

**Athlos Academy St. Cloud  
Charter School No. 4250  
St. Cloud, Minnesota**

**Communications Letter**

**June 30, 2018**



**Athlos Academy St. Cloud  
Charter School No. 4250  
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**Report on Matters Identified as a Result of  
the Audit of the Financial Statements**

Board of Directors and Management  
Athlos Academy St. Cloud  
St. Cloud, Minnesota

In planning and performing our audit of the financial statements of the governmental activities and each major fund of Athlos Academy St. Cloud, St. Cloud, Minnesota as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the Academy's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error, or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Academy's financial statements will not be prevented, or detected and corrected, on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows: reasonably possible – the chance of the future event or events occurring is more than remote but less than likely; probable – the future event or events are likely to occur. The material weaknesses identified are stated within this letter.

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.



During our audit, we also became aware of deficiencies in internal control other than significant deficiencies or material weaknesses, and other matters that are opportunities for strengthening internal controls and operating efficiency. They are described in the accompanying letter under Other Deficiencies.

The Academy's written responses to the material weaknesses identified in our audit have not been subjected to audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

The accompanying memorandum also includes financial analysis provided as a basis for discussion. The matters discussed herein were considered by us during our audit and they do not modify the opinion expressed in our Independent Auditor's Report dated December 21, 2018, on such statements.

This communication is intended solely for the information and use of the Board of Directors, management, others within the Academy, and state oversight agencies and is not intended to be, and should not be, used by anyone other than specified parties.

A handwritten signature in black ink that reads 'BergankDV, Ltd.' in a cursive, slightly slanted script.

St. Cloud, Minnesota  
December 21, 2018

## **Athlos Academy St. Cloud Material Weaknesses**

### **MATERIAL AUDIT ADJUSTMENTS**

During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the Academy's existing internal controls and, therefore, could have resulted in a material misstatement of the Academy's financial statements.

In order to ensure financial statements were free from material misstatement, audit adjustments were required to properly adjust receivables and revenue.

### **LACK OF SEGREGATION OF ACCOUNTING DUTIES**

During the year ended June 30, 2018, the Academy had a lack of segregation of accounting duties due to a limited number of office employees. The lack of adequate segregation of accounting duties could adversely affect the Academy's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. This lack of segregation of accounting duties can be demonstrated in the following areas, which is not intended to be an all-inclusive list:

- The Contract Accountant prepares all journal entries without anyone reviewing them.
- The Contract Accountant enters data into accounting software and performs monthly bank reconciliations without review.
- The Contract Accountant has access to the complete accounting system.

Management is aware of this condition and will take certain steps to compensate for the lack of segregation. However, due to the small accounting staff needed to handle all of the accounting duties, the cost of obtaining desirable segregation of accounting duties can often exceed benefits which could be derived. Due to this reason, management has determined a complete segregation of accounting duties is impractical to correct.

We recommend management, along with the Board, remain aware of this situation and continually monitor the accounting system including changes that occur.

### **IMPROVE THE BUDGETING PROCESS**

During our audit, we noted a weakness in the budget process. The revenue and expenditure budgets approved by the Board did not agree with the budgeted amounts in the financial accounting system, in both the original and final budgets. In order for the Board to accurately monitor the budget and make informed decisions, it is critical they receive both revenue and expenditure budget detail that matches to their approved budgets.

We recommend the Academy implement procedures to verify that the budgets approved by the Board match what is in the finance system.

**Athlos Academy St. Cloud  
Other Deficiencies**

**APPROVAL AND DOCUMENTATION OF JOURNAL ENTRIES**

During our audit, we tested the internal control over various Academy financial reporting functions. One such function is the general ledger journal entry process. We also tested specific journal entries for validity, purpose, amount and approval. Although our testing indicated valid journal entries, we found all entries tested lacking evidence of approval and one without supporting documentation. Not having an adequate process in place could jeopardize the integrity of the financial statements.

With the Academy having the material weakness relating to the lack of segregation of accounting duties, there is the risk that not all significant areas of the Academy's financial reporting process is protected by adequate internal control. However, this is one area we recommend an additional internal control could be implemented without adding significant cost. While implementing this control will not relieve the Academy of the material weakness, it is another control that reduces the risk that the financial statements are materially misstated. With this information, we recommend the Academy implement procedures that would support a journal entry review and approval process. One such procedure would be to require a person not involved with creating the journal entry, but versed in understanding financial statements to review the documentation and approve the journal entry. In addition, supporting documentation should be attached to all journal entries.

**MAINTAIN ADEQUATE TIME DOCUMENTATION FOR FEDERAL PROGRAMS**

Time documentation for federal programs must meet the following standards:

- Reflect an after the fact distribution of the actual activity of each employee
- Account for the total activity for which each employee is compensated

During our audit, we noted that the Academy is not comparing actual time spent per completed activity reports to what was charged to federal awards and making any necessary adjustments.

We recommend the Academy maintain adequate documentation for employee time and services related to federal programs and ensure that expenditures reflect an after-the-fact distribution of the actual activity of each employee.

**Athlos Academy St. Cloud  
Charter School No. 4250  
Required Communication**

We have audited the financial statements of the governmental activities and each major fund of the Academy as of and for the year ended June 30, 2018. Professional standards require that we advise you of the following matters related to our audit.

**OUR RESPONSIBILITY IN RELATION TO THE FINANCIAL STATEMENT AUDIT**

As communicated in our engagement letter, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

In planning and performing our audit, we considered the Academy's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance.

As part of obtaining reasonable assurance about whether the Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with the Uniform Guidance, we examined, on a test basis, evidence about the Academy's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on the Academy's compliance with those requirements. While our audit provided a reasonable basis for our opinion, it did not provide a legal determination on the Academy's compliance with those requirements.

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to the RSI, which supplements the basic audit financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI was not audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we do not express an opinion or provide any assurance on the RSI.

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Athlos Academy St. Cloud  
Charter School No. 4250  
Required Communication**

**PLANNED SCOPE AND TIMING OF THE AUDIT**

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involved judgment about the number of transactions to be examined and the areas to be tested.

Our audit included obtaining an understanding of the Academy and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the Academy or to acts by management or employees acting on behalf of the Academy.

**COMPLIANCE WITH ALL ETHICS REQUIREMENTS REGARDING INDEPENDENCE**

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

**QUALITATIVE ASPECTS OF SIGNIFICANT ACCOUNTING PRACTICES**

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Academy is included in the notes to financial statements. There have been no initial selection of accounting policies and no changes to significant accounting policies or their application during the year ended June 30, 2018. We noted no transactions entered into by the Academy during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Depreciation – The Academy is currently depreciating its capital assets over their estimated useful lives, as determined by management, using the straight-line method.

General Education and Special Education Aid – General Education Aid is an estimate until average daily membership (ADM) values are final. Since this is normally not done until after the reporting deadlines, this Aid is an estimate. Special Education Aid is dependent on the availability of funds and complex formulas that are finalized after reporting deadlines.

Net Pension Liability, Deferred Outflows of Resources Related to Pensions, and Deferred Inflows of Resources Related to Pensions – This balance is based on an allocation by the pension plans using estimates based on contributions.

**Athlos Academy St. Cloud  
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Required Communication**

**QUALITATIVE ASPECTS OF SIGNIFICANT ACCOUNTING PRACTICES (CONTINUED)**

We evaluated the key factors and assumptions used to develop the accounting estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

**SIGNIFICANT DIFFICULTIES ENCOUNTERED DURING THE AUDIT**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

**UNCORRECTED AND CORRECTED MISSTATEMENTS**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. We identified the following uncorrected misstatements of the financial statements. Management has determined its effects is immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

- Pension in-kind contribution

The following material misstatements detected as a result of audit procedures were corrected by management.

- Revenue and receivables related to state and federal aids

**DISAGREEMENTS WITH MANAGEMENT**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Academy's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

**REPRESENTATIONS REQUESTED FROM MANAGEMENT**

We requested certain written representations from management, which are included in the management representation letter.

**Athlos Academy St. Cloud  
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Required Communication**

**MANAGEMENT'S CONSULTATIONS WITH OTHER ACCOUNTANTS**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management has informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

**OTHER SIGNIFICANT MATTERS, FINDINGS, OR ISSUES**

In the normal course of our professional association with the Academy, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating conditions affecting the Academy, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Academy's auditors.

**OTHER MATTERS**

We applied certain limited procedures to the RSI that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

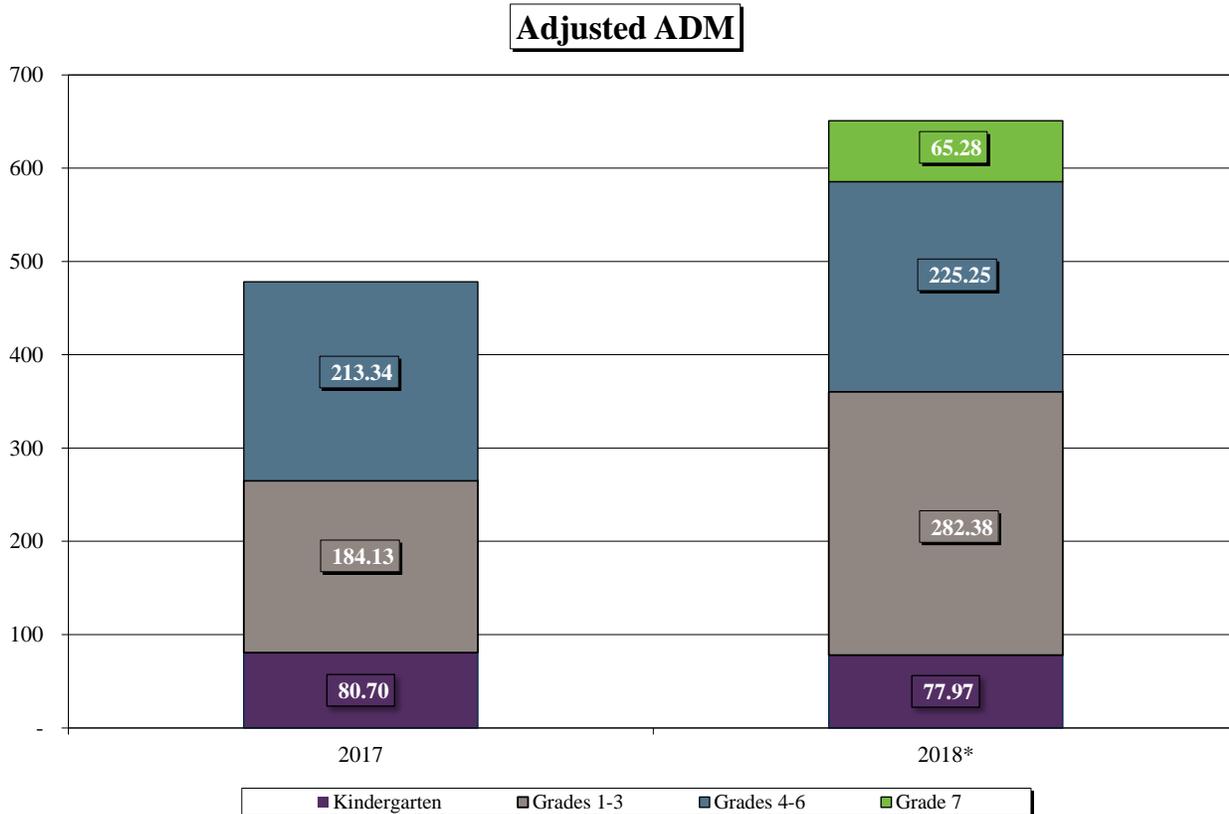
With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

**Athlos Academy St. Cloud  
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Financial Analysis**

The following pages provide graphic representation of select data pertaining to the financial position and operations of the Academy for the past five years. Our analysis of each graph is presented to provide a basis for discussion.

