

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2013

**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
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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, 2013**

SCHOOL BOARD

NAME	TERM EXPIRES	BOARD POSITION
Daniel Kelley	6/30/14	Board Chair
Bonnie Jean Flom	6/30/15	Vice-Chair
Randy Clay	6/30/14	Treasurer
Roz Eaton-Neeb	6/30/14	Secretary
Heidi Welsch	6/30/14	Trustee
Trish Ferrett	6/30/13	Trustee
Daniel Hollerung	6/30/15	Trustee
Cathy Oehmke	6/30/13	Faculty
Kelsey Fitschen	6/30/14	Faculty
Simon Tyler		Director, Ex Officio
Keith Johnson		CFO, Ex Officio

ADMINISTRATION

Simon Tyler	Director of School
Keith Johnson	CFO
Ona Sheets	Business Manager
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, 2013, and the related notes to the financial statements, which collectively comprise the 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, 2013, and the respective changes in financial position and the respective budgetary comparison for the General, Food Service and Community Service funds 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 2012 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 August 29, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 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 as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Prairie Creek Community School's basic financial statements. The 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.

The individual fund statements and the accompanying Uniform Financial Accounting and Reporting Standards Compliance Table are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2013, on our consideration of the 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 results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
September 9, 2013

REQUIRED SUPPLEMENTARY INFORMATION

**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013**

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, 2013. Please read it in conjunction with the school's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2012-2013 fiscal year include the following:

- Overall General Fund revenues were \$1,632,522 as compared to \$1,661,394 of expenditures.
- The fund balance for the General Fund increased by \$72,990 from the prior year. Revenues and expenditures of the General Fund increased by 1.9% and 10.3%, 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, 2013**

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, 2013**

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Position

Prairie Creek Community School's *combined* net position was \$1,056,093 on June 30, 2013 (see Table A-1).

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

	Governmental Activities as of June 30,		Percentage Change
	2013	2012	
Current and Other Assets	\$ 784,442	\$ 689,241	13.81 %
Capital and Non-Current Assets	421,377	459,300	(8.26)
Total Assets	<u>1,205,819</u>	<u>1,148,541</u>	4.99
Current Liabilities	<u>149,726</u>	<u>129,776</u>	15.37
Net Position:			
Net Investment in Capital Assets	421,377	459,300	(8.26)
Restricted	54,872	52,611	4.30
Unrestricted	<u>579,844</u>	<u>506,854</u>	14.40
Total Net Position	<u><u>\$ 1,056,093</u></u>	<u><u>\$ 1,018,765</u></u>	3.66

**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013**

Changes in Net Position

The School's total revenues were \$1,911,070 for the year ended June 30, 2013. Unrestricted state formula aid accounted for 53% of total revenue for the year (see Figure A-1). Program revenue accounted for 38% of total revenue for the year. Another 9% 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
	2013	2012	
Revenues			
<u>Program Revenues</u>			
Charges for Services	\$ 176,538	\$ 153,494	15.01 %
Operating Grants and Contributions	559,880	570,556	(1.87)
<u>General Revenues</u>			
Unrestricted State Aid	1,012,679	983,966	2.92
Investment Earnings	1,892	3,052	(38.01)
Other	160,081	50,554	216.65
Total Revenues	<u>1,911,070</u>	<u>1,761,622</u>	8.48
Expenses			
Administration	67,419	68,597	(1.72)
District Support Services	186,088	174,985	6.35
Regular Instruction	700,144	676,434	3.51
Special Education Instruction	306,619	272,851	12.38
Instructional Support Services	8,895	9,981	(10.88)
Pupil Support Services	829	495	67.47
Sites and Buildings	420,330	321,983	30.54
Fiscal and Other Fixed Cost Programs	8,560	8,069	6.09
Food Service	47,973	50,701	(5.38)
Community Service	126,885	115,420	9.93
Total Expenses	<u>1,873,742</u>	<u>1,699,516</u>	10.25
Change in Net Position	37,328	62,106	
Beginning Net Position	1,018,765	956,659	
Ending Net Position	<u>\$ 1,056,093</u>	<u>\$ 1,018,765</u>	

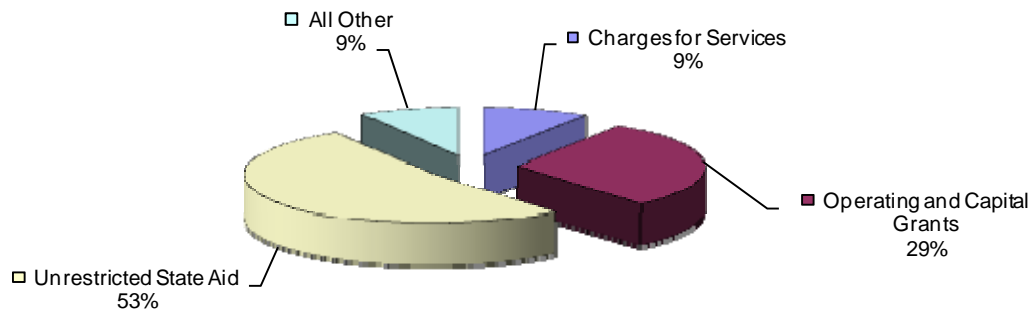
Total revenues exceeded expenses, increasing net position \$37,328 during the current fiscal year.

