

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2020

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

**PRAIRIE CREEK COMMUNITY SCHOOL
 CHARTER SCHOOL NO. 4090
 SCHOOL BOARD AND ADMINISTRATION
 JUNE 30, 2020**

SCHOOL BOARD

NAME	TERM EXPIRES	BOARD POSITION
Ben Miller	6/30/21	Board Chair
Bonnie Jean Flom	6/30/21	Vice-Chair
Kelsey Fitschen-Hemmah	6/30/20	Secretary
Ryan Krominga	6/30/20	Treasurer
Lisa Percy	6/30/21	Trustee
Don Findlay	6/30/22	Trustee
Molly Wills	6/30/22	Trustee
Trish Beckman	6/30/20	Trustee
Jason Buckmeier	6/30/20	Trustee
Simon Tyler		Director, Ex Officio
Keith Johnson		CFO, Ex Officio

ADMINISTRATION

Simon Tyler	Director of School
Keith Johnson	CFO
Colleen Braucher	Recording Secretary/Admin Asst.

School Office:	Charter School No. 4090 Prairie Creek Community School 27695 Denmark Avenue Northfield, Minnesota 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, 2020, 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, 2020, 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 2019 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 23, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, TRA Schedule of the School's Proportionate Share of the Net Pension Liability, TRA Schedule of School Contributions, PERA Schedule of the School's Proportionate Share of the Net Pension Liability, and PERA Schedule of School Contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

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

Supplementary Information (Continued)

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2020, on our consideration of Prairie Creek Community School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Prairie Creek Community School's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
August 23, 2020

REQUIRED SUPPLEMENTARY INFORMATION

**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

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, 2020. Please read it in conjunction with the School's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2019-2020 fiscal year include the following:

- Overall General Fund revenues were \$2,200,559 as compared to \$2,168,517 of expenditures.
- The fund balance for the General Fund increased by \$32,042 from the prior year. Revenues and expenditures of the General Fund increased by 2.1% and 1.4%, 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, 2020**

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, deferred outflows of resources, liabilities, and deferred inflows of resources. 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, deferred outflows of resources, liabilities, and deferred inflows of resources – is one way to measure the School's financial health or *position*.

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

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

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

Fund Financial Statements

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

The School has one fund type:

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

**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Position

Prairie Creek Community School's *combined* net position was a deficit of \$687,736 on June 30, 2020 (see Table A-1).

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

	Governmental Activities as of June 30,		Percentage Change
	2020	2019	
Current and Other Assets	\$ 918,079	\$ 883,677	3.89 %
Capital Assets	253,193	278,628	(9.13)
Total Assets	<u>1,171,272</u>	<u>1,162,305</u>	0.77
Deferred Outflows of Resources	1,067,269	1,608,686	(33.66)
Current Liabilities	170,641	156,687	8.91
Long-Term Liabilities	1,227,401	1,262,158	(2.75)
Total Liabilities	<u>1,398,042</u>	<u>1,418,845</u>	(1.47)
Deferred Inflows of Resources	<u>1,528,235</u>	<u>1,890,031</u>	(19.14)
Net Position:			
Investment in Capital Assets	253,193	278,628	(9.13)
Restricted	32,705	44,299	(26.17)
Unrestricted	(973,634)	(860,812)	13.11
Total Net Position	<u>\$ (687,736)</u>	<u>\$ (537,885)</u>	27.86

**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

Changes in Net Position

The School's total revenues were \$2,297,125 for the year ended June 30, 2020. Unrestricted state formula aid accounted for 56.2% of total revenue for the year (see Figure A-1). Program revenue accounted for 39.2% of total revenue for the year. Another 4.6% came from other general revenues combined with investment earnings.

