

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2021



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CHARTER SCHOOL NO. 4090
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YEAR ENDED JUNE 30, 2021**

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INTRODUCTORY SECTION

**PRAIRIE CREEK COMMUNITY SCHOOL
 CHARTER SCHOOL NO. 4090
 SCHOOL BOARD AND ADMINISTRATION
 JUNE 30, 2021**

SCHOOL BOARD

NAME	TERM EXPIRES	BOARD POSITION
Ben Miller	6/30/21	Board Chair
Bonnie Jean Flom	6/30/21	Vice-Chair
Lisa Percy	6/30/21	Secretary
Kelsey Fitschen-Hemmah	6/30/23	Treasurer
Don Findlay	6/30/22	Trustee
Molly Wills	6/30/22	Trustee
Beth Molitor	6/30/23	Trustee
Christine Williams	6/30/23	Trustee
Shelly Dickenson	6/30/22	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

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, 2021, 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, 2021, 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 2020 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities and each major fund in our report dated August 23, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 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 relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2021, on our consideration of Prairie Creek Community School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Prairie Creek Community School's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
October 7, 2021

REQUIRED SUPPLEMENTARY INFORMATION

**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

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, 2021. Please read it in conjunction with the School's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2020-2021 fiscal year include the following:

- Overall General Fund revenues were \$2,219,452 as compared to \$2,180,897 of expenditures. The General Fund also had \$333,337 in other financing sources related to proceeds received from a paycheck protection program loan.
- The fund balance for the General Fund increased by \$371,892 from the prior year. Revenues and expenditures of the General Fund increased by 0.9% and 0.6%, respectively, from the previous year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of three parts – Independent Auditors' Report, required supplementary information which includes the management's discussion and analysis (this section) and the basic financial statements. 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, 2021**

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, 2021**

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Position

Prairie Creek Community School's *combined* net position was a deficit of \$453,823 on June 30, 2021 (see Table A-1).

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

	Governmental Activities as of June 30,		Percentage Change
	2021	2020	
Current and Other Assets	\$ 1,300,744	\$ 918,079	41.68 %
Capital Assets	228,895	253,193	(9.60)
Total Assets	<u>1,529,639</u>	<u>1,171,272</u>	30.60
Deferred Outflows of Resources	692,144	1,067,269	(35.15)
Current Liabilities	176,905	170,641	3.67
Long-Term Liabilities	1,439,906	1,227,401	17.31
Total Liabilities	<u>1,616,811</u>	<u>1,398,042</u>	15.65
Deferred Inflows of Resources	<u>1,058,795</u>	<u>1,528,235</u>	(30.72)
Net Position:			
Investment in Capital Assets	228,895	253,193	(9.60)
Restricted	37,214	32,705	13.79
Unrestricted	<u>(719,932)</u>	<u>(973,634)</u>	(26.06)
Total Net Position	<u>\$ (453,823)</u>	<u>\$ (687,736)</u>	(34.01)

**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

Changes in Net Position

The School's total revenues were \$2,661,092 for the year ended June 30, 2021. Unrestricted state formula aid accounted for 49.4% of total revenue for the year (see Figure A-1). Program revenue accounted for 35.1% of total revenue for the year. Another 15.5% came from other general revenues combined, investment earnings, and the Paycheck Protection Plan loan forgiveness.

