160,848	4.65
Investment Earnings	895	906	(1.21)
Other	49,398	61,545	(19.74)
Total Revenues	<u>2,032,770</u>	<u>1,941,894</u>	4.68
<b>Expenses</b>			
Administration	112,392	86,736	29.58
District Support Services	185,471	186,616	(0.61)
Regular Instruction	878,254	848,513	3.51
Special Education Instruction	375,781	346,028	8.60
Instructional Support Services	7,980	5,586	42.86
Pupil Support Services	10,721	10,065	6.52
Sites and Buildings	347,532	328,243	5.88
Fiscal and Other Fixed Cost Programs	12,866	12,682	1.45
Food Service	61,645	61,664	(0.03)
Community Service	60,546	51,353	17.90
Total Expenses	<u>2,053,189</u>	<u>1,937,486</u>	5.97
<b>Change in Net Position</b>	(20,419)	4,408	
Beginning Net Position	81,775	77,367	
Ending Net Position	<u>\$ 61,356</u>	<u>\$ 81,775</u>	

Total expenses exceeded revenues, decreasing net position by \$20,419 during the current fiscal year.

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016**

The cost of all *governmental* activities this year was \$2,053,189.

- Some of the cost was paid by the users of the Prairie Creek Community School's programs (\$159,398).
- The federal and state governments subsidized certain programs with restricted grants (\$608,296).
- The remainder of the School's costs were primarily paid for by unrestricted state aid.



**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016**

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
	2016	2015		2016	2015	
Administration	\$ 112,392	\$ 80,742	39.20 %	\$ 112,392	\$ 86,736	29.58 %
District Support Services	185,471	195,106	(4.94)	185,471	186,616	(0.61)
Regular Instruction	878,254	769,287	14.16	798,570	810,034	(1.42)
Special Education Instruction	375,781	357,383	5.15	39,519	12,880	206.83
Instructional Support Services	7,980	8,063	(1.03)	7,980	5,586	42.86
Pupil Support Services	10,721	6,408	67.31	10,721	10,065	6.52
Sites and Buildings	347,532	323,419	7.46	111,282	91,993	20.97
Fiscal and Other Fixed Cost Programs	12,866	9,183	40.11	12,866	12,682	1.45
Food Service	61,645	54,959	12.17	1,356	(8)	(17050.00)
Community Service	60,546	105,180	(42.44)	5,337	2,307	131.36
Total	<u>\$ 2,053,189</u>	<u>\$ 1,909,730</u>	7.51	<u>\$ 1,285,495</u>	<u>\$ 1,218,891</u>	5.46

**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 \$675,880, which was \$3,591 higher than last year's ending fund balance of \$672,289.

Revenues for the School's governmental funds were \$2,010,321 while total governmental funds expenditures were \$2,006,730.

**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.

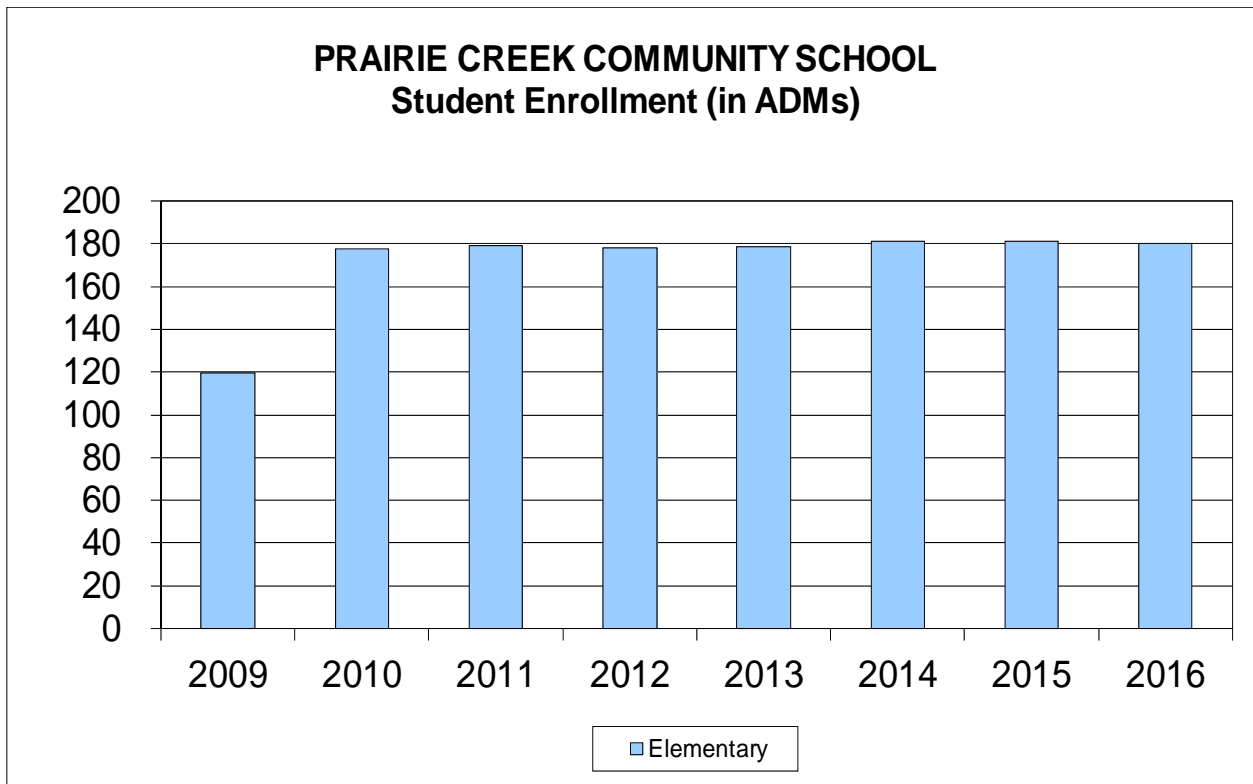


**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016**

**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 five years has been 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 seven 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, 2016**

The following schedule presents a summary of General Fund Revenues.