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

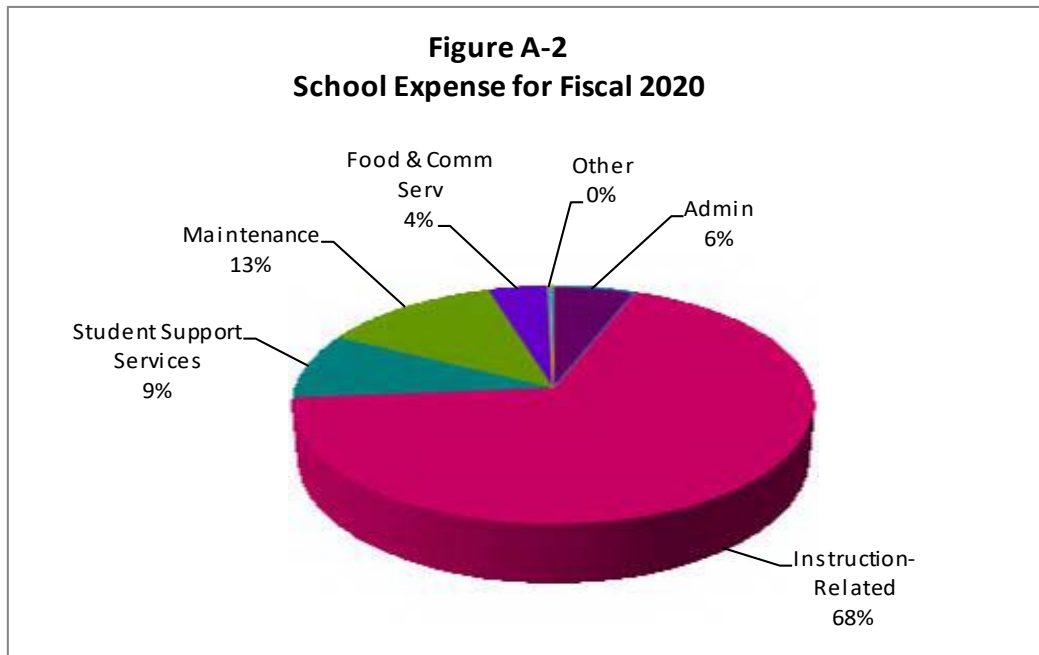
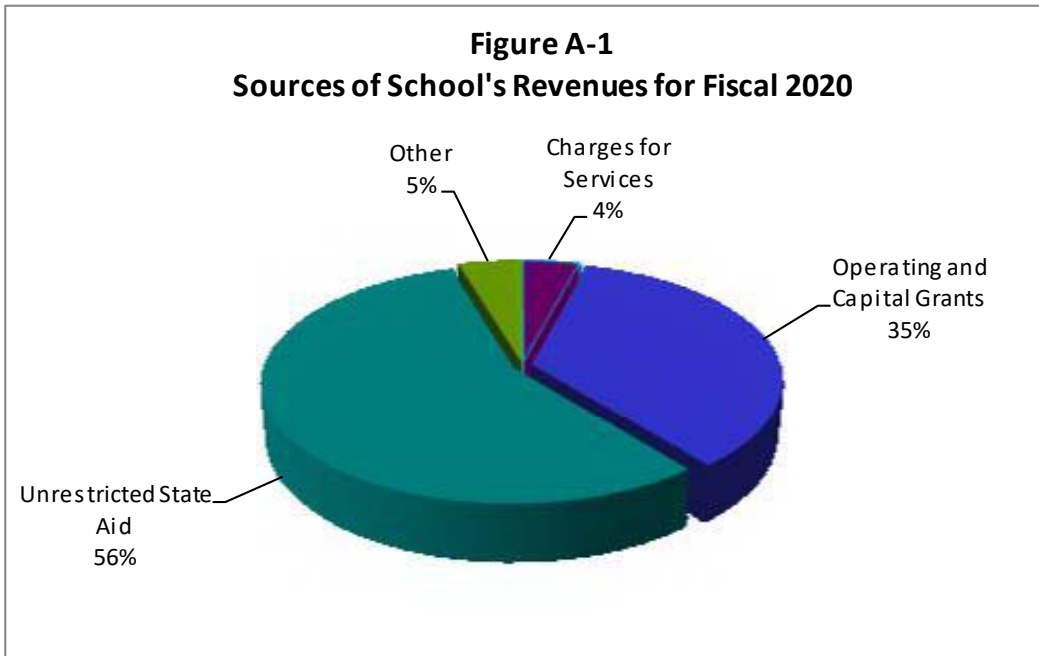
	Governmental Activities for the Fiscal Year Ended June 30,		Percentage Change
	2020	2019	
Revenues			
<u>Program Revenues</u>			
Charges for Services	\$ 95,107	\$ 113,493	(16.20)%
Operating Grants and Contributions	804,517	708,382	13.57
<u>General Revenues</u>			
Unrestricted State Aid	1,290,503	1,272,437	1.42
Investment Earnings	7,268	4,212	72.55
Other	99,730	103,514	(3.66)
Total Revenues	<u>2,297,125</u>	<u>2,202,038</u>	4.32
Expenses			
Administration	143,439	82,002	74.92
District Support Services	185,659	201,911	(8.05)
Regular Instruction	1,125,712	671,159	67.73
Special Education Instruction	533,718	399,743	33.52
Instructional Support Services	10,919	8,167	33.70
Pupil Support Services	21,667	8,996	140.85
Sites and Buildings	312,283	326,500	(4.35)
Fiscal and Other Fixed Cost Programs	9,385	8,720	7.63
Food Service	51,078	62,550	(18.34)
Community Service	53,116	55,142	(3.67)
Total Expenses	<u>2,446,976</u>	<u>1,824,890</u>	34.09
Change in Net Position	(149,851)	377,148	
Net Position - Beginning of Year	<u>(537,885)</u>	<u>(915,033)</u>	
Net Position - End of Year	<u>\$ (687,736)</u>	<u>\$ (537,885)</u>	

Total expenses exceeded revenues, decreasing net position by \$149,851 during the current fiscal year.

**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

The cost of all *governmental* activities this year was \$2,446,976.

- Some of the cost was paid by the users of the Prairie Creek Community School's programs (\$95,107).
- The federal and state governments subsidized certain programs with restricted grants (\$804,517).
- The remainder of the School's costs was primarily paid for by unrestricted state aid.



**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

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 special revenue 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
	2020	2019		2020	2019	
Administration	\$ 143,439	\$ 82,002	74.92 %	\$ 142,826	\$ 87,633	62.98 %
District Support Services	185,659	201,911	(8.05)	185,462	201,061	(7.76)
Regular Instruction	1,125,712	671,159	67.73	1,083,139	682,590	58.68
Special Education Instruction	533,718	399,743	33.52	65,410	(36,612)	(278.66)
Instructional Support Services	10,919	8,167	33.70	(17,028)	(18,315)	(7.03)
Pupil Support Services	21,667	8,996	140.85	21,667	9,998	116.71
Sites and Buildings	312,283	326,500	(4.35)	47,269	67,473	(29.94)
Fiscal and Other Fixed Cost Programs	9,385	8,720	7.63	9,385	8,720	7.63
Food Service	51,078	62,550	(18.34)	1,499	430	248.60
Community Service	53,116	55,142	(3.67)	7,723	37	20772.97
Total	<u>\$ 2,446,976</u>	<u>\$ 1,824,890</u>	34.09	<u>\$ 1,547,352</u>	<u>\$ 1,003,015</u>	54.27

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 \$747,438, which was \$20,448 higher than last year's ending fund balance of \$726,990.

Revenues for the School's governmental funds were \$2,295,479 while total governmental funds expenditures were \$2,275,031.