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

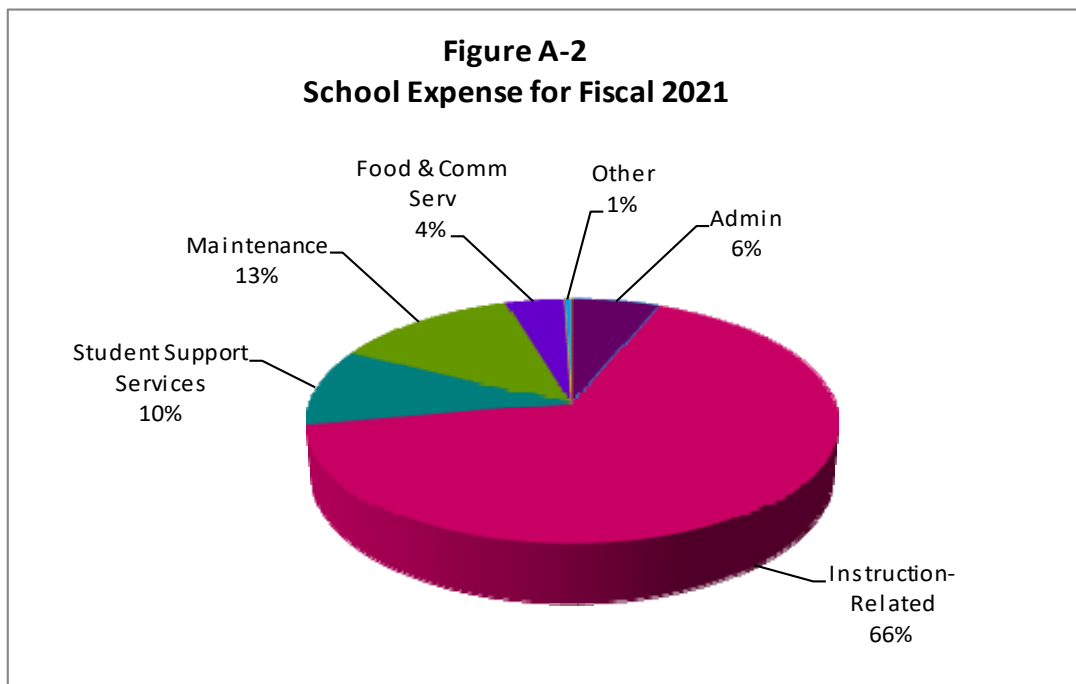
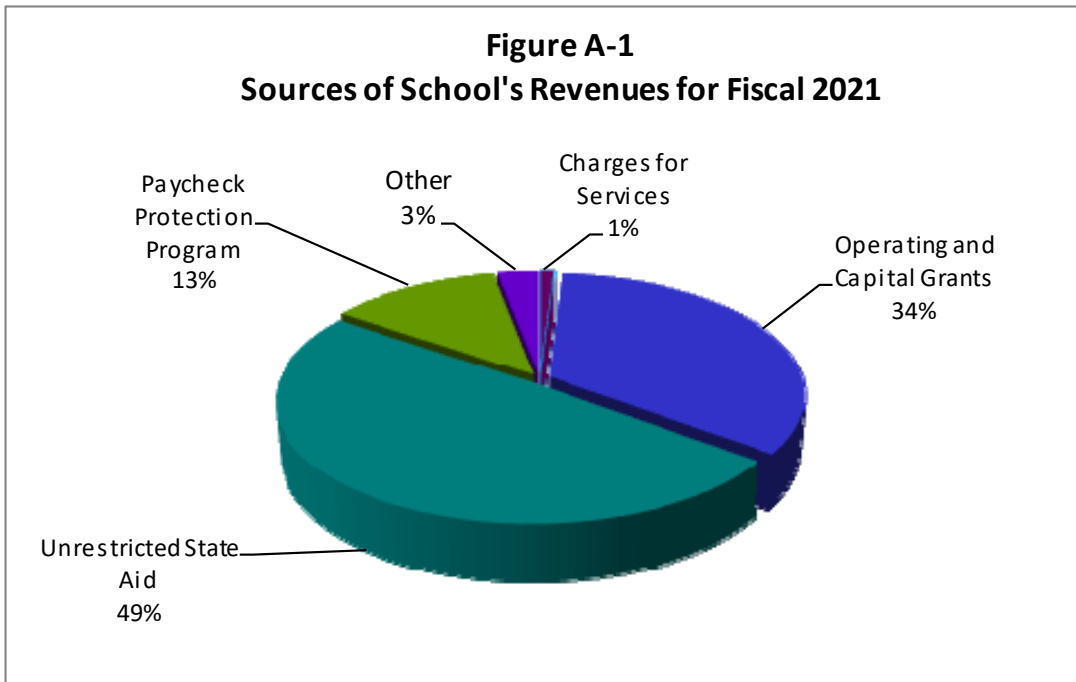
	Governmental Activities for the Fiscal Year Ended June 30,		Percentage Change
	2021	2020	
Revenues			
<u>Program Revenues</u>			
Charges for Services	\$ 26,583	\$ 95,107	(72.05)%
Operating Grants and Contributions	908,416	804,517	12.91
<u>General Revenues</u>			
Unrestricted State Aid	1,313,794	1,290,503	1.80
Unrestricted Federal Aid	333,337	-	100.00
Investment Earnings	7,978	7,268	9.77
Other	70,984	99,730	(28.82)
Total Revenues	<u>2,661,092</u>	<u>2,297,125</u>	15.84
Expenses			
Administration	149,709	143,439	4.37
District Support Services	188,630	185,659	1.60
Regular Instruction	1,079,516	1,125,712	(4.10)
Special Education Instruction	523,199	533,718	(1.97)
Instructional Support Services	26,650	10,919	144.07
Pupil Support Services	32,724	21,667	51.03
Sites and Buildings	314,314	312,283	0.65
Fiscal and Other Fixed Cost Programs	11,808	9,385	25.82
Food Service	43,171	51,078	(15.48)
Community Service	57,458	53,116	8.17
Total Expenses	<u>2,427,179</u>	<u>2,446,976</u>	(0.81)
Change in Net Position	233,913	(149,851)	
Net Position - Beginning of Year	<u>(687,736)</u>	<u>(537,885)</u>	
Net Position - End of Year	<u>\$ (453,823)</u>	<u>\$ (687,736)</u>	\$ 233,913

Total revenues exceeded expenses, increasing net position by \$233,913 during the current fiscal year. Revenues increased \$363,967 from the prior year mainly due to unrestricted aid received in the form of a paycheck protection loan which was forgiven. Total expenses remained similar to the prior year.

**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

The cost of all *governmental* activities this year was \$2,427,179.

- Some of the cost was paid by the users of the Prairie Creek Community School's programs (\$26,583).
- The federal and state governments subsidized certain programs with restricted grants (\$908,416).
- 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, 2021**

All governmental funds include 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
	2021	2020		2021	2020	
Administration	\$ 149,709	\$ 143,439	4.37 %	\$ 148,836	\$ 142,826	4.21 %
District Support Services	188,630	185,659	1.60	188,630	185,462	1.71
Regular Instruction	1,079,516	1,125,712	(4.10)	1,025,276	1,083,139	(5.34)
Special Education Instruction	523,199	533,718	(1.97)	48,656	65,410	(25.61)
Instructional Support Services	26,650	10,919	144.07	(13,148)	(17,028)	(22.79)
Pupil Support Services	32,724	21,667	51.03	32,471	21,667	49.86
Sites and Buildings	314,314	312,283	0.65	54,304	47,269	14.88
Fiscal and Other Fixed Cost Programs	11,808	9,385	25.82	11,808	9,385	25.82
Food Service	43,171	51,078	(15.48)	(7,062)	1,499	(571.11)
Community Service	57,458	53,116	8.17	2,409	7,723	(68.81)
Total	<u>\$ 2,427,179</u>	<u>\$ 2,446,976</u>	(0.81)	<u>\$ 1,492,180</u>	<u>\$ 1,547,352</u>	(3.57)

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 \$1,123,838, which was \$376,401 higher than last year's ending fund balance of \$747,438.