**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013**

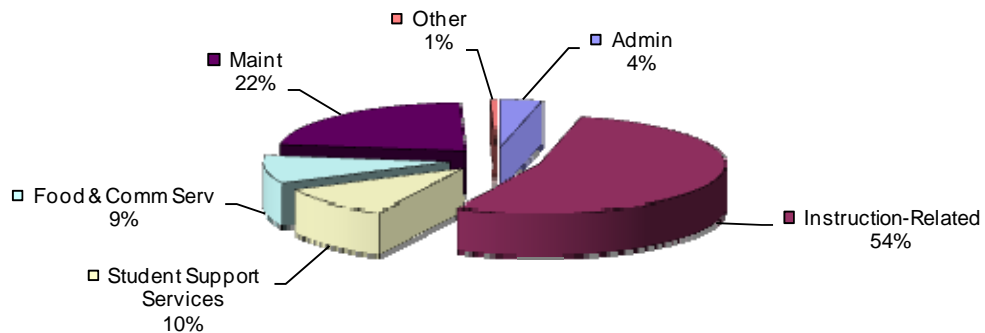
The cost of all *governmental* activities this year was \$1,873,742.

- Some of the cost was paid by the users of the Prairie Creek Community School's programs (\$176,538).
- The federal and state governments subsidized certain programs with restricted grants (\$559,880).
- The remainder of the School's costs were primarily paid for by unrestricted state aid.

**Figure A-1
Sources of School's Revenues for Fiscal 2013**



**Figure A-2
School Expenses for Fiscal 2013**



**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013**

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
	2013	2012		2013	2012	
Administration	\$ 67,419	\$ 68,597	(1.72)%	\$ 67,419	\$ 68,597	(1.72)%
District Support Services	186,088	174,985	6.35	186,088	174,985	6.35
Regular Instruction	700,144	676,434	3.51	653,497	605,256	7.97
Special Education Instruction	306,619	272,851	12.38	6,159	(7,715)	(179.83)
Instructional Support Services	8,895	9,981	(10.88)	8,895	9,981	(10.88)
Pupil Support Services	829	495	67.47	829	495	67.47
Sites and Buildings	420,330	321,983	30.54	207,705	109,358	89.93
Fiscal and Other Fixed Cost Programs	8,560	8,069	6.09	8,560	8,069	6.09
Food Service	47,973	50,701	(5.38)	(3,246)	(1,696)	91.39
Community Service	126,885	115,420	9.93	1,418	8,136	(82.57)
Total	<u>\$ 1,873,742</u>	<u>\$ 1,699,516</u>	10.25	<u>\$ 1,137,324</u>	<u>\$ 975,466</u>	16.59

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 \$634,716, which was \$75,251 higher than last year's ending fund balance of \$559,465.

Revenues for the School's governmental funds were \$1,809,208 while total governmental funds expenditures were \$1,835,819.

GENERAL FUND

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

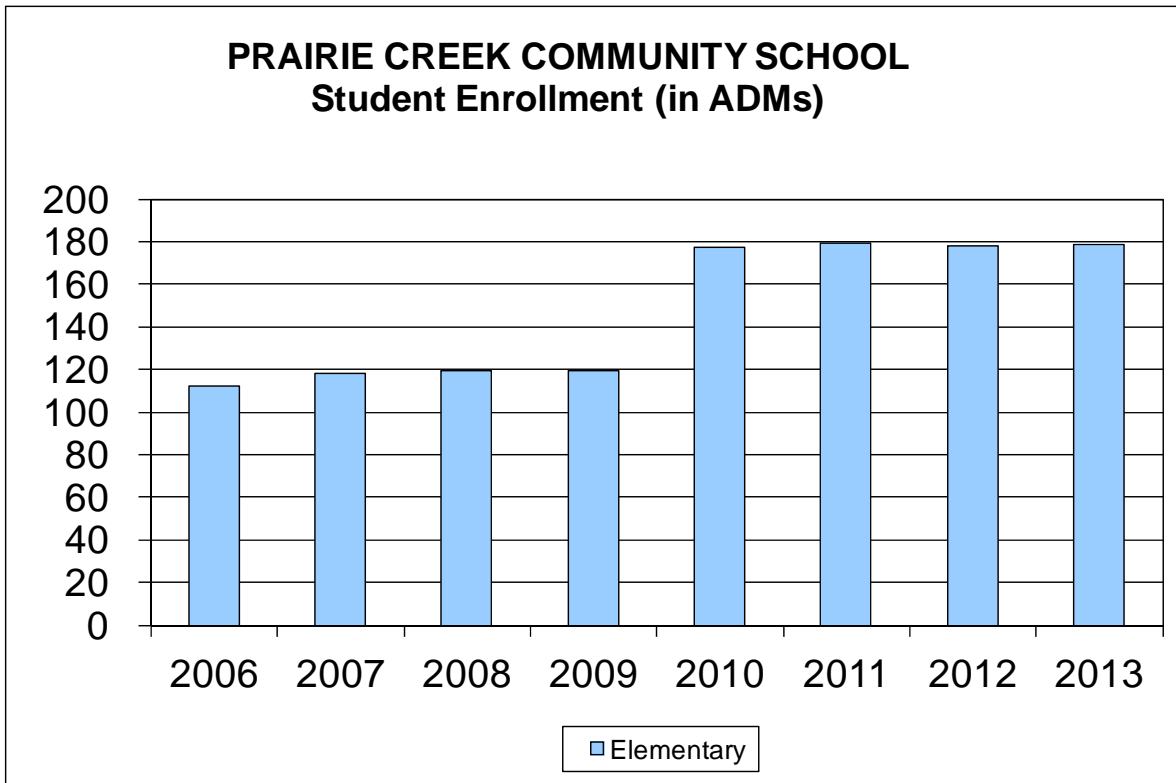
Approximately 91% of General Fund operational revenue is controlled by a complex set of state funding formulas resulting in the local school board having no meaningful authority to determine the level of resources. This includes special education state aid that is based upon a cost reimbursement model providing approximately 96% of personnel expenditures.

