

**PARTNERSHIP ACADEMY  
CHARTER SCHOOL NO. 4097**

**FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT**

For The Year Ended June 30, 2017

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**PARTNERSHIP ACADEMY  
 CHARTER SCHOOL NO. 4097  
 TABLE OF CONTENTS**

|   | <u>Reference</u> | <u>Page Number</u> |
|---|------------------|--------------------|
| <b>INTRODUCTORY SECTION</b>   |                  |                    |
| School Board and Administration   |                  | 3                  |
| <b>FINANCIAL SECTION</b>  |                  |                    |
| Independent Auditor's Report  |                  | 7                  |
| Management's Discussion and Analysis  |                  | 11                 |
| Basic Financial Statements:   |                  |                    |
| School-Wide Financial Statements:   |                  |                    |
| Statement of Net Position   | Statement 1      | 22                 |
| Statement of Activities   | Statement 2      | 23                 |
| Fund Financial Statements:  |                  |                    |
| Balance Sheet - Governmental Funds  | Statement 3      | 24                 |
| Statement of Revenues, Expenditures and Changes in Fund Balance -<br>Governmental Funds   | Statement 4      | 25                 |
| Notes to Financial Statements   |                  | 27                 |
| <b>REQUIRED SUPPLEMENTARY INFORMATION</b>   |                  |                    |
| Budgetary Comparison Schedule - General Fund  | Statement 5      | 46                 |
| Budgetary Comparison Schedule - Food Service Special Revenue Fund   | Statement 6      | 48                 |
| Schedule of Proportionate Share of Net Pension Liability  |                  | 49                 |
| Schedule of Pension Contributions   |                  | 50                 |
| Notes to RSI  |                  | 51                 |
| <b>INDIVIDUAL FUND FINANCIAL STATEMENTS</b>   |                  |                    |
| Balance Sheet - General Fund  | Statement 7      | 54                 |
| Balance Sheet - Food Service Special Revenue Fund   | Statement 8      | 55                 |
| Balance Sheet - Association Special Revenue Fund  | Statement 9      | 56                 |
| <b>SUPPLEMENTAL INFORMATION</b>   |                  |                    |
| Uniform Financial Accounting and Reporting Standards Compliance Table   | Schedule 1       | 58                 |
| <b>OTHER REQUIRED REPORTS</b>   |                  |                    |
| Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and<br>Other Matters Based on an Audit of Financial Statements Performed in Accordance with<br><i>Government Auditing Standards</i> |                  | 61                 |
| Minnesota Legal Compliance Report   |                  | 63                 |

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## **INTRODUCTORY SECTION**

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**BOARD OF DIRECTORS**

| Name                | Term on Board<br>Expires | Board Position   |
|---------------------|--------------------------|------------------|
| Robbie Burkhart     | October 31, 2019         | President        |
| Rubi Pliego Sanchez | October 31, 2017         | Vice President   |
| Teresa Bechtold     | October 31, 2018         | Treasurer        |
| Jessy Arnoldi       | October 31, 2019         | Secretary        |
| Frannie Becquer     | October 31, 2018         | Community Member |
| Vacant              |                          | Community Member |
| Vacant              |                          | Community Member |
| Vacant              |                          | Teacher          |
| Vacant              |                          | Parent           |

**ADMINISTRATION**

|                 |                     |
|-----------------|---------------------|
| Lisa Hendricks  | Executive Director  |
| The Anton Group | Contract Accountant |

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Partnership Academy  
Charter School No. 4097  
Richfield, Minnesota

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

We have audited the accompanying financial statements of the governmental activities and each major fund of Partnership Academy, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Partnership Academy'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.

### **Auditor's 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 auditor's 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 Partnership Academy, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited Partnership Academy's 2016 financial statements, and we expressed an unmodified audit opinion on the respective financial statements of the governmental activities and each major fund in our report dated November 17, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 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, budgetary comparison information, and pension information, 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Partnership Academy's basic financial statements. The introductory section and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Uniform Financial Accounting and Reporting Standards Compliance Table is presented as supplemental information as required by the Minnesota Department of Education and is also not part of the basic financial statements.

The individual fund financial statements and the Uniform Financial Accounting and Reporting Standards Compliance Table are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 individual fund financial statements and the Uniform Financial Accounting and Reporting Standards Compliance Table are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2017, on our consideration of Partnership Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Partnership Academy's internal control over financial reporting and compliance.

*Redpath and Company, Ltd.*

REDPATH AND COMPANY, LTD.  
St. Paul, Minnesota

November 29, 2017

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**PARTNERSHIP ACADEMY  
CHARTER SCHOOL NO. 4097  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

This section of Partnership Academy’s annual financial report presents our discussion and analysis of the School’s financial performance during the fiscal year that ended on June 30, 2017. Please read it in conjunction with the School’s financial statements, which immediately follow this section.

**Financial Highlights**

Key financial highlights for the 2016-2017 fiscal year include the following:

- Net position decreased by \$1,057,856 during the current year, from (\$1,615,670) at June 30, 2016 to (\$2,673,526) at June 30, 2017. \$1,052,853 of the current year decrease pertains to pension expense required to be recorded by GASB Statement No. 68.
- Overall General Fund revenues were \$5,578,543 as compared to \$5,469,036 of expenditures.
- Total fund balance of the General Fund increased by \$109,587.

**Overview of the Financial Statements**

The financial section of the annual report consists of four parts – Independent Auditors' Report, Required Supplementary Information which includes the management’s discussion and analysis (this section), the Basic Financial Statements, and Supplemental Information. The Basic Financial Statements include two kinds of statements that present different views of the 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. These 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.

**School-Wide Statements**

The school-wide statements report information about the 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, liabilities, and deferred inflows/outflows 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.

## MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)

The two school-wide statements report the School’s net position and how it has changed. Net position – the difference between the School’s assets plus deferred outflows and liabilities plus deferred inflows – is one way to measure the School’s financial health or position.

Over time, increases or decreases in the School’s net position are an indicator of whether its financial position is improving or deteriorating, respectively. To assess the overall health of the School, additional non-financial factors such as changes in the School’s creditworthiness and the condition of school buildings and other facilities should be considered.

In the school-wide financial statements the School’s activities are shown in one category:

- Governmental activities – the School’s basic services are included here, such as regular and special education, transportation, and administration. 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 the School as a whole. Funds are accounting devices the School uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by State law or other regulations. The School may establish other funds to control and manage money for a specific purpose.

The School has the following fund type:

- Governmental funds – the 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 fund 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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

### FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

#### Net Position

The School's net position was (\$2,673,526) and (\$1,615,670) at June 30, 2017 and 2016, respectively.

|  | As of June 30, |               |
|--|----------------|---------------|
|  | 2017           | 2016          |
| Current assets                         | \$1,170,722    | \$987,643     |
| Capital assets - net                   | 128,726        | 178,820       |
| Total assets                           | 1,299,448      | 1,166,463     |
| Deferred outflows of resources         | 5,603,979      | 627,564       |
| Total assets and deferred outflows     | 6,903,427      | 1,794,027     |
| Current liabilities                    | 411,717        | 273,729       |
| Long term liabilities                  | 8,949,157      | 2,699,556     |
| Total liabilities                      | 9,360,874      | 2,973,285     |
| Deferred inflows of resources          | 216,079        | 436,412       |
| Total liabilities and deferred inflows | 9,576,953      | 3,409,697     |
| Net position:                          |                |               |
| Investment in capital assets           | 128,726        | 178,820       |
| Restricted for food service            | 18,040         | 35,505        |
| Unrestricted                           | (2,820,292)    | (1,829,995)   |
| Total net position                     | (\$2,673,526)  | (\$1,615,670) |

The School participates in cost-sharing multiple-employer defined benefit pension plans administered by the Teachers Retirement Association (TRA) and the Public Employees Retirement Association (PERA). Governmental accounting standards require that the School's share of each plan's net pension liability be recorded on the Statement of Net Position. The portion attributable to the School is based on its contributions to each plan in comparison to contributions made by all plan participants.

The School's net pension liability, combined with pension related deferred outflows and inflows of resources, negatively impacted unrestricted net position by \$3,561,257 and \$2,508,404 as of June 30, 2017 and 2016, respectively. The increased deficit was primarily due to changes in actuarial assumptions used to calculate the net pension liability, as well as lower than expected investment earnings by each plan.

The School continues to make its required contributions to each plan. Additional information can be found in Note 5 to the financial statements.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

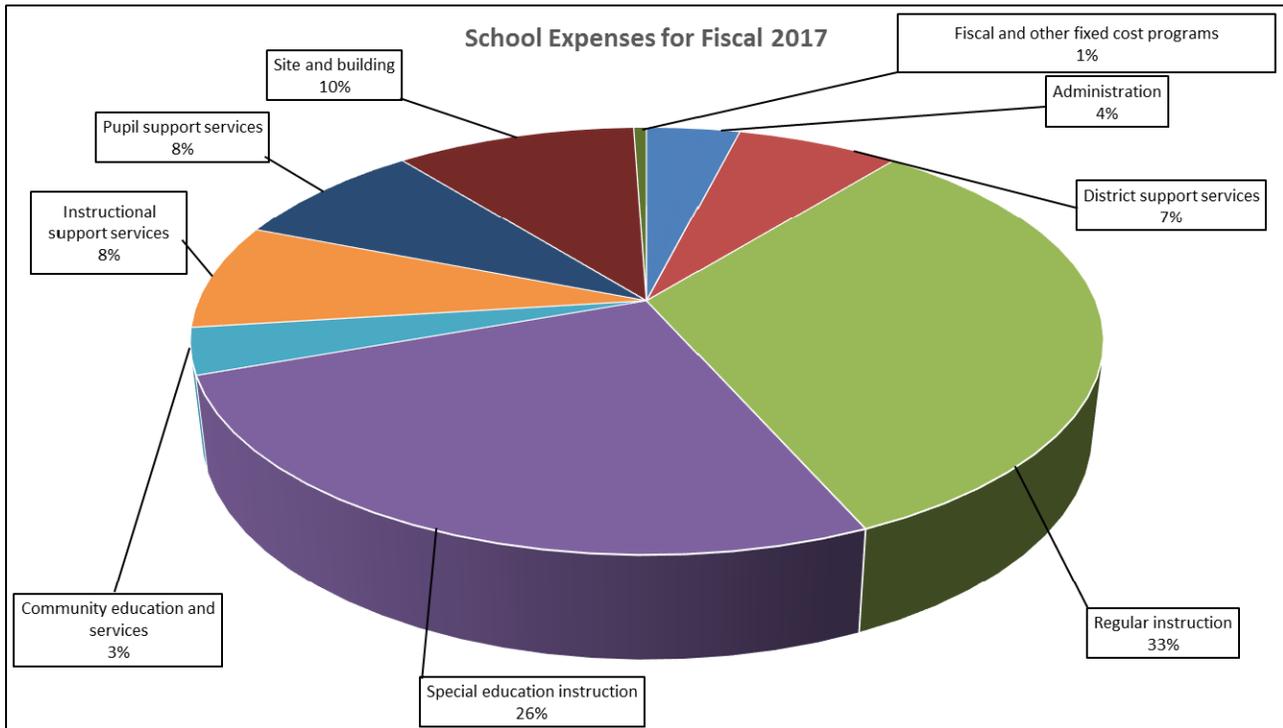
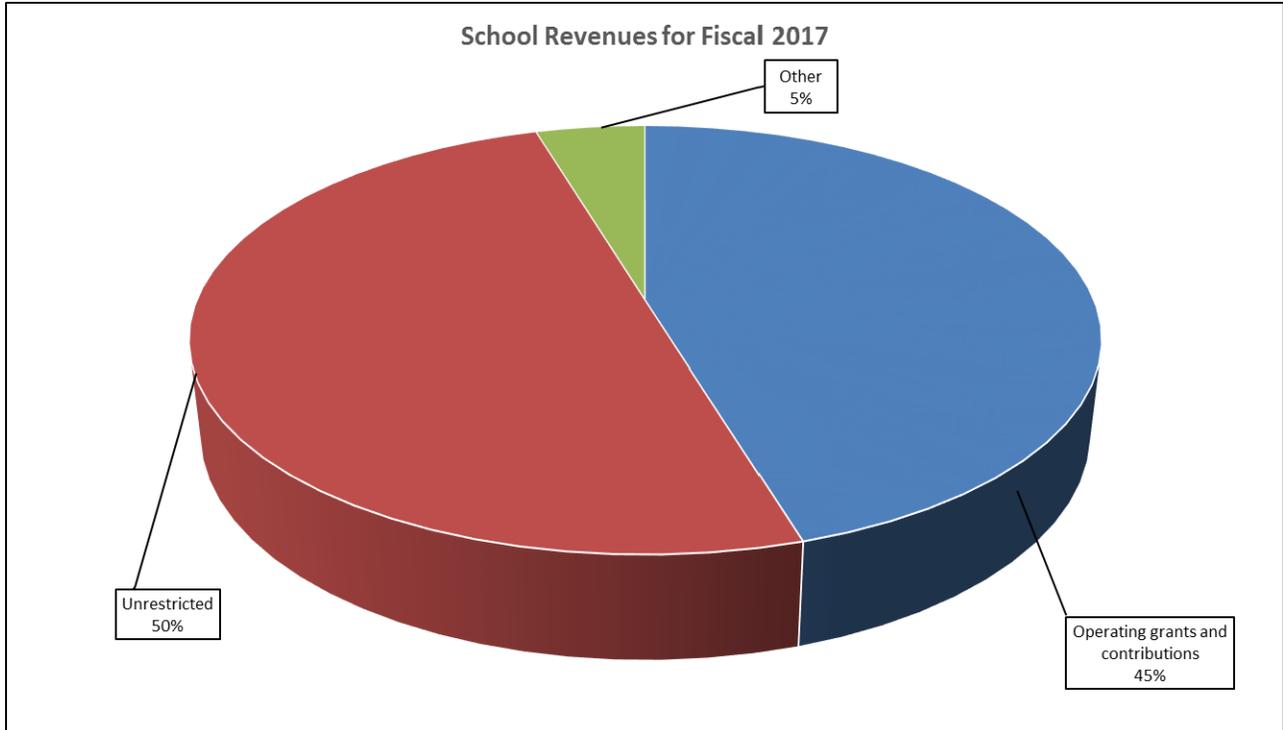
### Changes in Net Position