Revenues for the School's governmental funds were \$2,324,734 while total governmental funds expenditures were \$2,281,670.

GENERAL FUND

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

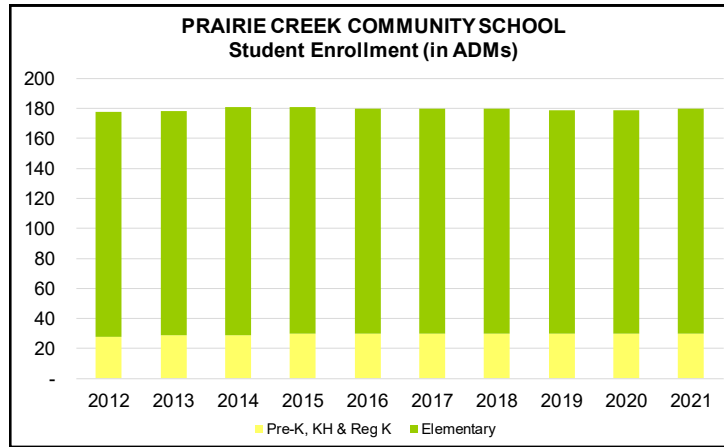
Approximately 90% of General Fund operational revenue is controlled by a complex set of state funding formulas resulting in the local school board having no meaningful authority to determine the level of resources. This includes special education state aid that is based upon a cost reimbursement model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

**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

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 180. The School has a waiting list of students wishing to attend the School and, therefore, performs lottery drawings annually for available spaces.

**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

The following schedule presents a summary of General Fund Revenues.

**Table A-5
General Fund Revenues**

	Year Ended		Change	
	June 30, 2021	June 30, 2020	Increase (Decrease)	Percent Change
Local Sources:				
Earnings on Investments	\$ 7,978	\$ 7,268	\$ 710	9.8 %
Other	75,547	122,782	(47,235)	(38.5)
State Sources	2,024,511	1,991,263	33,248	1.7
Federal Sources	111,416	79,246	32,170	40.6
Total General Fund Revenue	<u>\$ 2,219,452</u>	<u>\$ 2,200,559</u>	<u>\$ 18,893</u>	0.9

Total General Fund Revenue increased by \$18,893 or 0.9% from the previous year mainly due to increased special education reimbursements and federal sources, which was offset by a decrease in other sources.

The following schedule presents a summary of General Fund Expenditures.

**Table A-6
General Fund Expenditures**

	Year Ended		Change	
	June 30, 2021	June 30, 2020	Increase (Decrease)	Percent Change
Salaries	\$ 1,221,080	\$ 1,208,969	\$ 12,111	1.0 %
Employee Benefits	356,702	350,385	6,317	1.8
Purchased Services	475,967	526,300	(50,333)	(9.6)
Supplies and Materials	87,429	41,842	45,587	109.0
Capital Expenditures	8,326	10,416	(2,090)	(20.1)
Other Expenditures	31,393	30,605	788	2.6
Total General Fund Expenditures	<u>\$ 2,180,897</u>	<u>\$ 2,168,517</u>	<u>\$ 12,380</u>	0.6

Total General Fund Expenditures increased \$12,380 or 0.6% from the previous year.

**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

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 \$28,499 (1.30%) more than expected. The actual expenditures were \$18,802 more than budgeted for a (0.87%) variance. While the budget had reflected a surplus of \$28,858 for the year the actual results reflected a net surplus of a \$371,892 increase in ending fund balance for a net variance of \$343,034.

OTHER MAJOR FUNDS

Actual expenditures of \$43,171 were below actual revenues of \$50,233 in the Food Service Fund resulting in a net surplus of \$7,062.

Expenditures exceeded revenues in the Community Service Fund by \$2,553.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2021, the Prairie Creek Community School had invested \$597,945 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 \$29,254.

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

	2021	2020	Percentage Change
Leasehold Improvements	\$ 419,566	\$ 419,566	-
Furniture and Equipment	178,379	185,733	(4.0)
Less: Accumulated Depreciation	(369,050)	(352,106)	4.8
Total Capital Assets	\$ 228,895	\$ 253,193	(9.6)

**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

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**

	2021	2020	Percentage Change
Net Pension Liability	<u>\$ 1,439,906</u>	<u>\$ 1,227,401</u>	17.3 %

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, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2020)**

	Governmental Activities	
	2021	2020
ASSETS		
Cash	\$ 1,083,368	\$ 680,561
Receivables:		
Due From Other Governments	197,922	217,392
Prepaid Items	19,454	20,126
Capital Assets, Net of Depreciation	228,895	253,193
Total Assets	1,529,639	1,171,272
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows - Pensions	692,144	1,067,269
 LIABILITIES		
Salaries Payable	166,823	167,346
Accounts and Contracts Payable	10,082	3,295
Net Pension Liability	1,439,906	1,227,401
Total Liabilities	1,616,811	1,398,042
 DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows - Pensions	1,058,795	1,528,235
 NET POSITION		
Investment in Capital Assets	228,895	253,193
Restricted for:		
Food Service	7,473	411
Community Service	29,741	32,294
Unrestricted	(719,932)	(973,634)
Total Net Position	\$ (453,823)	\$ (687,736)

See accompanying Notes to Basic Financial Statements.