**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013**

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 four 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. Enrollment for the 2012-2013 school year was 179 students. Over the last four years, the School has maintained an average daily membership of between 178 - 180 students and it is anticipated that enrollment will remain steady within this range. 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, 2013**

The following schedule presents a summary of General Fund Revenues.

**Table A-5
General Fund Revenues**

	Year Ended		Change	
	June 30, 2013	June 30, 2012	Increase (Decrease)	Percent
Local Sources:				
Earnings on Investments	\$ 1,892	\$ 3,052	\$ (1,160)	(38.0)%
Other	71,534	61,181	10,353	16.9
State Sources	1,493,488	1,435,474	58,014	4.0
Federal Sources	65,608	102,234	(36,626)	(35.8)
Total General Fund Revenue	<u>\$ 1,632,522</u>	<u>\$ 1,601,941</u>	<u>\$ 30,581</u>	1.9

Total General Fund Revenue increased by \$30,581 or 1.9% from the previous year due to the new Literacy Aid and a 1% increase in state education aid.

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, 2013	June 30, 2012		
Salaries	\$ 797,442	\$ 768,573	\$ 28,869	3.8 %
Employee Benefits	230,232	191,576	38,656	20.2
Purchased Services	437,129	430,261	6,868	1.6
Supplies and Materials	58,751	61,594	(2,843)	(4.6)
Capital Expenditures	119,898	41,208	78,690	191.0
Other Expenditures	17,942	12,742	5,200	40.8
Total Expenditures	<u>\$ 1,661,394</u>	<u>\$ 1,505,954</u>	<u>\$ 155,440</u>	10.3

Total General Fund Expenditures increased \$155,440 or 10.3% from the previous year. This is largely due to higher special education costs resulting from greater student needs and a larger capital outlay.

**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013**

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.

OTHER MAJOR FUNDS

Revenues exceeded expenditures in the Food Service Fund by \$3,246.

Expenditures exceeded revenues in the Community Service Fund by \$985.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2013, the Prairie Creek Community School had invested \$574,335 in its capital assets, including learning materials, computer and audio-visual equipment, leasehold improvements, and furniture (see Table A-7). In the current fiscal year, Prairie Creek disposed of fully depreciated computer and audio-visual equipment, decreasing both equipment and accumulated depreciation by \$31,902. Total depreciation expense for the year was \$37,923.

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

	2013	2012	Percentage Change
Leasehold Improvements	\$ 419,566	\$ 419,566	-
Equipment	154,769	186,671	(17.1)
Less: Accumulated Depreciation	(152,958)	(146,937)	4.1
Total	<u>\$ 421,377</u>	<u>\$ 459,300</u>	(8.3)

Long-Term Liabilities

Prairie Creek Community School has no long-term liabilities as of June 30, 2013.

**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013**

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.

While state funding formulas may not provide sufficient increased revenue, state funding for full-day kindergarten beginning in FY2015, increases in voluntary giving and conservative spending are expected to provide sufficient resources to balance the budget for the next 2 years.

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, 2013
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2012)**

	Governmental Activities	
	2013	2012
ASSETS		
Cash	\$ 472,198	\$ 107,265
Receivables:		
Other Governments	278,208	561,443
Other	8,049	2,915
Prepaid Items	25,987	17,618
Capital Assets, Net of Depreciation	421,377	459,300
Total Assets	1,205,819	1,148,541
LIABILITIES		
Salaries Payable	121,523	98,984
Accounts and Contracts Payable	22,153	20,899
Unearned Revenue	6,050	9,893
Total Liabilities	149,726	129,776
NET POSITION		
Net Investment in Capital Assets	421,377	459,300
Restricted for:		
Food Service	8,162	4,916
Community Service	46,710	47,695
Unrestricted	579,844	506,854
Total Net Position	\$ 1,056,093	\$ 1,018,765

See accompanying Notes to Basic Financial Statements.

**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2012)**

Functions	2013			Net (Expense) Revenue and Changes in Net Position	2012 Net (Expense) Revenue and Changes in Net Position
	Expenses	Program Revenues		Total Governmental Activities	Total Governmental Activities
		Charges for Services	Operating Grants and Contributions		
Governmental Activities					
Administration	\$ 67,419	\$ -	\$ -	\$ (67,419)	\$ (68,597)
District Support Services	186,088	-	-	(186,088)	(174,985)
Regular Instruction	700,144	13,315	33,332	(653,497)	(605,256)
Special Education Instruction	306,619	-	300,460	(6,159)	7,715
Instructional Support Services	8,895	-	-	(8,895)	(9,981)
Pupil Support Services	829	-	-	(829)	(495)
Sites and Buildings	420,330	-	212,625	(207,705)	(109,358)
Fiscal and Other Fixed Cost Programs	8,560	-	-	(8,560)	(8,069)
Food Service	47,973	37,756	13,463	3,246	1,696
Community Service	126,885	125,467	-	(1,418)	(8,136)
Total School District	<u>\$ 1,873,742</u>	<u>\$ 176,538</u>	<u>\$ 559,880</u>	(1,137,324)	(975,466)
General Revenues					
				1,012,679	983,966
				1,892	3,052
				<u>160,081</u>	<u>50,554</u>
				<u>1,174,652</u>	<u>1,037,572</u>
				37,328	62,106
				<u>1,018,765</u>	<u>956,659</u>
				<u>\$ 1,056,093</u>	<u>\$ 1,018,765</u>

See accompanying Notes to Basic Financial Statements.