**Table A-5  
General Fund Revenues**

	Year Ended		Change	
	June 30, 2016	June 30, 2015	Increase (Decrease)	Percent
Local Sources:				
Earnings on Investments	\$ 895	\$ 906	\$ (11)	(1.2)%
Other	114,439	75,047	39,392	52.5
State Sources	1,708,918	1,694,433	14,485	0.9
Federal Sources	70,571	58,287	12,284	21.1
Total General Fund Revenue	<u>\$ 1,894,823</u>	<u>\$ 1,828,673</u>	<u>\$ 66,150</u>	3.6

Total General Fund Revenue increased by \$66,150 or 3.6% from the previous mainly year due to increased special education reimbursements and an increase in private grant funds received.

The following schedule presents a summary of General Fund Expenditures.

**Table A-6  
General Fund Expenditures**

	Year Ended		Amount of Increase (Decrease)	Percent Increase (Decrease)
	June 30, 2016	June 30, 2015		
Salaries	\$ 1,017,284	\$ 947,587	\$ 69,697	7.4 %
Employee Benefits	271,723	268,688	3,035	1.1
Purchased Services	509,949	476,866	33,083	6.9
Supplies and Materials	55,114	62,865	(7,751)	(12.3)
Capital Expenditures	9,153	36,206	(27,053)	(74.7)
Other Expenditures	23,600	20,657	2,943	14.2
Total Expenditures	<u>\$ 1,886,823</u>	<u>\$ 1,812,869</u>	<u>\$ 73,954</u>	4.1

Total General Fund Expenditures increased \$73,954 or 4.1% from the previous year. This is largely due to higher special education costs resulting from greater student needs.

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016**

**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 just \$4,855 (0.3%) less than expected. The actual expenditures were \$20,158 under budget for a 1.1% variance. While the budget had reflected a deficit of \$7,303 for the year the actual results reflected a net \$8,000 increase in ending fund balance for a net variance of \$15,303.

**OTHER MAJOR FUNDS**

Expenditures exceeded revenues in the Food Service Fund by \$1,356.

Expenditures exceeded revenues in the Community Service Fund by \$3,053.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2016, the Prairie Creek Community School had invested \$593,933 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 \$32,015.

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

	2016	2015	Percentage Change
Leasehold Improvements	\$ 419,566	\$ 419,566	-
Equipment	174,367	185,255	(5.9)
Less: Accumulated Depreciation	(235,779)	(225,172)	4.7
Total	<u>\$ 358,154</u>	<u>\$ 379,649</u>	(5.7)

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016**

**Long-Term Liabilities**

The School's only long-term debt relates to the amounts required to be recorded under new 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**

	2016	2015	Percentage Change
Retirement Benefits Payable	\$ 1,084,710	\$ 930,584	17 %
Long-Term Liabilities: Due in More than One Year	\$ 1,084,710	\$ 930,584	

**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, 2016  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2015)**

	Governmental Activities	
	2016	2015
<b>ASSETS</b>		
Cash	\$ 635,496	\$ 586,232
Receivables:		
Other Governments	171,787	199,889
Other	386	-
Prepaid Items	27,097	18,385
Capital Assets, Net of Depreciation	358,154	379,649
Total Assets	1,192,920	1,184,155
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension Deferred Outflows - See Note 5	271,282	242,815
<b>LIABILITIES</b>		
Salaries Payable	136,341	129,821
Accounts and Contracts Payable	6,485	2,396
Due to Other Governmental Units	16,060	-
Portion Due in More Than One Year	1,084,710	930,584
Total Liabilities	1,243,596	1,062,801
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension Deferred Inflows - See Note 5	159,250	282,394
<b>NET POSITION</b>		
Investment in Capital Assets	358,154	379,649
Restricted for:		
Food Service	6,797	8,153
Community Service	52,048	55,101
Unrestricted	(355,643)	(361,128)
Total Net Position	\$ 61,356	\$ 81,775

See accompanying Notes to Basic Financial Statements.