**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2020)**

Functions	2021			2020	
	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	\$ 149,709	\$ -	\$ 873	\$ (148,836)	\$ (142,826)
District Support Services	188,630	-	-	(188,630)	(185,462)
Regular Instruction	1,079,516	2,687	51,553	(1,025,276)	(1,083,139)
Special Education Instruction	523,199	-	474,543	(48,656)	(65,410)
Instructional Support Services	26,650	-	39,798	13,148	17,028
Pupil Support Services	32,724	-	253	(32,471)	(21,667)
Sites and Buildings	314,314	-	260,010	(54,304)	(47,269)
Fiscal and Other Fixed Cost Programs	11,808	-	-	(11,808)	(9,385)
Food Service	43,171	-	50,233	7,062	(1,499)
Community Service	57,458	23,896	31,153	(2,409)	(7,723)
Total School District	<u>\$ 2,427,179</u>	<u>\$ 26,583</u>	<u>\$ 908,416</u>	(1,492,180)	(1,547,352)
General Revenues					
State Aid Not Restricted to Specific Purposes				1,313,794	1,290,503
Earnings on Investments				7,978	7,268
Other				70,984	99,730
Unrestricted Federal Aid				333,337	-
Total General Revenues				<u>1,726,093</u>	<u>1,397,501</u>
Change in Net Position				233,913	(149,851)
Net Position - Beginning of Year				<u>(687,736)</u>	<u>(537,885)</u>
Net Position - End of Year				<u>\$ (453,823)</u>	<u>\$ (687,736)</u>

See accompanying Notes to Basic Financial Statements.

**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2020)**

	Major Funds			Total Governmental	
	General	Food Service	Community Service	2021	2020
ASSETS					
Cash	\$ 1,046,154	\$ 7,473	\$ 29,741	\$ 1,083,368	\$ 680,561
Receivables:					
Due from Minnesota Department of Education	197,922	-	-	197,922	217,392
Prepaid Items	19,454	-	-	19,454	20,126
Total Assets	<u>\$ 1,263,530</u>	<u>\$ 7,473</u>	<u>\$ 29,741</u>	<u>\$ 1,300,744</u>	<u>\$ 918,079</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Salaries Payable	\$ 135,130	\$ -	-	\$ 135,130	\$ 136,742
Payroll Deductions and Employer Contributions Payable	31,693	-	-	31,693	30,604
Accounts and Contracts Payable	10,082	-	-	10,082	3,295
Total Liabilities	176,905	-	-	176,905	170,641
Fund Balance:					
Nonspendable:					
Prepaid Items	19,454	-	-	19,454	20,126
Restricted for:					
Food Service	-	7,473	-	7,473	411
Community Service	-	-	29,741	29,741	32,294
Unassigned	1,067,171	-	-	1,067,171	694,607
Total Fund Balance	<u>1,086,625</u>	<u>7,473</u>	<u>29,741</u>	<u>1,123,839</u>	<u>747,438</u>
Total Liabilities and Fund Balance	<u>\$ 1,263,530</u>	<u>\$ 7,473</u>	<u>\$ 29,741</u>	<u>\$ 1,300,744</u>	<u>\$ 918,079</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, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2020)**

	2021	2020
Total Fund Balance for Governmental Funds	\$ 1,123,839	\$ 747,438
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Leasehold Improvements, Net of Accumulated Depreciation	199,297	220,275
Equipment, Net of Accumulated Depreciation	29,598	32,918
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:		
Net Pension Liability	(1,439,906)	(1,227,401)
Deferred Inflows of Resources - Pensions	(1,058,795)	(1,528,235)
Deferred Outflows of Resources - Pensions	692,144	1,067,269
Total Net Position of Governmental Activities	\$ (453,823)	\$ (687,736)

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, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2020)**

	Major Funds			Total Governmental Funds	
	General	Food Service	Community Service	2021	2020
REVENUES					
Local Sources:					
Earnings and Investments	\$ 7,978	\$ -	\$ -	\$ 7,978	\$ 7,268
Other	75,547	-	23,896	99,443	200,786
State Sources	2,024,511	-	-	2,024,511	1,996,232
Federal Sources	111,416	50,233	31,153	192,802	91,193
Total Revenues	<u>2,219,452</u>	<u>50,233</u>	<u>55,049</u>	<u>2,324,734</u>	<u>2,295,479</u>
EXPENDITURES					
Current:					
Administration	136,690	-	-	136,690	130,525
District Support Services	194,105	-	-	194,105	183,909
Elementary and Secondary Regular Instruction	973,928	-	-	973,928	988,379
Special Education Instruction	485,767	-	-	485,767	504,050
Instructional Support Services	26,650	-	-	26,650	10,919
Pupil Support Services	28,949	-	-	28,949	18,651
Sites and Buildings	314,674	-	-	314,674	312,283
Fiscal and Other Fixed Cost Programs	11,808	-	-	11,808	9,385
Food Service	-	43,171	-	43,171	51,078
Community Service	-	-	57,602	57,602	51,636
Capital Outlay	8,326	-	-	8,326	14,216
Total Expenditures	<u>2,180,897</u>	<u>43,171</u>	<u>57,602</u>	<u>2,281,670</u>	<u>2,275,031</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	38,555	7,062	(2,553)	43,064	20,448
OTHER FINANCING SOURCES (USES)					
Paycheck Protection Loan Received	<u>333,337</u>	<u>-</u>	<u>-</u>	<u>333,337</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	371,892	7,062	(2,553)	376,401	20,448
FUND BALANCE					
Beginning of Year	<u>714,733</u>	<u>411</u>	<u>32,294</u>	<u>747,438</u>	<u>726,990</u>
End of Year	<u>\$ 1,086,625</u>	<u>\$ 7,473</u>	<u>\$ 29,741</u>	<u>\$ 1,123,839</u>	<u>\$ 747,438</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, 2021
 (WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2020)**