**AVERAGE DAILY MEMBERSHIP AND PUPIL UNITS**

ADM	2017	2018*
Kindergarten	80.70	77.97
Grades 1-3	184.13	282.38
Grades 4-6	213.34	225.25
Grade 7	-	65.28
<b>Total Adjusted ADM</b>	<b>478.17</b>	<b>650.88</b>



\* Estimate

The chart and graph above illustrates the trend in ADM served by the Academy over the first two years of operations. The Academy increased its student count 36% or 172.71 ADM from 2017 to 2018.

**Athlos Academy St. Cloud  
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Financial Analysis**

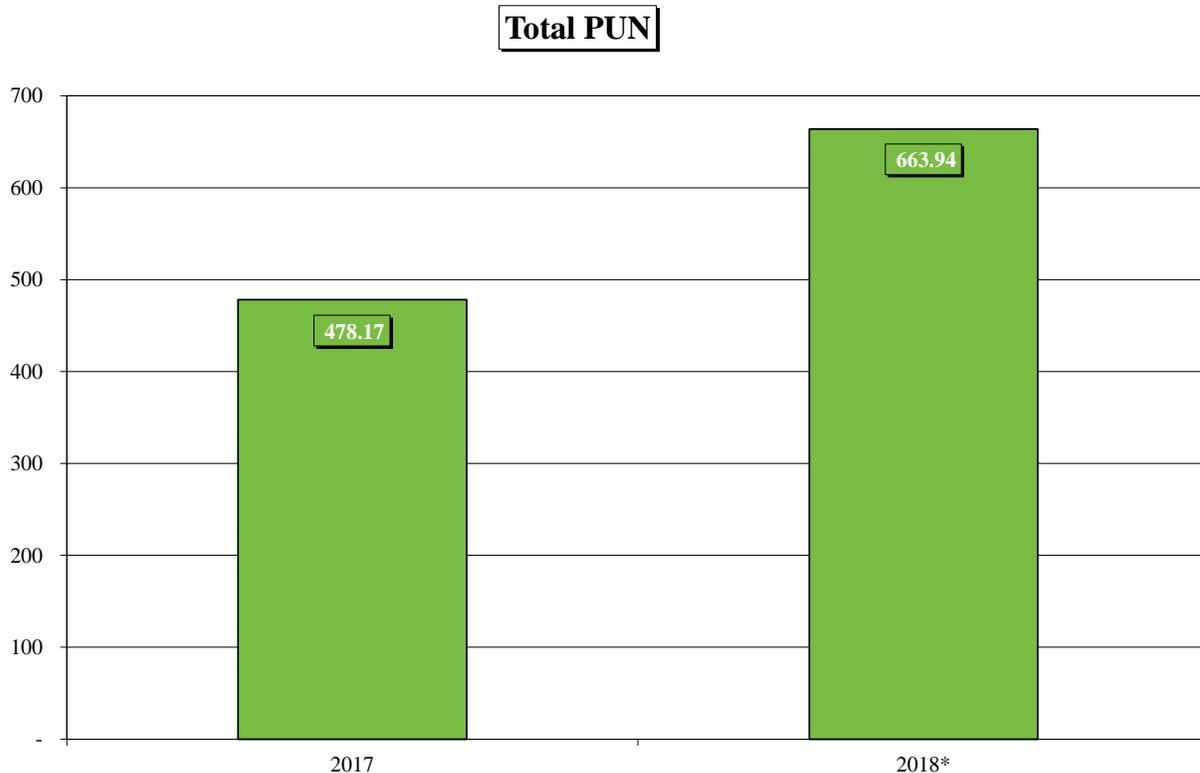
**AVERAGE DAILY MEMBERSHIP AND PUPIL UNITS (CONTINUED)**

To calculate a majority of the Academy's education aids, the ADM amounts are converted into pupil units by weighting, based on the student's grade level. These weighting factors are presented in the table below.

The total pupil units are converted to adjusted pupil units, which is used to calculate the Academy's education aids. Adjusted pupil units are calculated by multiplying 77% of current year pupil units and 23% of prior year, or 100% of current year, whichever is greater. The adjusted pupil unit data is used for schools with declining enrollment to lessen the negative impact.

Pupil Units Weighting				
	Kindergarten	Elementary Grades 1-3	Elementary Grades 4-6	Secondary
Fiscal years 2017-2018	1.000	1.000	1.000	1.200

The pupil unit weighting (PUN) served graph below converts the ADM served into weighted or adjusted pupil unit data for the past two years taking into consideration the above weighting factors. PUN increased due to the increase in enrollment.



\* Estimate

**Athlos Academy St. Cloud  
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Financial Analysis**

**GENERAL FUND OPERATIONS, BUDGET AND ACTUAL**

The table below outlines the Academy's original and final budget and actual results for the General Fund. The Academy's original budget anticipated revenues would exceed expenditures and transfers out by \$213,112. The Academy's final budget anticipated expenditures and transfers out would exceed revenues by \$447,062. The Academy's revenues were 1.5% over this final budget and expenditures were 0.1% under budget.

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Revenues</b>				
Other local revenues	\$ -	\$ 6,000	\$ 25,914	\$ 19,914
Revenue from state sources	7,125,065	6,962,296	7,111,549	149,253
Revenue from federal sources	509,750	615,836	561,126	(54,710)
Interest earnings	-	-	855	855
Total revenues	<u>7,634,815</u>	<u>7,584,132</u>	<u>7,699,444</u>	<u>115,312</u>
<b>Expenditures</b>				
Administration	3,725	-	8,614	8,614
District support services	521,976	814,208	580,047	(234,161)
Regular instruction	2,913,354	2,916,221	2,962,878	46,657
Special education instruction	557,974	938,920	939,105	185
Instructional support services	244,721	288,272	338,469	50,197
Pupil support services	1,057,482	906,787	935,779	28,992
Sites and buildings	1,963,124	1,948,786	2,134,670	185,884
Fiscal and other fixed cost programs	92,500	118,000	22,057	(95,943)
Total expenditures	<u>7,354,856</u>	<u>7,931,194</u>	<u>7,921,619</u>	<u>(9,575)</u>
Excess of revenues over (under) expenditures	<u>279,959</u>	<u>(347,062)</u>	<u>(222,175)</u>	<u>124,887</u>
<b>Other financing use</b>				
Transfers out	<u>(66,847)</u>	<u>(100,000)</u>	<u>(123,581)</u>	<u>(23,581)</u>
Net change in fund balances	\$ 213,112	\$ (447,062)	\$ (345,756)	\$ 101,306

Revenue from state sources came in \$149,253 over budget as a result of conservative budgeting relating to enrollment and not budgeting for long-term facility maintenance aid.

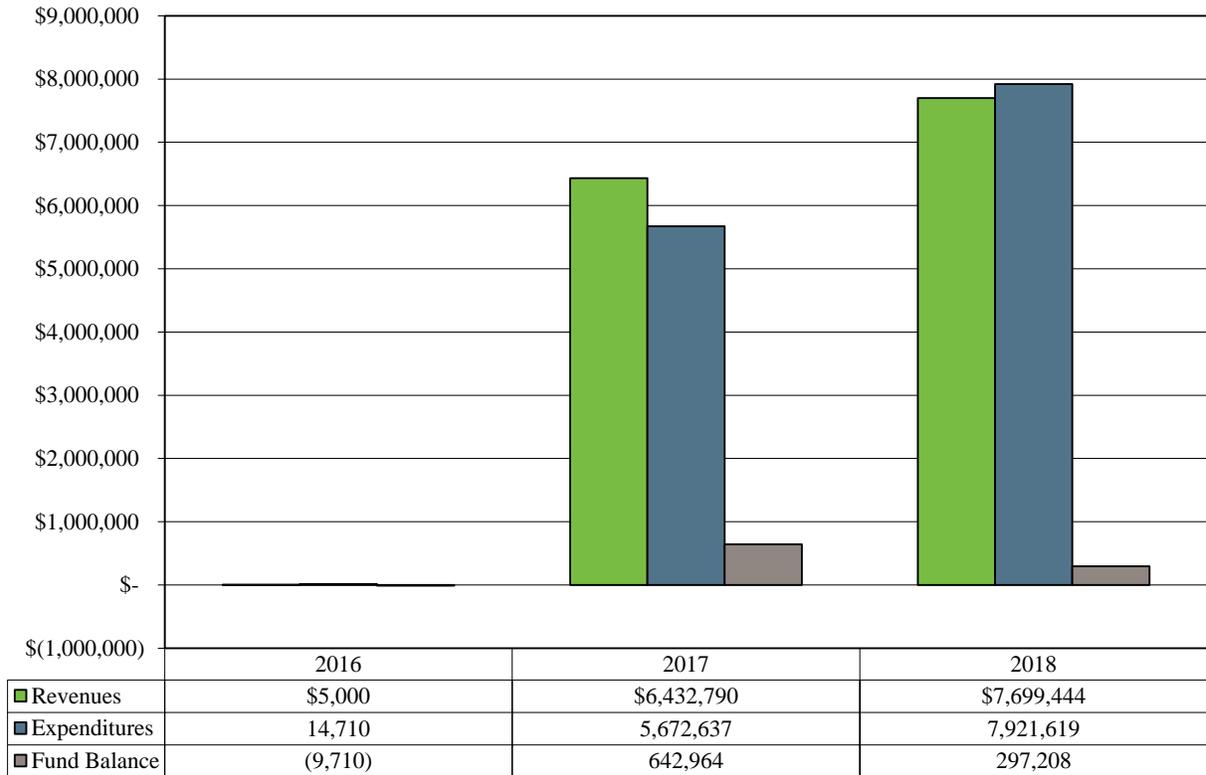
District support services expenditures were \$234,161 under budget primarily due the Academy budgeting for a service fee to Athlos Corporation that was forgiven at the end of the year. Sites and buildings expenditures were \$185,884 over budget as a result of paying unanticipated property taxes in 2018. All other categories remained consistent with the budget.

**Athlos Academy St. Cloud  
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Financial Analysis**

**GENERAL FUND OPERATIONS**

The graph below presents the results of operations for the General Fund at June 30 for each of the past three years. Expenditures exceeded revenues in 2018 decreasing fund balance as a percentage of expenditures from 11.3% in 2017 to 3.7% in 2018.