The School's change in financial position is the product of many factors. The School built a strong reserve during its first four years of operation so that it would be in a good position to support future expenditures for technology replacement, staff retention, curriculum upgrades and possible facility purchase or renovation. Having accomplished those objectives, in fiscal year 2017 the School set the goal of increasing its net position once again.

The School's total revenues were \$5,948,877 and \$5,212,698 for the years ended June 30, 2017 and 2016, respectively. The School's expenses were funded by federal and state grants applicable to specific programs of \$2,698,890 (45%), unrestricted state aid of \$2,974,897 (50%), and local sources of \$275,090 (5%).

|                                      | 2017                 | 2016                 |
|--------------------------------------|----------------------|----------------------|
| Revenues:                            |                      |                      |
| Program revenues:                    |                      |                      |
| Operating grants and contributions   | \$2,695,790          | \$2,158,387          |
| Capital grants and contributions     | 3,100                | -                    |
| General revenues:                    |                      |                      |
| Local sources                        | 275,010              | 34,215               |
| State sources                        | 2,974,897            | 3,014,310            |
| Gain on sale of capital assets       | 80                   | 5,786                |
| Total revenues                       | <u>5,948,877</u>     | <u>5,212,698</u>     |
| Expenses:                            |                      |                      |
| Administration                       | 274,536              | 268,221              |
| District support services            | 480,878              | 394,637              |
| Regular instruction                  | 2,284,492            | 1,539,344            |
| Special education instruction        | 1,829,873            | 1,116,667            |
| Community education and services     | 218,822              | -                    |
| Instructional support services       | 560,551              | 401,479              |
| Pupil support services               | 581,238              | 553,353              |
| Sites and buildings                  | 738,633              | 636,411              |
| Fiscal and other fixed cost programs | 37,710               | 44,431               |
| Total expenses                       | <u>7,006,733</u>     | <u>4,954,543</u>     |
| Change in net position               | <u>(1,057,856)</u>   | <u>258,155</u>       |
| Net position - beginning             | (1,615,670)          | (1,873,825)          |
| Net position - ending                | <u>(\$2,673,526)</u> | <u>(\$1,615,670)</u> |

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**



**MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)**

All governmental funds consist of funds received for the general operation of the School, which are used for classroom instruction, and also consist of resources from the Food Service operations. Funding this 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 to enhance classroom instruction resources. The School cannot take funds from these restricted areas and use the funds to hire teachers to enhance instruction.

|                                      | Total Cost of Services |                    | Percentage Change | Net Cost of Services |                    | Percentage Change |
|--------------------------------------|------------------------|--------------------|-------------------|----------------------|--------------------|-------------------|
|                                      | 2017                   | 2016               |                   | 2017                 | 2016               |                   |
| Administration                       | \$274,536              | \$268,221          | 2%                | \$274,536            | \$268,221          | 2%                |
| District support services            | 480,878                | 394,637            | 22%               | 480,878              | 394,637            | 22%               |
| Regular instruction                  | 2,284,492              | 1,539,344          | 48%               | 1,998,647            | 1,008,732          | 98%               |
| Special education instruction        | 1,829,873              | 1,116,667          | 64%               | 338,609              | 99,209             | 241%              |
| Community education and services     | 218,822                | -                  | 0%                | 85,921               | -                  | 0%                |
| Instructional support services       | 560,551                | 401,479            | 40%               | 288,391              | 401,479            | (28%)             |
| Pupil support services               | 581,238                | 553,353            | 5%                | 329,421              | 295,485            | 11%               |
| Sites and buildings                  | 738,633                | 636,411            | 16%               | 376,808              | 283,962            | 33%               |
| Fiscal and other fixed cost programs | 37,710                 | 44,431             | (15%)             | 37,710               | 44,431             | (15%)             |
| <b>Total</b>                         | <b>\$7,006,733</b>     | <b>\$4,954,543</b> | <b>41%</b>        | <b>\$4,210,921</b>   | <b>\$2,796,156</b> | <b>51%</b>        |

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

The financial performance of the School as a whole is reflected in its governmental funds. As the School completed the year, its governmental funds reported a fund balance of \$759,005. Revenues for the School’s governmental funds were \$5,830,360 while total expenditures were \$5,785,349.

**GENERAL FUND**

The General Fund includes the primary operations of the School in providing educational services to students from kindergarten through grade 5 including pupil transportation activities and capital outlay projects.

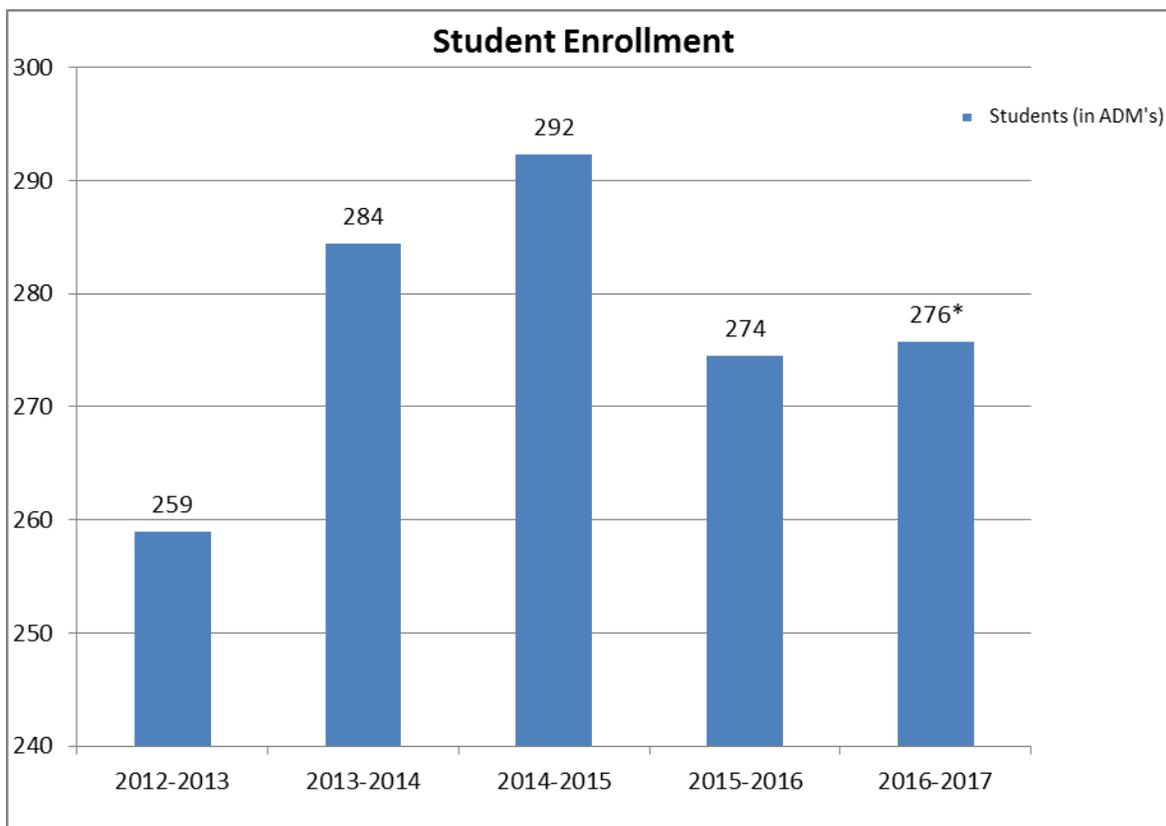
Approximately 86% of General Fund operational revenue is controlled by a complex set of state funding formulas resulting in the local school board having no meaningful authority to determine the level of resources. This includes special education state aid that is based upon a cost reimbursement model providing approximately 28% of personnel expenditures.

## MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)

### ENROLLMENT

Enrollment is a critical factor in determining revenue with approximately 60% of General Fund revenue being determined by enrollment. The following chart shows that enrollment in 2017 has increased.

**Five-Year Enrollment Trend  
Average Daily Membership (ADM)**



It is anticipated the enrollment will increase as the program continues to grow. The School is continuing to serve the needs of the growing communities in Minneapolis, Richfield, and some parts of Bloomington.

\* The School began operating a preschool program in fiscal year 2017 with 20 students. However, only 10 of the students qualify for ADM generating revenue. The number above includes only the preschool students who generate revenue.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

The following schedule presents a summary of General Fund revenues:

| General Fund               | Year Ended         |                    | Change           |         |
|----------------------------|--------------------|--------------------|------------------|---------|
|                            | June 30,           |                    | Increase         | Percent |
|                            | 2017               | 2016               | (Decrease)       |         |
| Local sources              | \$275,010          | \$34,215           | \$240,795        | 704%    |
| State sources              | 4,811,014          | 4,333,237          | 477,777          | 11%     |
| Federal sources            | 492,519            | 501,878            | (9,359)          | (2%)    |
| Total general fund revenue | <u>\$5,578,543</u> | <u>\$4,869,330</u> | <u>\$709,213</u> | 15%     |

Total General Fund revenue increased by \$709,213 or 15% from the previous year. This was mainly due to an increase in state special education aid which is based on expenditure reimbursement and the addition of the Preschool program which generates tuition and grant revenues as well as some state revenues. Basic general education revenue is determined by multiple complex state formulas, largely enrollment driven, and consists of a specified minimum amount with variables such as socioeconomic indicators driving additional funding. For Minnesota charter schools the majority of all funding is made up of general education aid, special education aid and charter school lease aid. Other revenue consists of federal and private grant funding that is often expenditure driven.