	2021	2020
Net Change in Fund Balance - Total Governmental Funds	\$ 376,401	\$ 20,448
<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	5,056	3,800
Depreciation Expense	(29,354)	(29,235)
<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>		
	(118,190)	(144,864)
Total	\$ 233,913	\$ (149,851)

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, 2021**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
REVENUES				
Local Sources:				
Earnings and Investments	\$ 6,500	\$ 7,500	\$ 7,978	\$ 478
Other	82,268	70,763	75,547	4,784
State Sources	1,976,855	2,000,832	2,024,511	23,679
Federal Sources	48,860	111,858	111,416	(442)
Total Revenues	<u>2,114,483</u>	<u>2,190,953</u>	<u>2,219,452</u>	<u>28,499</u>
EXPENDITURES				
Current:				
Administration	136,725	139,414	136,690	(2,724)
District Support Services	189,200	193,950	194,105	155
Elementary and Secondary Regular Instruction	982,385	969,555	973,928	4,373
Special Education Instruction	461,359	482,222	485,767	3,545
Instructional Support Services	6,700	28,654	26,650	(2,004)
Pupil Support Services	20,000	29,000	28,949	(51)
Sites and Buildings	322,500	302,500	314,674	12,174
Fiscal and Other Fixed Cost Programs	9,858	10,800	11,808	1,008
Capital Outlay	6,000	6,000	8,326	2,326
Total Expenditures	<u>2,134,727</u>	<u>2,162,095</u>	<u>2,180,897</u>	<u>18,802</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(20,244)	28,858	38,555	9,697
OTHER FINANCING SOURCES (USES)				
Paycheck Protection Program Loan Received	-	-	333,337	333,337
Transfers Out	(430)	-	-	-
Total Other Financing Sources (Uses)	<u>(430)</u>	<u>-</u>	<u>333,337</u>	<u>333,337</u>
NET CHANGE IN FUND BALANCE	<u>\$ (20,674)</u>	<u>\$ 28,858</u>	371,892	<u>\$ 343,034</u>
FUND BALANCE				
Beginning of Year			<u>714,733</u>	
End of Year			<u>\$ 1,086,625</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, 2021**

	<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 Meal Sales	\$ 39,733	\$ -	\$ -	\$ -
State Sources	6,161	-	-	-
Federal Sources	<u>16,226</u>	<u>44,000</u>	<u>50,233</u>	<u>6,233</u>
Total Revenues	62,120	44,000	50,233	6,233
EXPENDITURES				
Current:				
Food Service	<u>65,152</u>	<u>43,000</u>	<u>43,171</u>	<u>171</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,032)	1,000	7,062	6,062
OTHER FINANCING SOURCES (USES)				
Transfers In	<u>430</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u><u>\$ (2,602)</u></u>	<u><u>\$ 1,000</u></u>	7,062	<u><u>\$ 6,062</u></u>
FUND BALANCE				
Beginning of Year			<u>411</u>	
End of Year			<u><u>\$ 7,473</u></u>	

See accompanying Notes to Basic Financial Statements.

**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
MAJOR COMMUNITY SERVICE FUND
YEAR ENDED JUNE 30, 2021**

	<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	\$ 54,999	\$ 22,500	\$ 23,896	\$ 1,396
Federal Sources	-	31,153	31,153	-
Total Revenues	<u>54,999</u>	<u>53,653</u>	<u>55,049</u>	<u>1,396</u>
EXPENDITURES				
Current:				
Community Service	57,955	57,602	57,602	-
Capital Outlay	4,000	-	-	-
Total Expenditures	<u>61,955</u>	<u>57,602</u>	<u>57,602</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u><u>\$ (6,956)</u></u>	<u><u>\$ (3,949)</u></u>	<u>(2,553)</u>	<u><u>\$ 1,396</u></u>
FUND BALANCE				
Beginning of Year			<u>32,294</u>	
End of Year			<u><u>\$ 29,741</u></u>	

See accompanying Notes to Basic Financial Statements.

NOTES TO BASIC FINANCIAL STATEMENTS

**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

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. This contract was extended through the 2025-2026 school year. 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 11 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, 2021**

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 a 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. 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, 2021**

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, 2021**

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 2021, 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, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Budgeting (Continued)

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

	<u>Original Budget</u>	<u>Amendments</u>	<u>Amended Budget</u>
<u>Revenues</u>			
General Fund	\$ 2,114,483	\$ 76,470	\$ 2,190,953
Special Revenue Funds:			
Food Service Fund	62,120	(18,120)	44,000
Community Service Fund	54,999	(1,346)	53,653
<u>Expenditures</u>			
General Fund	\$ 2,134,727	\$ 27,368	\$ 2,162,095
Special Revenue Funds:			
Food Service Fund	65,152	(22,152)	43,000
Community Service Fund	61,955	(4,353)	57,602

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. The expenditure/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, 2021**

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 net 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 fund balance/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 net 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 fund balance/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, 2021**

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, 2021**

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, 2020, from which the summarized information was derived.