**General Fund Operations**



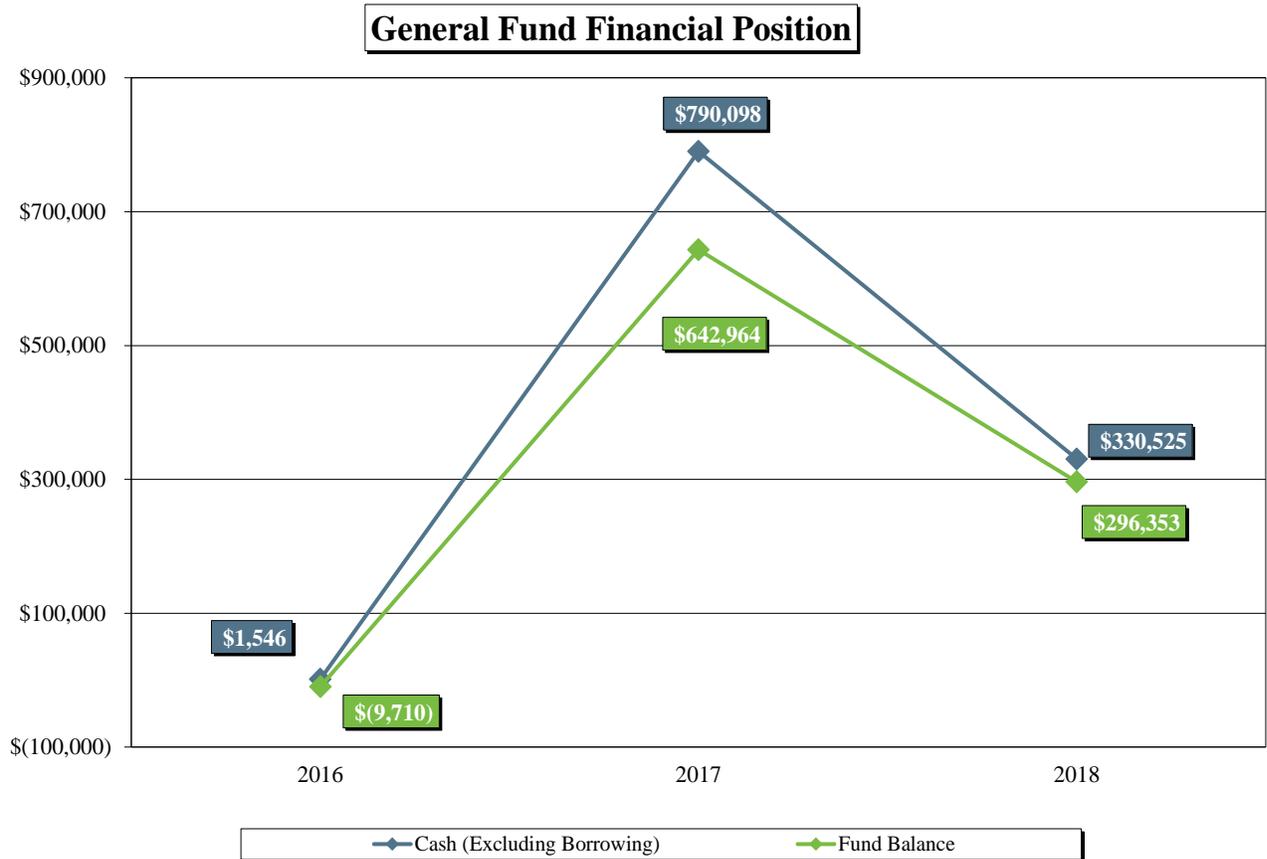
<b>Year End June 30</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Fund balance as a % of expenditures	-66.0%	11.3%	3.8%

**Athlos Academy St. Cloud  
Charter School No. 4250  
Financial Analysis**

**GENERAL FUND OPERATIONS (CONTINUED)**

The graph below presents the fund balance of the General Fund at June 30 for each of the past three years with cash (net of any borrowings) for the same periods.

For the year ended June 30, 2018, the Academy had less than one month of expenditures based on 2018 spending levels in its fund balance.

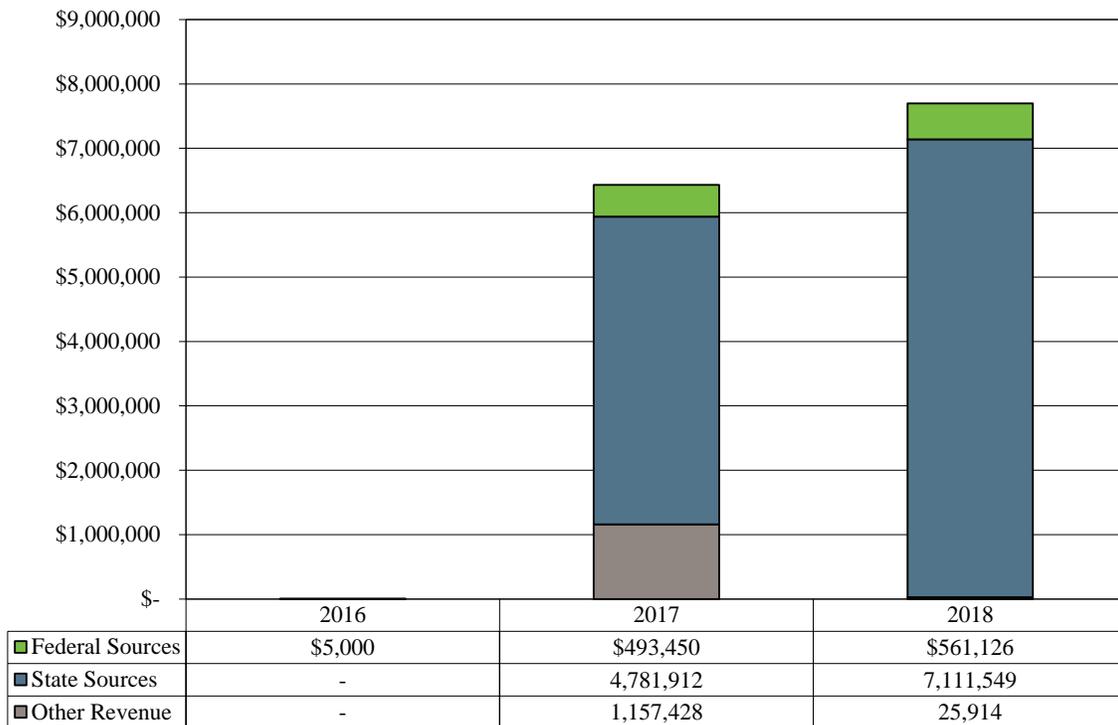


**Athlos Academy St. Cloud  
Charter School No. 4250  
Financial Analysis**

**GENERAL FUND REVENUE**

Total General Fund revenues increased by \$1,265,799, or 19.7%, to \$7,698,589 in 2018. The largest component of the increase in revenue was the \$2,329,637 increase in state sources. This increase was due to the increases in general education aid, building lease aid, and special education aid with the increased enrollment. This was partially offset by a decrease in other revenue by \$1,131,514 as a result of not receiving a donation from Athlos Corporation as they had in 2017.

**General Fund Sources of Revenue**

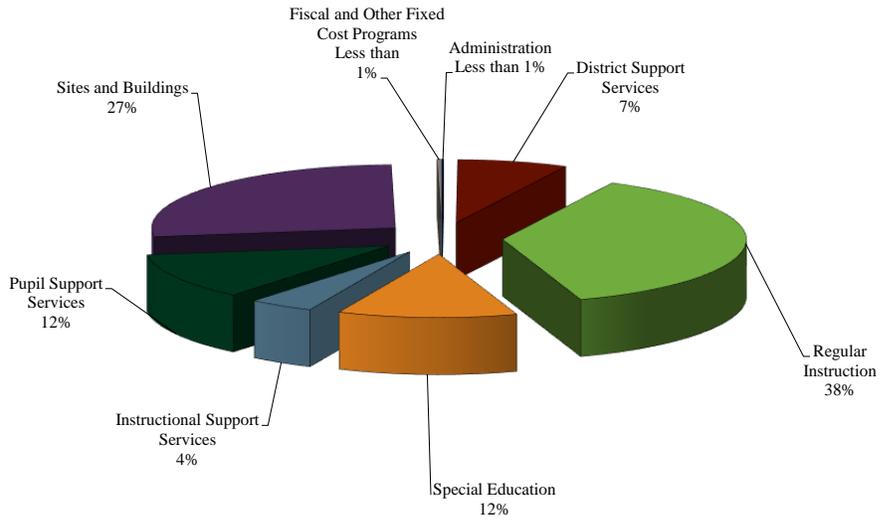


**Athlos Academy St. Cloud  
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Financial Analysis**

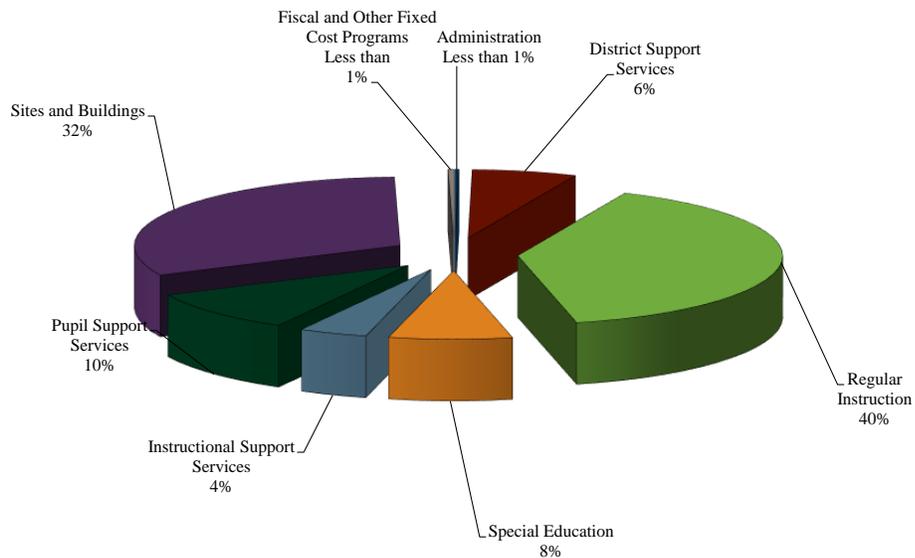
**GENERAL FUND EXPENDITURES**

The following pie charts illustrate the breakdown of General Fund expenditures by program for the past two years.

**2018 General Fund Expenditures**



**2017 General Fund Expenditures**



As seen in the graphs above, expenditures among programs have remained fairly consistent from 2017 to 2018.

**Athlos Academy St. Cloud  
Charter School No. 4250  
Financial Analysis**

**GENERAL FUND EXPENDITURES (CONTINUED)**

The General Fund expenditures increased \$2,248,982, or 39.6%, in 2018.

All programs had increases in 2018, except for administration. The largest increase was in regular instruction, which increased by \$705,862. This was mainly due to increased salaries and benefits as a result of the growth of the school and staff.

<b>General Fund Expenditures</b>			
	<b>2016</b>	<b>2017</b>	<b>2018</b>
Administration	\$ 165	\$ 14,224	\$ 8,614
District support services	14,493	363,127	580,047
Regular instruction	52	2,257,016	2,962,878
Special education	-	424,787	939,105
Instructional support services	-	235,002	338,469
Pupil support services	-	556,835	935,779
Sites and buildings	-	1,801,860	2,134,670
Fiscal and other fixed cost programs	-	19,786	22,057
<b>Total Expenditures</b>	<b>\$ 14,710</b>	<b>\$ 5,672,637</b>	<b>\$ 7,921,619</b>

Below is a chart showing the Academy's expenditures per ADM served. Expenditures increased at a higher rate than students served in 2018 causing an increase in expenditures per ADM served from the prior year. Expenditures per ADM served were below the state average per student served in the General Fund for 2017.

	<b>2016**</b>	<b>2017**</b>	<b>2018*</b>
General Fund	n/a	\$ 11,863	\$ 12,171
Food Service	n/a	665	800
<b>State General Fund Average</b>	<b>\$ 11,956</b>	<b>\$ 12,249</b>	<b>N/A</b>

\* Estimate

\*\* Amounts listed for 2016-2017 were obtained from the Minnesota Department of Education (MDE) publication, *School Academy Profiles*.