GENERAL FUND

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

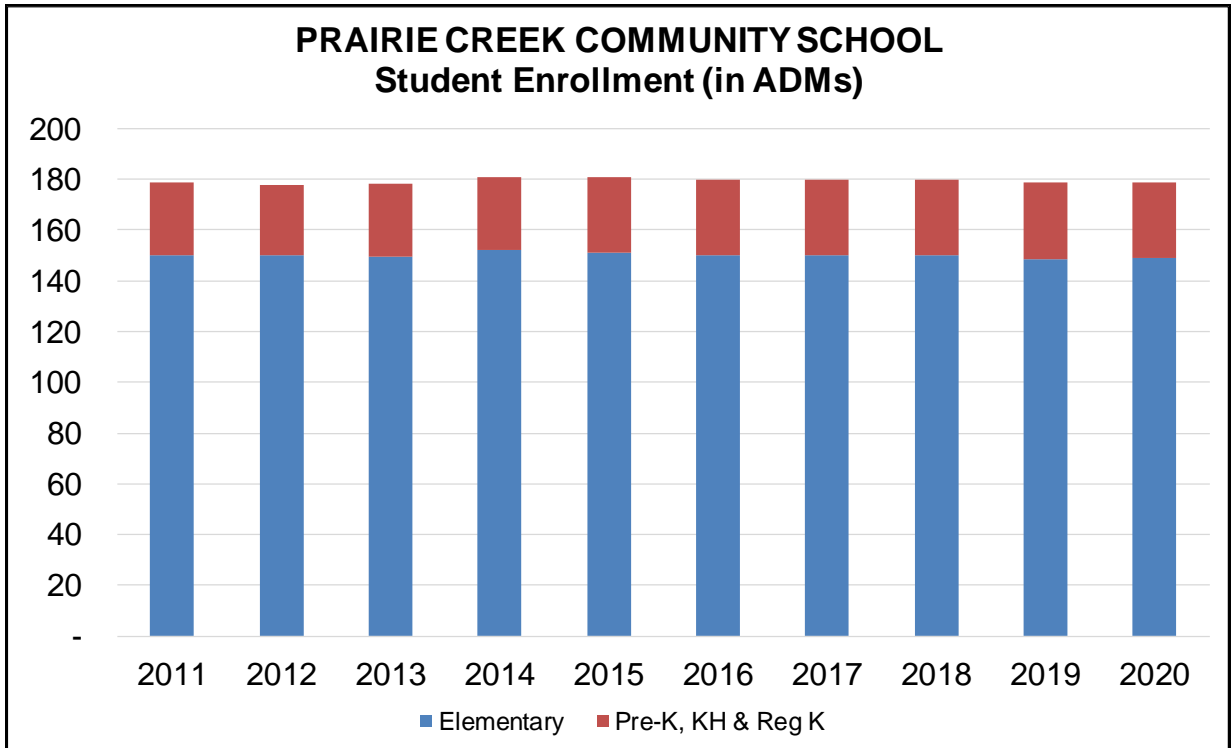
Approximately 90% of General Fund operational revenue is controlled by a complex set of state funding formulas resulting in the local school board having no meaningful authority to determine the level of resources. This includes special education state aid that is based upon a cost reimbursement model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

**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

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 ten years has been stable and constant.

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



In the winter of 2009, Prairie Creek Community School completed a large expansion of its building enabling the School to add up to another 60 students to the School. Over the last ten 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 about 180 with the current year being 179. 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, 2020**

The following schedule presents a summary of General Fund Revenues.

**Table A-5
General Fund Revenues**

	Year Ended		Change	
	June 30, 2020	June 30, 2019	Increase (Decrease)	Percent Change
Local Sources:				
Earnings on Investments	\$ 7,268	\$ 4,212	\$ 3,056	72.6 %
Other	122,782	127,704	(4,922)	(3.9)
State Sources	1,991,263	1,950,618	40,645	2.1
Federal Sources	79,246	72,133	7,113	9.9
Total General Fund Revenue	<u>\$ 2,200,559</u>	<u>\$ 2,154,667</u>	<u>\$ 45,892</u>	2.1

Total General Fund Revenue increased by \$45,892 or 2.1% from the previous year mainly due to increased special education reimbursements, the formula improvement for General Education aid and an increase related to the implementation of the Alternative Compensation (or QComp) program.

The following schedule presents a summary of General Fund Expenditures.

**Table A-6
General Fund Expenditures**

	Year Ended		Change	
	June 30, 2020	June 30, 2019	Increase (Decrease)	Percent Change
Salaries	\$ 1,208,969	\$ 1,157,043	\$ 51,926	4.5 %
Employee Benefits	350,385	329,076	21,309	6.5
Purchased Services	526,300	561,458	(35,158)	(6.3)
Supplies and Materials	41,842	49,458	(7,616)	(15.4)
Capital Expenditures	10,416	10,566	(150)	(1.4)
Other Expenditures	30,605	30,939	(334)	(1.1)
Total General Fund Expenditures	<u>\$ 2,168,517</u>	<u>\$ 2,138,540</u>	<u>\$ 29,977</u>	1.4

Total General Fund Expenditures increased \$29,977 or 1.4% from the previous year. This increase includes the implementation of the QComp program referenced above.

**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

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 \$12,170 (0.56%) more than expected. The actual expenditures were \$21,228 less than budgeted for a (0.97%) variance. While the budget had reflected a deficit of \$1,356 for the year the actual results reflected a net surplus of \$32,042 increase in ending fund balance for a net variance of \$33,398.

OTHER MAJOR FUNDS

Actual expenditures of \$51,078 exceed actual revenues of \$49,579 in the Food Service Fund resulting in a net deficit of \$1,499.

Expenditures exceeded revenues in the Community Service Fund by \$10,095.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2020, the Prairie Creek Community School had invested \$605,299 in its capital assets, including learning materials, computer and audio-visual equipment, leasehold improvements, and furniture (see Table A-7). (More detailed information about net investment in capital assets can be found in Note 4 to the financial statements.) Total depreciation expense for the year was \$29,235.