NOTE 2 STEWARDSHIP AND ACCOUNTABILITY

Budgeted amounts exceeded actual expenditures at June 30, 2021 as follows:

	Budget	Expenditures	Excess
General Fund	\$ 2,162,095	\$ 2,180,897	\$ 18,802
Special Revenue Funds:			
Food Service Fund	43,000	43,171	171

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, 2021**

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, 2021 totaled \$1,108,031, of which \$236,846 was not 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, 2021 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets, Being Depreciated:				
Leasehold Improvements	\$ 419,566	\$ -	\$ -	\$ 419,566
Equipment	<u>185,733</u>	<u>5,056</u>	<u>(12,410)</u>	<u>178,379</u>
Total Capital Assets, Being Depreciated	605,299	5,056	(12,410)	597,945
Accumulated Depreciation for:				
Leasehold Improvements	(199,291)	(20,978)	-	(220,269)
Equipment	<u>(152,815)</u>	<u>(8,376)</u>	<u>12,410</u>	<u>(148,781)</u>
Total Accumulated Depreciation	<u>(352,106)</u>	<u>(29,354)</u>	<u>12,410</u>	<u>(369,050)</u>
Governmental Activities Capital Assets, Net	<u>\$ 253,193</u>	<u>\$ (24,298)</u>	<u>\$ -</u>	<u>\$ 228,895</u>

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

Governmental Activities	
Regular Instruction	\$ 27,182
Special Education Instruction	110
Community Service	<u>2,062</u>
Total Depreciation Expense, Governmental Activities	<u>\$ 29,354</u>

**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 5 DEFINED BENEFIT PENSION PLANS

A. Plan Description

The School participates in the following cost-sharing multiple-employer 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, Chapters 353 and 356. 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 multiemployer, 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, 2021**

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% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. 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, 2021**

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.

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

**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

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 2021 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, 2021, were \$24,576. 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 the current fiscal year were:

	2021	
	Employee	Employer
Basic	11.00%	12.13%
Coordinate	7.50%	8.13%

The School's contributions to TRA for the plan's fiscal year ended June 30, 2021 were \$76,592. 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, 2021, the School reported a liability of \$257,805 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. 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 \$7,891, for a total net pension liability of \$265,696 associated with the School. The net pension liability was measured as of June 30, 2020, 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, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The School's proportionate share was 0.0043% at the end of the measurement period and 0.0041% for the beginning of the period.

**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. GERF Pension Costs (Continued)

For the year ended June 30, 2021, the School recognized pension expense of \$10,105 for its proportionate share of GERF's pension expense. In addition, the School also recognized \$687 as grant revenue for its proportionate share of the state of Minnesota's pension expense for the annual \$16 million contribution.

At June 30, 2021, 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	\$ 2,351	\$ 975
Changes in Actuarial Assumptions	-	9,558
Net Difference Between Projected and Actual Earnings on Plan Investments	4,454	-
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	9,556	17,167
School Contributions Subsequent to the Measurement Date	24,576	-
Total	<u>\$ 40,937</u>	<u>\$ 27,700</u>

A total of \$24,576 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, 2022. 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
2022	\$ (20,821)
2023	(4,834)
2024	8,087
2025	6,229

**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Pension Costs

At June 30, 2021, the School reported a liability of \$1,182,101 for its proportionate share of TRA's net pension liability. The net pension liability was measured as of June 30, 2020, 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 0.0160% at the end of the measurement period and 0.0157% 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	\$ 1,182,101
State's Proportionate Share of the Net Pension Liability Associated with the School	98,830
Total	\$ 1,280,931

For the year ended June 30, 2021, the School recognized pension expense of \$208,199. In addition, the School also recognized pension expense of \$9,075 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, 2021**

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Pension Costs (Continued)

At June 30, 2021, 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	\$ 23,706	\$ 17,900
Changes in Actuarial Assumptions	424,139	992,335
Net Difference Between Projected and Actual		
Earnings on Plan Investments	18,314	-
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	108,456	20,860
School Contributions Subsequent to the Measurement Date	76,592	-
Total	<u>\$ 651,207</u>	<u>\$ 1,031,095</u>

A total of \$76,592 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, 2022. 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
2022	\$ 55,836
2023	(330,321)
2024	(218,453)
2025	26,465
2026	9,993

The School recognized a total pension expense of \$228,066 for all of the pension plans in which it participates. This includes an expense of \$9,075 for TRA and pension expense of \$687 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, 2021**

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:

<u>Assumptions</u>	<u>GERF</u>	<u>TRA</u>
Inflation	2.25% per Year	2.50%
Active Member Payroll Growth	3.00% per Year	2.85% before July 1, 2028 and 3.25% Thereafter
Investment Rate of Return	7.50%	7.50%

PERA increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on Pub-2010 General Employee Mortality table for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25% per year for the General Employees Plan.

Actuarial assumptions used in the June 30, 2020 valuation were based on the results of actuarial experience studies. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation.

TRA pre-retirement mortality rates were based on the RP-2014 white-collar employee table, male rates set back five years and female rates set back seven years. Generational projection uses the MP-2015 scale. Postretirement mortality rates were based on the RP-2014 white-collar annuitant table, male rates set back three years, and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale. Post-disability utilizes the RP-2014 disabled retiree mortality table, without adjustment.

**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

The following changes in actuarial assumptions and plan provisions for PERA occurred in 2020:

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.
- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

The following changes in actuarial assumptions for TRA occurred in 2020:

- Assumed termination rates were changed to more closely reflect actual experience.
- The pre-retirement mortality assumption was changed to the RP-2014 white collar employee table, male rates set back five years and female rates set back seven years. Generational projection uses MP-2015 scale.
- Assumed form of annuity election proportions were changed to more closely reflect actual experience for female retirees.