The following schedule presents a summary of General Fund expenditures:

| General Fund                    | Year Ended         |                    | Change           |         |
|---------------------------------|--------------------|--------------------|------------------|---------|
|                                 | June 30,           |                    | Increase         | Percent |
|                                 | 2017               | 2016               | (Decrease)       |         |
| Salaries                        | \$3,119,666        | \$2,572,627        | \$547,039        | 21%     |
| Employee benefits               | 792,437            | 613,286            | 179,151          | 29%     |
| Purchased services              | 1,301,176          | 1,255,592          | 45,584           | 4%      |
| Supplies and materials          | 220,239            | 163,947            | 56,292           | 34%     |
| Capital expenditures            | 27,936             | 44,929             | (16,993)         | (38%)   |
| Other expenditures              | 7,582              | 9,129              | (1,547)          | (17%)   |
| Total general fund expenditures | <u>\$5,469,036</u> | <u>\$4,659,510</u> | <u>\$809,526</u> | 17%     |

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

Total General Fund expenditures increased \$809,526 or 17% from the previous year. This increase is mainly due to the hiring of additional staff to expand the Special Education program and the additional staff for the preschool program.

Unassigned fund balance is the single best measure of overall financial health. The General Fund's unassigned fund balance as defined by the Minnesota Department of Education was \$726,550 at June 30, 2017, and represents 13% of annual expenditures or approximately seven weeks of operations.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

Following approval of the budget prior to the beginning of the fiscal year, the School generally revises the annual operating budget in mid-year. 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 being carried over from the prior fiscal year.
- Legislation passed subsequent to budget adoption, changes necessitated by employment agreements, and increases in appropriations for significant unbudgeted costs.

Actual revenues were \$677 more than expected. In fiscal year 2017, the School received more than it expected in state revenues, but less than expected in federal and local revenues.

### **FOOD SERVICE FUND**

Revenues were less than expenditures in the Food Service Fund by \$17,465 compared to budgeted revenues equaling expenditures. This was mainly due to the preschool's portion of the food service. State and federal reimbursements along with tuition charged to families has not been sufficient to cover the cost of the food service program for the preschool.

### **PARTNERSHIP ACADEMY ASSOCIATION FUND**

The Partnership Academy Association Fund is not budgeted. \$47,031 of costs were incurred in fiscal year 2017 relating to the search for a new building.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

### CAPITAL ASSETS

By the end of 2017, the School had invested \$128,726 in capital assets (net of accumulated depreciation), including building improvements, computers, and equipment. Total depreciation expense for the year was \$27,612. More detailed information about capital assets can be found in Note 3 to the financial statements.

|                                | June 30,         |                  | Percentage<br>Change |
|--------------------------------|------------------|------------------|----------------------|
|                                | 2017             | 2016             |                      |
| Buildings and improvements     | \$114,847        | \$114,847        | 0%                   |
| Equipment                      | 195,401          | 444,492          | (56%)                |
| Less: accumulated depreciation | <u>(181,522)</u> | <u>(380,519)</u> | (52%)                |
| Total                          | <u>\$128,726</u> | <u>\$178,820</u> | (28%)                |

### FACTORS BEARING ON THE SCHOOL'S FUTURE

The 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. Therefore, the School has sought out additional funding such as the Federal Teacher Incentive Fund (TIF) grant, Alternate Delivery of Specialized Services (ADSIS) program aid and other local grant funding in order to increase revenue and ensure adequate resources to support the rigorous academic programs at the School.

Additionally, the School continues to strategically manage its unique cash flow needs due to the timing and reimbursement of some of the federal and local grant programs and state revenue streams, such as special education aid and lease aid.

The School will strive to 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 the School'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 Lisa Hendricks, Partnership Academy, 305 East 77th Street, Richfield, Minnesota 55423.

## **BASIC FINANCIAL STATEMENTS**

**PARTNERSHIP ACADEMY  
CHARTER SCHOOL NO. 4097**

**Statement 1**

STATEMENT OF NET POSITION

June 30, 2017

With Comparative Totals for June 30, 2016

|   | Governmental Activities   |                           |
|---|---------------------------|---------------------------|
|   | 2017                      | 2016                      |
| Assets:   |                           |                           |
| Cash  | \$134,449                 | \$213,949                 |
| Accounts receivable   | 36,046                    | 24,989                    |
| Due from other governments  | 938,781                   | 712,191                   |
| Prepaid items   | 61,446                    | 36,514                    |
| Capital assets (net of accumulated depreciation)                  | 128,726                   | 178,820                   |
| Total assets  | <u>1,299,448</u>          | <u>1,166,463</u>          |
| Deferred outflows of resources related to pensions                | <u>5,603,979</u>          | <u>627,564</u>            |
| Total assets and deferred outflows of resources                   | <u><u>\$6,903,427</u></u> | <u><u>\$1,794,027</u></u> |
| Liabilities:  |                           |                           |
| Accounts payable  | \$81,868                  | \$25,577                  |
| Salaries and taxes payable  | 311,517                   | 248,152                   |
| Line of credit  | 18,332                    | -                         |
| Net pension liability, due in more than 1 year                    | 8,949,157                 | 2,699,556                 |
| Total liabilities   | <u>9,360,874</u>          | <u>2,973,285</u>          |
| Deferred inflows of resources related to pensions                 | <u>216,079</u>            | <u>436,412</u>            |
| Net position:   |                           |                           |
| Investment in capital assets                                      | 128,726                   | 178,820                   |
| Restricted for food service                                       | 18,040                    | 35,505                    |
| Unrestricted  | (2,820,292)               | (1,829,995)               |
| Total net position  | <u>(2,673,526)</u>        | <u>(1,615,670)</u>        |
| Total liabilities, deferred inflows of resources and net position | <u><u>\$6,903,427</u></u> | <u><u>\$1,794,027</u></u> |

The accompanying notes are an integral part of these financial statements.

**PARTNERSHIP ACADEMY  
CHARTER SCHOOL NO. 4097**

**Statement 2**

STATEMENT OF ACTIVITIES

For The Year Ended June 30, 2017

With Comparative Totals For The Year Ended June 30, 2016

| Functions/Programs                   | Expenses           | Program Revenues        |  | Net (Expense) Revenue and<br>Changes in Net Position |                      |                      |
|--------------------------------------|--------------------|-------------------------|--|--|----------------------|----------------------|
|                                      |                    | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions               | 2017                 | 2016                 |
| <b>Governmental activities:</b>      |                    |                         |  |  |                      |                      |
| Administration                       | \$274,536          | \$ -                    | \$ -                                     | \$ -   | (\$274,536)          | (\$268,221)          |
| District support services            | 480,878            | -                       | -  | -  | (480,878)            | (394,637)            |
| Regular instruction                  | 2,284,492          | -                       | 285,845                                  | -  | (1,998,647)          | (1,044,237)          |
| Special education instruction        | 1,829,873          | -                       | 1,491,264                                | -  | (338,609)            | (99,209)             |
| Community education and services     | 218,822            | 96,922                  | 32,879                                   | 3,100  | (85,921)             | -                    |
| Instructional support services       | 560,551            | -                       | 272,160                                  | -  | (288,391)            | (401,479)            |
| Pupil support services               | 581,238            | -                       | 251,817                                  | -  | (329,421)            | (259,980)            |
| Sites and buildings                  | 738,633            | -                       | 361,825                                  | -  | (376,808)            | (283,962)            |
| Fiscal and other fixed cost programs | 37,710             | -                       | -  | -  | (37,710)             | (44,431)             |
| <b>Total governmental activities</b> | <b>\$7,006,733</b> | <b>\$96,922</b>         | <b>\$2,695,790</b>                       | <b>\$3,100</b>                                       | <b>(4,210,921)</b>   | <b>(2,796,156)</b>   |
| <b>General revenues:</b>             |                    |                         |  |  |                      |                      |
| Local sources                        |                    |                         |  |  | 178,088              | 34,215               |
| State sources                        |                    |                         |  |  | 2,974,897            | 3,014,310            |
| Gain on sale of capital assets       |                    |                         |  |  | 80                   | 5,786                |
| <b>Total general revenues</b>        |                    |                         |  |  | <b>3,153,065</b>     | <b>3,054,311</b>     |
| Change in net position               |                    |                         |  |  | (1,057,856)          | 258,155              |
| Net position - beginning             |                    |                         |  |  | (1,615,670)          | (1,873,825)          |
| Net position - ending                |                    |                         |  |  | <b>(\$2,673,526)</b> | <b>(\$1,615,670)</b> |

The accompanying notes are an integral part of these financial statements.

**PARTNERSHIP ACADEMY  
CHARTER SCHOOL NO. 4097**

**Statement 3**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2017  
With Comparative Totals For June 30, 2016

|  | General<br>Fund    | Food<br>Service<br>Fund | PA<br>Association<br>Fund | Total              |                  |
|--|--------------------|-------------------------|---------------------------|--------------------|------------------|
|  |                    |                         |                           | 2017               | 2016             |
| <b>Assets</b>  |                    |                         |                           |                    |                  |
| Cash   | \$123,980          | \$ -                    | \$10,469                  | \$134,449          | \$213,949        |
| Accounts receivable  | 36,046             | -                       | -                         | 36,046             | 24,989           |
| Due from other funds   | 68,156             | -                       | -                         | 68,156             | -                |
| Due from Minnesota Department of Education                               | 745,220            | 1,560                   | -                         | 746,780            | 536,997          |
| Due from Federal Government through Minnesota<br>Department of Education | 154,775            | 37,226                  | -                         | 192,001            | 175,194          |
| Prepaid items  | 61,446             | -                       | -                         | 61,446             | 36,514           |
| <b>Total assets</b>  | <b>\$1,189,623</b> | <b>\$38,786</b>         | <b>\$10,469</b>           | <b>\$1,238,878</b> | <b>\$987,643</b> |
| <b>Liabilities and Fund Balances</b>                                     |                    |                         |                           |                    |                  |
| <b>Liabilities:</b>  |                    |                         |                           |                    |                  |
| Accounts payable   | \$71,778           | \$7,090                 | \$3,000                   | \$81,868           | 25,577           |
| Salaries and taxes payable   | 311,517            | -                       | -                         | 311,517            | 248,152          |
| Due to general fund  | -                  | 13,656                  | 54,500                    | 68,156             | -                |
| Line of credit   | 18,332             | -                       | -                         | 18,332             | -                |
| <b>Total liabilities</b>   | <b>401,627</b>     | <b>20,746</b>           | <b>57,500</b>             | <b>479,873</b>     | <b>273,729</b>   |
| <b>Fund balance:</b>   |                    |                         |                           |                    |                  |
| Nonspendable for prepaid items   | 61,446             | -                       | -                         | 61,446             | 36,514           |
| Restricted for food service  | -                  | 18,040                  | -                         | 18,040             | 35,505           |
| Unassigned   | 726,550            | -                       | (47,031)                  | 679,519            | 641,895          |
| <b>Total fund balance</b>  | <b>787,996</b>     | <b>18,040</b>           | <b>(47,031)</b>           | <b>759,005</b>     | <b>713,914</b>   |
| <b>Total liabilities and fund balance</b>                                | <b>\$1,189,623</b> | <b>\$38,786</b>         | <b>\$10,469</b>           | <b>\$1,238,878</b> | <b>\$987,643</b> |

Amounts reported for governmental activities in the statement of net position are different because:

|   |                      |                      |
|---|----------------------|----------------------|
| Fund balance reported above   | \$759,005            | \$713,914            |
| Capital assets used in governmental activities are not financial resources, and therefore,<br>are not reported in the funds | 128,726              | 178,820              |
| Deferred outflows of resources related to pensions  | 5,603,979            | 627,564              |
| Net pension liability is not due and payable in the current period, and therefore,<br>is not reported in the funds          | (8,949,157)          | (2,699,556)          |
| Deferred inflows of resources related to pensions   | (216,079)            | (436,412)            |
| <b>Net position of governmental activities (Statement 1)</b>  | <b>(\$2,673,526)</b> | <b>(\$1,615,670)</b> |

The accompanying notes are an integral part of these financial statements.