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

	2020	2019	Percentage Change
Leasehold Improvements	\$ 419,566	\$ 419,566	-
Furniture and Equipment	185,733	181,933	2.1
Less: Accumulated Depreciation	(352,106)	(322,871)	9.1
Total Capital Assets	<u>\$ 253,193</u>	<u>\$ 278,628</u>	(9.1)

**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

Long-Term Liabilities

The School's only long-term debt relates to the amounts required to be recorded under GASB standards which relate 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**

	2020	2019	Percentage Change
Net Pension Liability	<u>\$ 1,227,401</u>	<u>\$ 1,262,158</u>	(2.8)%

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, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2019)**

	<u>Governmental Activities</u>	
	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and Investments	\$ 680,561	\$ 554,739
Receivables:		
Due From Other Governments	217,392	294,065
Prepaid Items	20,126	34,873
Capital Assets, Net of Depreciation	253,193	278,628
Total Assets	<u>1,171,272</u>	<u>1,162,305</u>
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows - Pensions	1,067,269	1,608,686
 LIABILITIES		
Salaries Payable	167,346	152,466
Accounts and Contracts Payable	3,295	4,221
Net Pension Liability	1,227,401	1,262,158
Total Liabilities	<u>1,398,042</u>	<u>1,418,845</u>
 DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows - Pensions	<u>1,528,235</u>	<u>1,890,031</u>
 NET POSITION		
Investment in Capital Assets	253,193	278,628
Restricted for:		
Food Service	411	1,910
Community Service	32,294	42,389
Unrestricted	<u>(973,634)</u>	<u>(860,812)</u>
Total Net Position	<u>\$ (687,736)</u>	<u>\$ (537,885)</u>

See accompanying Notes to Basic Financial Statements.

**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2019)**

Functions	2020			2019	
	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position	Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Total Governmental Activities	Total Governmental Activities
Governmental Activities					
Administration	\$ 143,439	\$ -	\$ 613	\$ (142,826)	\$ (87,633)
District Support Services	185,659	-	197	(185,462)	(201,061)
Regular Instruction	1,125,712	17,103	25,470	(1,083,139)	(682,590)
Special Education Instruction	533,718	-	468,308	(65,410)	36,612
Instructional Support Services	10,919	-	27,947	17,028	18,315
Pupil Support Services	21,667	-	-	(21,667)	(9,998)
Sites and Buildings	312,283	-	265,014	(47,269)	(67,473)
Fiscal and Other Fixed Cost Programs	9,385	-	-	(9,385)	(8,720)
Food Service	51,078	32,663	16,916	(1,499)	(430)
Community Service	53,116	45,341	52	(7,723)	(37)
Total School District	<u>\$ 2,446,976</u>	<u>\$ 95,107</u>	<u>\$ 804,517</u>	(1,547,352)	(1,003,015)
General Revenues					
State Aid Not Restricted to Specific Purposes				1,290,503	1,272,437
Earnings on Investments				7,268	4,212
Miscellaneous				99,730	103,514
Total General Revenues				<u>1,397,501</u>	<u>1,380,163</u>
Change in Net Position				(149,851)	377,148
Net Position - Beginning of Year				(537,885)	(915,033)
Net Position - End of Year				<u>\$ (687,736)</u>	<u>\$ (537,885)</u>

See accompanying Notes to Basic Financial Statements.

**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2019)**

	Major Funds			Total Governmental Funds	
	General	Food Service	Community Service	2020	2019
ASSETS					
Cash	\$ 647,856	\$ 411	\$ 32,294	\$ 680,561	\$ 554,739
Receivables:					
Due from Minnesota Department of Education	217,392	-	-	217,392	294,065
Due from Federal through Minnesota Department of Education	-	-	-	-	-
Prepays	20,126	-	-	20,126	34,873
Total Assets	<u>\$ 885,374</u>	<u>\$ 411</u>	<u>\$ 32,294</u>	<u>\$ 918,079</u>	<u>\$ 883,677</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Salaries Payable	\$ 136,742	\$ -	-	\$ 136,742	\$ 128,318
Payroll Deductions and Employer Contributions Payable	30,604	-	-	30,604	24,148
Accounts and Contracts Payable	3,295	-	-	3,295	4,221
Total Liabilities	170,641	-	-	170,641	156,687
Fund Balance:					
Nonspendable:					
Prepays	20,126	-	-	20,126	34,873
Restricted for:					
Food Service	-	411	-	411	1,910
Community Service	-	-	32,294	32,294	42,389
Unassigned	694,607	-	-	694,607	647,818
Total Fund Balance	714,733	411	32,294	747,438	726,990
Total Liabilities and Fund Balance	<u>\$ 885,374</u>	<u>\$ 411</u>	<u>\$ 32,294</u>	<u>\$ 918,079</u>	<u>\$ 883,677</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, 2020
 (WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2019)**

	2020	2019
Total Fund Balance for Governmental Funds	\$ 747,438	\$ 726,990
<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	220,275	241,253
Equipment, Net of Accumulated Depreciation	32,918	37,375
<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	(1,227,401)	(1,262,158)
Deferred Inflows of Resources - Pensions	(1,528,235)	(1,890,031)
Deferred Outflows of Resources - Pensions	1,067,269	1,608,686
Total Net Position of Governmental Activities	\$ (687,736)	\$ (537,885)

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, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2019)**