**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

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 %	5.30 %
Cash Equivalents	2.0 %	- %
Totals	100 %	

F. Discount Rate

The discount rate used to measure the GERF pension liability in 2020 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 position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The discount rate used to measure the TRA pension liability was 7.50%. There was no change from the discount rate at the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contribution will be made at the fiscal year 2020 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, 2021**

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	\$ 413,171	\$ 257,805	\$ 129,640
<u>TRA Discount Rate</u>	6.50%	7.50%	8.50%
School's Proportionate Share of the TRA Net Pension Liability	\$ 1,809,785	\$ 1,182,101	\$ 664,922

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 OTHER LONG-TERM LIABILITIES

	June 30, 2020	Additions	Retirements	June 30, 2021	Principal Due Within One Year
Paycheck Protection Program Loan	\$ -	\$ 333,337	\$ 333,337	\$ -	\$ -

On February 19, 2021, the School received a loan from Community Resource Bank in the amount of \$333,337 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (PPP). The PPP loan bears interest at a fixed rate of 1.0% per annum, has a term of five years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the School fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. On June 11, 2021 the School received forgiveness of the loan from the SBA, thus removing any future liability to pay back the principal.

**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7 COMMITMENTS AND CONTINGENCIES (CONTINUED)

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.

B. Lease Commitments and Terms

During fiscal year 2009, the School signed a new lease effective July 1, 2009, with a 21-year period through June 30, 2030. The lease was amended, effective July 1, 2014, moving forward for the 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>
2022	\$ 262,500
2023	262,500
2024	262,500
2025	262,500
2026	262,500
2027-2031	<u>1,312,500</u>
Total Minimum Lease Payments	<u><u>\$ 2,625,000</u></u>

For fiscal 2021, 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 2021.

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 SEVEN MEASUREMENT PERIODS ***

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

	Measurement Date June 30,						
	2020	2019	2018	2017	2016	2015	2014
School's Proportion of the Net Pension Liability	0.0160%	0.0157%	0.0160%	0.0148%	0.0147%	0.0141%	0.0152%
School's Proportionate Share of the Net Pension Liability	\$ 1,182,101	\$ 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	98,830	88,616	94,400	285,048	352,474	106,787	49,366
Total	<u>\$ 1,280,931</u>	<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	\$ 939,545	\$ 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	125.82%	111.03%	113.35%	376.81%	457.93%	121.20%	121.20%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.48%	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 EIGHT FISCAL YEARS ***

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

	Fiscal Year Ended June 30,							
	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily Required Contribution	\$ 76,592	\$ 74,412	\$ 69,490	\$ 66,627	\$ 58,803	\$ 57,426	\$ 54,011	\$ 49,295
Contributions in Relation to the Statutorily Required Contribution	(76,592)	(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>	<u>\$ -</u>
School's Covered Payroll	\$ 942,091	\$ 939,545	\$ 901,297	\$ 888,360	\$ 784,040	\$ 765,680	\$ 720,147	\$ 704,214
Contributions as a Percentage of Covered Payroll	8.13%	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 SEVEN MEASUREMENT PERIODS ***

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

	Measurement Date June 30,						
	2020	2019	2018	2017	2016	2015	2014
School's Proportion of the Net Pension Liability	0.0043%	0.0041%	0.0046%	0.0047%	0.0043%	0.0041%	0.0049%
School's Proportionate Share of the Net Pension Liability	\$ 257,805	\$ 226,680	\$ 255,189	\$ 300,045	\$ 349,139	\$ 212,485	\$ 230,178
State's Proportionate Share of the Net Pension Liability Associated with School	7,891	7,000	8,457	3,752	4,606	-	-
Total	<u>\$ 265,696</u>	<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	306,453	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	84.13%	78.84%	83.92%	127.21%	127.22%	87.25%	87.25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.06%	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 EIGHT FISCAL YEARS ***

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

	Fiscal Year Ended June 30.							
	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily Required Contribution	\$ 24,576	\$ 22,984	\$ 21,565	\$ 22,806	\$ 17,690	\$ 20,583	\$ 17,960	\$ 18,627
Contributions in Relation to the Statutorily Required Contribution	(24,576)	(22,984)	(21,565)	(22,806)	(17,690)	(20,583)	(17,960)	(18,627)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School's Covered Payroll	\$ 327,680	\$ 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%	7.50%	7.375%	7.250%

* - 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
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the year ended June 30:

2020

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions

- The employer supplemental contribution was changed prospectively, decreased 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 REQUIRED SUPPLEMENTARY INFORMATION**

CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2018

Changes in Actuarial Assumption

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed postretirement benefit increase was changed from 1.0% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00% per year with a provision to increase to 2.50% upon attainment of 90.00% funding ratio to 50.00% of the Social Security Cost of Living Adjustment, not less than 1.00% and not more than 1.50% beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

Changes in Actuarial Assumption

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and nonvested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability and 3.0% for nonvested deferred member liability.
- The assumed postretirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5 % per year thereafter.

Changes in Plan Provisions

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The state's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2016

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2035 and 2.50% per year thereafter to 1.00% per year for all future years.
- The assumed investment return was changed from 7.90% to 7.50%. The single discount rate was changed from 7.90% to 7.50%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Actuarial Plan Provisions

- There have been no changes since the prior valuation.

2015

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2030 and 2.50% per year thereafter to 1.00% per year through 2035 and 2.50% per year thereafter.

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increase the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

The following changes were reflected in the valuation performed on behalf of the Teachers Retirement Association for the year ended June 30:

2020

Changes in Actuarial Assumptions

- Assumed termination rates were changed to more closely reflect actual experience.
- The pre-retirement mortality assumption was changed to the RP-2014 white collar employee table, male rates set back 5 years and female rates set back 7 years.
- Generational projection uses the MP-2015 scale. Assumed form of annuity election proportions were changed to more closely reflect actual experience for female retirees.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2019

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018

Changes in Actuarial Assumptions

- The investment return assumption was changed from 8.5% to 7.5%.
- The price inflation assumption was lowered from 3.0% to 2.5%.
- The payroll growth assumption was lowered from 3.5% to 3.0%.
- The wage inflation assumption (above price inflation) was reduced from 0.75% to 0.35% for the next 10 years, and 0.75% thereafter.
- The total salary increase assumption was adjusted by the wage inflation change.
- The amortization date for the funding of the Unfunded Actuarial Accrual Liability (UAAL) was reset to June 30, 2048 (30 years).
- The mechanism in the law that provided the TRA Board with some authority is set contribution rates was eliminated.