**PARTNERSHIP ACADEMY  
CHARTER SCHOOL NO. 4097**

**Statement 4**

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS

For The Year Ended June 30, 2017

With Comparative Totals For The Year Ended June 30, 2016

|  | General<br>Fund  | Food Service<br>Fund | PA<br>Association<br>Fund | Total            |                  |
|--|------------------|----------------------|---------------------------|------------------|------------------|
|  |                  |                      |                           | 2017             | 2016             |
| <b>Revenues:</b>                       |                  |                      |                           |                  |                  |
| Local sources                          | \$275,010        | \$ -                 | \$ -                      | \$275,010        | \$34,215         |
| State sources                          | 4,811,014        | 10,480               | -                         | 4,821,494        | 4,346,325        |
| Federal sources                        | 492,519          | 241,337              | -                         | 733,856          | 782,163          |
| Total revenues                         | <u>5,578,543</u> | <u>251,817</u>       | <u>-</u>                  | <u>5,830,360</u> | <u>5,162,703</u> |
| <b>Expenditures:</b>                   |                  |                      |                           |                  |                  |
| <b>Current:</b>                        |                  |                      |                           |                  |                  |
| Administration                         | 274,536          | -                    | -                         | 274,536          | 268,221          |
| School support services                | 372,891          | -                    | -                         | 372,891          | 372,289          |
| Regular instruction                    | 1,597,594        | -                    | -                         | 1,597,594        | 1,492,379        |
| Special education instruction          | 1,542,264        | -                    | -                         | 1,542,264        | 1,114,587        |
| Community education and services       | 219,174          | -                    | -                         | 219,174          | -                |
| Instructional support services         | 408,804          | -                    | -                         | 408,804          | 394,387          |
| Pupil support services                 | 306,216          | 269,282              | -                         | 575,498          | 554,912          |
| Site, building and equipment           | 681,911          | -                    | 47,031                    | 728,942          | 631,243          |
| Fiscal and other fixed costs           | 37,710           | -                    | -                         | 37,710           | 44,431           |
| Capital outlay                         | 27,936           | -                    | -                         | 27,936           | 44,929           |
| Total expenditures                     | <u>5,469,036</u> | <u>269,282</u>       | <u>47,031</u>             | <u>5,785,349</u> | <u>4,917,378</u> |
| Revenues over (under) expenditures     | <u>109,507</u>   | <u>(17,465)</u>      | <u>(47,031)</u>           | <u>45,011</u>    | <u>245,325</u>   |
| <b>Other financing sources (uses):</b> |                  |                      |                           |                  |                  |
| Sale of capital assets                 | 80               | -                    | -                         | 80               | 5,786            |
| Net change in fund balance             | 109,587          | (17,465)             | (47,031)                  | 45,091           | 251,111          |
| Fund balance - beginning               | 678,409          | 35,505               | -                         | 713,914          | 462,803          |
| Fund balance - ending                  | <u>\$787,996</u> | <u>\$18,040</u>      | <u>(\$47,031)</u>         | <u>\$759,005</u> | <u>\$713,914</u> |

Amounts reported for governmental activities in the statement of activities are different because:

|  |                      |                  |
|--|----------------------|------------------|
| Revenues over expenditures reported above  | \$45,091             | \$251,111        |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: |                      |                  |
| Depreciation   | (27,612)             | (46,163)         |
| Capital outlay - capitalized   | 8,602                | 44,225           |
| The net effect of the disposal of capital assets is to decrease net position   | (31,084)             | -                |
| Governmental funds report pension contributions as expenditures, however, pension expense is reported in the statement of activities   | (1,052,853)          | 8,982            |
| Change in net position of governmental activities (Statement 2)  | <u>(\$1,057,856)</u> | <u>\$258,155</u> |

The accompanying notes are an integral part of these financial statements.

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**Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Partnership Academy (the School) was formed in March 2002 with the primary objective to foster and promote learning through outcome based education. The governing body consists of a board of directors composed of at least five members elected by voters of the general membership of the School to serve a two-year term.

The financial statements of the 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. The following is a summary of significant accounting policies.

**A. FINANCIAL REPORTING ENTITY**

As required by state statute, the School operates as a nonprofit corporation under Minnesota Statutes §317A. 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 accounting structure.

The financial statements of the reporting entity include those of the School (the primary government) and its component units. Generally, component units are legally separate organizations for which the primary government is financially accountable.

There is one organization that is considered to be a component unit of the School. Partnership Academy Association (PAA) is an affiliated nonprofit building corporation which is classified as a 501(c)(3) tax exempt organization. PAA is governed by a separate board. Although it is legally separate from the School, PAA is reported as if it were part of the School (as a blended component unit) because its sole purpose is to acquire and own educational sites which are leased to the School. No separate financial statements of the PAA are issued.

The School is required to operate under a charter agreement with an entity that has been approved by the Minnesota Department of Education (MDE) to be a charter school “authorizer.” The authorizer monitors and evaluates the School’s performance, and periodically determines whether to renew the School’s charter. The School’s authorizer is Project for Pride in Living. Aside from its responsibilities as authorizer, Project for Pride in Living has no authority or control over the School, and is not financially accountable for it. Therefore, the School is not considered a component unit of Project for Pride in Living.

**B. SCHOOL-WIDE FINANCIAL STATEMENTS**

The school-wide financial statements (the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the School. Amounts 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. *Governmental activities* generally are financed through intergovernmental revenues, and other non-exchange transactions. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met.

As a general rule the effect of interfund activity has been eliminated from the school-wide financial statements. Exceptions to this general rule are transactions that would be treated as revenues, expenditures or expenses if they involved external organizations, such as buying goods and services, are similarly treated when they involve other funds of the School. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include charges for goods and services, as well as operating and capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not included among program revenues are reported instead as *general revenues*.

### **C. FUND FINANCIAL STATEMENTS**

Fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers all revenues, except reimbursement grants, to be available if they are collected within 60 days of the end of the current fiscal period. Reimbursement grants are considered available if they are collected within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, as applicable, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Intergovernmental revenues, grants, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the School.

The emphasis of fund financial statements is on major funds, each displayed in a separate column. The School reports the following major funds:

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

The *Food Service Special Revenue Fund* is used to account for food service revenues and expenditures. The major revenue sources for this fund are state and federal meal reimbursements in addition to meal sales.

The *PA Association Fund* is used to account for the revenues and expenditures of Partnership Academy Association (PAA), a blended component unit.

**D. INCOME TAXES**

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

A tax expense or benefit from an uncertain income tax position (including tax-exempt status) may be recognized only when it is more likely than not that the position will be sustained upon examination by taxing authorities. Management believes the School and PAA have no uncertain income tax positions that would result in an accrual, expense or benefit under the more likely than not standard.

**E. BUDGETS**

The School's Board adopts an annual budget for the General Fund and the Food Service Special Revenue Fund. Budgets are prepared on the same basis of accounting as the financial statements. Legal budgetary control is at the fund level. Budgeted amounts are as originally adopted or as amended by the Board. Budgeted expenditure appropriations lapse at year end. Encumbrance accounting is not used.

Expenditures of the Food Service Special Revenue Fund exceeded budgeted appropriations by \$13,866 during the year ended June 30, 2017.

**F. STUDENT ACTIVITIES**

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

**G. CASH AND INVESTMENTS**

Cash balances of the General Fund and the Food Service Special Revenue Fund 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. RECEIVABLES**

Receivables represent amounts receivable from other governments, 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 prepaid items in both the school-wide and fund financial statements. Prepaid items are reported using the consumption method and are recorded as expenditures at the time of consumption.

**J. CAPITAL ASSETS**

Capital assets, which include property, plant and equipment are reported in the school-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

|                       |            |
|-----------------------|------------|
| Equipment             | 5-20 years |
| Building improvements | 20 years   |

**K. ACCRUED EMPLOYEE BENEFITS**

Since vacation benefits do not carryover at year end, no long-term liability for unused vacation has been recorded. Substantially all employees are entitled to sick leave at rates specified in their contracts. Employees are not compensated for unused sick leave upon termination of employment; therefore, no long-term liability for unused sick leave has been recorded.

**L. DEFINED BENEFIT PENSION PLANS**

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Teachers Retirement Association (TRA) and the Public Employees Retirement Association (PERA) and additions to/deductions from the TRA's and PERA's fiduciary net position have been determined on the same basis as they are reported by TRA and PERA. Plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with 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, the City of Minneapolis, and the Minneapolis School District. This direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association 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 in 2015. PERA also has a special funding situation created by direct aid contributions made by the State of Minnesota.

**M. DEFERRED INFLOWS / OUTFLOWS OF RESOURCES**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

**N. FUND BALANCE**

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

*Nonspendable* - consists of amounts that are not in spendable form, such as prepaid items.

*Restricted* - consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

*Committed* - consists of internally imposed constraints that are established by resolution of the School's Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

*Assigned* - consists of internally imposed constraints that are intended to be used by the School for specific purposes, but do not meet the criteria to be classified as restricted or committed. Assigned amounts represent intended uses established by the School's Board itself or by an official to which the governing body delegates the authority. Pursuant to Board Resolution, the School's Director is authorized to establish assignments of fund balance.

*Unassigned* - is the residual classification for the General Fund and also reflects negative residual amounts in other funds.

When both restricted and unrestricted resources are available for use, it is the School's policy to first use restricted resources, then use unrestricted resources as they are needed. When committed, assigned or unassigned resources are available for use, it is the School's policy to use resources in the following order: 1) committed 2) assigned and 3) unassigned.

**O. MINIMUM FUND BALANCE POLICY**

The School's Board has formally adopted a fund balance policy for the General Fund. The policy establishes a minimum fund balance for the General Fund equal to 12% of current year expenditures.

At June 30, 2017, the targeted minimum fund balance for the General Fund was \$656,284. Actual fund balance in the General Fund was \$787,996, or 14% of 2017 General Fund expenditures.

**P. NET POSITION**

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources in the school-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated 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 statements when there are limitations on its use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

**Q. COMPARATIVE DATA/RECLASSIFICATIONS**

Comparative data for the prior year has been presented only for certain sections of the accompanying financial statements in order to provide an understanding of the changes in the School's financial position and operations. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with current year's presentation.

**R. USE OF ESTIMATES**

The preparation of financial statements in accordance with GAAP requires management to make estimates that affect amounts reported in the financial statements during the reporting period. Actual results could differ from such estimates.

**S. 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 for which the School carries commercial insurance. There were no significant reductions in insurance coverage from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

## **T. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The School defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date. To determine fair value, the School uses a fair value hierarchy categorized into three levels based on the inputs used. Generally, the three levels are as follows:

- Level 1 – Quoted prices in active markets for identical assets.
- Level 2 – Significant other observable inputs.
- Level 3 – Significant unobservable inputs.