	Major Funds			Total Governmental	
	General	Food Service	Community Service	2020	2019
REVENUES					
Local Sources:					
Earnings and Investments	\$ 7,268	\$ -	\$ -	\$ 7,268	\$ 4,212
Other	122,782	32,663	45,341	200,786	222,438
State Sources	1,991,263	4,969	-	1,996,232	1,956,793
Federal Sources	79,246	11,947	-	91,193	88,359
Total Revenues	<u>2,200,559</u>	<u>49,579</u>	<u>45,341</u>	<u>2,295,479</u>	<u>2,271,802</u>
EXPENDITURES					
Current:					
Administration	130,525	-	-	130,525	120,575
District Support Services	183,909	-	-	183,909	206,386
Elementary and Secondary Regular Instruction	998,795	-	-	998,795	952,701
Special Education Instruction	493,634	-	-	493,634	489,067
Instructional Support Services	10,919	-	-	10,919	8,167
Pupil Support Services	18,651	-	-	18,651	15,858
Sites and Buildings	312,283	-	-	312,283	326,500
Fiscal and Other Fixed Cost Programs	9,385	-	-	9,385	8,720
Food Service	-	51,078	-	51,078	62,550
Community Service	-	-	51,636	51,636	63,156
Capital Outlay	10,416	-	3,800	14,216	10,566
Total Expenditures	<u>2,168,517</u>	<u>51,078</u>	<u>55,436</u>	<u>2,275,031</u>	<u>2,264,246</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	32,042	(1,499)	(10,095)	20,448	7,556
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	-	-	430
Transfers Out	-	-	-	-	(430)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	32,042	(1,499)	(10,095)	20,448	7,556
FUND BALANCE					
Beginning of Year	682,691	1,910	42,389	726,990	719,434
End of Year	<u>\$ 714,733</u>	<u>\$ 411</u>	<u>\$ 32,294</u>	<u>\$ 747,438</u>	<u>\$ 726,990</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, 2020
 (WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2019)**

	2020	2019
Net Change in Fund Balance - Total Governmental Funds	\$ 20,448	\$ 7,556
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. The amount by which depreciation exceeded capital outlays in the current period is:</p>		
Capital Outlays	3,800	6,410
Depreciation Expense	(29,235)	(29,735)
<p>Pension expenditures in the governmental funds are measured by current year employer contributions. Pension expenses on the statement of activities are measured by the change in the net pension liability and the related deferred inflows and outflows of resources.</p>		
	(144,864)	392,917
Total	\$ (149,851)	\$ 377,148

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, 2020**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
REVENUES				
Local Sources:				
Earnings and Investments	\$ 8,000	\$ 7,500	\$ 7,268	\$ (232)
Other	100,071	119,878	122,782	2,904
State Sources	1,961,997	1,982,389	1,991,263	8,874
Federal Sources	79,114	78,622	79,246	624
Total Revenues	<u>2,149,182</u>	<u>2,188,389</u>	<u>2,200,559</u>	<u>12,170</u>
EXPENDITURES				
Current:				
Administration	135,017	134,017	130,525	(3,492)
District Support Services	188,882	188,350	183,909	(4,441)
Elementary and Secondary Regular Instruction	985,798	1,008,793	998,795	(9,998)
Special Education Instruction	457,623	494,753	493,634	(1,119)
Instructional Support Services	10,700	11,943	10,919	(1,024)
Pupil Support Services	18,500	18,500	18,651	151
Sites and Buildings	322,336	313,500	312,283	(1,217)
Fiscal and Other Fixed Cost Programs	9,389	9,389	9,385	(4)
Capital Outlay	13,500	10,500	10,416	(84)
Total Expenditures	<u>2,141,745</u>	<u>2,189,745</u>	<u>2,168,517</u>	<u>(21,228)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	7,437	(1,356)	32,042	33,398
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(3,574)</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ 3,863</u>	<u>\$ (1,356)</u>	<u>32,042</u>	<u>\$ 33,398</u>
FUND BALANCE				
Beginning of Year			<u>682,691</u>	
End of Year			<u>\$ 714,733</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, 2020**

	Budgeted Amounts		Actual	Over (Under)
	Original	Final	Amounts	Final Budget
REVENUES				
Local Sources:				
Other - Primarily Meal Sales	\$ 41,526	\$ 32,693	\$ 32,663	\$ (30)
State Sources	6,996	5,034	4,969	(65)
Federal Sources	18,771	12,100	11,947	(153)
Total Revenues	67,293	49,827	49,579	(248)
EXPENDITURES				
Current:				
Food Service	70,867	51,384	51,078	(306)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,574)	(1,557)	(1,499)	58
OTHER FINANCING SOURCES (USES)				
Transfers In	3,574	-	-	-
NET CHANGE IN FUND BALANCE	\$ -	\$ (1,557)	(1,499)	\$ 58
FUND BALANCE				
Beginning of Year			1,910	
End of Year			\$ 411	

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, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local Sources:				
Other - Primarily Tuition and Fees	\$ 52,624	\$ 45,300	\$ 45,341	\$ 41
EXPENDITURES				
Current:				
Community Service	58,788	53,290	51,636	(1,654)
Capital Outlay	-	4,000	3,800	(200)
Total Expenditures	<u>58,788</u>	<u>57,290</u>	<u>55,436</u>	<u>(1,854)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (6,164)</u>	<u>\$ (11,990)</u>	(10,095)	<u>\$ 1,895</u>
FUND BALANCE				
Beginning of Year			<u>42,389</u>	
End of Year			<u>\$ 32,294</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, 2020**

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 dependent 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, 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, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basic Financial Statement Presentation

The School-wide financial statements (i.e., the statement of net position and the statement of activities) display information about the reporting government as a whole. These statements include all the financial activities of the School.

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

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

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

D. Measurement Focus and Basis of Accounting

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

**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded in the following manner:

1. Revenue Recognition

Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. State revenue is recognized in the year to which it applies according to Minnesota Statutes and GAAP. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Food service sales, community education tuition, and other miscellaneous revenue (except investment earnings) are recorded as revenues when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measurable and available. A six-month availability period is generally used for other fund revenue.