**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2016  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2015)**

	Major Funds			Total Governmental Funds	
	General	Food Service	Community Service	2016	2015
<b>ASSETS</b>					
Cash	\$ 568,461	\$ 6,411	\$ 60,624	\$ 635,496	\$ 586,232
Receivables:					
Due from Minnesota Department of Education	171,787	-	-	171,787	199,889
Due from Federal through Minnesota Department					
Other Receivables	-	386	-	386	-
Prepaid Items	27,097	-	-	27,097	18,385
<b>Total Assets</b>	<u>\$ 767,345</u>	<u>\$ 6,797</u>	<u>\$ 60,624</u>	<u>\$ 834,766</u>	<u>\$ 804,506</u>
<b>LIABILITIES AND FUND BALANCE</b>					
Liabilities:					
Salaries Payable	\$ 113,061	\$ -	\$ 5,703	\$ 118,764	\$ 111,842
Payroll Deductions and Employer Contributions Payable	16,716	-	861	17,577	17,979
Accounts and Contracts Payable	4,473	-	2,012	6,485	2,396
Due to Other Governmental Units	16,060	-	-	16,060	-
<b>Total Liabilities</b>	<u>150,310</u>	<u>-</u>	<u>8,576</u>	<u>158,886</u>	<u>132,217</u>
Fund Balance:					
Nonspendable:					
Prepaid Items	27,097	-	-	27,097	18,385
Restricted:					
Restricted for Food Service	-	6,797	-	6,797	8,153
Restricted for Community Education Programs	-	-	52,048	52,048	55,101
Unassigned	589,938	-	-	589,938	590,650
<b>Total Fund Balance</b>	<u>617,035</u>	<u>6,797</u>	<u>52,048</u>	<u>675,880</u>	<u>672,289</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 767,345</u>	<u>\$ 6,797</u>	<u>\$ 60,624</u>	<u>\$ 834,766</u>	<u>\$ 804,506</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, 2016  
 (WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2015)**

	2016	2015
<b>Total Fund Balance for Governmental Funds</b>	\$ 675,880	\$ 672,289
<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	325,165	325,165
Equipment, Net of Accumulated Depreciation	32,989	54,484
<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	(1,084,710)	(930,584)
Deferred Inflows of Resources - Pensions	(159,250)	(282,394)
Deferred Outflows of Resources - Pensions	271,282	242,815
<b>Total Net Position of Governmental Activities</b>	<b>\$ 61,356</b>	<b>\$ 81,775</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, 2016  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2015)**

	Major Funds			Total Governmental Funds	
	General	Food Service	Community Service	2016	2015
<b>REVENUES</b>					
Local Sources:					
Earnings on Investments	\$ 895	\$ -	\$ -	\$ 895	\$ 906
Other	114,439	35,578	55,209	205,226	161,346
State Sources	1,708,918	7,425	-	1,716,343	1,701,407
Federal Sources	70,571	17,286	-	87,857	76,082
Total Revenues	<u>1,894,823</u>	<u>60,289</u>	<u>55,209</u>	<u>2,010,321</u>	<u>1,939,741</u>
<b>EXPENDITURES</b>					
Current:					
Administration	110,905	-	-	110,905	86,782
District Support Services	182,497	-	-	182,497	186,005
Regular Instruction	852,676	-	-	852,676	802,085
Special Education Instruction	369,871	-	-	369,871	344,745
Instructional Support Services	7,980	-	-	7,980	5,586
Pupil Support Services	10,136	-	-	10,136	9,664
Sites and Buildings	330,739	-	-	330,739	329,114
Fiscal and Other Fixed Cost Programs	12,866	-	-	12,866	12,682
Food Service	-	61,645	-	61,645	61,664
Community Service	-	-	58,262	58,262	50,703
Capital Outlay	9,153	-	-	9,153	36,206
Total Expenditures	<u>1,886,823</u>	<u>61,645</u>	<u>58,262</u>	<u>2,006,730</u>	<u>1,925,236</u>
Net Change in Fund Balances	8,000	(1,356)	(3,053)	3,591	14,505
Fund Balances - Beginning	<u>609,035</u>	<u>8,153</u>	<u>55,101</u>	<u>672,289</u>	<u>657,784</u>
Fund Balances - Ending	<u>\$ 617,035</u>	<u>\$ 6,797</u>	<u>\$ 52,048</u>	<u>\$ 675,880</u>	<u>\$ 672,289</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, 2016  
 (WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2015)**

	2016	2015
<b>Net Change in Fund Balance - Total Governmental Funds</b>	\$ 3,591	\$ 14,505
<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. This is the amount by which depreciation exceeded capital outlays in the current period.</p>		
Capital Outlays	6,950	23,402
Gain (Loss) on Disposal of Capital Assets	3,570	-
Depreciation Expense	(32,015)	(36,618)
Pension expenses on the governmental funds are measured by current year employee contributions. Pension expenditures on the Statement of Activities are measured by the change in Net Pension Liability and the related deferred inflows and outflows of resources.	(2,515)	3,119
<b>Change in Net Position of Governmental Activities</b>	<b>\$ (20,419)</b>	<b>\$ 4,408</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  
GENERAL FUND  
YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
<b>REVENUES</b>				
Local Sources:				
Earnings on Investments	\$ 1,000	\$ 900	\$ 895	\$ (5)
Other	81,627	113,076	114,439	1,363
State Sources	1,695,728	1,715,131	1,708,918	(6,213)
Federal Sources	63,503	70,571	70,571	-
Total Revenues	<u>1,841,858</u>	<u>1,899,678</u>	<u>1,894,823</u>	<u>(4,855)</u>
<b>EXPENDITURES</b>				
Current:				
Administration	111,481	112,490	110,905	(1,585)
District Support Services	180,376	185,143	182,497	(2,646)
Elementary and Secondary Regular Instruction	813,910	862,571	852,676	(9,895)
Special Education Instruction	366,452	375,953	369,871	(6,082)
Instructional Support Services	13,100	8,200	7,980	(220)
Pupil Support Services	1,264	10,282	10,136	(146)
Sites and Buildings	330,676	330,476	330,739	263
Fiscal and Other Fixed Cost Programs	13,950	12,866	12,866	-
Capital Outlay	23,613	9,000	9,153	153
Total Expenditures	<u>1,854,822</u>	<u>1,906,981</u>	<u>1,886,823</u>	<u>(20,158)</u>
Net Change in Fund Balance	<u>\$ (12,964)</u>	<u>\$ (7,303)</u>	8,000	<u>\$ 15,303</u>
<b>FUND BALANCE</b>				
Beginning of Year			<u>609,035</u>	
End of Year			<u>\$ 617,035</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 FOOD SERVICE FUND  
 YEAR ENDED JUNE 30, 2016**