**Athlos Academy St. Cloud  
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Financial Analysis**

**FOOD SERVICE FUND**

The following table presents two years of comparative operating results for the Academy's Food Service Fund.

<b>For Year End June 30</b>	<b>2017</b>	<b>2018</b>
Revenues	\$ 210,548	\$ 397,094
Expenditures	318,027	520,675
Excess of revenues over (under) expenditures	(107,479)	(123,581)
Add: transfer in	107,479	123,581
Fund balance, July 1	-	-
<b>Fund Balance, June 30</b>	<b>\$ -</b>	<b>\$ -</b>

Expenditures exceeded revenues for the second time in two years in the Food Service Fund. Food Service revenues increased due to higher enrollment and more meals served, and expenditures increased with higher food costs.

**Athlos Academy St. Cloud  
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Legislative Summary**

The following is a brief summary of current legislative changes and issues affecting the funding of Minnesota school Academy's. More detailed and extensive summaries are available from the Minnesota Department of Education (MDE).

**STATE AID APPROPRIATIONS**

The formula allowance for 2018 General Education Aid was increased \$121 (2%) to \$6,188. For 2019, the formula allowance is set at \$6,312, which is also an increase of 2%.

**COMPENSATORY REVENUE**

The compensatory pilot grants have been added permanently to regular compensatory revenue at the 2017 level. A percentage of the total compensatory revenue (regular plus pilot grant) must be used for extended time activities. These percentages are 3.5% for 2019 and for 2020 and later it will be 3.5% plus the percentage change in the formula from 2019.

**STUDENT ACHIEVEMENT LEVY**

The Student Achievement Levy eliminated for 2019.

**LEAD IN SCHOOL DRINKING WATER**

By July 1, 2018, districts will be required to begin testing school water for lead. Testing must be completed for all schools within five years. School districts and charter schools must adopt a plan to test school water for lead at least every five years. Lead test results must be made available to the public and parents must be notified when this information is available.

The testing may be included in the ten year facilities plans and districts can use long-term facilities maintenance revenue for lead testing and remediation costs.

**PAYMENTS TO NONOPERATING FUNDS**

The payment schedule for nonoperating fund aids is moving to six monthly installments from July through December rather than 12 monthly installments.

**SCHOOL BUILDING BOND AGRICULTURAL CREDIT**

Effective for taxes payable in 2018, there will be a property tax credit on all property classified as agricultural. The credit will be equal to 40% of the tax on the property attributable to school district bonded debt levies. Total amounts available state-wide will be \$34.8 million in 2019, \$45.2 million in 2020, and \$52.5 million in 2021.

**Athlos Academy St. Cloud  
Charter School No. 4250  
Legislative Summary**

**LONG-TERM FACILITIES MAINTENANCE REVENUE**

The per pupil revenue increases from \$193/APU to \$292 for 2018 and \$380 for 2019 and later. Equalized revenue is limited to \$292 for 2018 and \$380 for 2019 and later. LTFM revenue may be used for remodeling and new construction for school security enhancements, and equipment and facility modifications related to violence prevention and facility security for projects in the LTFM plan approved in 2019 or 2020.

**EQUITY REVENUE**

Starting in 2017 through 2019, nonmetro school district are eligible for a 16% increase in the sliding portion of their equity revenue. The seven county metro area schools continue to receive a 25% increase over their initial calculation for revenue.

Beginning in 2020, all districts will receive the same 25% increase over the initial calculation for revenue.

**SPECIAL EDUCATION**

An adjustment to the prior year data and the fiscal year 2016 old formula revenue base used to calculate the hold harmless and growth cap will be necessary for closed or restructured programs.

Although there was a change in Federal law removing student awaiting foster care from the definition of "homeless", these students will still be included in the special education funding calculations.

**VOLUNTARY PREKINDERGARTEN (VPK)/SCHOOL READINESS PLUS**

This program changes the VPK cap from a limit on the total state aid entitlement to a limit on the number of participants. The cap for VPK and school readiness plus will be 7,160 for 2019. The new school readiness plus program continues for 2019. After 2019 the school readiness plus will be eliminated and the cap for VPK will be 3,160 participants.

**EMERGENCY SCHOOL FUNDING**

One-time additional school aid was approved effective for 2019 only. The aid equals \$57.73 per 2018 adjusted ADM for school districts and charter schools (\$50 million total). The aid will be paid out with the school endowment fund payment in September 2018. Aid may be used for student and staff safety or any other school-related purpose as deemed appropriate by the school board.

**STAFF DEVELOPMENT SET-ASIDE WAIVER**

For 2019 only, school boards may waive the 2% staff development set aside requirement or establish a different percentage reserve by board resolution without a majority vote by the licensed teachers in the Academy.

**Athlos Academy St. Cloud  
Charter School No. 4250  
Legislative Summary**

**SAFE SCHOOLS REVENUE**

Revenue is increased from \$36 to \$54/PU for 2019 and to \$41.50/PU for 2020 and later with a maximum revenue of \$30,000 per District for 2019 and later. Districts must annually report safe schools expenditures to MDE by area and any new staff positions hired beginning in 2019.

**Q COMP**

The cap on basic Q Comp aid remains at \$88,118,000 but allows the commissioner to prorate aid for existing districts and schools. Due to enrollment growth, proration is projected to be 98.8%. Districts will be able to levy for the projected basic aid shortfall.

**SCHOOL SAFETY GRANTS**

The house and senate approved \$25 million in total grants to be funded from the State General Fund in 2019. Grants will be awarded by MDE on a first-come, first-serve basis, in consultation with the Department of Public Safety's Minnesota School Safety Center. Grants may be used to pre-design, design, construct, furnish and equip school facilities including renovating and expanding existing buildings and facilities. Grant awards are limited to \$500,000 for each qualifying school building. At least half of the grants must be awarded to school districts outside the 11 county metro area.

**PENSION BILL**

Augmentation has been eliminated for TRA members after 12/31/17, and early retirement subsidies have been phased out.

Post-retirement cost of living adjustments (COLAs) have been reduced –

- 1) TRA – lowers the COLA from 2% to 1% for 5 years; then the rate will increase by 0.1% each year until it reaches 1.5%
- 2) PERA – the increase will be 50% of the increase for Social Security announced January 1, but not less than 0.5% or more than 1.5%
- 3) Defers commencement of COLA for early retirees

The rate of interest paid on refunds of employee contributions to former employees has been reduced from 4% to 3%. TRA required contributions have increased to 7.75% for employees effective FY2024. Required employer contributions will increase 0.21% for FY2019 to FY2023 and 0.2% in FY2024 until a required contribution rate of 8.75% is reached.

Pension adjustment revenue will increase to match the required contribution increases.

**CHARTER SCHOOLS**

Charter schools will receive \$18/PU of safe schools revenue for 2019 and \$5.50/PU for all later years.

**Athlos Academy St. Cloud**  
**Charter School No. 4250**  
**Emerging Issue**

**Executive Summary**

The following is an executive summary of financial related updates to assist you in staying current on emerging issues in accounting and finance. This summary will give you a preview of the new standards that have been recently issued and what is on the horizon for the near future. The most recent and significant update includes:

- **Accounting Standard Update – GASB Statement No. 87 – Leases** – GASB has issued GASB Statement No. 87 relating to accounting and financial reporting for leases. This new statement establishes a single model for lease accounting based on the principle that leases are financing of the right to use an underlying asset.

The following is an extensive summary of the current update. As your continued business partner, we are committed to keeping you informed of new and emerging issues. We are happy to discuss this issue with you further and their applicability to your District.

**ACCOUNTING STANDARD UPDATE – GASB STATEMENT NO. 87 – LEASES**

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this Statement.

A short-term lease is defined as a lease that, at the commencement of the lease term, has a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. Lessees and lessors should recognize short-term lease payments as outflows of resources or inflows of resources, respectively, based on the payment provisions of the lease contract.

**Athlos Academy St. Cloud**  
**Charter School No. 4250**  
**Emerging Issue**

**ACCOUNTING STANDARD UPDATE – GASB STATEMENT NO. 87 – LEASES**  
**(CONTINUED)**

A lessee should recognize a lease liability and a lease asset at the commencement of the lease term, unless the lease is a short-term lease or it transfers ownership of the underlying asset. The lease liability should be measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease asset should be measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. A lessee should reduce the lease liability as payments are made and recognize an outflow of resources (for example, expense) for interest on the liability. The lessee should amortize the lease asset in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset. The notes to financial statements should include a description of leasing arrangements, the amount of lease assets recognized, and a schedule of future lease payments to be made.

A lessor should recognize a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions for leases of assets held as investments, certain regulated leases, short-term leases, and leases that transfer ownership of the underlying asset. A lessor should not derecognize the asset underlying the lease. The lease receivable should be measured at the present value of lease payments expected to be received during the lease term. The deferred inflow of resources should be measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods. A lessor should recognize interest revenue on the lease receivable and an inflow of resources (for example, revenue) from the deferred inflows of resources in a systematic and rational manner over the term of the lease. The notes to financial statements should include a description of leasing arrangements and the total amount of inflows of resources recognized from leases.

GASB Statement No. 87 is effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

Information provided above was obtained from [www.gasb.org](http://www.gasb.org).

**Athlos Academy St. Cloud  
Charter School No. 4250  
St. Cloud, Minnesota**

**Financial Statements**

**June 30, 2018**



**Athlos Academy St. Cloud  
Charter School No. 4250  
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**Athlos Academy St. Cloud  
Charter School No. 4250  
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**Athlos Academy St. Cloud  
Charter School No. 4250  
Board of Directors and Administration  
Year Ended June 30, 2018**

<u>Board of Directors</u>	<u>Position</u>
Jackie Hoyhtya	Chair
Josh Hirschfeld	Vice Chair/Treasurer
Stephanie Gardner	Secretary
Aaron Schwenzfeier	Member at Large
Brenda Schwitalla	Member at Large
<u>Administration</u>	
Randy Vetsch	Executive Director

## Independent Auditor's Report

To the Board of Directors  
Athlos Academy St. Cloud  
St. Cloud, Minnesota

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Athlos Academy St. Cloud, St. Cloud, Minnesota, as of and for the year ended June 30, 2018, and the related notes to financial statements, which collectively comprise the 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 Academy'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 Academy'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 in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Athlos Academy St. Cloud, St. Cloud, Minnesota, as of June 30, 2018, and the respective changes in financial position thereof, and the respective budgetary comparison for the General and Food Service Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, and the Required Supplementary 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 (GASB), 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 the Academy's basic financial statements. The accompanying supplementary information identified in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements.



**Other Matters (Continued)**

*Other Information (Continued)*

The accompanying supplementary information identified in the Table of Contents and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2018, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "BergankDV, Ltd." in a cursive, slightly slanted script.

St. Cloud, Minnesota  
December 21, 2018

**Athlos Academy St. Cloud  
Charter School No. 4250  
Management's Discussion and Analysis**

This section of Athlos Academy St. Cloud's (the "Academy") annual financial report presents our discussion and analysis of the Academy's financial performance during the school year that ended on June 30, 2018. Please read it in conjunction with the Academy's financial statements, which immediately follow this section. The Management's Discussion and Analysis (MD&A) is a required element of required supplementary information specified in GASB Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented in the Management's Discussion and Analysis.