**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2012)**

	Major Funds			Total Governmental	
	General	Food Service	Community Service	2013	2012
ASSETS					
Cash	\$ 411,240	\$ 7,551	\$ 53,407	\$ 472,198	\$ 107,265
Receivables:					
Due from Minnesota Department of Education	265,557	-	-	265,557	546,871
Due from Federal through Minnesota Department of Education	12,651	-	-	12,651	14,572
Other Receivables	7,005	59	985	8,049	2,915
Prepaid Items	24,812	1,175	-	25,987	17,618
Total Assets	<u>\$ 721,265</u>	<u>\$ 8,785</u>	<u>\$ 54,392</u>	<u>\$ 784,442</u>	<u>\$ 689,241</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Salaries Payable	\$ 103,948	\$ -	\$ -	\$ 103,948	\$ 89,359
Payroll Deductions and Employer Contributions Payable	17,575	-	-	17,575	9,625
Accounts and Contracts Payable	19,898	623	1,632	22,153	20,899
Unearned Revenue	-	-	6,050	6,050	9,893
Total Liabilities	141,421	623	7,682	149,726	129,776
Fund Balance:					
Nonspendable:					
Prepaid Items	24,812	1,175	-	25,987	17,618
Restricted:					
Restricted for Food Service	-	6,987	-	6,987	4,916
Restricted for Community Education Programs	-	-	46,710	46,710	47,695
Unassigned	555,032	-	-	555,032	489,236
Total Fund Balance	<u>579,844</u>	<u>8,162</u>	<u>46,710</u>	<u>634,716</u>	<u>559,465</u>
Total Liabilities and Fund Balance	<u>\$ 721,265</u>	<u>\$ 8,785</u>	<u>\$ 54,392</u>	<u>\$ 784,442</u>	<u>\$ 689,241</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, 2013
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2012)

	2013	2012
Total Fund Balance for Governmental Funds	\$ 634,716	\$ 559,465
<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	367,121	388,099
Equipment, Net of Accumulated Depreciation	54,256	71,201
Total Net Position of Governmental Activities	\$ 1,056,093	\$ 1,018,765

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, 2013
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2012)**

	Major Funds			Total Governmental Funds	
	General	Food Service	Community Service	2013	2012
REVENUES					
Local Sources:					
Earnings on Investments	\$ 1,892	\$ -	\$ -	\$ 1,892	\$ 3,052
Other	71,534	37,756	125,467	234,757	204,048
State Sources	1,493,488	2,083	-	1,495,571	1,437,668
Federal Sources	65,608	11,380	-	76,988	116,854
Total Revenues	<u>1,632,522</u>	<u>51,219</u>	<u>125,467</u>	<u>1,809,208</u>	<u>1,761,622</u>
EXPENDITURES					
Current:					
Administration	67,419	-	-	67,419	68,597
District Support Services	185,372	-	-	185,372	174,231
Regular Instruction	670,569	-	-	670,569	648,231
Special Education Instruction	304,785	-	-	304,785	256,131
Instructional Support Services	8,895	-	-	8,895	9,981
Pupil Support Services	424	-	-	424	427
Sites and Buildings	295,472	-	-	295,472	299,079
Fiscal and Other Fixed Cost Programs	8,560	-	-	8,560	8,069
Food Service	-	47,973	-	47,973	50,701
Community Service	-	-	126,452	126,452	114,987
Capital Outlay	119,898	-	-	119,898	41,208
Total Expenditures	<u>1,661,394</u>	<u>47,973</u>	<u>126,452</u>	<u>1,835,819</u>	<u>1,671,642</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(28,872)	3,246	(985)	(26,611)	89,980
OTHER FINANCING SOURCES					
Insurance Recovery Proceeds	101,862	-	-	101,862	-
Net Change in Fund Balances	72,990	3,246	(985)	75,251	89,980
Fund Balances - Beginning	<u>506,854</u>	<u>4,916</u>	<u>47,695</u>	<u>559,465</u>	<u>469,485</u>
Fund Balances - Ending	<u>\$ 579,844</u>	<u>\$ 8,162</u>	<u>\$ 46,710</u>	<u>\$ 634,716</u>	<u>\$ 559,465</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, 2013
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2012)

	2013	2012
Net Change in Fund Balance - Total Governmental Funds	\$ 75,251	\$ 89,980
<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	-	12,402
Depreciation Expense	(37,923)	(40,276)
Change in Net Position of Governmental Activities	\$ 37,328	\$ 62,106

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, 2013**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
REVENUES				
Local Sources:				
Earnings on Investments	\$ 2,800	\$ 1,900	\$ 1,892	\$ (8)
Other	51,771	173,709	71,534	(102,175)
State Sources	1,404,452	1,493,098	1,493,488	390
Federal Sources	69,518	65,446	65,608	162
Total Revenues	<u>1,528,541</u>	<u>1,734,153</u>	<u>1,632,522</u>	<u>(101,631)</u>
EXPENDITURES				
Current:				
Administration	75,321	70,459	67,419	3,040
District Support Services	183,629	183,837	185,372	(1,535)
Elementary and Secondary Regular Instruction	679,139	668,760	670,569	(1,809)
Special Education Instruction	226,267	301,615	304,785	(3,170)
Instructional Support Services	10,089	8,850	8,895	(45)
Pupil Support Services	500	500	424	76
Sites and Buildings	305,926	301,359	295,472	5,887
Fiscal and Other Fixed Cost Programs	7,500	8,559	8,560	(1)
Capital Outlay	29,138	122,172	119,898	2,274
Total Expenditures	<u>1,517,509</u>	<u>1,666,111</u>	<u>1,661,394</u>	<u>4,717</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	11,032	68,042	(28,872)	(96,914)
OTHER FINANCING SOURCES				
Insurance Recovery Proceeds	-	-	101,862	101,862
Net Change in Fund Balance	<u>\$ 11,032</u>	<u>\$ 68,042</u>	72,990	<u>\$ 4,948</u>
FUND BALANCE				
Beginning of Year			<u>506,854</u>	
End of Year			<u>\$ 579,844</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, 2013**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
REVENUES				
Local Sources:				
Other - Primarily Meal Sales	\$ 42,658	\$ 37,843	\$ 37,756	\$ (87)
State Sources	2,704	2,082	2,083	1
Federal Sources	17,347	11,379	11,380	1
Total Revenues	62,709	51,304	51,219	(85)
EXPENDITURES				
Current:				
Food Service	62,471	48,412	47,973	(439)
Net Change in Fund Balance	\$ 238	\$ 2,892	3,246	\$ 354
FUND BALANCE				
Beginning of Year			4,916	
End of Year			\$ 8,162	