2. Recording of Expenditures

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

Description of Funds

As required by state statute, Prairie Creek Community School operates as a nonprofit corporation under Minnesota Statutes §317A. However, state law also requires that the School comply with Uniform Financial Accounting and Reporting Standards for Minnesota School Districts (UFARS) which mandates the use of a governmental fund accounting structure. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. A description of the funds included in this report is as follows:

Major Governmental Funds

General Fund

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

**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Description of Funds (Continued)

Major Governmental Funds (Continued)

Food Service Special Revenue Fund

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

Community Service Special Revenue Fund

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

E. Income Taxes

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

F. Budgeting

Budgets presented in this report for comparison to actual amounts are presented in accordance with GAAP. For fiscal 2020, 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, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Budgeting (Continued)

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

	Original Budget	Amendments	Amended Budget
<u>Revenues</u>			
General Fund	\$ 2,149,182	\$ 39,207	\$ 2,188,389
Special Revenue Funds:			
Food Service Fund	67,293	(17,466)	49,827
Community Service Fund	52,624	(7,324)	45,300
<u>Expenditures</u>			
General Fund	\$ 2,141,745	\$ 48,000	\$ 2,189,745
Special Revenue Funds:			
Food Service Fund	70,867	(19,483)	51,384
Community Service Fund	58,788	(1,498)	57,290

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 acquisition 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, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets (Continued)

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

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

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School has one item that qualifies for reporting in this category related to pensions.

In addition to liabilities, the statement of financial position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School has one item that qualifies for reporting in this category related to pensions.

L. Long-Term Obligations

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

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

**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Pensions

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

TRA has a special funding situation created by direct aid contributions made by the state of Minnesota, city of Minneapolis, and Minneapolis School District. This direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association merger into TRA in 2006. A second direct aid source is from the state of Minnesota for the merger of the Duluth Teacher's Retirement Fund Association (DTRFA) in 2015. Additional information can be found in Note 5.

N. Accrued Employee Benefits

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

O. Fund Balance

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

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

P. Risk Management

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

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

**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows 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. Remaining net position (deficit) is reported as unrestricted.

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, 2019, from which the summarized information was derived.

NOTE 2 STEWARDSHIP AND ACCOUNTABILITY

No funds had expenditures in excess of budget.

Budgeted amounts exceeded actual expenditures at June 30, 2020 as follows:

	<u>Budget</u>	<u>Expenditures</u>	<u>Excess</u>
General Fund	\$ 2,189,745	\$ 2,168,517	\$ (21,228)
Special Revenue Funds:			
Food Service Fund	51,384	51,078	(306)
Community Service Fund	57,290	55,436	(1,854)

NOTE 3 DEPOSITS

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

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

**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3 DEPOSITS (CONTINUED)

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

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

The School's deposits in banks at June 30, 2020 in the amount of \$698,488 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, 2020 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	181,933	3,800	-	185,733
Total Capital Assets, Being Depreciated	<u>601,499</u>	<u>3,800</u>	<u>-</u>	<u>605,299</u>
Accumulated Depreciation for:				
Leasehold Improvements	(178,313)	(20,978)	-	(199,291)
Equipment	(144,558)	(8,257)	-	(152,815)
Total Accumulated Depreciation	<u>(322,871)</u>	<u>(29,235)</u>	<u>-</u>	<u>(352,106)</u>
Governmental Activities Capital Assets, Net	<u>\$ 278,628</u>	<u>\$ (25,435)</u>	<u>\$ -</u>	<u>\$ 253,193</u>

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

Governmental Activities	
Regular Instruction	\$ 28,094
Special Education Instruction	110
Community Service	1,031
Total Depreciation Expense, Governmental Activities	<u>\$ 29,235</u>

**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 5 DEFINED BENEFIT PENSION PLANS

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

A. Plan Description

The School 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 Fund (GERF)

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

2. Teachers Retirement Fund (TRA)

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

Educators employed in Minnesota's public elementary and secondary schools, charter schools, and certain other TRA-covered educational institutions maintained by the state are required to be TRA members (except those employed by St. Paul schools or University of Minnesota System).

**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided

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

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% of average salary for each of the first 10 years of service and 1.7% of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% of average salary for all years 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.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

2. TRA Benefits

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

Two methods are used to compute benefits for TRA's Coordinated and Basic Plan members. Members first employed before July 1, 1989, receive the greater of the Tier I or Tier II benefits as described.

**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. TRA Benefits (Continued)

Tier 1 Benefits

Tier 1	Step Rate Formula	Percentage
Basic	First Ten Years of Service	2.2% per Year
	All Years After	2.7% per Year
Coordinated	First Ten Years if Service Years Are Up to July 1, 2006	1.2% per Year
	First Ten Years if Service Years Are July 1, 2006 or After	1.4% per Year
	All Other Years of Service if Service Years Are Up to July 1, 2006	1.7% per Year
	All Other Years of Service if Service Years Are July 1, 2006 or After	1.9% per Year

With these provisions:

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

or

Tier II Benefits

For years of service prior to July 1, 2006, a level formula of 1.7% per year for coordinated members and 2.7% per year for basic members. For years of service July 1, 2006 and after, a level formula of 1.9% per year for Coordinated members and 2.7% for Basic members applies. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under Minnesota Statutes. 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.

**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

C. Contributions

1. GERF Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature. Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2020 and the School was required to contribute 7.50% for Coordinated Plan members. The School's contributions to the General Employees Fund for the year ended June 30, 2020, were \$22,984. 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:

	2020		2019	
	Employee	Employer	Employee	Employer
Basic	11.00%	11.92%	11.00%	11.71%
Coordinate	7.50%	7.92%	7.50%	7.71%

The School's contributions to TRA for the plan's fiscal year ended June 30, 2020 were \$74,412. 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, 2020, the School reported a liability of \$226,680 for its proportionate share of the GERF's net pension liability. The School's net pension liability reflected a reduction due to the state of Minnesota's contribution of \$16 million to the fund in 2019. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the School totaled \$7,000, for a total net pension liability of \$233,680 associated with the School. The net pension liability was measured as of June 30, 2019, 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, 2018 through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. As of the June 30, 2019 measurement date, the School's proportion was .0041%, which is a decrease from its proportion of .0046% measured as of June 30, 2018.

**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. GERF Pension Costs (Continued)

For the year ended June 30, 2020, the School recognized pension expense of \$27,321 for its proportionate share of GERF's pension expense. In addition, the School also recognized \$524 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of \$16 million to the General Employees Fund.