	<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	\$ 37,379	\$ 35,600	\$ 35,578	\$ (22)
State Sources	5,955	7,400	7,425	25
Federal Sources	16,300	16,700	17,286	586
Total Revenues	<u>59,634</u>	<u>59,700</u>	<u>60,289</u>	<u>589</u>
<b>EXPENDITURES</b>				
Current:				
Food Service	<u>60,368</u>	<u>60,978</u>	<u>61,645</u>	<u>667</u>
Net Change in Fund Balance	<u>\$ (734)</u>	<u>\$ (1,278)</u>	(1,356)	<u>\$ (78)</u>
<b>FUND BALANCE</b>				
Beginning of Year			<u>8,153</u>	
End of Year			<u>\$ 6,797</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, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>(Under)</u>
				<u>Final</u>
				<u>Budget</u>
<b>REVENUES</b>				
Local Sources:				
Other - Primarily Tuition and Fees	\$ 43,350	\$ 54,000	\$ 55,209	\$ 1,209
<b>EXPENDITURES</b>				
Current:				
Community Service	<u>43,781</u>	<u>57,423</u>	<u>58,262</u>	<u>839</u>
Net Change in Fund Balance	<u>\$ (431)</u>	<u>\$ (3,423)</u>	(3,053)	<u>\$ 2,048</u>
<b>FUND BALANCE</b>				
Beginning of Year			<u>55,101</u>	
End of Year			<u>\$ 52,048</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, 2016**

**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, 2016**

**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 are 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, 2016**

**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 are 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, 2016**

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

D. Measurement Focus and Basis of Accounting (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 2016, 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, 2016**

**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

<u>Revenues</u>	Original Budget	Amendments	Amended Budget
General Fund	\$ 1,841,858	\$ 57,820	\$ 1,899,678
Special Revenue Funds:			
Food Service Fund	59,634	66	59,700
Community Service Fund	43,350	10,650	54,000
 <u>Expenditures</u>			
General Fund	\$ 1,854,822	\$ 52,159	\$ 1,906,981
Special Revenue Funds:			
Food Service Fund	60,368	610	60,978
Community Service Fund	43,781	13,642	57,423

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, 2016**

**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.

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

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, 2016**

**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 7.

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, 2016**

**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, 2015, from which the summarized information was derived.

**NOTE 2 STEWARDSHIP AND ACCOUNTABILITY**

Excess of Expenditures Over Budget

Expenditures exceeded budgeted amounts at June 30, 2016 as follows:

	<u>Budget</u>	<u>Expenditures</u>	<u>Excess</u>
Special Revenue Funds:			
Food Service Fund	\$ 60,978	\$ 61,645	\$ 667
Community Service Fund	57,423	58,262	839

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.

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.

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**NOTE 3 DEPOSITS (CONTINUED)**

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, 2016 in the amount of \$658,788 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, 2016 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	<u>185,255</u>	<u>6,950</u>	<u>(17,838)</u>	<u>174,367</u>
Total Capital Assets, Being Depreciated	604,821	6,950	(17,838)	593,933
Accumulated Depreciation for:				
Leasehold Improvements	(94,401)	-	-	(94,401)
Equipment	<u>(130,771)</u>	<u>(32,015)</u>	<u>21,408</u>	<u>(141,378)</u>
Total Accumulated Depreciation	<u>(225,172)</u>	<u>(32,015)</u>	<u>21,408</u>	<u>(235,779)</u>
Governmental Activities Capital Assets, Net	<u>\$ 379,649</u>	<u>\$ (25,065)</u>	<u>\$ 3,570</u>	<u>\$ 358,154</u>

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

<b>Governmental Activities</b>	
District Support Services	\$ 656
Regular Instruction	4,146
Special Education Instruction	1,475
Community Education	1,590
Pupil Support Services	405
Sites and Buildings	23,743
Total Depreciation Expense, Governmental Activities	<u>\$ 32,015</u>



**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO.4090  
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JUNE 30, 2016**

**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 follows:

**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 (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 Retirement Fund (GERF). GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. 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.

**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.

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NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

**B. Benefits Provided (Continued)**

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. GERS 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 ten 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 ten 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. Disability benefits are available for vested members, and are based upon years of service and average high-five salary.

**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.

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NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**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 of Service 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 Services Years are July 1, 206 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  
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JUNE 30, 2016**

**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**

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.5%, respectively, of their annual covered salary in fiscal year 2016. In fiscal year 2016, the School was required to contribute 11.78% of pay for Basic Plan members and 7.5% for Coordinated Plan members. The School's contributions to the GERF for the plan's fiscal year ended June 30, 2016 were \$20,583. 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:

	Ending June 30, 2015		Ending June 30, 2016	
	Employee	Employer	Employee	Employer
Basic	11.0 %	11.5 %	11.0 %	11.5 %
Coordinated	7.5	7.5	7.5	7.5

The School's contributions to TRA for the plan's fiscal year ended June 30, 2016 were \$57,426. 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, 2016, the School reported a liability of \$212,485 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the School's proportion was .0041%, which was a decrease of .0008% from its proportion measured as of June 30, 2015.