The School does not have any significant fair value measurements as of June 30, 2017.

## **Note 2 DEPOSITS AND INVESTMENTS**

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

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

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 department of a commercial bank or other financial institution not owned or controlled by the depository. The School does not have a deposit policy that is more restrictive than Minnesota Statutes.

At June 30, 2017, all deposit bank balances were fully insured or collateralized.

### **B. INVESTMENTS**

Minnesota Statutes outline authorized investments for charter schools. The School did not have any such investments as of June 30, 2017.

**PARTNERSHIP ACADEMY  
CHARTER SCHOOL NO. 4097**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

**Note 3 CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2017 was as follows:

|  | <u>Beginning<br/>Balance</u> | <u>Increases</u>  | <u>Decreases</u>  | <u>Ending<br/>Balance</u> |
|--|------------------------------|-------------------|-------------------|---------------------------|
| Governmental activities:                     |                              |                   |                   |                           |
| Capital assets, being depreciated:           |                              |                   |                   |                           |
| Buildings and improvements                   | \$114,847                    | \$ -              | \$ -              | \$114,847                 |
| Equipment                                    | 444,492                      | 8,602             | (257,693)         | 195,401                   |
| Total capital assets, being depreciated      | <u>559,339</u>               | <u>8,602</u>      | <u>(257,693)</u>  | <u>310,248</u>            |
| Less accumulated depreciation for:           |                              |                   |                   |                           |
| Buildings and improvements                   | 28,946                       | 9,958             | -                 | 38,904                    |
| Equipment                                    | 351,573                      | 17,654            | (226,609)         | 142,618                   |
| Total accumulated depreciation               | <u>380,519</u>               | <u>27,612</u>     | <u>(226,609)</u>  | <u>181,522</u>            |
| Governmental activities capital assets - net | <u>\$178,820</u>             | <u>(\$19,010)</u> | <u>(\$31,084)</u> | <u>\$128,726</u>          |

Depreciation expense was charged to functions/programs as follows:

|                               |                 |
|-------------------------------|-----------------|
| Governmental activities:      |                 |
| District support services     | \$10,061        |
| Regular instruction           | 3,754           |
| Special education instruction | 3,322           |
| Community education services  | 367             |
| Pupil support services        | 150             |
| Site, building and equipment  | <u>9,958</u>    |
| Total                         | <u>\$27,612</u> |

**Note 4 LINE OF CREDIT**

The School utilizes line(s) of credit for operating purposes. The School has a credit card with Wells Fargo containing a credit limit of \$55,000. Interest accrues at the prime rate plus 6.75% (currently 11.00%). As of June 30, 2017, the balance outstanding was \$25,763. Due to the nature of the account, the outstanding balance is included in accounts payable. The balance is not considered short-term debt and has been excluded from the table below.

The School has a \$300,000 line of credit loan agreement through Venture Bank. The line of credit is secured by the School's assets and expires on January 14, 2018. Interest accrues at 6.5% per annum. As of June 30, 2017, the balance outstanding was \$18,332.

**PARTNERSHIP ACADEMY**  
**CHARTER SCHOOL NO. 4097**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

A summary of activity on the line of credit for the year ending June 30, 2017 is as follows:

|                       | Balance<br>06/30/16 | Draws    | Payments | Balance<br>06/30/17 |
|-----------------------|---------------------|----------|----------|---------------------|
| Short-term borrowing: |                     |          |          |                     |
| Line of credit loan   | \$ -                | \$18,332 | \$ -     | \$18,332            |

**Note 5**    **DEFINED BENEFIT PENSION PLANS**

The School participates in cost-sharing multiple-employer defined benefit pension plans administered on a statewide basis by the Teachers Retirement Association (TRA) and the Public Employees Retirement Association (PERA). The defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code. Disclosures relating to these plans are as follows:

**A. PLAN DESCRIPTIONS**

TRA administers a Basic Plan (without Social Security coverage) and a Coordinated Plan (with Social Security coverage) in accordance with Minnesota Statutes, Chapters 354 and 356. TRA is a separate statutory entity and administered by a Board of Trustees. The Board consists of four active members, one retired member and three statutory officials. Teachers employed in Minnesota’s public elementary and secondary schools, charter schools, and certain educational institutions maintained by the state are required to be TRA members.

PERA administers the General Employees Retirement Fund (GERF) 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 GERF. GERF members belong to either the Basic Plan (without Social Security coverage) or the Coordinated Plan (with Social Security coverage). The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

**B. BENEFITS PROVIDED**

TRA

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 (Tier I and Tier II) are used to compute benefits for TRA's Basic and Coordinated Plan members.

*Tier I Benefits* – for Basic Plan members, a step rate formula of 2.2% per year for the first ten years of service and 2.7% per year thereafter is applied. For Coordinated Plan members with service years up to July 1, 2006, a step rate formula of 1.2% per year for the first ten years of service and 1.7% per year thereafter is applied. For Coordinated Plan members with service years beginning July 1, 2006, a step rate formula of 1.4% per year for the first ten years of service and 1.9% per year thereafter is applied.

**PARTNERSHIP ACADEMY**  
**CHARTER SCHOOL NO. 4097**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

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*Tier II Benefits* – for years of service prior to July 1, 2006, a level formula of 1.7% per year for Coordinated Plan members and 2.7% per year for Basic Plan members is applied. For years of service July 1, 2006 and after, a level formula of 1.9% per year for Coordinated Plan members and 2.7% per year for Basic Plan members is applied. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under Minnesota Statute. Smaller reductions, more favorable to the member, will be applied to individuals who reach age 62 and have 30 years or more of service credit.

Members first employed before July 1, 1989 receive the greater of the Tier I or Tier II benefits as described. 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.

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.

PERA

PERA provides retirement, disability, and death benefits. Benefit provisions are established by Minnesota Statute and can only be modified by the state legislature. Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90% funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

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

GERF benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first ten years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

**C. CONTRIBUTIONS**

Employee and employer contribution rates are established by Minnesota Statutes. Rates for the years ended June 30, 2017 and 2016 are as follows:

|                         | <u>Employee</u> | <u>Employer</u> |
|-------------------------|-----------------|-----------------|
| TRA - Basic Plan        | 11.0%           | 11.5%           |
| TRA - Coordinated Plan  | 7.5%            | 7.5%            |
| PERA - Basic Plan       | 9.1%            | 11.78%          |
| PERA - Coordinated Plan | 6.5%            | 7.5%            |

The School's contributions to TRA for the years ended June 30, 2017 and 2016 were \$145,088 and \$134,708, respectively. The School's contributions to PERA for the years ended June 30, 2017 and 2016 were \$89,205 and \$58,947, respectively. The School's contributions were equal to the required contributions as set by state statute.

**D. NET PENSION LIABILITY AND PENSION EXPENSE**

The net pension liability reported at June 30, 2017 was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of the measurement date. The School's proportionate share of the net pension liability was based on contributions received by each respective plan during the measurement period for employer payroll paid dates from July 1, 2015 through June 30, 2016, relative to the total contributions to the plan, which included direct aid from the State of Minnesota, the City of Minneapolis and the Minneapolis School District. The School has no pension-related assets.

The School's net pension liability, its proportionate share of the plan's net pension liability, and pension expense as of and for the year ended June 30, 2017 are as follows:

|   | <u>TRA</u>  | <u>PERA</u> | <u>Total</u> |
|---|-------------|-------------|--------------|
| Net pension liability                         | \$7,966,697 | \$982,460   | \$8,949,157  |
| Proportionate share of net pension liability: |             |             |              |
| Measurement date                              | 0.0334%     | 0.0121%     |              |
| Prior measurement date                        | 0.0330%     | 0.0127%     |              |
| Pension expense                               | \$1,318,337 | \$84,146    | \$1,402,483  |

The pension expense related to TRA and PERA includes recognition of \$111,498 and \$3,839, respectively, as an increase to pension expense (and grant revenue) for the support provided by direct aid.

The net pension liability related to TRA reflected a reduction due to direct aid in the amount of \$35,587,410 provided to TRA. The amount recognized by the School as its proportionate share of the net pension liability, the State's proportionate share of the net pension liability, and the total portion of the net pension liability that was associated with the School were \$7,966,697, \$800,682 and \$8,767,379, respectively.

**PARTNERSHIP ACADEMY**  
**CHARTER SCHOOL NO. 4097**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017



The net pension liability related to PERA reflected a reduction due to direct aid in the amount of \$6,000,000 provided to PERA. The amount recognized by the School as its proportionate share of the net pension liability, the State’s proportionate share of the net pension liability, and the total portion of the net pension liability that was associated with the School were \$982,460, \$12,875 and \$995,335, respectively.

**E. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES**

At June 30, 2017, the School reported deferred outflows and inflows of resources related to pensions from the following sources:

|  | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|--|---|--|
| Differences between expected and actual economic experience: |   |  |
| TRA  | \$80,265                                  | \$ -                                     |
| PERA   | 2,907                                     | 79,810                                   |
| Difference between projected and actual investment earnings: |   |  |
| TRA  | 344,644                                   | -  |
| PERA   | 109,685                                   | -  |
| Changes in actuarial assumptions:                            |   |  |
| TRA  | 4,536,785                                 | -  |
| PERA   | 211,894                                   | -  |
| Changes in proportion:                                       |   |  |
| TRA  | 83,506                                    | 18,498                                   |
| PERA   | -   | 117,771                                  |
| Contributions paid subsequent to the measurement date:       |   |  |
| TRA  | 145,088                                   | -  |
| PERA   | 89,205                                    | -  |
| Total  | <u>\$5,603,979</u>                        | <u>\$216,079</u>                         |

**PARTNERSHIP ACADEMY**  
**CHARTER SCHOOL NO. 4097**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

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Amounts reported as deferred outflows of resources resulting from the School’s contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as pension expense during the following years:

| Year       | Pension Expense |          |             |
|------------|-----------------|----------|-------------|
|            | TRA             | PERA     | Total       |
| 2018       | \$1,009,645     | \$16,590 | \$1,026,235 |
| 2019       | 1,009,644       | (5,845)  | 1,003,799   |
| 2020       | 1,130,608       | 80,671   | 1,211,279   |
| 2021       | 992,517         | 35,489   | 1,028,006   |
| 2022       | 884,288         | -        | 884,288     |
| Thereafter | -               | -        | -           |

**F. ACTUARIAL ASSUMPTIONS**

TRA

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

**Actuarial Information**

|                           |   |
|---------------------------|---|
| Measurement date          | June 30, 2016   |
| Valuation date            | July 1, 2016  |
| Experience study          | June 5, 2015  |
| Actuarial cost method     | Entry Age Normal  |
| Actuarial assumptions:    |   |
| Investment rate of return | 4.66%, from the Single Equivalent Interest Rate calculation |
| Price inflation           | 2.75%   |
| Wage growth rate          | 3.5%  |
| Projected salary increase | 3.5 - 9.5%  |
| Cost of living adjustment | 2.0%  |

**Mortality Assumptions:**

|                 |   |
|-----------------|---|
| Pre-retirement  | RP-2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP-2015 scale.  |
| Post-retirement | 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 | RP-2014 disabled retiree mortality table, without adjustment.   |

For TRA, there was a change in actuarial assumptions that affected the measurement of the total liability since the prior measurement date. Post-retirement benefit adjustments are now assumed to remain level at 2.0% annually. While in the previous measurement the COLA increased to 2.5% in 2034.

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2016 is six years. The “Difference Between Expected and Actual Economic Experience,” “Changes in Actuarial Assumptions,” and “Changes in Proportion” use the amortization period of six years in the schedule presented. The amortization period for “Difference Between Projected and Actual Investment Earnings” is over a period of five years as required by GASB 68.