Changes in Plan Provisions

- 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 5 years, (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.

**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2017

Changes in Actuarial Assumptions

- The cost of living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
- Adjustment were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the nonvested inactive load increased from 4.0% to 9.0%.
- The investment return assumption was changed from 8.0% to 7.5%.
- The COLA was not assumed to increase to 2.5%, but remain at 2.0% for all future years.
- The price inflation assumption was lowered from 2.75% to 2.5%.
- The payroll growth assumption was lowered from 3.5% to 3.0%.
- The general wage growth assumption was lowered from 3.5% to 2.85% for ten years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2016

Changes in Actuarial Assumptions

- The cost of living adjustment was not assumed to increase (it remained at 2.0% for all future years).
- The price inflation assumption was lowered from 3.0% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes at some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP-2014 white collar employee table, male rates set back 6 years, and female rates set back 5 years. Generational projection uses the MP-2015 scale.
- The postretirement mortality assumption was changed to the RP-2014 while collar annuitant table, male rates set back 3 years and female rates set back 3 years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
- The post-disability mortality assumption was changed to the RP-2014 disabled retiree mortality table, without adjustments.
- Separate retirement assumptions for members hired before or after July 1, 1989 were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional forms of payment at retirement were made.

Changes in Plan Provisions

- There have been no changes since the prior valuation

**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2015

Changes in Actuarial Assumptions

- The cost of living adjustment was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2037.
- The investment return assumption was changed from 8.25% to 8.0%.

Changes in Plan Provisions

- The Duluth Teachers Retirement Fund Association was merged into TRA on June 30, 2015. This also resulted in a state-provided contribution stream of \$14.377 million until the System becomes fully funded.

2014

Changes in Actuarial Assumptions

- The cost of living adjustment was assumed to increase from 2.0% annually to 2.5% annually once the legally specified criteria was met. This was estimated to occur July 1, 2031.

Changes in Plan Provisions

- The increase in the postretirement benefit adjustment (COLA) will be made once the System is 90% funded (on a market value basis) in two consecutive years, rather than just one year.

SUPPLEMENTARY INFORMATION

**PRAIRIE CREEK COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4090
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS
COMPLIANCE TABLE
JUNE 30, 2021**

	AUDIT	UFARS	DIFFERENCE
01 GENERAL FUND			
Total Revenue	\$ 2,219,452	\$ 2,219,452	\$ -
Total Expenditures	2,180,897	2,180,898	(1)
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	19,454	19,454	-
<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	1,067,171	1,067,171	-
02 FOOD SERVICE			
Total Revenue	50,233	50,233	-
Total Expenditures	43,171	43,170	1
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	-	-	-
<i>Restricted:</i>			
452 OPEB Liability Not Held in Trust	-	-	-
464 Restricted Fund Balance	7,473	7,473	-
<i>Unassigned:</i>			
463 Unassigned Fund Balance	-	-	-
04 COMMUNITY SERVICE			
Total Revenue	55,049	55,049	-
Total Expenditures	57,602	57,602	-
<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	29,741	29,741	-
<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, 2021, and the related notes to the financial statements, which collectively comprise Prairie Creek Community School's basic financial statements, and have issued our report thereon dated October 7, 2021.

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) as a basis for designing 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



CliftonLarsonAllen LLP

Minneapolis, Minnesota
October 7, 2021



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, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated October 7, 2021.

In connection with our audit, we noted that Prairie Creek Community School failed to comply with provisions of the charter schools section of the *Minnesota Legal Compliance Audit Guide for Charter Schools*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters, as described in the Schedule of Findings and Responses as item 2021-001. Also, 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 uniform financial accounting and reporting standards section of the *Minnesota Legal Compliance Audit Guide for Charter Schools*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, 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 the School's noncompliance with the above-referenced provisions, insofar as they relate to accounting matters.

Prairie Creek Community School's written response to the legal compliance finding identified in our audit is described in the Schedule of Findings and Responses. Prairie Creek Community School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
October 7, 2021



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**PRAIRIE CREEK COMMUNITY SCHOOL
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2021**

FINDINGS – MINNESOTA LEGAL COMPLIANCE

CURRENT YEAR

FINDING: 2021-001 INSUFFICIENT COLLATERAL

CONDITION: Minnesota Statute 118A.03, subdivision 1 and 3, states that if a charter school desires to deposit an amount in excess of deposit insurance, it must obtain a bond or collateral which, when computed at its market value, shall be at least 10% more than the amount of the excess deposit. During our testing it was noted that the School had deposits in excess of the FDIC limit of \$250,000 and pledged collateral was not sufficient to total 110% of the uninsured balance.

RECOMMENDATION: We recommend the schoolwork with the bank to ensure that if they have deposits in excess of the FDIC limit of \$250,000, sufficient collateral be put in place.

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Findings:

There is no disagreement with the audit finding.

Actions Planned in Response to Finding:

During fiscal year 2022, the School will implement policies and procedures to ensure that there is proper collateral if the school desires to deposit an amount in excess of deposit insurance.

Official Responsible for Ensuring CAP:

The School's director will be responsible for implementing the CAP.

Planned Completion Date for CAP:

The School will implement the recommended changes by October 31, 2021.

Plan to Monitor Completion of CAP:

The Board of Education will be monitoring this corrective action plan.

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