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, 2013**

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final	Amounts	
REVENUES				
Local Sources:				
Other - Primarily Tuition and Fees	\$ 79,175	\$ 124,900	\$ 125,467	\$ 567
EXPENDITURES				
Current:				
Community Service	89,880	126,944	126,452	492
Net Change in Fund Balance	\$ (10,705)	\$ (2,044)	(985)	\$ 1,059
FUND BALANCE				
Beginning of Year			47,695	
End of Year			\$ 46,710	

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, 2013**

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. This financial report has been prepared in conformity with GASB Statement No. 34.

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 three-year charter school contract extending through June 30, 2016. 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, 2013**

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, 2013**

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.

The School may report unearned revenue on its combined balance sheet. Unearned revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the School before it has a legal claim to them, as when grant monies are received prior to incurring the qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the School has a legal claim to the resources, the liability for deferred revenue is removed from the statement of net position or the balance sheet and revenue is recognized.

**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

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.

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 2013, 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.

**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Budgeting (Continued)

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.

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

<u>Revenues</u>	<u>Original Budget</u>	<u>Amendments</u>	<u>Amended Budget</u>
General Fund	\$ 1,528,541	\$ 205,612	\$ 1,734,153
Special Revenue Funds:			
Food Service Fund	62,709	(11,405)	51,304
Community Service Fund	79,175	45,725	124,900
 <u>Expenditures</u>			
General Fund	\$ 1,517,509	\$ 148,602	\$ 1,666,111
Special Revenue Funds:			
Food Service Fund	62,471	(14,059)	48,412
Community Service Fund	89,880	37,064	126,944

G. Cash and Investments

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.

**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments. Prepaid items are reported using the consumption method and recorded as an expense or expenditure at the time of consumption.

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.

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. Accrued Employee Benefits

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

L. Fund Balance

In the fund financial statements, governmental funds report nonspendable portions of fund balance related to prepaids, 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. 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.

**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. 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.

N. 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.

O. 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the School's financial statements for the year ended June 30, 2012, from which the summarized information was derived.

NOTE 2 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 and Investments." In accordance with Minnesota Statutes, the School maintains deposits at financial institutions which are authorized by the School Board.

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

**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 2 DEPOSITS (CONTINUED)

Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds. Authorized collateral include: U.S. government treasury bills, notes, or bonds; issues of a U.S. government agency; general obligations of a state or local government rated "A" or better; revenue obligations of a state or local government rated "AA" or better; irrevocable standby letter of credit issued by a Federal Home Loan Bank; and time deposits insured by a federal agency. Minnesota Statutes require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust departments of a commercial bank or other financial institution not owned or controlled by the depository.

The School's deposits in banks at June 30, 2013 in the amount of \$556,065 were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets, Being Depreciated:				
Leasehold Improvements	\$ 419,566	\$ -	\$ -	\$ 419,566
Equipment	<u>186,671</u>	<u>-</u>	<u>(31,902)</u>	<u>154,769</u>
Total Capital Assets, Being Depreciated	606,237	-	(31,902)	574,335
Accumulated Depreciation for:				
Leasehold Improvements	(31,467)	(20,978)	-	(52,445)
Equipment	<u>(115,470)</u>	<u>(16,945)</u>	<u>31,902</u>	<u>(100,513)</u>
Total Accumulated Depreciation	<u>(146,937)</u>	<u>(37,923)</u>	<u>31,902</u>	<u>(152,958)</u>
Governmental Activities Capital Assets, Net	<u>\$ 459,300</u>	<u>\$ (37,923)</u>	<u>\$ -</u>	<u>\$ 421,377</u>

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

Governmental Activities	
District Support Services	\$ 716
Regular Instruction	11,631
Special Education Instruction	1,834
Community Education	433
Pupil Support Services	405
Sites and Buildings	22,904
Total Depreciation Expense, Governmental Activities	<u>\$ 37,923</u>

**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 4 RETIREMENT PLANS

Substantially all employees of the 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. Teacher's Retirement Association (TRA)

1. Plan Description

All teachers employed by the School are covered by a cost sharing, multiple employer defined benefit pension plan administered by the State of Minnesota Teachers Retirement Association (TRA). TRA members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security and Basic members are not. All new members must participate in the Coordinated Plan. These plans are established and administered in accordance with Minnesota Statutes, Chapters 354 and 356.

TRA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statute and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for five consecutive years of allowable service, age, and years of credit at termination of service.