**PARTNERSHIP ACADEMY**  
**CHARTER SCHOOL NO. 4097**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

PERA

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

|                              |                |
|------------------------------|----------------|
| Inflation                    | 2.50% per year |
| Active member payroll growth | 3.25% per year |
| Investment rate of return    | 7.50%          |

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1% per year for all future years.

Actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies. The most recent four-year experience study was completed in 2015.

The following changes in actuarial assumptions occurred in 2016:

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return and the single discount rate was changed from 7.9% to 7.5%.
- 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.

TRA and PERA

The State Board of Investment, which manages the investments of TRA and PERA, prepares an analysis of the reasonableness 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:

| <u>Asset Class</u>   | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------|--------------------------|---|
| Domestic stocks      | 45%                      | 5.50%   |
| International stocks | 15%                      | 6.00%   |
| Bonds                | 18%                      | 1.45%   |
| Alternative assets   | 20%                      | 6.40%   |
| Unallocated cash     | 2%                       | 0.50%   |
| Total                | <u>100%</u>              |   |

**G. DISCOUNT RATE**

TRA

The discount rate used to measure the total pension liability was 4.66%. This is a decrease from the discount rate at the prior measurement date of 8.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal 2017 contribution rate, contributions from schools 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 projected to be depleted in 2052 and, as a result, the Municipal Bond Index Rate was used in the determination of the Single Equivalent Interest Rate (SEIR). The long-term expected rate of return was applied to periods before 2052 and the Municipal Bond Index Rate of 3.01% was applied to periods on and after 2052, resulting in a SEIR of 4.66%. Based on Fiduciary Net Position at prior year measurement date, the discount rate of 8.00% was used and it was not necessary to calculate the SEIR.

PERA

The discount rate used to measure the total pension liability in 2016 was 7.50%, a reduction from the 7.9% used in 2015. 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 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.

**H. PENSION LIABILITY SENSITIVITY**

The following presents the School’s proportionate share of the net pension liability calculated using the discount rate for each plan, as well as the liability measured using one percent lower (3.66% for TRA; 6.50% for PERA) and one percent higher (5.66% for TRA; 8.50% for PERA).

|      | <u>1% Decrease</u> | <u>Current</u> | <u>1% Increase</u> |
|------|--------------------|----------------|--------------------|
| TRA  | \$10,263,097       | \$7,966,697    | \$6,096,354        |
| PERA | 1,395,384          | 982,460        | 642,323            |

**I. PENSION PLAN FIDUCIARY NET POSITION**

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

Detailed information about PERA’s 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 at [www.mnpera.org](http://www.mnpera.org).

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**Note 6 COMMITMENTS AND CONTINGENCIES**

**A. FEDERAL AND STATE PROGRAMS**

Amounts received or receivable from federal and state agencies are subject to agency audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of funds which may be disallowed by the agencies cannot be determined at this time although the School expects such amounts, if any, to be immaterial. The Federal financial assistance received may be subject to an audit pursuant to *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) or audits by the grantor or agency.

**B. LEASE COMMITMENTS AND TERMS**

The School (lessee) leases classroom and office space at 305 East 77th Street, Richfield, MN, 55423 from the Church of the Assumption of Richfield (lessor). The lease agreement requires minimum lease payments of \$391,611 per year and expires on June 30, 2019. Actual lease payments may be higher and are calculated based on the actual enrollment of the School. The School is also responsible for its proportionate share of the common operating costs.

For fiscal 2017, total cost of all educational-related space which qualified for state lease aid was \$391,611. The School is eligible to receive state charter school lease aid equal to the lower of 90% of qualifying rent expense or \$1,314 per pupil unit. Aid entitlement is prorated if state-wide appropriations are insufficient to fully fund the charter school lease aid entitlements. For 2017, the School recorded \$352,449 of lease aid revenue, which is equal to 90% of its rent expense for the year.

As of June 30, 2017, the future minimum lease payments for the lease are as follows:

| <u>Year Ending</u><br><u>June 30,</u> | <u>Building</u>         |
|---------------------------------------|-------------------------|
| 2018                                  | \$391,611               |
| 2019                                  | <u>391,611</u>          |
| Total                                 | <u><u>\$783,222</u></u> |

The School's ability to make payments under these lease agreements 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.

**PARTNERSHIP ACADEMY**  
**CHARTER SCHOOL NO. 4097**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

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**Note 7**    **INTERFUND ACTIVITY**

As of June 30, 2017, the School's due to/from other funds consisted of the following:

- \$13,656 due to the General Fund from the Food Service Fund to eliminate a temporary cash deficit.
- \$54,500 due to the General Fund from the Association Fund to temporarily finance the costs associated with locating a new building.

**REQUIRED SUPPLEMENTARY INFORMATION**

**PARTNERSHIP ACADEMY**  
**CHARTER SCHOOL NO. 4097**  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
For The Year Ended June 30, 2017  
With Comparative Actual Amounts For the Year Ended June 30, 2016

|  | 2017             |                  | Actual<br>Amounts | Variance with<br>Final Budget -<br>Over (Under) | 2016<br>Actual<br>Amounts |
|--|------------------|------------------|-------------------|---|---------------------------|
|  | Budgeted Amounts |                  |                   |   |                           |
|  | Original         | Final            |                   |   |                           |
| Revenues:                              |                  |                  |                   |   |                           |
| Local sources                          | \$309,872        | \$316,173        | \$275,010         | (\$41,163)                                      | \$34,215                  |
| State sources                          | 4,575,683        | 4,718,700        | 4,811,014         | 92,314  | 4,333,237                 |
| Federal sources                        | 567,659          | 542,993          | 492,519           | (50,474)  | 501,878                   |
| Total revenues                         | <u>5,453,214</u> | <u>5,577,866</u> | <u>5,578,543</u>  | <u>677</u>                                      | <u>4,869,330</u>          |
| Expenditures:                          |                  |                  |                   |   |                           |
| Administration:                        |                  |                  |                   |   |                           |
| Current:                               |                  |                  |                   |   |                           |
| Salaries                               | 196,448          | 196,448          | 193,448           | (3,000)   | 181,813                   |
| Employee benefits                      | 55,796           | 51,185           | 39,946            | (11,239)  | 38,612                    |
| Purchased services                     | 39,000           | 39,000           | 36,192            | (2,808)   | 40,517                    |
| Other expenditures                     | 7,000            | 5,000            | 4,950             | (50)  | 7,279                     |
| Total administration                   | <u>298,244</u>   | <u>291,633</u>   | <u>274,536</u>    | <u>(17,097)</u>                                 | <u>268,221</u>            |
| School support services:               |                  |                  |                   |   |                           |
| Current:                               |                  |                  |                   |   |                           |
| Salaries                               | 62,656           | 74,228           | 74,374            | 146   | 78,865                    |
| Employee benefits                      | 33,940           | 38,941           | 34,906            | (4,035)   | 32,592                    |
| Purchased services                     | 214,800          | 204,800          | 191,695           | (13,105)  | 208,348                   |
| Supplies and materials                 | 46,000           | 53,000           | 69,284            | 16,284  | 50,634                    |
| Other expenditures                     | 3,000            | 3,000            | 2,632             | (368)   | 1,850                     |
| Capital outlay                         | 10,000           | 10,000           | -                 | (10,000)  | 9,750                     |
| Total School support services          | <u>370,396</u>   | <u>383,969</u>   | <u>372,891</u>    | <u>(11,078)</u>                                 | <u>382,039</u>            |
| Regular instruction:                   |                  |                  |                   |   |                           |
| Current:                               |                  |                  |                   |   |                           |
| Salaries                               | 1,163,216        | 1,112,475        | 1,127,777         | 15,302  | 1,111,356                 |
| Employee benefits                      | 282,441          | 282,204          | 303,747           | 21,543  | 259,087                   |
| Purchased services                     | 44,530           | 75,179           | 47,512            | (27,667)  | 35,687                    |
| Supplies and materials                 | 90,165           | 102,665          | 118,558           | 15,893  | 86,249                    |
| Capital outlay                         | 16,000           | 16,000           | 22,435            | 6,435   | 12,666                    |
| Total regular instruction              | <u>1,596,352</u> | <u>1,588,523</u> | <u>1,620,029</u>  | <u>31,506</u>                                   | <u>1,505,045</u>          |
| Special education instruction:         |                  |                  |                   |   |                           |
| Current:                               |                  |                  |                   |   |                           |
| Salaries                               | 1,106,180        | 1,187,133        | 1,167,558         | (19,575)  | 838,520                   |
| Employee benefits                      | 291,229          | 327,514          | 279,721           | (47,793)  | 194,178                   |
| Purchased services                     | 59,072           | 73,700           | 83,678            | 9,978   | 66,846                    |
| Supplies and materials                 | 11,538           | 11,594           | 11,307            | (287)   | 15,043                    |
| Capital outlay                         | 2,000            | 4,500            | 4,931             | 431   | 8,136                     |
| Total special education instruction    | <u>1,470,019</u> | <u>1,604,441</u> | <u>1,547,195</u>  | <u>(57,246)</u>                                 | <u>1,122,723</u>          |
| Community education and services:      |                  |                  |                   |   |                           |
| Current:                               |                  |                  |                   |   |                           |
| Salaries                               | 200,000          | 171,449          | 164,055           | (7,394)   | -                         |
| Employee benefits                      | 54,780           | 38,206           | 40,229            | 2,023   | -                         |
| Purchased services                     | 31,350           | 34,253           | 9,384             | (24,869)  | -                         |
| Supplies and materials                 | 23,000           | 5,000            | 5,506             | 506   | -                         |
| Capital outlay                         | -                | 1,000            | 570               | (430)   | -                         |
| Total community education and services | <u>309,130</u>   | <u>249,908</u>   | <u>219,744</u>    | <u>(30,164)</u>                                 | <u>0</u>                  |

**PARTNERSHIP ACADEMY**  
**CHARTER SCHOOL NO. 4097**  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
For The Year Ended June 30, 2017  
With Comparative Actual Amounts For the Year Ended June 30, 2016