**Financial Highlights:**

- The Academy was operating in St. Cloud Minnesota for the second year during the 17-18 fiscal year. The school had beginning enrollment of 683 students in year two. During the year the enrollment fell to 603 and prompted budget adjustments to compensate.
- During the year the enrollment fell to 603 and prompted budget adjustments to compensate for the loss of students.
- The Academy leases a 90,000 square foot facility that aligns the facility with the unique aspect of its program.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial section of the annual report consists of four parts – Independent Auditor's Report, Required Supplementary Information, which includes the MD&A (this section), the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the Academy:

- The first two statements are government-wide financial statements that provide both short-term and long-term information about the Academy's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Academy, reporting the Academy's operations in more detail than the government-wide statements.

The governmental funds statements tell how basic services 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. The statements are followed by a section of supplementary information that further explains and supports the financial statements.

**Athlos Academy St. Cloud  
Charter School No. 4250  
Management's Discussion and Analysis**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Government-Wide Statements:** The government-wide statements report information about the Academy as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the Academy's assets and deferred outflows of resources; and liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the Academy's net position and how they have changed. Net position, the difference between the Academy's assets and deferred outflows of resources; and liabilities and deferred inflows of resources, is one way to measure the Academy's financial health or position.

- Over time, increases or decreases in the Academy's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the Academy you need to consider additional non-financial factors such as changes in the Academy's creditworthiness and the condition of school buildings and other facilities.

In the government-wide financial statements the Academy's activities are shown in one category:

**Governmental Activities:** Most of the Academy's basic services will be included here.

**Fund financial statements:** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Academy uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds:** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the year. Such information may be useful in evaluating the Academy's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

The Academy maintains two governmental funds and information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances.

**Athlos Academy St. Cloud  
Charter School No. 4250  
Management's Discussion and Analysis**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Notes to the basic financial statements:** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Analysis of the Statement of Net Position**

This statement includes all of the assets and deferred outflows of resources; and liabilities of Athlos Academy of St. Cloud. Net position is a measure of the Academy's financial condition. The net position consists of the following:

	2018	2017
<b>Assets</b>		
Cash	\$ 330,525	\$ 790,098
Accounts receivable	-	9,876
Due from Department of Education	687,805	593,379
Due from federal government through Department of Education	278,253	123,763
Equipment	79,134	47,676
Leasehold improvements	24,129	26,913
Total assets	1,399,846	1,591,705
<b>Deferred Outflows of Resources</b>		
Deferred outflows related to pensions	6,018,930	163,584
Total assets and deferred outflows	\$ 7,418,776	\$ 1,755,289
<b>Liabilities</b>		
Accounts payable	\$ 616,698	\$ 537,985
Salaries and benefits payable	383,532	336,167
Compensated absences payable	16,950	11,845
Net pension liability	5,797,452	-
Total liabilities	6,814,632	885,997
<b>Deferred Inflows of Resources</b>		
Deferred inflows related to pensions	1,193,937	-
<b>Net Position</b>		
Net investment in capital assets	103,263	74,589
Unrestricted	(693,056)	794,703
Total net position	(589,793)	869,292
Total liabilities, deferred inflows, and net position	\$ 7,418,776	\$ 1,755,289

**Assets**

The schools assets are primarily cash and short-term accounts receivables that will be received directly from MDE or from the Federal government through MDE. The receivables are dollars associated with the mandatory holdback of funding, as well as monies from cost reimbursement programs such as Title and Special Education.

**Athlos Academy St. Cloud  
Charter School No. 4250  
Management's Discussion and Analysis**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

Deferred Outflows of Resources

This amount represents dollars associated with pension estimates that will be amortized and recognized in futures years. Please see Note 1, F and Note 7 for further information.

Liabilities

Liabilities are composed of accounts payable associated with operational expenses such as building lease expenses, food service purchases, and other curriculum and materials needs, as well as salary and benefit accruals associated with those academic staff who are paid over the summer from earnings earned during the academic year.

Net Position

The schools net position changed dramatically from the prior year. In year one the school had a positive net position of \$869,292; however, year two there was a significant drop from the prior year due to the requirement to book the GASB 68 pension liability for the first time. The second year net position is (\$589,793)

**Athlos Academy St. Cloud  
Charter School No. 4250  
Management's Discussion and Analysis**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Analysis of the Statement of Activities**

	<u>2018</u>	<u>2017</u>
<b>Operating Revenues</b>		
State aid-formula grants	\$ 5,490,814	\$ 3,829,741
Charges for services	66,975	40,375
Operating grants and contributions	2,250,983	1,258,434
Other general revenues	<u>297,021</u>	<u>1,514,788</u>
Total operating revenues	8,105,793	6,643,338
<b>Expenses</b>		
Administration	8,614	14,224
District support services	604,432	354,929
Elementary and secondary regular instruction	3,796,417	2,153,035
Special education instruction	1,117,782	409,145
Instructional support services	433,577	198,056
Pupil support services	938,166	551,260
Sites and buildings	2,110,108	1,751,671
Fiscal and other fixed cost programs	22,057	19,786
Food services	<u>533,725</u>	<u>312,230</u>
Total expenses	<u>9,564,878</u>	<u>5,764,336</u>
Change in net position	(1,459,085)	879,002
Net position - beginning	<u>869,292</u>	<u>(9,710)</u>
Net position - ending	<u>\$ (589,793)</u>	<u>\$ 869,292</u>

**Operating Revenue**

Operating Revenues were composed of funding associated with school enrollment, including general education funding, special education dollars, operational grants and contributions, and building lease aid monies.

**Expenses**

Expenses were allocated based on classifications provided by the Minnesota Department of Education. Expenses increased dramatically over the year two operations as the organization provided a full year of services to a growing population.

**Athlos Academy St. Cloud  
Charter School No. 4250  
Management's Discussion and Analysis**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

Fund Financial Statements

Both revenues and expenditures increased as a result of the school's increased enrollment.

Capital Assets

Capital Assets for the school were relatively small in the first year of operations. Additions for fiscal year 2018 included only the purchase of additional lockers for the facility. Assets are capitalized and depreciated if they meet certain standards set by the Academy. Those standards are outlined in Note 1 E.

**Economic Factors**

Athlos Academy has an innovative curriculum model that is built on bringing both a healthy body and performance characters' traits into the classroom which will help the students be more successful academically. Athlos Academy of St. Cloud is dependent on student enrollment to ensure it receives adequate funding and the Academy feels this innovative curriculum and instruction will allow us to expand its current enrollments.

**Budget**

The Schools budget was built on an enrollment of approximately 700 students. The state of Minnesota provides generous funding allotments to Charter Schools allowing the school to operate in an effective manner for the students. Based on decreased enrollment during the 17-18 school year, the 18-19 fiscal year budget was constructed conservatively on a 600 student enrollment.

**Requests for Information**

This financial report is designed to provide a general overview of the finances for Athlos Academy of St. Cloud. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Randy Vetsch  
Athlos Academy of St. Cloud  
3701 33d Street South  
St. Cloud, MN, 56301

## **BASIC FINANCIAL STATEMENTS**

**Athlos Academy St. Cloud  
Charter School No. 4250  
Statement of Net Position  
June 30, 2018**

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash	\$ 330,525
Due from Department of Education	687,805
Due from Federal Government through Department of Education	278,253
Capital assets net of accumulated depreciation	
Equipment	79,134
Leasehold improvements	24,129
Total assets	<u>1,399,846</u>
 <b>Deferred Outflows of Resources</b>	
Deferred outflows related to pensions	<u>6,018,930</u>
Total assets and deferred outflows of resources	<u><u>\$ 7,418,776</u></u>
 <b>Liabilities</b>	
Accounts payable	\$ 616,698
Salaries and benefits payable	383,532
Compensated absences payable	
Payable within one year	16,950
Net pension liability	5,797,452
Total liabilities	<u>6,814,632</u>
 <b>Deferred Inflows of Resources</b>	
Deferred inflows related to pensions	<u>1,193,937</u>
 <b>Net Position</b>	
Net investment in capital assets	103,263
Unrestricted	<u>(693,056)</u>
Total net position	<u>(589,793)</u>
Total liabilities, deferred inflows and net position	<u><u>\$ 7,418,776</u></u>



**Athlos Academy St. Cloud  
Charter School No. 4250  
Balance Sheet - Governmental Funds  
June 30, 2018**

	General	Food Service	Total Governmental Funds
<b>Assets</b>			
Cash	\$ 330,525	\$ -	\$ 330,525
Due from Department of Education	684,542	3,263	687,805
Due from Federal Government through Department of Education	209,392	68,861	278,253
Due from other funds	57,867	-	57,867
<b>Total assets</b>	<b>\$ 1,282,326</b>	<b>\$ 72,124</b>	<b>\$ 1,354,450</b>
<b>Liabilities</b>			
Accounts payable	\$ 616,591	\$ 107	\$ 616,698
Salaries and benefits payable	369,382	14,150	383,532
Due to other funds	-	57,867	57,867
<b>Total liabilities</b>	<b>985,973</b>	<b>72,124</b>	<b>1,058,097</b>
<b>Fund Balances</b>			
Unassigned	296,353	-	296,353
<b>Total liabilities and fund balances</b>	<b>\$ 1,282,326</b>	<b>\$ 72,124</b>	<b>\$ 1,354,450</b>

**Athlos Academy St. Cloud  
Charter School No. 4250  
Reconciliation of the Balance Sheet to  
the Statement of Net Position - Governmental Funds  
June 30, 2018**

Total fund balances - governmental funds	\$	296,353
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.

Cost of capital assets		116,943
Less accumulated depreciation		(13,680)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Compensated absences payable		(16,950)
Net pension liability		(5,797,452)

Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.

Deferred outflows related to pensions		6,018,930
Deferred inflows related to pensions		(1,193,937)

Total net position - governmental activities	\$	<u>(589,793)</u>
----------------------------------------------	----	------------------

**Athlos Academy St. Cloud**  
**Charter School No. 4250**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Governmental Funds**

	General	Food Service	Total Governmental Funds
<b>Revenues</b>			
Other local revenues	\$ 25,059	\$ 7,932	\$ 32,991
Revenue from state sources	7,111,549	25,369	7,136,918
Revenue from federal sources	561,126	304,750	865,876
Sales and other conversion of assets	-	59,043	59,043
Interest earnings	855	-	855
Total revenues	7,698,589	397,094	8,095,683
<b>Expenditures</b>			
<b>Current</b>			
Administration	8,614	-	8,614
District support services	580,047	-	580,047
Elementary and secondary regular instruction	2,961,666	-	2,961,666
Special education instruction	938,154	-	938,154
Instructional support services	338,469	-	338,469
Pupil support services	935,779	-	935,779
Sites and buildings	2,087,977	-	2,087,977
Fiscal and other fixed cost programs	22,057	-	22,057
Food service	-	520,675	520,675
<b>Capital outlay</b>			
Elementary and secondary regular instruction	1,212	-	1,212
Special education instruction	951	-	951
Sites and buildings	46,693	-	46,693
Total expenditures	7,921,619	520,675	8,442,294
Excess of revenues over (under) expenditures	(223,030)	(123,581)	(346,611)
<b>Other financing sources (uses)</b>			
Transfers in	-	123,581	123,581
Transfers out	(123,581)	-	(123,581)
Total other financing sources (uses)	(123,581)	123,581	-
Net change in fund balances	(346,611)	-	(346,611)
<b>Fund Balances</b>			
Beginning of year	642,964	-	642,964
End of year	\$ 296,353	\$ -	\$ 296,353

See notes to financial statements.