**PRAIRIE CREEK COMMUNITY SCHOOL  
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NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

D. Pension Costs (Continued)

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

GERF benefit provision changes during the measurement period included (1) the merger of the former Minneapolis Employees Retirement Fund division into GERF, effective January 1, 2015, and (2) revisions to Minnesota Statutes to make changes to contribution rates less prescriptive and more flexible.

The discount rate used to calculate liabilities for the June 30, 2015, measurement date was 7.9%. The Legislature has since set the discount rate in statute at 8% beginning with the June 30, 2016, measurement date the discount rate used when calculating liabilities based on GASB 68 accounting requirements will be increased to 8% to be consistent with the rate set in statute used for funding purposes.

For the year ended June 30, 2016, the School recognized pension expense of \$12,094 for its proportionate share of GERF's pension expense.

At June 30, 2016, 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	\$ 1,971	\$ 10,713
Changes in Actuarial Assumptions	13,233	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	18,915
Changes in Proportion and Differences Between School Contributions and Proportionate Share of Contributions	-	32,462
School Contributions Subsequent to the Measurement Date	20,583	-
Total	<u>\$ 35,787</u>	<u>\$ 62,090</u>

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO.4090  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

D. Pension Costs (Continued)

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

A total of \$20,583 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 ended June 30, 2017. 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 Expenses Amount
2017	\$ (14,772)
2018	(14,772)
2019	(22,373)
2020	5,031
2021	-
Thereafter	-

**2. TRA Pension Costs**

At June 30, 2016, the School reported a liability of \$872,225 for its proportionate share of TRA's net pension liability. The net pension liability was measured as of June 30, 2015, 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 0.0141% at the end of the measurement period and 0.0152% 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	\$ 872,225
State's Proportionate Share of TRA's Net Pension Liability Associated with the School	106,787

For the year ended June 30, 2016, the School recognized pension expense of \$68,132. It also recognized \$18,879 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, 2016**

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

D. Pension Costs (Continued)

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

At June 30, 2016, 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	\$ 44,693	\$ -
Changes in Actuarial Assumptions	67,051	-
Net Difference Between Projected and Actual Investment Earnings	-	66,710
Changes in Proportion and Differences Between School Contributions and Proportionate Share of Contributions	66,325	30,450
School Contributions Subsequent to the Measurement Date	57,426	-
Total	<u>\$ 235,495</u>	<u>\$ 97,160</u>

A total of \$57,426 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 ended June 30, 2017. 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 Expenses Amount
2017	\$ 6,368
2018	6,368
2019	6,368
2020	51,329
2021	10,476
Thereafter	-

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO.4090  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

E. Merger of Duluth Teacher's Retirement Fund Association (DTRFA)

Legislation enacted in 2014 merged the Duluth Teachers Retirement Fund Association (DTRFA) with TRA effective June 30, 2015. The beginning balances of total pension liability and fiduciary net position were adjusted to reflect the merger of DTRFA.

	<u>6/30/14 CAFR</u>	<u>Restated</u>
Total Pension Liability (A)	\$ 24,901,612,000	\$ 25,299,564,000
Plan Fiduciary Net Position (B)	<u>20,293,684,000</u>	<u>20,519,756,000</u>
Net Pension Liability (A-B)	<u>\$ 45,195,296,000</u>	<u>\$ 45,819,320,000</u>

F. Actuarial Assumptions

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions:

<u>Assumptions</u>	<u>GERF</u>	<u>TRA</u>
Inflation	2.75% per Year	3.50%
Active Member Payroll Growth	3.50% per Year	3.5 - 12%, Based on Years of Service
Investment Rate of Return	7.90%	8.00%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments.

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies. The actuarial experience study in the GERF was for the period July 1, 2004 through June 30, 2008, with an update of economic assumptions in 2014. Experience studies have not been prepared for PERA's other plans, but assumptions are reviewed annually. The actuarial experience study for TRA was for the period July 1, 2004 through June 30, 2008, and a limited scope experience study dated August 29, 2014. The limited scope experience study addressed only inflation and long-term rate of return for the GASB 67 valuation.

The following changes in actuarial assumptions for GERF occurred in 2015: the discount rate was changed from 8.0% through June 30, 2017 and 8.5% thereafter to 7.9% for all years, the inflation assumption was changed from 3.0% to 2.75%, the payroll growth assumption was changed from 3.75% to 3.5%, assumed increases in member salaries were decreased by .25% at all ages and the assumed postretirement benefit increase rate was changed from 1.0% per year through 2026 and 2.5% thereafter to 1.0% per year through 2034 and 2.5% per year thereafter.



**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

F. Actuarial Assumptions (Continued)

There was a change in actuarial assumptions that affected the measurement of the total liability since the prior measurement date for TRA. Post-retirement benefit adjustments are now assumed to be 2.0% annually with no increase to 2.5% projected. The prior year valuation assumed a 2.5% increase commencing July 1, 2034.

The long-term expected rate of return on pension plan investments is 7.9% for GERP and 8.0% for TRA. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages.