|                                      | 2017             |                  | Actual<br>Amounts | Variance with<br>Final Budget -<br>Over (Under) | 2016<br>Actual<br>Amounts |
|--------------------------------------|------------------|------------------|-------------------|---|---------------------------|
|                                      | Budgeted Amounts |                  |                   |   |                           |
|                                      | Original         | Final            |                   |   |                           |
| Instructional support services:      |                  |                  |                   |   |                           |
| Current:                             |                  |                  |                   |   |                           |
| Salaries                             | 277,491          | 279,916          | 273,544           | (6,372)   | 243,419                   |
| Employee benefits                    | 61,741           | 60,133           | 57,835            | (2,298)   | 49,879                    |
| Purchased services                   | 94,199           | 103,734          | 76,878            | (26,856)  | 100,060                   |
| Supplies and materials               | 6,000            | 6,000            | 547               | (5,453)   | 1,029                     |
| Total instructional support services | <u>439,431</u>   | <u>449,783</u>   | <u>408,804</u>    | <u>(40,979)</u>                                 | <u>394,387</u>            |
| Pupil support services:              |                  |                  |                   |   |                           |
| Current:                             |                  |                  |                   |   |                           |
| Salaries                             | \$55,104         | \$57,048         | \$56,035          | (\$1,013)                                       | \$51,137                  |
| Employee benefits                    | 15,810           | 14,652           | 15,031            | 379   | 14,856                    |
| Purchased services                   | 203,000          | 208,000          | 233,067           | 25,067  | 230,367                   |
| Supplies and materials               | 2,000            | 2,000            | 2,083             | 83  | 684                       |
| Total pupil support services         | <u>275,914</u>   | <u>281,700</u>   | <u>306,216</u>    | <u>24,516</u>                                   | <u>297,044</u>            |
| Sites and buildings:                 |                  |                  |                   |   |                           |
| Current:                             |                  |                  |                   |   |                           |
| Salaries                             | 64,343           | 68,607           | 62,875            | (5,732)   | 67,517                    |
| Employee benefits                    | 20,823           | 21,708           | 21,022            | (686)   | 24,082                    |
| Purchased services                   | 516,611          | 514,611          | 585,060           | 70,449  | 529,336                   |
| Supplies and materials               | 13,000           | 13,000           | 12,954            | (46)  | 10,308                    |
| Capital outlay                       | 15,000           | 15,000           | -                 | (15,000)  | 14,377                    |
| Total sites and buildings            | <u>629,777</u>   | <u>632,926</u>   | <u>681,911</u>    | <u>48,985</u>                                   | <u>645,620</u>            |
| Fiscal and other fixed costs:        |                  |                  |                   |   |                           |
| Current:                             |                  |                  |                   |   |                           |
| Purchased services                   | 32,144           | 38,144           | 37,710            | (434)   | 44,431                    |
| Debt service:                        |                  |                  |                   |   |                           |
| Interest and fiscal charges          | 2,500            | 2,500            | -                 | (2,500)   | -                         |
| Total expenditures                   | <u>5,423,907</u> | <u>5,523,527</u> | <u>5,469,036</u>  | <u>(54,491)</u>                                 | <u>4,659,510</u>          |
| Revenues over expenditures           | <u>29,307</u>    | <u>54,339</u>    | <u>109,507</u>    | <u>55,168</u>                                   | <u>209,820</u>            |
| Other financing sources:             |                  |                  |                   |   |                           |
| Sale of capital assets               | -                | -                | 80                | 80  | 5,786                     |
| Net change in fund balance           | <u>\$29,307</u>  | <u>\$54,339</u>  | <u>109,587</u>    | <u>\$55,248</u>                                 | <u>215,606</u>            |
| Fund balance - beginning             |                  |                  | <u>678,409</u>    |   | <u>462,803</u>            |
| Fund balance - ending                |                  |                  | <u>\$787,996</u>  |   | <u>\$678,409</u>          |

**PARTNERSHIP ACADEMY  
CHARTER SCHOOL NO. 4097**

**Statement 6**

REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - FOOD SERVICE SPECIAL REVENUE FUND  
For The Year Ended June 30, 2017  
With Comparative Actual Amounts For the Year Ended June 30, 2016

|                                    | 2017             |                |                   | Variance with<br>Final Budget -<br>Over (Under) | 2016<br>Actual<br>Amounts |
|------------------------------------|------------------|----------------|-------------------|---|---------------------------|
|                                    | Budgeted Amounts |                | Actual<br>Amounts |   |                           |
|                                    | Original         | Final          |                   |   |                           |
| Revenues:                          |                  |                |                   |   |                           |
| State sources                      | \$10,503         | \$10,500       | \$10,480          | (\$20)  | \$13,088                  |
| Federal sources                    | 230,220          | 244,916        | 241,337           | (3,579)   | 280,285                   |
| Total revenues                     | <u>240,723</u>   | <u>255,416</u> | <u>251,817</u>    | <u>(3,599)</u>                                  | <u>293,373</u>            |
| Expenditures:                      |                  |                |                   |   |                           |
| Pupil support services:            |                  |                |                   |   |                           |
| Current:                           |                  |                |                   |   |                           |
| Salaries                           | 17,056           | 12,792         | 8,794             | (3,998)   | 15,000                    |
| Employee benefits                  | 6,904            | 4,765          | 1,280             | (3,485)   | 2,273                     |
| Supplies and materials             | 216,763          | 237,859        | 259,208           | 21,349  | 240,595                   |
| Total expenditures                 | <u>240,723</u>   | <u>255,416</u> | <u>269,282</u>    | <u>13,866</u>                                   | <u>257,868</u>            |
| Revenues over (under) expenditures | <u>\$0</u>       | <u>\$0</u>     | (17,465)          | <u>(\$17,465)</u>                               | 35,505                    |
| Fund balance - beginning           |                  |                | <u>35,505</u>     |   | <u>-</u>                  |
| Fund balance - ending              |                  |                | <u>\$18,040</u>   |   | <u>\$35,505</u>           |

**PARTNERSHIP ACADEMY**  
**CHARTER SCHOOL NO. 4097**  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
For The Year Ended June 30, 2017

| Measurement Date                                       | Fiscal Year Ending | School's Proportion of the Net Pension Liability | School's Proportionate Share of the Net Pension Liability (a) | State's Proportionate Share of the Net Pension Liability Associated with the School (b) | Total Proportionate Share of the Net Pension Liability (a+b) | Covered Payroll (c) | School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll ((a+b)/c) | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|--|--------------------|--|---|---|--|---------------------|--|--|
| <b><u>Teachers Retirement Association</u></b>          |                    |  |   |   |  |                     |  |  |
| June 30, 2014  | June 30, 2015      | 0.0349%  | \$1,608,167   | \$113,268   | \$1,721,435  | \$1,645,961         | 97.7%  | 81.5%  |
| June 30, 2015  | June 30, 2016      | 0.0330%  | 2,041,376   | 250,071   | 2,291,447  | 1,759,903           | 116.0%   | 76.8%  |
| June 30, 2016  | June 30, 2017      | 0.0334%  | 7,966,697   | 800,682   | 8,767,379  | 1,796,084           | 443.6%   | 44.9%  |
| <b><u>PERA - General Employees Retirement Fund</u></b> |                    |  |   |   |  |                     |  |  |
| June 30, 2014  | June 30, 2015      | 0.0159%  | \$746,902   | \$ -  | \$746,902  | \$830,690           | 89.9%  | 78.8%  |
| June 30, 2015  | June 30, 2016      | 0.0127%  | 658,180   | -   | 658,180  | 741,796             | 88.7%  | 78.2%  |
| June 30, 2016  | June 30, 2017      | 0.0121%  | 982,460   | 12,875  | 995,335  | 783,396             | 125.4%   | 68.9%  |

The schedule is provided prospectively beginning with the School's fiscal year ended June 30, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

**PARTNERSHIP ACADEMY  
 CHARTER SCHOOL NO. 4097  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF PENSION CONTRIBUTIONS  
 For The Year Ended June 30, 2017**

| Fiscal Year<br>Ending | Statutorily<br>Required<br>Contribution<br>(a) | Contributions in<br>Relation to the<br>Statutorily Required<br>Contribution (b) | Contribution<br>Deficiency<br>(Excess)<br>(a-b) | Covered<br>Payroll<br>(c) | Contributions as a<br>Percentage of<br>Covered<br>Payroll (b/c) |
|-----------------------|--|---|---|---------------------------|---|
|-----------------------|--|---|---|---------------------------|---|

**Teachers Retirement Association**

|               |           |           |      |             |      |
|---------------|-----------|-----------|------|-------------|------|
| June 30, 2015 | \$131,271 | \$131,271 | \$ - | \$1,759,903 | 7.5% |
| June 30, 2016 | 134,708   | 134,708   | -    | 1,796,084   | 7.5% |
| June 30, 2017 | 145,088   | 145,088   | -    | 1,934,507   | 7.5% |

**PERA - General Employees Retirement Fund**

|               |          |          |      |           |      |
|---------------|----------|----------|------|-----------|------|
| June 30, 2015 | \$55,273 | \$55,273 | \$ - | \$741,796 | 7.5% |
| June 30, 2016 | 58,947   | 58,947   | -    | 783,396   | 7.5% |
| June 30, 2017 | 89,205   | 89,205   | -    | 1,189,400 | 7.5% |

The schedule is provided prospectively beginning with the School's fiscal year ended June 30, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

**PARTNERSHIP ACADEMY  
CHARTER SCHOOL NO. 4097  
REQUIRED SUPPLEMENTARY INFORMATION  
NOTES TO RSI  
June 30, 2017**

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**Note A LEGAL COMPLIANCE – BUDGETS**

The General and Food Service Special Revenue Funds budgets are legally adopted on a basis consistent with accounting principles generally accepted in the United States of America. The legal level of budgetary control is at the fund level.

**Note B PENSION INFORMATION**

*2016 Changes*

Changes of benefit terms (TRA) – the Duluth Teacher’s Retirement Fund Association was merged into TRA on June 30, 2015.

Changes of assumptions (TRA) – Post-retirement benefit adjustments used for the June 30, 2015 valuation are now assumed to be 2% annually with no increase to 2.5% projected. The previous valuation assumed a 2.5% increase commencing July 1, 2034. Also, the discount rate used to measure the total pension liability was 8.0%. This is a decrease from the discount rate at the prior measurement date of 8.25%.

There were no changes of benefit terms or assumptions for PERA.

*2017 Changes*

TRA – Teachers Retirement Association:

Changes in actuarial assumptions for the July 1, 2016 valuation include:

- The assumed investment rate of return and discount rate was reduced from 8.00% to 4.66%.
- Post-retirement benefit adjustments are now assumed to remain level at 2.0% annually. In the previous measurement, benefit adjustments increased to 2.5% in 2034.
- The price inflation assumption was reduced from 3.00% to 2.75%.
- The general wage growth and payroll growth assumptions were reduced from 3.75% to 3.50%.
- Projected salary increases of 3.5% – 12.0% were changed to 3.5% – 9.5%.
- Mortality assumptions changed as a result of using updated mortality tables.

PERA – General Employees Retirement Fund:

Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- 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 2.5% for inflation.

Additional details can be obtained from the financial reports of TRA and PERA.

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## **INDIVIDUAL FUND FINANCIAL STATEMENTS**

**PARTNERSHIP ACADEMY**  
**CHARTER SCHOOL NO. 4097**  
BALANCE SHEET - GENERAL FUND  
June 30, 2017  
With Comparative Amounts For June 30, 2016

**Statement 7**

|  | <u>2017</u>                      | <u>2016</u>                    |
|--|----------------------------------|--------------------------------|
| <b>Assets</b>  |                                  |                                |
| Cash   | \$123,980                        | \$182,981                      |
| Accounts receivable  | 36,046                           | 24,989                         |
| Due from other funds   | 68,156                           | -                              |
| Due from Minnesota Department of Education                               | 745,220                          | 536,997                        |
| Due from Federal Government through Minnesota<br>Department of Education | 154,775                          | 170,657                        |
| Prepaid items  | <u>61,446</u>                    | <u>36,514</u>                  |
| <b>Total assets</b>  | <b><u><u>\$1,189,623</u></u></b> | <b><u><u>\$952,138</u></u></b> |
| <b>Liabilities and Fund Balances</b>                                     |                                  |                                |
| <b>Liabilities:</b>  |                                  |                                |
| Accounts payable   | \$71,778                         | \$25,577                       |
| Salaries and taxes payable   | 311,517                          | 248,152                        |
| Line of credit   | <u>18,332</u>                    | <u>-</u>                       |
| <b>Total liabilities</b>   | <b><u><u>401,627</u></u></b>     | <b><u><u>273,729</u></u></b>   |
| <b>Fund balance:</b>   |                                  |                                |
| Nonspendable for prepaid items   | 61,446                           | 36,514                         |
| Unassigned   | <u>726,550</u>                   | <u>641,895</u>                 |
| <b>Total fund balance</b>  | <b><u><u>787,996</u></u></b>     | <b><u><u>678,409</u></u></b>   |
| <b>Total liabilities and fund balance</b>                                | <b><u><u>\$1,189,623</u></u></b> | <b><u><u>\$952,138</u></u></b> |