At June 30, 2020, 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	\$ 6,282	\$ -
Changes in Actuarial Assumptions	-	17,817
Net Difference Between Projected and Actual Earnings on Plan Investments	-	22,977
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	6,097	26,555
School Contributions Subsequent to the Measurement Date	22,984	-
Total	<u>\$ 35,363</u>	<u>\$ 67,349</u>

A total of \$22,984 reported as deferred outflows of resources related to pensions resulting from School contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

Year Ending June 30.	Pension Expense Amount
2021	\$ (15,384)
2022	(27,635)
2023	(12,316)
2024	365

**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Pension Costs

At June 30, 2020, the School reported a liability of \$1,000,721 for its proportionate share of TRA's net pension liability. The net pension liability was measured as of June 30, 2019, 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 0.0157% at the end of the measurement period and 0.0160% 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	\$ 1,000,721
State's Proportionate Share of the Net Pension Liability Associated with the School	88,616
Total	\$ 1,089,337

For the year ended June 30, 2020, the School recognized pension expense of \$460,245. In addition, the School also recognized pension expense of \$6,732 for its proportionate share of support provided by direct aid.

**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Pension Costs (Continued)

At June 30, 2020, 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	\$ 142	\$ 24,303
Changes in Actuarial Assumptions	842,149	1,327,593
Net Difference Between Projected and Actual		
Earnings on Plan Investments	-	82,910
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	115,203	26,080
School Contributions Subsequent to the Measurement Date	74,412	-
Total	<u>\$ 1,031,906</u>	<u>\$ 1,460,886</u>

A total of \$74,412 reported as deferred outflows of resources related to pensions resulting from School contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to TRA will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2021	\$ 84,913
2022	22,374
2023	(356,675)
2024	(246,985)
2025	(7,019)

The School recognized a total pension expense of \$494,822 for all of the pension plans in which it participates. This includes an expense of \$6,732 for TRA and pension expense of \$524 in GERF, related to direct aid recognized as pension expense.

**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Actuarial Assumptions

The total pension liability in the June 30, 2020, actuarial valuation was determined using the following actuarial assumptions:

Assumptions	GERF	TRA
Inflation	2.50% per Year	2.50% 2.85% before July 1, 2028 and 3.25% Thereafter
Active Member Payroll Growth	3.25% per Year	3.25% Thereafter
Investment Rate of Return	7.50%	7.50%

PERA Salary increases were based on a service-related table. PERA mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. PERA cost of living benefit increases after retirement for retirees are assumed to be 1.25% per year for the General Employees Plan.

TRA pre-retirement mortality rates were based on the RP-2014 white collar employee table, male rates set back 6 years and female rates set back 5 years. Generational projection uses the MP-2015 scale. Post-retirement mortality rates were based on the RP-2014 white collar annuitant table, male rates set back 3 years and female rates set back 3 years, with further adjustments of the rates. Generational projection uses the MP-2015 scale. Post-disability mortality rates were based on the RP-2014 disabled retiree mortality table, without adjustment. TRA cost of living benefit increases 1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually.

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions for General Employees Fund occurred in 2019:

- The morality projection scale was changed from MP-2017 to MP-2018.
- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

The following changes in actuarial assumptions for TRA occurred in 2019:

- The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 6 years, (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.
- The single discount rate was changed from 5.12% to 7.5%

**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	35.5 %	5.10 %
Private Markets	25.0 %	5.90 %
Fixed Income	20.0 %	0.75 %
International Equity	17.5 %	5.90 %
Cash Equivalents	2.0 %	0.00%
Totals	<u>100 %</u>	

F. Discount Rate

The discount rate used to measure the PERA General Employees Plan liability in 2019 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The discount rate used to measure the TRA pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee contribution will be made at the fiscal year 2019 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

G. Pension Liability Sensitivity

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

Description	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
<u>GERF Discount Rate</u>	6.50%	7.50%	8.50%
School's Proportionate Share of the GERF Net Pension Liability	\$ 372,649	\$ 226,680	\$ 106,153
<u>TRA Discount Rate</u>	6.50%	7.50%	8.50%
School's Proportionate Share of the TRA Net Pension Liability	\$ 1,595,394	\$ 1,000,721	\$ 510,422

H. Pension Plan Fiduciary Net Position

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

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, by writing to TRA at 60 Empire Drive, Suite 400, St. Paul, Minnesota, 55103-4000; or by calling (651) 296-2409 or 1-800-657-3669.

NOTE 6 COMMITMENTS AND CONTINGENCIES

A. Federal and State Programs

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

**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

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. Lease was amended, effective July 1, 2014, moving forward for remaining term of the original lease agreement annual lease charges will be \$262,500. Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 262,500
2022	262,500
2023	262,500
2024	262,500
2025	262,500
2026-2030	<u>1,312,500</u>
Total Minimum Lease Payments	<u><u>\$ 2,625,000</u></u>

For fiscal 2020, the School qualified for state charter school lease aid of \$262,500 based on 90% of the state-approved lease expenditures. Such aid entitlement is expected to be prorated if statewide appropriations are insufficient to fully fund the charter school lease aid entitlements. The total amount of rent paid by the School to under the terms of the lease agreement was \$262,500 for fiscal 2020.

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.