**Athlos Academy St. Cloud  
Charter School No. 4250  
Reconciliation of the Statement of Revenues,  
Expenditures, and Changes in Fund Balances  
to the Statement of Activities - Governmental Funds  
Year Ended June 30, 2018**

Net change in fund balances - total governmental funds \$ (346,611)

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

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.

Capital outlays	38,879
Depreciation expense	(10,205)

Compensated absences are recognized as paid in the governmental funds but Recognized as the expense is incurred in the Statement of Activities.	(5,105)
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Governmental funds recognize pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective.

Pension expense	<u>(1,136,043)</u>
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Change in net position - governmental activities	<u><u>\$ (1,459,085)</u></u>
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**Athlos Academy St. Cloud  
Charter School No. 4250  
Statement of Revenues, Expenditures, and  
Changes in Fund Balance -  
Budget and Actual - General Fund  
Year Ended June 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Revenues</b>				
Other local revenues	\$ -	\$ 6,000	\$ 25,059	\$ 19,059
Revenue from state sources	7,125,065	6,962,296	7,111,549	149,253
Revenue from federal sources	509,750	615,836	561,126	(54,710)
Interest earnings	-	-	855	855
Total revenues	<u>7,634,815</u>	<u>7,584,132</u>	<u>7,698,589</u>	<u>114,457</u>
<b>Expenditures</b>				
<b>Current</b>				
Administration	3,725	-	8,614	8,614
District support services	521,976	814,208	580,047	(234,161)
Elementary and secondary regular instruction	2,913,354	2,916,221	2,961,666	45,445
Special education instruction	557,974	938,920	938,154	(766)
Instructional support services	244,721	288,272	338,469	50,197
Pupil support services	1,057,482	906,787	935,779	28,992
Sites and buildings	1,928,124	1,892,648	2,087,977	195,329
Fiscal and other fixed cost programs	92,500	118,000	22,057	(95,943)
<b>Capital outlay</b>				
Elementary and secondary regular instruction	-	-	1,212	1,212
Special education instruction	-	-	951	951
Sites and buildings	35,000	56,138	46,693	(9,445)
Total expenditures	<u>7,354,856</u>	<u>7,931,194</u>	<u>7,921,619</u>	<u>(9,575)</u>
Excess of revenues over (under) expenditures	279,959	(347,062)	(223,030)	124,032
<b>Other financing uses</b>				
Transfers out	<u>(66,847)</u>	<u>(100,000)</u>	<u>(123,581)</u>	<u>(23,581)</u>
Net change in fund balance	<u>\$ 213,112</u>	<u>\$ (447,062)</u>	(346,611)	<u>\$ 100,451</u>
<b>Fund Balance</b>				
Beginning of year			<u>642,964</u>	
End of year			<u>\$ 296,353</u>	

**Athlos Academy St. Cloud  
Charter School No. 4250  
Statement of Revenues, Expenditures, and  
Changes in Fund Balance -  
Budget and Actual - Food Service Fund  
Year Ended June 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		
<b>Revenues</b>				
Other local revenues	\$ -	\$ -	\$ 7,932	\$ 7,932
Revenue from state sources	-	-	25,369	25,369
Revenue from federal sources	275,000	275,000	304,750	29,750
Sales and other conversion of assets	50,000	50,000	59,043	9,043
Total revenues	<u>325,000</u>	<u>325,000</u>	<u>397,094</u>	<u>72,094</u>
<b>Expenditures</b>				
Current				
Food service	<u>391,847</u>	<u>424,999</u>	<u>520,675</u>	<u>95,676</u>
Excess of revenues under expenditures	(66,847)	(99,999)	(123,581)	(23,582)
<b>Other financing sources</b>				
Transfers in	<u>66,847</u>	<u>100,000</u>	<u>123,581</u>	<u>23,581</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1</u>	-	<u>\$ (1)</u>
<b>Fund Balance</b>				
Beginning of year			<u>-</u>	
End of year			<u>\$ -</u>	

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**Athlos Academy St. Cloud  
Charter School No. 4250  
Notes to Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Academy is a nonprofit corporation that was formed in May 2015 in accordance with *Minnesota Statutes* 317A and began educating students during the 2016-2017 school year. The Academy is authorized by Volunteers of America. The Academy is a public school which served grades K-7 in the 2017-2018 school year. The mission of the Academy is to provide high quality educational opportunities for the whole child built on the three foundational pillars of Prepared Mind, Healthy Body, and Performance Character. The governing body consists of a Board of Directors composed of a Chairperson and other members.

The accounting policies of the Academy conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies.

**A. Reporting Entity**

The financial statements present the Academy and its component units. The Academy includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate from such. Component units are legally separate organizations for which the appointed officials of the Academy are financially accountable and are included within the financial statements of the Academy because of the significance of their operational or financial relationships with the Academy.

The Academy is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and it is able to impose its will on the organization by significantly influencing the programs, projects, activities or level of services performed or provided by the organization, or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on, the Academy.

As a result of applying the component unit definition criteria above, it has been determined the Academy has no component units.

The Academy does not have any student activities.

**B. Basic Financial Statement Information**

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the Academy.

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

**Athlos Academy St. Cloud  
Charter School No. 4250  
Notes to Financial Statements**

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

**B. Basic Financial Statement Information (Continued)**

Depreciation expense that can be specifically identified by function is included in the direct expenses of that function. The effect of interfund activity has been removed from these statements.

Major individual governmental funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting, transactions are recorded in the following manner.

**1. Revenue Recognition**

Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. State revenue is recognized in the year to which it applies according to *Minnesota Statutes* and accounting principles generally accepted in the United States of America. *Minnesota Statutes* include state aid funding formulas for specific years. Federal revenue is recorded in the year in which the related expenditure is made. Other revenue is considered available if collected within 60 days.

**2. Recording of Expenditures**

Expenditures are generally recorded when a liability is incurred. The exception to this general rule is that compensated absences are recognized when payment is due.

The Academy applies restricted resources first when an expenditure is incurred for a purpose for which both restricted and unrestricted fund balances are available. Further, the Academy applies unrestricted funds in this order if various levels of unrestricted fund balances exist: committed, assigned, and unassigned.

**Description of Funds**

Major Fund

General Fund – This fund is the basic operating fund of the Academy and is used to account for all financial resources except those required to be accounted for in another fund.

Food Service Special Revenue Fund – This fund is used to account for food service revenues and expenditures.

**Athlos Academy St. Cloud  
Charter School No. 4250  
Notes to Financial Statements**

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

**D. Deposits and Investments**

Cash and investments at June 30, 2018, were comprised of deposits.

*Minnesota Statutes* require all deposits be protected by federal deposit insurance, corporate surety bonds, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by Federal Deposit Insurance Corporation (FDIC) insurance or corporate surety bonds.

**E. Capital Assets**

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements.

Capital assets are defined by the Academy as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at its acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets lives are not capitalized.

Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the Academy, no salvage value is taken into consideration for depreciation purpose. Useful lives vary from 10 to 30 years for leasehold improvements, and 3 to 10 years for equipment.

The Academy does not possess any material amounts of infrastructure capital assets, such as sidewalks and parking lots. Such items are considered to be part of the cost of buildings or other improvable property.

**F. Deferred Outflows/Inflows 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 a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The Academy has one item that qualifies for reporting in this category. Deferred outflows of resources related to pensions is recorded for various estimate differences that will be amortized and recognized over future years.

In addition to liabilities, the Statement of Financial Position and fund financial statements 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 a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item which qualifies for reporting in this category. Deferred inflows of resources related to pensions is recorded on the government-wide statements for various estimate differences that will be amortized and recognized over future years.

**Athlos Academy St. Cloud  
Charter School No. 4250  
Notes to Financial Statements**

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

**G. Long-Term Obligations**

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

**H. Compensated Absences**

Eligible staff accrue PTO at varying rates, of which five days may be carried over to future years. PTO days in excess of the allowed carryover will be paid out at \$10 per hour. Upon termination of employment, a member shall receive as severance pay, the amount obtained by multiplying unused PTO hours times \$10. Compensated absences are accrued when incurred in the government-wide financial statements.

**I Pensions**

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

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis, and Minneapolis School District. The direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association merger into TRA in 2006. A second direct aid source is from the State of Minnesota for the merger of the Duluth Teacher's Retirement Fund Association (DTRFA) in 2015.

**J. Risk Management**

The Academy is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and injuries to employees for which the Academy carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in the Academy's insurance coverage during the year ended June 30, 2018.

**K. Fund Equity**

**1. Classification**

In the fund financial statements, the governmental fund report fund classifications that comprise a hierarchy based primarily on the extent to which the Academy is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

Within the fund financial statements, the Academy will classify fund balance in the following manner: unassigned, assigned, committed, restricted, and nonspendable.

**Athlos Academy St. Cloud  
Charter School No. 4250  
Notes to Financial Statements**

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

**K. Fund Equity (Continued)**

**1. Classification (Continued)**

The definitions for these classifications are below:

*Nonspendable:* Fund balance that is associated with items such as inventory or prepaid items.

*Restricted:* Amounts that can only be spent for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

*Committed:* Amounts that can be used only for the specific purposes determined by formal action of the Board. A two-thirds majority vote is required to remove a commitment.

*Assigned:* Amounts that are intended to be used by the Academy for a specific purpose but do not meet the criteria to be classified as restricted or committed.

*Unassigned:* Residual classification of the governments general fund and includes all spendable amounts not contained in the other classification, only the General Fund can report a positive unassigned fund balance.

**2. Minimum Fund Balance**

In the first year of operation (2016) the Academy had a target fund balance of 1%. This will increase annually by 1% until ultimately reaching a minimum unassigned General Fund balance of 20% of operating expenditures. In 2018 their minimum target fund balance is 3%.

**L. Net Position**

Net position represents the difference between assets and deferred outflows of resources; and liabilities and deferred inflows of resources in the government-wide financial statements. Net investments in capital assets consists of capital assets, net of accumulated depreciation. Net position is reported as restricted in the government-wide financial statement when there are limitations on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

**M. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenditures/expense during the reporting period. Actual results could differ from those estimates.

**N. Tax Status**

The Academy is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Academy is also exempt from Minnesota Franchise or income tax.

**Athlos Academy St. Cloud  
Charter School No. 4250  
Notes to Financial Statements**

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

**N. Tax Status (Continued)**

The Academy is required to assess whether an uncertain tax position exists and if there should be recognition of a related benefit or liability in the financial statements. The Academy has determined there are not amounts to record as assets or liabilities related to uncertain tax positions.

**O. Budgetary Information**

The Academy follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to July 1, the Director of School Finance and the Lead School Administrator submits to the School Board, a proposed operating budget for the year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. The Director of School Finance is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the School Board.
3. Formal budgetary integration is employed as a management control device during the year for the General and Food Service Funds.
4. Budgets for the General and Food Service Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Budgets are as originally adopted or as amended by the School Board. Budgeted expenditure appropriations lapse at year-end.

**NOTE 2 – DEPOSITS AND INVESTMENTS**

**A. Deposits**

In accordance with applicable *Minnesota Statutes*, the Academy maintains deposits at depository banks.

Custodial Credit Risk – Deposits: Custodial Credit Risk – Deposits: This is the risk that in the event of the failure of a depository financial institution, the Academy will not be able to recover deposits or collateral securities that are in possession of an outside party. *Minnesota Statutes* 118A requires all deposits be protected by federal deposit insurance, corporate security bonds, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by Federal Deposit Insurance Corporation (FDIC) insurance or corporate surety bonds. The Academy has a policy that requires the Academy's deposits be collateralized as required by *Minnesota Statutes* for an amount exceeding FDIC, SAIF, BIF, or FCUA coverage. As of June 30, 2018, the Academy's bank balance was exposed to custodial credit risk. An amount of \$164,697 of the Academy's bank balance was not protected by collateral.