**PARTNERSHIP ACADEMY**  
**CHARTER SCHOOL NO. 4097**  
BALANCE SHEET - FOOD SERVICE SPECIAL REVENUE FUND  
June 30, 2017  
With Comparative Amounts For June 30, 2016

**Statement 8**

|   | <u>2017</u>                   | <u>2016</u>                   |
|---|-------------------------------|-------------------------------|
| <b>Assets</b>   |                               |                               |
| Cash  | \$ -                          | \$30,968                      |
| Due from Minnesota Department of Education                                | 1,560                         | -                             |
| Due from Federal Government through Minnesota:<br>Department of Education | <u>37,226</u>                 | <u>4,537</u>                  |
| <b>Total assets</b>   | <b><u><u>\$38,786</u></u></b> | <b><u><u>\$35,505</u></u></b> |
| <b>Liabilities and Fund Balance</b>                                       |                               |                               |
| <b>Liabilities:</b>   |                               |                               |
| Accounts payable  | \$7,090                       | \$ -                          |
| Due to general fund   | <u>13,656</u>                 | <u>-</u>                      |
| <b>Total liabilities</b>  | <b><u>20,746</u></b>          | <b><u>0</u></b>               |
| <b>Fund balance:</b>  |                               |                               |
| Restricted for food service   | <u>18,040</u>                 | <u>35,505</u>                 |
| <b>Total liabilities and fund balance</b>                                 | <b><u><u>\$38,786</u></u></b> | <b><u><u>\$35,505</u></u></b> |

**PARTNERSHIP ACADEMY  
CHARTER SCHOOL NO. 4097**

**Statement 9**

**BALANCE SHEET - PARTNERSHIP ACADEMY ASSOCIATION SPECIAL REVENUE FUND**

June 30, 2017

With Comparative Amounts For June 30, 2016

|                                     |  | <u>2017</u>            | <u>2016</u>       |
|-------------------------------------|--|------------------------|-------------------|
| <b>Assets</b>                       |  |                        |                   |
| Cash                                |  | <u>\$10,469</u>        | <u>\$ -</u>       |
| Total assets                        |  | <u><u>\$10,469</u></u> | <u><u>\$0</u></u> |
| <b>Liabilities and Fund Balance</b> |  |                        |                   |
| <b>Liabilities:</b>                 |  |                        |                   |
| Accounts payable                    |  | \$3,000                | \$ -              |
| Due to general fund                 |  | <u>54,500</u>          | <u>-</u>          |
| Total liabilities                   |  | <u><u>57,500</u></u>   | <u><u>0</u></u>   |
| <b>Fund balance:</b>                |  |                        |                   |
| Unassigned                          |  | <u>(47,031)</u>        | <u>-</u>          |
| Total liabilities and fund balance  |  | <u><u>\$10,469</u></u> | <u><u>\$0</u></u> |

## **SUPPLEMENTAL INFORMATION**

|                                     | Audit       | UFARS       | Variance |   | Audit | UFARS | Variance |
|-------------------------------------|-------------|-------------|----------|---|-------|-------|----------|
| <b>01 GENERAL FUND</b>              |             |             |          | <b>06 BUILDING CONSTRUCTION</b>           |       |       |          |
| Total Revenue                       | \$5,578,543 | \$5,578,545 | (\$2)    | Total Revenue                             | \$ -  | \$ -  | \$ -     |
| Total Expenditures                  | 5,469,036   | 5,469,039   | (3)      | Total Expenditures                        | -     | -     | -        |
| <i>Non-Spendable:</i>               |             |             |          | <i>Non-Spendable:</i>                     |       |       |          |
| 4.60 Non Spendable Fund Balance     | 61,446      | 61,446      | -        | 4.60 Non Spendable Fund Balance           | -     | -     | -        |
| <i>Restricted/Reserve:</i>          |             |             |          | <i>Restricted/Reserve:</i>                |       |       |          |
| 4.03 Staff Development              | -           | -           | -        | 4.07 Capital Projects Levy                | -     | -     | -        |
| 4.05 Deferred Maintenance           | -           | -           | -        | 4.09 Alternative Fac. Program             | -     | -     | -        |
| 4.06 Health and Safety              | -           | -           | -        | 4.13 Projects Funded By COP               | -     | -     | -        |
| 4.07 Capital Projects Levy          | -           | -           | -        | <i>Restricted:</i>                        |       |       |          |
| 4.08 Cooperative Revenue            | -           | -           | -        | 4.64 Restricted Fund Balance              | -     | -     | -        |
| 4.14 Operating Debt                 | -           | -           | -        | <i>Unassigned:</i>                        |       |       |          |
| 4.16 Levy Reduction                 | -           | -           | -        | 4.63 Unassigned Fund Balance              | -     | -     | -        |
| 4.17 Taconite Building Maint        | -           | -           | -        |   |       |       |          |
| 4.23 Certain Teacher Programs       | -           | -           | -        | <b>07 DEBT SERVICE</b>                    |       |       |          |
| 4.24 Operating Capital              | -           | -           | -        | Total Revenue                             | \$ -  | \$ -  | \$ -     |
| 4.26 \$25 Taconite                  | -           | -           | -        | Total Expenditures                        | -     | -     | -        |
| 4.27 Disabled Accessibility         | -           | -           | -        | <i>Non-Spendable:</i>                     |       |       |          |
| 4.28 Learning and Development       | -           | -           | -        | 4.60 Non Spendable Fund Balance           | -     | -     | -        |
| 4.34 Area Learning Center           | -           | -           | -        | <i>Restricted/Reserve:</i>                |       |       |          |
| 4.35 Contracted Alt. Programs       | -           | -           | -        | 4.25 Bond Refundings                      | -     | -     | -        |
| 4.36 St. Approved Alt. Program      | -           | -           | -        | 4.51 QZAB Payments                        | -     | -     | -        |
| 4.38 Gifted & Talented              | -           | -           | -        | <i>Restricted:</i>                        |       |       |          |
| 4.41 Basic Skills Programs          | -           | -           | -        | 4.64 Restricted Fund Balance              | -     | -     | -        |
| 4.45 Career & Tech Programs         | -           | -           | -        | <i>Unassigned:</i>                        |       |       |          |
| 4.49 Safe School Crime              | -           | -           | -        | 4.63 Unassigned Fund Balance              | -     | -     | -        |
| 4.50 Pre-Kindergarten               | -           | -           | -        |   |       |       |          |
| 4.51 QZAB Payments                  | -           | -           | -        | <b>08 TRUST</b>                           |       |       |          |
| 4.52 OPEB Liab Not In Trust         | -           | -           | -        | Total Revenue                             | \$ -  | \$ -  | \$ -     |
| 4.53 Unfunded Sev & Retirement Levy | -           | -           | -        | Total Expenditures                        | -     | -     | -        |
| <i>Restricted:</i>                  |             |             |          | 4.22 Unassigned Fund Balance (Net Assets) | -     | -     | -        |
| 4.64 Restricted Fund Balance        | -           | -           | -        |   |       |       |          |
| <i>Committed:</i>                   |             |             |          | <b>20 INTERNAL SERVICE</b>                |       |       |          |
| 4.18 Committed For Separation       | -           | -           | -        | Total Revenue                             | \$ -  | \$ -  | \$ -     |
| 4.61 Committed Fund Balance         | -           | -           | -        | Total Expenditures                        | -     | -     | -        |
| <i>Assigned:</i>                    |             |             |          | 4.22 Unassigned Fund Balance (Net Assets) | -     | -     | -        |
| 4.62 Assigned Fund Balance          | -           | -           | -        |   |       |       |          |
| <i>Unassigned:</i>                  |             |             |          | <b>25 OPEB REVOCABLE TRUST</b>            |       |       |          |
| 4.22 Unassigned Fund Balance        | 726,550     | 726,550     | -        | Total Revenue                             | \$ -  | \$ -  | \$ -     |
|                                     |             |             |          | Total Expenditures                        | -     | -     | -        |
| <b>02 FOOD SERVICE</b>              |             |             |          | 4.22 Unassigned Fund Balance (Net Assets) | -     | -     | -        |
| Total Revenue                       | \$251,817   | \$251,817   | \$ -     |   |       |       |          |
| Total Expenditures                  | 269,282     | 269,281     | 1        | <b>45 OPEB IRREVOCABLE TRUST</b>          |       |       |          |
| <i>Non-Spendable:</i>               |             |             |          | Total Revenue                             | \$ -  | \$ -  | \$ -     |
| 4.60 Non Spendable Fund Balance     | -           | -           | -        | Total Expenditures                        | -     | -     | -        |
| <i>Restricted/Reserve:</i>          |             |             |          | 4.22 Unassigned Fund Balance (Net Assets) | -     | -     | -        |
| 4.52 OPEB Liab Not In Trust         | -           | -           | -        |   |       |       |          |
| <i>Restricted:</i>                  |             |             |          | <b>47 OPEB DEBT SERVICE FUND</b>          |       |       |          |
| 4.64 Restricted Fund Balance        | 18,040      | 18,040      | -        | Total Revenue                             | \$ -  | \$ -  | \$ -     |
| <i>Unassigned:</i>                  |             |             |          | Total Expenditures                        | -     | -     | -        |
| 4.63 Unassigned Fund Balance        | -           | -           | -        | <i>Non-Spendable:</i>                     |       |       |          |
|                                     |             |             |          | 4.60 Non Spendable Fund Balance           | -     | -     | -        |
| <b>04 COMMUNITY SERVICE</b>         |             |             |          | <i>Restricted:</i>                        |       |       |          |
| Total Revenue                       | \$ -        | \$ -        | \$ -     | 4.25 Bond Refundings                      | -     | -     | -        |
| Total Expenditures                  | -           | -           | -        | 4.64 Restricted Fund Balance              | -     | -     | -        |
| <i>Restricted/Reserve:</i>          |             |             |          | <i>Unassigned:</i>                        |       |       |          |
| 4.26 \$25 Taconite                  | -           | -           | -        | 4.63 Unassigned Fund Balance              | -     | -     | -        |
| 4.31 Community Education            | -           | -           | -        |   |       |       |          |
| 4.32 E.C.F.E                        | -           | -           | -        |   |       |       |          |
| 4.44 School Readiness               | -           | -           | -        |   |       |       |          |
| 4.47 Adult Basic Education          | -           | -           | -        |   |       |       |          |
| 4.52 OPEB Liab Not In Trust         | -           | -           | -        |   |       |       |          |
| <i>Restricted:</i>                  |             |             |          |   |       |       |          |
| 4.64 Restricted Fund Balance        | -           | -           | -        |   |       |       |          |
| <i>Unassigned:</i>                  |             |             |          |   |       |       |          |
| 4.63 Unassigned Fund Balance        | -           | -           | -        |   |       |       |          |

## **OTHER REQUIRED REPORTS**

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INDEPENDENT AUDITOR'S 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*

To the Board of Directors  
Partnership Academy  
Charter School No. 4097  
Richfield, 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 Partnership Academy, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Partnership Academy's basic financial statements, and have issued our report thereon dated November 29, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Partnership Academy's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Partnership Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of Partnership Academy'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.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Partnership Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

*Redpath and Company, Ltd.*

REDPATH AND COMPANY, LTD.  
St. Paul, Minnesota

November 29, 2017



## MINNESOTA LEGAL COMPLIANCE REPORT

To the Board of Directors  
Partnership Academy  
Charter School No. 4097  
Richfield, Minnesota

We have audited, 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, the financial statements of the governmental activities and each major fund of Partnership Academy as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Partnership Academy's basic financial statements, and have issued our report thereon dated November 29, 2017.

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

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

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

*Redpath and Company, Ltd.*

REDPATH AND COMPANY, LTD.  
St. Paul, Minnesota

November 29, 2017

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