TRA publicly issues a Comprehensive Annual Financial Report (CAFR) presenting financial statements, supplemental information on funding levels, investment performance, and further information on benefits provisions. The report may be accessed at the TRA Web site www.tra.state.mn.us. Alternatively, a copy of the report may be obtained by writing or calling TRA:

Teachers Retirement Association
60 Empire Drive Suite 400
St Paul MN 55103-1855
651-296-6449
800-657-3853

**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 4 RETIREMENT PLANS (CONTINUED)

A. Teacher's Retirement Association (TRA) (Continued)

2. Funding Policy

Minnesota Statutes, Chapter 354 sets the rates for the employee and employer contributions. These statutes are established and amended by the state legislature. Coordinated and Basic Plan members are required to contribute 6.5% and 10.0%, respectively, of their annual covered salary during the fiscal year 2013 as employee contributions. The School is required to contribute the following percentages of annual covered payroll: 6.5% for Coordinated Plan members and 10.5% for Basic Plan members. The contribution requirements of plan members and the School are established and may be amended by State Statute. The School contributions for the years ended June 30, 2013, 2012 and 2011 were \$40,465, \$37,361 and \$29,461, respectively, equal to the required contributions for each year as set by state statute.

The 2010 Legislature approved employee and employer contribution rate increases to be phased-in over a four-year period beginning July 1, 2011. Employee and employer contribution rates will rise 0.5% each year of the four-year period. Beginning July 1, 2014, TRA Coordinated employee and employer contribution rates will each be 7.5%.

B. Public Employees' Retirement Association (PERA)

1. Plan Description

All full-time and certain part-time employees of the School (other than teachers) are covered by a defined benefit plan administered by the Public Employees' Retirement Association of Minnesota (PERA). PERA administers the General Employees' Retirement Fund (GERF) which is a cost-sharing, multiple-employer retirement plan. This plan is established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. 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. All new members must participate in the Coordinated Plan.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statute, and vest after three years of credited service. The defined retirement 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.

**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 4 RETIREMENT PLANS (CONTINUED)

B. Public Employees' Retirement Association (PERA) (Continued)

1. Plan Description (Continued)

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERS. That report may be obtained on the web at www.mnpera.org. Alternatively, a copy of the report may be obtained by writing or calling PERA:

Public Employees' Retirement Association
60 Empire Drive Suite 200
St Paul MN 55103-2088
651-296-7460
800-652-9026

2. Funding Policy

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The School makes annual contributions to the pension plans equal to the amount required by state statutes. GERS Basic Plan members and Coordinated Plan members are required to contribute 9.10% and 6.25%, respectively, of their annual covered salary in 2013.

The School was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan GERS members and 7.25% for Coordinated Plan GERS members. The School's contributions for the years ended June 30, 2013, 2012 and 2011 were \$19,960, \$16,945 and \$19,887, respectively, equal to the contractually required contributions for each year as set by state statute.

NOTE 5 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, 2013**

NOTE 5 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. Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2014	\$ 252,000
2015	257,250
2016	262,500
2017	267,750
2018	273,000
2019 - 2023	1,443,750
2024 - 2028	1,575,000
2029 - 2030	666,750
Total Minimum Lease Payments	<u><u>\$ 4,998,000</u></u>

For fiscal 2013, the School qualified for state charter school lease aid which equaled an estimated \$212,625 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 Prairie Creek, Inc. under the terms of the lease agreement was \$236,250 for fiscal 2013.

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 January 13, 2011, the School entered into a lease agreement for a copier. The term of the lease is four years and ends on January 12, 2015. The lease calls for monthly payments of \$179 and future minimum payments on the lease are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2014	\$ 2,141
2015	2,141
2016	1,070
Total Minimum Lease Payments	<u><u>\$ 5,352</u></u>

SUPPLEMENTARY INFORMATION

**PRAIRIE CREEK COMMUNITY SCHOOL
 CHARTER SCHOOL NO. 4090
 GENERAL FUND
 BALANCE SHEET
 JUNE 30, 2013
 (WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2012)**

	2013	2012
ASSETS		
Cash	\$ 411,240	\$ 35,961
Receivables:		
Accounts and Interest Receivable	7,005	1,623
Due from Minnesota Department of Education	265,557	546,871
Due from Federal through the Minnesota Department of Education	12,651	14,572
Prepaid Items	24,812	17,618
Total Assets	\$ 721,265	\$ 616,645
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Salaries Payable	\$ 103,948	\$ 81,959
Payroll Deductions and Employer Contributions Payable	17,575	9,625
Accounts and Contracts Payable	19,898	18,207
Total Liabilities	141,421	109,791
Fund Balance:		
Nonspendable:		
Prepays	24,812	17,618
Unassigned	555,032	489,236
Total Fund Balance	579,844	506,854
Total Liabilities and Fund Balance	\$ 721,265	\$ 616,645

**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, 2013
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2012)**

	2013		Over (Under) Final Budget	2012
	Final Budget	Actual Amounts		Actual Amounts
REVENUES				
Local Sources:				
Earnings on Investments	\$ 1,900	\$ 1,892	\$ (8)	\$ 3,052
Other	173,709	71,534	(102,175)	61,181
State Sources	1,493,098	1,493,488	390	1,435,474
Federal Sources	65,446	65,608	162	102,234
Total Revenues	1,734,153	1,632,522	(101,631)	1,601,941
EXPENDITURES				
Current:				
Administration:				
Salaries	34,395	34,395	-	39,880
Employee Benefits	20,530	17,482	3,048	14,726
Purchased Services	1,234	1,195	39	1,660
Supplies and Materials	-	-	-	68
Other Expenditures	14,300	14,347	(47)	12,263
Total Administration	70,459	67,419	3,040	68,597
District Support Services:				
Salaries	96,343	96,343	-	71,823
Employee Benefits	31,187	31,187	-	27,535
Purchased Services	34,800	42,519	(7,719)	62,322
Supplies and Materials	18,107	11,973	6,134	12,551
Other Expenditures	3,400	3,350	50	-
Total District Support Services	183,837	185,372	(1,535)	174,231
Elementary and Secondary Regular Instruction:				
Salaries	469,194	473,831	(4,637)	483,767
Employee Benefits	134,158	134,704	(546)	119,682
Purchased Services	35,472	35,274	198	19,647
Supplies and Materials	29,936	26,760	3,176	25,135
Capital Expenditures	18,000	17,944	56	17,020
Total Elementary and Secondary Regular Instruction	686,760	688,513	(1,753)	665,251