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	45%	5.50%
International Equity	15%	6.00%
Bonds	18%	1.45%
Alternative Assets	20%	6.40%
Cash	2%	0.50%
Totals	<u>100%</u>	

G. Discount Rate

The discount rate used to measure the total pension liability was 7.9% for GERP and 8.0% for TRA. For TRA, this was a decrease from the discount rate at the prior measurement date of 8.25%. 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 statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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.

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

H. 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>	6.90%	7.90%	8.90%
School's Proportionate Share of the GERF Net Pension Liability	\$ 334,099	\$ 212,485	\$ 112,047
<u>TRA Discount Rate</u>	7.00%	8.00%	9.00%
School's Proportionate Share of the TRA Net Pension Liability	\$ 1,327,639	\$ 872,225	\$ 492,168

I. Pension Plan Fiduciary Net Position

Detailed information about GERF's fiduciary's net position is available in a separately-issued PERA financial report. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org); by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

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 #400, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-2409 or 1-800-652-9026.

**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, 2016**

**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 square foot cost 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, in which there is zero increase. Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 267,750
2018	273,000
2019	278,250
2020	283,500
2021	288,750
2022 - 2026	1,522,500
2027 - 2030	1,312,500
Total Minimum Lease Payments	<u><u>\$ 4,226,250</u></u>

For fiscal 2016, 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 state-wide 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 2016.

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>
2017	\$ 2,940
2018	2,940
2019	2,940
Total Minimum Lease Payments	<u><u>\$ 8,820</u></u>

## **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 TEN FISCAL YEARS \***

	Measurement Date June 30,	
	2015	2014
School's Proportion of the Net Pension Liability	0.0141%	0.0152%
School's Proportionate Share of the Net Pension Liability	\$ 872,225	\$ 700,405
State's Proportionate Share of the Net Pension Liability Associated with School	106,787	49,366
Total	<u>\$ 979,012</u>	<u>\$ 749,771</u>
School's Covered-Employee Payroll	765,680	720,147
School's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	113.92%	97.26%
Plan Fiduciary Net Position as a Percentage of the total Pension Liability	76.80%	81.50%

\*This schedule presents information for the years available, and will eventually include ten years of information.

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

	Year Ended June 30,	
	2016	2015
Statutorily Required Contribution	\$ 57,426	\$ 54,011
Contributions in Relation to the Statutorily Required Contribution	(57,426)	(54,011)
Contribution Deficiency (Excess)	\$ -	\$ -
 School's Covered-Employee Payroll	 \$ 765,680	 \$ 720,147
Contributions as a Percentage of Covered Employee Payroll	7.5%	7.5%

\*This schedule presents information for the years available, and will eventually include ten years of information.

**PRAIRIE CREEK COMMUNITY SCHOOL  
 CHARTER SCHOOL NO. 4090  
 PERA SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE  
 OF THE NET PENSION LIABILITY  
 LAST TEN FISCAL YEARS \***

	Measurement Date June 30,	
	2015	2014
School's Proportion of the Net Pension Liability	0.0041%	0.0049%
School's Proportionate Share of the Net Pension Liability	\$ 212,485	\$ 230,178
School's Covered-Employee Payroll	274,440	243,525
School's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	77.42%	94.52%
Plan Fiduciary Net Position as a Percentage of the total Pension Liability	78.70%	78.70%

\*This schedule presents information for the years available, and will eventually include ten years of information.

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

	Year Ended June 30,	
	2016	2015
Statutorily Required Contribution	\$ 20,583	\$ 17,960
Contributions in Relation to the Statutorily Required Contribution	(20,583)	(17,960)
Contribution Deficiency (Excess)	\$ -	\$ -
 School's Covered-Employee Payroll	 \$ 274,440	 \$ 243,525
Contributions as a Percentage of Covered Employee Payroll	7.50%	7.38%

\*This schedule presents information for the years available, and will eventually include ten years of information.



## **SUPPLEMENTARY INFORMATION**

**PRAIRIE CREEK COMMUNITY SCHOOL  
 CHARTER SCHOOL NO. 4090  
 GENERAL FUND  
 BALANCE SHEET  
 JUNE 30, 2016  
 (WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2015)**

	2016	2015
<b>ASSETS</b>		
Cash	\$ 568,461	\$ 524,278
Receivables:		
Due from Minnesota Department of Education	171,787	198,589
Prepaid Items	27,097	18,385
Total Assets	\$ 767,345	\$ 741,252
 <b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Salaries Payable	\$ 113,061	\$ 111,842
Payroll Deductions and Employer Contributions Payable	16,716	17,979
Accounts and Contracts Payable	4,473	2,396
Due to Other Minnesota School Districts	16,060	-
Total Liabilities	150,310	132,217
Fund Balance:		
Nonspendable:		
Prepaid Items	27,097	18,385
Unassigned	589,938	590,650
Total Fund Balance	617,035	609,035
Total Liabilities and Fund Balance	\$ 767,345	\$ 741,252

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2016  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2015)**