Deposits are presented in the Statement of Net Position at June 30, 2018, as follows:

Cash	<u><u>\$ 330,525</u></u>
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**Athlos Academy St. Cloud  
Charter School No. 4250  
Notes to Financial Statements**

**NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)**

**B. Investments**

**Credit Risk:** This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. *Minnesota Statutes* 118A.04 and 118A.05 limit investments to the top two rating issued by nationally recognized statistical rating organizations. The Academy's investment policy limits investments to those specified in the above statutes.

**Concentration of Credit Risk:** This is the risk of loss attributed to the magnitude of an investment in a single issuer. The Academy's investment policy states the Academy will diversify its investment to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions, or maturities.

**Interest Rate Risk:** This is the risk that market value of securities will fall due to the changes in market interest rates. The Academy's policy states investment maturities should be scheduled to coincide with projected Academy cash flow needs, taking into account large, routine, or scheduled expenditures, as well as anticipated receipt dates of anticipated revenues. The policy also indicates investments shall be managed to attain a market rate of return through various economic and budgetary cycles, while preserving and protection the capital in the investment portfolio and taking into account constraints on risk and cash flow requirements.

**Custodial Credit Risk – Investments:** This is the risk that in the event of the failure of the counterparty, the Academy will not be able to recover the value of it investments or collateral securities that are in the possession of an outside party. The Academy's investment policy on custodial credit risk states securities will be held in third party safekeeping by an institution designated as custodial agent. The custodial agent shall issue a safe keeping receipt to the Academy listing pertinent information related to the securities held.

As of June 30, 2018, the Academy had no investments.

**NOTE 3 – INTERFUND ACTIVITY**

**A. Due To/Due From Other Funds**

As of June 30, 2018, the Food Service Fund owed the General Fund \$57,867. This amount was to repay the General Fund for items that were for the Food Service Fund, but were paid for by the General Fund.

**B. Interfund Transfers**

The General Fund transferred \$123,581 to the Food Service Fund to cover deficit fund activity during the year.

**Athlos Academy St. Cloud  
Charter School No. 4250  
Notes to Financial Statements**

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets being depreciated				
Improvements and software	\$ 27,841	\$ -	\$ -	\$ 27,841
Vehicles and equipment	50,223	38,879	-	89,102
Total	<u>78,064</u>	<u>38,879</u>	<u>-</u>	<u>116,943</u>
Less accumulated depreciation for				
Improvements and software	928	2,784	-	3,712
Vehicles and equipment	2,547	7,421	-	9,968
Total	<u>3,475</u>	<u>10,205</u>	<u>-</u>	<u>13,680</u>
Total capital assets being Depreciated, net	<u>74,589</u>	<u>28,674</u>	<u>-</u>	<u>103,263</u>
Governmental activities, capital assets, net	<u>\$ 74,589</u>	<u>\$ 28,674</u>	<u>\$ -</u>	<u>\$ 103,263</u>

Depreciation expense of \$10,205 for the year ended June 30, 2018, was charged to the following governmental functions:

Instructional support	\$ 2,784
Sites, buildings, and equipment	<u>7,421</u>
Total depreciation expense	<u>\$ 10,205</u>

**NOTE 5 – LONG-TERM LIABILITIES**

**A. Components of Long-Term Liabilities**

	<u>Outstanding</u>	<u>Payable in One Year</u>
Long-term liabilities		
Compensated absences payable	<u>\$ 16,950</u>	<u>\$ 16,950</u>

**Athlos Academy St. Cloud  
Charter School No. 4250  
Notes to Financial Statements**

**NOTE 5 – LONG-TERM LIABILITIES (CONTINUED)**

**B. Changes in Long-Term Liabilities**

	Beginning Balance	Additions	Reductions	Ending Balance
Long-term liabilities				
Compensated absences payable	\$ 11,845	\$ 44,310	\$ 39,205	\$ 16,950

The General Fund and Food Service Fund typically liquidate the liability related to compensated absences.

**NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE**

The Academy participates in various pension plans, total pension expense for the year ended June 30, 2017, was \$1,396,071. The components of pension expense are noted in the following plan summaries.

**Teachers' Retirement Association**

**A. Plan Description**

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

Teachers employed in Minnesota's public elementary and secondary school, charter schools and certain educational institutions maintained by the state (except those teachers employed by the cities of Duluth and St. Paul, and by the University of Minnesota system) are required to be TRA members. State university, community college, and technical college teachers first employed by the Minnesota State College and Universities (MnSCU) may elect TRA coverage within one year of eligible employment. Alternatively, these teachers may elect coverage through the Defined Contribution Retirement Plan (DCR) administered by MnSCU.

**B. Benefits Provided**

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

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

**Athlos Academy St. Cloud  
Charter School No. 4250  
Notes to Financial Statements**

**NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

**Teachers' Retirement Association (Continued)**

**B. Benefits Provided (Continued)**

*Tier I Benefits*

Tier 1	Step Rate Formula	Percentage
Basic	First ten years of service	2.2% per year
	All years after	2.7% per year
Coordinated	First ten years if service years are up to July 1, 2006	1.2% per year
	First ten years if service years are July 1, 2006, or after	1.4% per year
	All other years of service if service years are up to July 1, 2006	1.7% per year
	All other years of service if service years are July 1, 2006, or after	1.9% per year

With these provisions:

- Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
- 3% per year early retirement reduction factor for all years under normal retirement age.
- Unreduced benefits for early retirement under a Rule of 90 (age plus allowable service equals 90 or more).

*Tier II Benefits*

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

Members first employed after June 30, 1989, receive only the Tier II calculation with a normal retirement age that is their retirement age for full Social Security retirement benefits, but not to exceed age 66.

**Athlos Academy St. Cloud  
Charter School No. 4250  
Notes to Financial Statements**

**NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

**Teachers' Retirement Association (Continued)**

**B. Benefits Provided (Continued)**

Six different types of annuities are available to members upon retirement. The No Refund Life Plan is a lifetime annuity that ceases upon the death of the retiree – no survivor annuity is payable. A retiring member may also choose to provide survivor benefits to a designated beneficiary(ies) by selecting one of the five plans that have survivorship features. Vested members may also leave their contributions in the TRA Fund upon termination of service in order to qualify for a deferred annuity at retirement age. Any member terminating service is eligible for a refund of their employee contributions plus interest.

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

**C. Contribution Rate**

Per *Minnesota Statutes*, Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year ended June 30, 2016, June 30, 2017, and June 30, 2018, were:

	Employee	Employer
Basic	11.0%	11.5%
Coordinated	7.5%	7.5%

The following is a reconciliation of employer contributions in TRA's CAFR "Statement of Changes in Fiduciary Net Position" to the employer contributions used in Schedule of Employer and Non-Employer Pension Allocations. Amounts are reported in thousands.

Employer contributions reported in TRA's CAFR Statement of Changes in Fiduciary Net Position		\$ 367,791
Deduct Employer contributions not related to future contribution efforts		810
Deduct TRA's contributions not included in allocation		(456)
Total employer contributions		368,145
Total non-employer contributions		35,588
Total contributions reported in schedule of employer and non-employer pension allocations		\$ 403,733

**Athlos Academy St. Cloud  
Charter School No. 4250  
Notes to Financial Statements**

**NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

**Teachers' Retirement Association (Continued)**

**C. Contribution Rate (Continued)**

Amounts reported in the allocation schedules may not precisely agree with financial statement amounts or actuarial valuations due to the number of decimal places used in the allocations. TRA has rounded percentage amounts to the nearest ten thousandths.

**D. Actuarial Assumptions**

The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Key Methods and Assumptions Used in Valuation of Total Pension Liability

**Actuarial Information**

Valuation date	July 1, 2017
Experience study	June 5, 2015
	November 6, 2017 (economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial assumptions	
Investment rate of return	5.12%, from the single equivalent interest rate calculation
Price inflation	2.50%
Wage growth rate	2.85% for ten years and 3.25% thereafter
Projected salary increase	2.85% to 8.85% for ten years and 3.25% to 9.25% thereafter
Cost of living adjustment	2.00%

**Mortality Assumption**

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 projections uses the MP 2015 scale.
Post-disability	RP 2014 disabled retiree mortality table, without adjustment.

**Athlos Academy St. Cloud  
Charter School No. 4250  
Notes to Financial Statements**

**NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

**Teachers' Retirement Association (Continued)**

**D. Actuarial Assumptions (Continued)**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target	Long-Term Expected Real Rate of Return
Domestic stocks	39 %	5.10 %
International stocks	19	5.30
Bonds	20	0.75
Alternative assets	20	5.90
Unallocated cash	2	0.00
Total	<u>100 %</u>	

The TRA actuary has determined the average of the expected remaining services lives of all members for fiscal year 2016 is six years. The "Difference Between Expected and Actual Experience", "Changes of Assumptions", and "Changes in Proportion" use the amortization period of six years in the schedule presented. The amortization period for "Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments" is over a period of five years as required by GASB 68.

Changes in actuarial assumptions since the 2016 valuation:

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

**Athlos Academy St. Cloud  
Charter School No. 4250  
Notes to Financial Statements**

**NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

**Teachers' Retirement Association (Continued)**

**D. Actuarial Assumptions (Continued)**

- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

**E. Discount Rate**

The discount rate used to measure the total pension liability was 5.12%. This is an increase from the discount rate at the prior measurement date of 4.66%. 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 school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be depleted in 2053 and, as a result, the Municipal Bond Index Rate was used in determination of the Single Equivalent Interest Rate (SEIR). The long-term expected rate of return (7.5%) was applied to periods before 2053 and the Municipal Bond Index Rate of 3.56% was applied to periods on and after 2053, resulting in a SEIR of 5.12%. There was a change in the Municipal Bond Index Rate from the prior year measurement date (3.01%).

**F. Net Pension Liability**

On June 30, 2018, the Academy reported a liability of \$5,369,728 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Academy's proportion of the net pension liability was based on the Academy's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis, and Minneapolis School District. The Academy's proportionate share was 0.0269% at the end of the measurement period and 0.000% for the beginning of the year.

The pension liability amount reflected a reduction due to direct aid provided to TRA. The amount recognized by the academy as its proportionate share of the net pension liability, the direct aid and total portion of the net pension liability that was associated with the academy were as follows:

Academy's proportionate share of net pension liability	\$ 5,369,728
State's proportionate share of the net pension liability associated with the Academy	519,068

For the year ended June 30, 2018, the Academy recognized pension expense of \$1,240,096. It recognized \$9,955 as an increase to this pension expense for the support provided by direct aid.