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 SIX MEASUREMENT PERIODS ***

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

	Measurement Date June 30,					
	2019	2018	2017	2016	2015	2014
School's Proportion of the Net Pension Liability	0.0157%	0.0160%	0.0148%	0.0147%	0.0141%	0.0152%
School's Proportionate Share of the Net Pension Liability	\$ 1,000,721	\$ 1,006,969	\$ 2,954,348	\$ 3,506,301	\$ 872,225	\$ 700,405
State's Proportionate Share of the Net Pension Liability Associated with School	88,616	94,400	285,048	352,474	106,787	49,366
Total	<u>\$ 1,089,337</u>	<u>\$ 1,101,369</u>	<u>\$ 3,239,396</u>	<u>\$ 3,858,775</u>	<u>\$ 979,012</u>	<u>\$ 749,771</u>
School's Covered Payroll	\$ 901,297	\$ 888,360	\$ 784,040	\$ 765,680	\$ 720,147	\$ 704,214
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	111.03%	113.35%	376.81%	457.93%	121.20%	99.46%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.21%	78.07%	51.57%	44.88%	76.80%	81.50%

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

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

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

	Fiscal Year Ended June 30,						
	2020	2019	2018	2017	2016	2015	2014
Statutorily Required Contribution	\$ 74,412	\$ 69,490	\$ 66,627	\$ 58,803	\$ 57,426	\$ 54,011	\$ 49,295
Contributions in Relation to the Statutorily Required Contribution	(74,412)	(69,490)	(66,627)	(58,803)	(57,426)	(54,011)	(49,295)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's Covered Payroll	\$ 965,136	\$ 901,297	\$ 888,360	\$ 784,040	\$ 765,680	\$ 720,147	\$ 704,214
Contributions as a Percentage of Covered Payroll	7.92%	7.71%	7.50%	7.50%	7.50%	7.50%	7.00%

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

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

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

	Measurement Date June 30,					
	2019	2018	2017	2016	2015	2014
School's Proportion of the Net Pension Liability	0.0041%	0.0046%	0.0047%	0.0043%	0.0041%	0.0049%
School's Proportionate Share of the Net Pension Liability	\$ 226,680	\$ 255,189	\$ 300,045	\$ 349,139	\$ 212,485	\$ 230,178
State's Proportionate Share of the Net Pension Liability Associated with School	7,000	8,457	3,752	4,606	-	-
Total	<u>\$ 233,680</u>	<u>\$ 263,646</u>	<u>\$ 303,797</u>	<u>\$ 353,745</u>	<u>\$ 212,485</u>	<u>\$ 230,178</u>
School's Covered Payroll	287,533	304,080	235,867	274,440	243,525	256,924
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	78.84%	83.92%	127.21%	127.22%	87.25%	89.59%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.20%	79.53%	75.90%	68.90%	78.20%	78.70%

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

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

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

	Fiscal Year Ended June 30,						
	2020	2019	2018	2017	2016	2015	2014
Statutorily Required Contribution	\$ 22,984	\$ 21,565	\$ 22,806	\$ 17,690	\$ 20,583	\$ 17,960	\$ 18,627
Contributions in Relation to the Statutorily Required Contribution	(22,984)	(21,565)	(22,806)	(17,690)	(20,583)	(17,960)	(18,627)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's Covered Payroll	\$ 306,453	\$ 287,533	\$ 304,080	\$ 235,867	\$ 274,440	\$ 243,525	\$ 256,924
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%	7.50%	7.375%	7.25%

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

SUPPLEMENTARY INFORMATION

**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS
COMPLIANCE TABLE
JUNE 30, 2020**

	AUDIT	UFARS	DIFFERENCE
01 GENERAL FUND			
Total Revenue	\$ 2,200,559	\$ 2,200,559	\$ -
Total Expenditures	2,168,517	2,168,516	1
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	20,126	20,126	-
<i>Restricted:</i>			
403 Staff Development	-	-	-
405 Deferred Maintenance	-	-	-
406 Health and Safety	-	-	-
407 Capital Project Levy	-	-	-
408 Cooperative Programs	-	-	-
413 Projects Funded by COP	-	-	-
414 Operating Debt	-	-	-
416 Levy Reduction	-	-	-
417 Taconite Building Maintenance	-	-	-
424 Operating Capital	-	-	-
426 \$25 Taconite	-	-	-
427 Disabled Accessibility	-	-	-
428 Learning and Development	-	-	-
434 Area Learning Center	-	-	-
435 Contracted Alternative Programs	-	-	-
436 State-Approved Alternative Programs	-	-	-
438 Gifted and Talented	-	-	-
440 Teacher Development and Evaluations	-	-	-
441 Basic Skills Programs	-	-	-
445 Career and Technical Programs	-	-	-
448 Achievement and Integration	-	-	-
449 Sage Schools Crime Levy	-	-	-
451 QZAB Payments	-	-	-
452 OPEB Liability Not Held in Trust	-	-	-
453 Unfunded Severance & Retirement Levy	-	-	-
464 Restricted Fund Balance	-	-	-
<i>Committed:</i>			
418 Committed for Separation	-	-	-
461 Committed Fund Balance	-	-	-
<i>Assigned:</i>			
462 Assigned Fund Balance	-	-	-
<i>Unassigned:</i>			
422 Unassigned Fund Balance	694,607	694,607	-
02 FOOD SERVICE			
Total Revenue	49,579	49,579	-
Total Expenditures	51,078	51,078	-
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	-	-	-
<i>Restricted:</i>			
452 OPEB Liability Not Held in Trust	-	-	-
464 Restricted Fund Balance	411	411	-
<i>Unassigned:</i>			
463 Unassigned Fund Balance	-	-	-
04 COMMUNITY SERVICE			
Total Revenue	45,341	45,341	-
Total Expenditures	55,436	55,435	1
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	-	-	-
<i>Restricted:</i>			
426 \$25 Taconite	-	-	-
431 Community Education	-	-	-
432 E.C.F.E.	-	-	-
440 Teacher Development and Evaluations	-	-	-
444 School Readiness	-	-	-
447 Adult Basic Education	-	-	-
452 OPEB Liability Not Held in Trust	-	-	-
464 Restricted Fund Balance	32,294	32,294	-
<i>Unassigned:</i>			
463 Unassigned Fund Balance	-	-	-

OTHER REQUIRED REPORTS



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Prairie Creek Community School, as of and for the year ended June 30, 2020, 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 August 23, 2020.

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
August 23, 2020



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, 2020, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated August 23, 2020.

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

In connection with our audit, nothing came to our attention that caused us to believe that Prairie Creek Community School failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Charter Schools*, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding Prairie Creek Community School's noncompliance with the above-referenced provisions, insofar as they relate to accounting matters.

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
August 23, 2020