**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, 2013
 (WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2012)**

	2013		Over (Under) Final Budget	2012
	Final Budget	Actual Amounts		Actual Amounts
EXPENDITURES (Continued)				
Current (Continued):				
Special Education Instruction:				
Salaries	\$ 191,138	\$ 191,138	\$ -	\$ 172,293
Employee Benefits	45,619	46,703	(1,084)	29,526
Purchased Services	51,489	51,249	240	35,623
Supplies and Materials	13,369	15,695	(2,326)	18,514
Capital Expenditures	2,218	-	2,218	22,162
Other Expenditures	-	-	-	175
Total Special Education Instruction	303,833	304,785	(952)	278,293
Instructional Support Services:				
Salaries	-	275	(275)	810
Employee Benefits	-	39	(39)	107
Purchased Services	7,600	7,518	82	7,754
Supplies and Materials	1,000	818	182	1,006
Other Expenditures	250	245	5	304
Total Instructional Support Services	8,850	8,895	(45)	9,981
Pupil Support Services:				
Purchased Services	500	424	76	427
Capital Expenditures	-	-	-	2,026
Total Pupil Support Services	500	424	76	2,453
Sites and Buildings:				
Salaries	1,578	1,460	118	-
Employee Benefits	-	117	(117)	-
Purchased Services	296,181	290,390	5,791	294,759
Supplies and Materials	3,600	3,505	95	4,320
Capital Expenditures	101,954	101,954	-	-
Total Sites and Buildings	403,313	397,426	5,887	299,079

**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, 2013
 (WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2012)**

	2013		Over (Under) Final Budget	2012 Actual Amounts
	Final Budget	Actual Amounts		Actual Amounts
EXPENDITURES (Continued)				
Current (Continued):				
Fiscal and Other Fixed Cost Programs:				
Purchased Services	\$ 8,559	\$ 8,560	\$ (1)	\$ 8,069
Total Expenditures	1,666,111	1,661,394	4,717	1,505,954
Excess (Deficiency) of Revenues Over (Under) Expenditures	68,042	(28,872)	(96,914)	95,987
OTHER FINANCING SOURCES				
Insurance Recovery Proceeds	-	101,862	101,862	-
Net Change in Fund Balance	\$ 68,042	72,990	\$ 4,948	95,987
FUND BALANCE				
Beginning of Year		506,854		410,867
End of Year		\$ 579,844		\$ 506,854

PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
FOOD SERVICE SPECIAL REVENUE FUND
BALANCE SHEET
JUNE 30, 2013
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2012)

	2013	2012
ASSETS		
Cash	\$ 7,551	\$ 4,916
Receivables:		
Accounts and Interest Receivable	59	-
Prepaid Items	1,175	-
Total Assets	\$ 8,785	\$ 4,916
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts and Contracts Payable	\$ 623	\$ -
Fund Balance:		
Nonspendable:		
Prepaid Items	1,175	-
Restricted for Food Service	6,987	4,916
Total Fund Balance	8,162	4,916
Total Liabilities and Fund Balance	\$ 8,785	\$ 4,916

**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, 2013
 (WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2012)**

	2013		Over (Under) Final Budget	2012
	Final Budget	Actual Amounts		Actual Amounts
REVENUES				
Local Sources:				
Other - Primarily Meal Sales	\$ 37,843	\$ 37,756	\$ (87)	\$ 35,583
State Sources	2,082	2,083	1	2,194
Federal Sources	11,379	11,380	1	14,620
Total Revenues	51,304	51,219	(85)	52,397
EXPENDITURES				
Current:				
Purchased Services	272	263	(9)	266
Supplies and Materials	48,140	47,710	(430)	50,435
Total Expenditures	48,412	47,973	(439)	50,701
Net Change in Fund Balance	\$ 2,892	3,246	\$ 354	1,696
FUND BALANCE				
Beginning of Year		4,916		3,220
End of Year		\$ 8,162		\$ 4,916

**PRAIRIE CREEK COMMUNITY SCHOOL
 CHARTER SCHOOL NO. 4090
 COMMUNITY SERVICE SPECIAL REVENUE FUND
 BALANCE SHEET
 JUNE 30, 2013
 (WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2012)**

	2013	2012
ASSETS		
Cash	\$ 53,407	\$ 66,388
Receivables:		
Accounts and Interest Receivable	985	1,292
Total Assets	\$ 54,392	\$ 67,680
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Salaries and Compensated Absences Payable	\$ -	\$ 7,400
Accounts and Contracts Payable	1,632	2,692
Unearned Revenue	6,050	9,893
Total Liabilities	7,682	19,985
Fund Balance:		
Restricted for Community Service	46,710	47,695
Total Liabilities and Fund Balance	\$ 54,392	\$ 67,680

**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, 2013
 (WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2012)**