	2016		Over (Under) Final Budget	2015
	Final Budget	Actual Amounts		Actual Amounts
<b>REVENUES</b>				
Local Sources:				
Earnings on Investments	\$ 900	\$ 895	\$ (5)	\$ 906
Other	113,076	114,439	1,363	75,047
State Sources	1,715,131	1,708,918	(6,213)	1,694,433
Federal Sources	70,571	70,571	-	58,287
Total Revenues	1,899,678	1,894,823	(4,855)	1,828,673
<b>EXPENDITURES</b>				
Current:				
Administration:				
Salaries	74,156	73,094	1,062	46,981
Employee Benefits	20,990	20,689	301	22,795
Purchased Services	1,084	870	214	869
Supplies and Materials	200	192	8	-
Other Expenditures	16,060	16,060	-	16,137
Total Administration	112,490	110,905	1,585	86,782
District Support Services:				
Salaries	115,551	113,896	1,655	107,452
Employee Benefits	29,542	29,121	421	34,035
Purchased Services	31,750	30,275	1,475	28,925
Supplies and Materials	800	1,665	(865)	11,152
Other Expenditures	7,500	7,540	(40)	4,441
Total District Support Services	185,143	182,497	2,646	186,005
Elementary and Secondary Regular Instruction:				
Salaries	612,222	603,453	8,769	592,898
Employee Benefits	164,705	162,347	2,358	157,285
Purchased Services	45,900	43,911	1,989	24,718
Supplies and Materials	39,744	42,965	(3,221)	27,184
Capital Expenditures	9,000	9,153	(153)	36,206
Total Elementary and Secondary Regular Instruction	871,571	861,829	9,742	838,291

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL (CONTINUED)  
YEAR ENDED JUNE 30, 2016  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2015)**

	2016		Over (Under) Final Budget	2015
	Final Budget	Actual Amounts		Actual Amounts
<b>EXPENDITURES (Continued)</b>				
Current (Continued):				
Special Education Instruction:				
Salaries	\$ 222,527	\$ 217,971	\$ 4,556	\$ 195,839
Employee Benefits	60,400	58,300	2,100	53,904
Purchased Services	88,481	89,079	(598)	78,364
Supplies and Materials	4,545	4,521	24	16,638
Total Special Education Instruction	375,953	369,871	6,082	344,745
Instructional Support Services:				
Purchased Services	7,500	7,598	(98)	5,122
Supplies and Materials	700	382	318	385
Other Expenditures	-	-	-	79
Total Instructional Support Services	8,200	7,980	220	5,586
Pupil Support Services:				
Salaries	8,999	8,870	129	4,417
Employee Benefits	1,283	1,266	17	669
Purchased Services	-	-	-	4,377
Supplies and Materials	-	-	-	201
Total Pupil Support Services	10,282	10,136	146	9,664
Sites and Buildings:				
Purchased Services	324,476	325,350	(874)	321,809
Supplies and Materials	6,000	5,389	611	7,305
Total Sites and Buildings	330,476	330,739	(263)	329,114

**PRAIRIE CREEK COMMUNITY SCHOOL**  
**CHARTER SCHOOL NO. 4090**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE**  
**BUDGET AND ACTUAL (CONTINUED)**  
**YEAR ENDED JUNE 30, 2016**  
**(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2015)**

	2016		Over (Under) Final Budget	2015
	Final Budget	Actual Amounts	Final Budget	Actual Amounts
<b>EXPENDITURES (Continued)</b>				
Current (Continued):				
Fiscal and Other Fixed Cost Programs:				
Purchased Services	\$ 12,866	\$ 12,866	\$ -	\$ 12,682
Total Expenditures	1,906,981	1,886,823	20,158	1,812,869
Net Change in Fund Balance	\$ (7,303)	8,000	\$ 15,303	15,804
<b>FUND BALANCE</b>				
Beginning of Year		609,035		593,231
End of Year		\$ 617,035		\$ 609,035

**PRAIRIE CREEK COMMUNITY SCHOOL**  
**CHARTER SCHOOL NO. 4090**  
**FOOD SERVICE SPECIAL REVENUE FUND**  
**BALANCE SHEET**  
**JUNE 30, 2016**  
**(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2015)**

	2016	2015
<b>ASSETS</b>		
Cash	\$ 6,411	\$ 6,853
Receivables:		
Accounts and Interest Receivable	386	-
Due from Minnesota Department of Education	-	1,300
Total Assets	\$ 6,797	\$ 8,153
 <b>LIABILITIES AND FUND BALANCE</b>		
Fund Balance:		
Restricted for Food Service	\$ 6,797	\$ 8,153
Total Liabilities and Fund Balance	\$ 6,797	\$ 8,153

**PRAIRIE CREEK COMMUNITY SCHOOL  
 CHARTER SCHOOL NO. 4090  
 FOOD SERVICE SPECIAL REVENUE FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
 BUDGET AND ACTUAL  
 YEAR ENDED JUNE 30, 2016  
 (WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2015)**

	2016		Over (Under) Final Budget	2015
	Final Budget	Actual Amounts		Actual Amounts
<b>REVENUES</b>				
Local Sources:				
Other - Primarily Meal Sales	\$ 35,600	\$ 35,578	\$ (22)	\$ 36,903
State Sources	7,400	7,425	25	6,974
Federal Sources	16,700	17,286	586	17,795
Total Revenues	59,700	60,289	589	61,672
<b>EXPENDITURES</b>				
Current:				
Purchased Services	678	665	(13)	678
Supplies and Materials	60,300	60,980	680	60,986
Total Expenditures	60,978	61,645	667	61,664
Net Change in Fund Balance	\$ (1,278)	(1,356)	\$ (78)	8
<b>FUND BALANCE</b>				
Beginning of Year		8,153		8,145
End of Year		\$ 6,797		\$ 8,153