	2013		Over (Under) Final Budget	2012
	Final Budget	Actual Amounts		Actual Amounts
REVENUES				
Local Sources:				
Other - Primarily Tuition and Fees	\$ 124,900	\$ 125,467	\$ 567	\$ 107,284
EXPENDITURES				
Current:				
Salaries	103,967	103,787	180	90,075
Employee Benefits	13,252	13,073	179	12,953
Purchased Services	2,525	2,824	(299)	2,101
Supplies and Materials	7,200	6,768	432	9,858
Total Expenditures	<u>126,944</u>	<u>126,452</u>	<u>492</u>	<u>114,987</u>
Net Change in Fund Balance	<u>\$ (2,044)</u>	(985)	<u>\$ 1,059</u>	(7,703)
FUND BALANCE				
Beginning of Year		<u>47,695</u>		<u>55,398</u>
End of Year		<u>\$ 46,710</u>		<u>\$ 47,695</u>

**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS
COMPLIANCE TABLE
JUNE 30, 2013**

	AUDIT	UFARS	Difference
01 GENERAL FUND			
Total Revenue	\$ 1,734,384	\$ 1,734,385	\$ (1)
Total Expenditures	\$ 1,661,394	\$ 1,661,396	\$ (2)
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	\$ 24,812	\$ 24,812	\$ -
<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	\$ 555,032	\$ 555,032	\$ -
02 FOOD SERVICE			
Total Revenue	\$ 51,219	\$ 51,219	\$ -
Total Expenditures	\$ 47,973	\$ 47,973	\$ -
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	\$ 1,175	\$ 1,175	\$ -
<i>Restricted:</i>			
452 OPEB Liab Not In Trust	\$ -	\$ -	\$ -
464 Restricted Fund Balance	\$ 6,987	\$ 6,987	\$ -
<i>Unassigned:</i>			
463 Unassigned Fund Balance	\$ -	\$ -	\$ -
04 COMMUNITY SERVICE			
Total Revenue	\$ 125,467	\$ 125,467	\$ -
Total Expenditures	\$ 126,452	\$ 126,452	\$ -
<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	\$ 46,710	\$ 46,710	\$ -
<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, financial statements of the governmental activities and each major fund of Prairie Creek Community School as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated September 9, 2013.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider items 2013-1 and 2013-2 in the accompanying Schedule of Findings to be material weaknesses.

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

Compliance and Other Matters

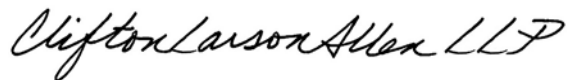
As part of obtaining reasonable assurance about whether Prairie Creek Community School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a 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*.

Prairie Creek Community School's Response to Findings

Prairie Creek Community School's response to the findings identified in our audit are described in the accompanying Schedule of Findings. Prairie Creek Community School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



CliftonLarsonAllen LLP

Minneapolis, Minnesota
September 9, 2013

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, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 9, 2013.

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
September 9, 2013

**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013**

FINDING: 2013-1 LIMITED SEGREGATION OF DUTIES

- Condition:** Due to the limited size of the School's business office staff, a limited number of people have the primary responsibility for cash receipts. A lack of segregation occurs when there is any combination of incompatible functions assigned to a single person between: custody, recording, and approval. At times out of necessity, all responsibilities of a cash receipt process at the School can be performed by a single individual. Examples of this include during the receipts process, cash can be received, deposited, and recorded by the same person who reconciles the monthly bank statement.
- Criteria:** Generally, a system of internal control contemplates separation of duties such that no individual has responsibility to execute a transaction, have physical access to the related assets, and have responsibility or authority to record the transaction.
- Effect:** The School is unable to maintain segregation of cash receipt process.
- Cause:** Segregation of duties, staff roles not segregated between incompatible functions of the cash receipt process.
- Recommendation:** We recommend that the School implement a process for cash receipts to segregate the functions of office staff who receive cash receipts from those who physically deposit receipts at bank.

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement With Audit Findings

There is no disagreement with the audit finding.

Actions Planned in Response to Finding:

The School reviews and makes improvements to its internal controls on an ongoing basis, and attempts to maximize the segregation of duties in all areas within the limits of the staff available. There has been a second office administrative assistant to help in the office for the full fiscal year 2012-2013.

Official Responsible for Ensuring CAP:

The School Director will be responsible for working with the finance department to properly segregate all incompatible functions listed above to the extent possible.

Planned Completion Date for CAP:

The School will implement the recommended changes during 2013-2014 fiscal year.

Plan to Monitor Completion of CAP:

The corrective action plan will be monitored each year jointly by the audit firm, district financial staff and the School Director as a part of the process of segregation of duties issues.

**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
SCHEDULE OF FINDINGS (CONTINUED)
YEAR ENDED JUNE 30, 2013**

FINDING: 2013-2 INADEQUATE PAYROLL SUPPORT

- Condition:** During our testing of payroll disbursements, we noted three employees who did not have contracts for a second position as well as one part-time employee who did not have an employee agreement or approved wage rate. We also noted one employee who was paid the incorrect wage rate.
- Criteria:** The School should have controls in place to ensure that all payroll disbursements are properly supported and approved.
- Effect:** The rates paid to the teachers and part-time employees were verbally communicated and agreed upon but there is no supporting documentation for rates paid. Payroll disbursements were not properly supported and approved.
- Cause:** The School has not established controls to ensure that all payroll disbursements are adequately supported and approved.
- Recommendation:** We recommend the School continue to evaluate its internal control processes to determine if additional internal control procedures should be implemented to ensure that all payroll is properly supported and approved.

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Findings:

There is no disagreement with the audit finding.

Actions Planned in Response to Finding:

The School will work on improving their internal control processes and implement a review process over payroll.

Official Responsible for Ensuring CAP:

Simon Tyler, Administrative Director, is the official responsible for ensuring corrective action of the deficiency.

Planned Completion Date for CAP:

The CAP will be implemented for the 2013-2014 fiscal year.

Plan to Monitor Completion of CAP:

The corrective action plan will be monitored by the Board as well as the audit firm each year during the annual audit.