**PRAIRIE CREEK COMMUNITY SCHOOL  
 CHARTER SCHOOL NO. 4090  
 COMMUNITY SERVICE SPECIAL REVENUE FUND  
 BALANCE SHEET  
 JUNE 30, 2016  
 (WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2015)**

	2016	2015
<b>ASSETS</b>		
Cash	\$ 60,624	\$ 55,101
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Salaries and Compensated Absences Payable	5,703	-
Payroll Deductions and Employer Contributions Payable	861	-
Accounts and Contracts Payable	2,012	-
Total Liabilities	8,576	-
Fund Balance:		
Restricted for Community Service	52,048	55,101
Total Liabilities and Fund Balance	\$ 60,624	\$ 55,101



**PRAIRIE CREEK COMMUNITY SCHOOL  
 CHARTER SCHOOL NO. 4090  
 COMMUNITY SERVICE SPECIAL REVENUE FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
 BUDGET AND ACTUAL  
 YEAR ENDED JUNE 30, 2016  
 (WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2015)**

	2016		Over (Under) Final Budget	2015
	Final Budget	Actual Amounts	Final Budget	Actual Amounts
<b>REVENUES</b>				
Local Sources:				
Other - Primarily Tuition and Fees	\$ 54,000	\$ 55,209	\$ 1,209	\$ 49,396
<b>EXPENDITURES</b>				
Current:				
Salaries	38,443	34,127	(4,316)	38,569
Employee Benefits	3,780	4,637	857	3,432
Purchased Services	-	2,164	2,164	3,263
Supplies and Materials	15,200	17,334	2,134	5,439
Total Expenditures	57,423	58,262	839	50,703
Net Change in Fund Balance	\$ (3,423)	(3,053)	\$ 2,048	(1,307)
<b>FUND BALANCE</b>				
Beginning of Year		55,101		56,408
End of Year		\$ 52,048		\$ 55,101

**PRAIRIE CREEK COMMUNITY SCHOOL  
CHARTER SCHOOL NO. 4090  
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS  
COMPLIANCE TABLE  
JUNE 30, 2016**

	AUDIT	UFARS	Difference
<b>01 GENERAL FUND</b>			
Total Revenue	\$ 1,894,823	\$ 1,894,824	\$ (1)
Total Expenditures	1,886,823	1,886,824	(1)
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	27,097	27,097	-
<i>Restricted/Reserved:</i>			
403 Staff Development	-	-	-
405 Deferred Maintenance	-	-	-
406 Health & Safety	-	-	-
407 Capital Project Levy	-	-	-
408 Cooperative Programs	-	-	-
411 Severance Pay	-	-	-
413 Project Funded by COP	-	-	-
414 Operating Debt	-	-	-
416 Levy Reduction	-	-	-
417 Taconite Building Maint	-	-	-
423 Certain Teacher Programs	-	-	-
424 Operating Capital	-	-	-
426 \$25 Taconite	-	-	-
427 Disabled Accessibility	-	-	-
428 Learning & Development	-	-	-
434 Area Learning Center	-	-	-
435 Contracted Alt. Programs	-	-	-
436 State Approved Alt. Program	-	-	-
438 Gifted & Talented	-	-	-
441 Basic Skills Programs	-	-	-
445 Career and Technical Programs	-	-	-
446 First Grade Preparedness	-	-	-
449 Safe Schools Crime	-	-	-
450 Prekindergarten	-	-	-
451 QZAB Payments	-	-	-
452 OPEB Liab Not In Trust	-	-	-
453 Unfunded Sev & Retirement Levy	-	-	-
<i>Restricted:</i>			
464 Restricted Fund Balance	-	-	-
<i>Committed:</i>			
418 Committed for Separation	-	-	-
461 Committed Fund Balance	-	-	-
<i>Assigned:</i>			
462 Restricted Fund Balance	-	-	-
<i>Unassigned:</i>			
422 Unassigned Fund Balance	589,938	589,938	-
<b>02 FOOD SERVICE</b>			
Total Revenue	60,289	60,288	1
Total Expenditures	61,645	61,645	-
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	-	-	-
<i>Restricted:</i>			
452 OPEB Liab Not In Trust	-	-	-
464 Restricted Fund Balance	6,797	6,797	-
<i>Unassigned:</i>			
463 Unassigned Fund Balance	-	-	-
<b>04 COMMUNITY SERVICE</b>			
Total Revenue	55,209	55,209	-
Total Expenditures	58,262	58,261	1
<i>Restricted/Reserved:</i>			
426 \$25 Taconite	-	-	-
431 Community Education	-	-	-
432 E.C.F.E.	-	-	-
444 School Readiness	-	-	-
447 Adult Basic Education	-	-	-
452 OPEB Liab Not In Trust	-	-	-
<i>Restricted:</i>			
464 Restricted Fund Balance	52,048	52,048	-
<i>Unreserved:</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, 2016, 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 4, 2016.

**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.

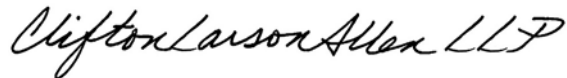
Members of the Board of Education  
Charter School No. 4090  
Prairie Creek Community School

**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 4, 2016

## 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, 2016, 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 4, 2016.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* 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 Political Subdivisions. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the 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 Political Subdivisions* and the results of that testing, and not to provide an opinion on the effectiveness of the Schools compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
October 4, 2016