**Athlos Academy St. Cloud  
Charter School No. 4250  
Notes to Financial Statements**

**NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

**Teachers' Retirement Association (Continued)**

**F. Net Pension Liability (Continued)**

On June 30, 2018, the Academy had deferred resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 37,564
Net difference between projected and actual earnings on plan investments	-	288,656
Changes of assumptions	-	752,214
Changes in proportion	5,346,910	-
Contributions to TRA subsequent to the measurement date	<u>187,010</u>	<u>-</u>
Total	<u><u>\$ 5,533,920</u></u>	<u><u>\$ 1,078,434</u></u>

\$187,010 reported as deferred outflows of resources related to pensions resulting from Academy contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

Other amounts reported as deferred outflows of resources and (deferred inflows of resources) will be recognized in pension expense as follows:

2019	\$ 839,262
2020	839,262
2021	839,262
2022	839,263
2023	<u>911,427</u>
Total	<u><u>\$ 4,268,476</u></u>

**Athlos Academy St. Cloud  
Charter School No. 4250  
Notes to Financial Statements**

**NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

**Teachers' Retirement Association (Continued)**

**G. Pension Liability Sensitivity**

The following presents the Academy's proportionate share of the net pension liability calculated using the discount rate of 5.12% as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percent lower and 1 percent higher than the current rate.

Academy proportionate share of NPL		
1% decrease (4.12%)	Current (5.12%)	1% increase (6.12%)
\$ 7,087,006	\$ 5,369,728	\$ 3,921,853

The Academy's proportion of the net pension liability was based on the employer contributions to TRA in relation to TRA's total employer contributions including direct aid contributions from the State of Minnesota, City of Minneapolis, and Minneapolis School District.

**H. Pension Plan Fiduciary Net Position**

Detailed information about the plan's fiduciary net position is available in a separately-issued TRA financial report. That can be obtained at [www.MinnesotaTRA.org](http://www.MinnesotaTRA.org), or by writing to TRA at 60 Empire Drive, Suite 400, St. Paul, MN, 55103-4000, or by calling (651) 296-2409 or (800) 657-3669.

**Public Employees' Retirement Association**

**A. Plan Description**

The Academy participates in the following cost-sharing multiple-employer defined benefit pension plan administered by PERA. PERA's defined benefit pension plan is established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. PERA's defined benefit pension plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan (General Employees Plan (accounted for in the General Employees Fund))

All full-time and certain part-time employees of the Academy other than teachers are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

**Athlos Academy St. Cloud  
Charter School No. 4250  
Notes to Financial Statements**

**NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

**Public Employees' Retirement Association**

**B. Benefits Provided**

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public services.

General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. 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 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 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.

Benefit recipients will receive a future annual increase equal to 50 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 percent, beginning January 1, 2019. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age (not applicable to Rule of 90 retirees, disability benefit recipients, or survivors). A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase.

**C. Contributions**

*Minnesota Statutes* Chapter 353 set the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5%, of their annual covered salary in fiscal year 2018. The Academy was required to contribute 7.5% for Coordinated Plan members in fiscal year 2018. The Academy's contributions to the General Employees Fund for the year ended June 30, 2018, were \$62,908. The Academy's contributions were equal to the required contributions as set by state statute.

**Athlos Academy St. Cloud  
Charter School No. 4250  
Notes to Financial Statements**

**NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**D. Pension Costs**

General Employees Fund Pension Costs

At June 30, 2018, the Academy reported a liability of \$427,724 for its proportionate share of the General Employees Fund's net pension liability. The Academy's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2018. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the Academy totaled \$5,376. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Academy's proportion of the net pension liability was based on the Academy's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the Academy's proportion was 0.0067%, which was an increase of 0.0067% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Academy recognized pension expense of \$155,975 for its proportionate share of the General Employees Plan's pension expense. Included in this amount, the Academy recognized \$155 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At June 30, 2018, the Academy reported its proportionate share of deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 14,096	\$ -
Changes in actuarial assumptions	-	42,879
Difference between projected and actual investments earnings	-	72,624
Change in proportion	408,006	-
Contributions paid to PERA subsequent to the measurement date	62,908	-
	<u>62,908</u>	<u>-</u>
Total	<u>\$ 485,010</u>	<u>\$ 115,503</u>

**Athlos Academy St. Cloud  
Charter School No. 4250  
Notes to Financial Statements**

**NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**D. Pension Costs (Continued)**

\$62,908 reported as deferred outflows of resources related to pensions resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2019		\$ 108,252
2020		108,252
2021		108,251
2022		<u>(18,156)</u>
Total		<u><u>\$ 306,599</u></u>

**E. Actuarial Assumptions**

The total pension liability in the June 30, 2017, actuarial valuation was determined using the entry age normal actuarial cost method and 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 to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be 1% per year for the General Employees Plan through 2044 and then 2.5% thereafter.

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2015.

**Athlos Academy St. Cloud  
Charter School No. 4250  
Notes to Financial Statements**

**NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**E. Actuarial Assumptions (Continued)**

The following changes in actuarial assumptions occurred in 2017:

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

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

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic stocks	39%	5.10 %
International stocks	19%	5.30
Bonds	20%	0.75
Alternative assets	20%	5.90
Cash	2%	0.00
	<hr/>	
Total	<u>100%</u>	

**Athlos Academy St. Cloud  
Charter School No. 4250  
Notes to Financial Statements**

**NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**F. Discount Rates**

The discount rate used to measure the total pension liability in 2017 was 7.5%. 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.

**G. Pension Liability Sensitivity**

The following table presents the Academy's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the Academy's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
Academy's proportionate share of the PERA net pension liability	\$ 663,431	\$ 427,724	\$ 234,754

**H. Pension Plan Fiduciary Net Position**

Detailed information about the General Employees Fund's fiduciary net position is available in a separately-issued PERA financial report that includes the financial statements and required supplementary information. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org).

**NOTE 7 – COMMITMENTS**

**A. Lease Commitments and Terms**

On October 22, 2015, the Academy (Lessee) signed a lease for educational space with RJ St. Cloud I, LLC. The term of the lease agreement covers periods August 1, 2016 through August 1, 2041. Annual rent on this space is paid in 12 monthly installments. The Academy is also responsible for operating costs.

For 2018, the Academy qualified for state charter school lease aid which equaled the lesser of 90% of the approved lease cost or \$1,314 per pupil units served, or \$872,417.

The Academy's ability to make payments under the lease agreement is dependent on its revenues which are in turn, largely dependent on sufficient enrollment being served at the Academy and sufficient state aids per student being authorized and received from the State of Minnesota. The Academy believes its enrollments and aid entitlements will be sufficient to meet the lease obligations as they become due.

**Athlos Academy St. Cloud  
Charter School No. 4250  
Notes to Financial Statements**

**NOTE 8 – GASB STANDARDS ISSUED BUT NOT YET IMPLEMENTED**

GASB Statement No. 87, Leases establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement will be effective for the year ending June 30, 2021.

**REQUIRED SUPPLEMENTARY INFORMATION**

**Athlos Academy St. Cloud**  
**Charter School No. 4250**  
**Schedule of Academy's and Non-Employer Proportionate Share**  
**of Net Pension Liability - General Employees Fund Retirement Fund**  
**Last Ten Years**

For Plan's Fiscal Year Ended June 30,	Academy's Proportion of the Net Pension Liability (Asset)	Academy's Proportionate Share of the Net Pension Liability (Asset)	Academy's Proportionate Share of State of Minnesota's Proportionated Share of the Net Pension Liability	Academy's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension	Academy's Covered Payroll	Academy's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	0.0000%	\$ -	\$ -	\$ -	\$ -	0.0%	68.9%
2017	0.0067%	427,724	5,376	433,100	431,413	99.1%	75.9%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

**Schedule of Academy's and Non-Employer Proportionate Share**  
**of Net Pension Liability - TRA Retirement Fund**  
**Last Ten Years**

For Plan's Fiscal Year Ended June 30,	Academy's Proportion of the Net Pension Liability (Asset)	Academy's Proportionate Share of the Net Pension Liability (Asset)	Academy's Proportionate Share of State of Minnesota's Proportionated Share of the Net Pension Liability	Academy's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension of Liability	Academy's Covered Payroll	Academy's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	0.0000%	\$ -	\$ -	\$ -	\$ -	0.0%	44.9%
2017	0.0269%	5,369,728	519,068	5,888,796	1,447,773	370.9%	51.6%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

**Athlos Academy St. Cloud  
Charter School No. 4250  
Schedule of Academy Contributions  
General Employees Fund Retirement Fund  
Last Ten Years**

<u>For Fiscal Year Ended June 30,</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>District's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2017	\$ 32,356	\$ 32,356	\$ -	\$ 431,413	7.50%
2018	62,908	62,908	-	838,773	7.50%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

**Schedule of Academy Contributions  
TRA Retirement Fund  
Last Ten Years**

<u>For Fiscal Year Ended June 30,</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>District's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2017	\$ 108,583	\$ 108,583	\$ -	\$ 1,447,773	7.50%
2018	187,010	187,010	-	2,493,467	7.50%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

**Athlos Academy St. Cloud  
Charter School No. 4250  
Notes to the Required Supplementary Information**

**TRA Retirement Fund**

**2017 Changes**

Changes in Actuarial Assumptions

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

**2016 Changes**

Changes in Actuarial Assumptions

- The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2% for all future years.
- The price inflation assumption was lowered from 3% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes as some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP 2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP 2015 scale.
- The post-retirement mortality assumption was changed to the RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP 2015 scale.
- The post-disability mortality assumption was changed to the RP 2014 disabled retiree mortality table, without adjustment.
- Separate retirement assumptions for members hired before or after July 1, 1989, were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional form of annuity payment at retirement were made.

**Athlos Academy St. Cloud  
Charter School No. 4250  
Notes to the Required Supplementary Information**

**General Employees Fund**

**2017 Changes**

Changes in Actuarial Assumptions

- The CSA loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15% for vested deferred member liability and 3% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

**2016 Changes**

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, the inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

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**SUPPLEMENTARY INFORMATION**

**Athlos Academy St. Cloud  
Charter School No. 4250  
Uniform Financial Accounting and Reporting Standards  
Compliance Table**

	Audit	UFARS	Audit-UFARS		Audit	UFARS	Audit-UFARS
<b>01 General Fund</b>				<b>06 Building Construction Fund</b>			
Total revenue	\$ 7,698,589	\$ 7,698,590	\$ (1)	Total revenue	\$ -	\$ -	\$ -
Total expenditures	7,921,619	7,921,619	-	Total expenditures	-	-	-
<i>Nonspendable:</i>				<i>Nonspendable:</i>			
460 Nonspendable fund balance	-	-	-	460 Nonspendable fund balance	-	-	-
<i>Restricted/reserved:</i>				<i>Restricted/reserved:</i>			
403 Staff Development	-	-	-	407 Capital Projects Levy	-	-	-
406 Health and Safety	-	-	-	409 Alternative Facility Program	-	-	-
407 Capital Projects Levy	-	-	-	413 Building Projects Funded by COP/LP	-	-	-
408 Cooperative Programs	-	-	-	<i>Restricted:</i>			
413 Building Projects Funded by COP/LP	-	-	-	464 Restricted fund balance	-	-	-
414 Operating Debt	-	-	-	<i>Unassigned:</i>			
416 Levy Reduction	-	-	-	463 Unassigned fund balance	-	-	-
417 Taconite Building Maintenance	-	-	-				
424 Operating Capital	-	-	-	<b>07 Debt Service Fund</b>			
426 \$25 Taconite	-	-	-	Total revenue	\$ -	\$ -	\$ -
427 Disabled Accessibility	-	-	-	Total expenditures	-	-	-
428 Learning and Development	-	-	-	<i>Nonspendable:</i>			
434 Area Learning Center	-	-	-	460 Nonspendable fund balance	-	-	-
435 Contracted Alternative Programs	-	-	-	<i>Restricted/reserved:</i>			
436 State Approved Alternative Program	-	-	-	425 Bond refundings	-	-	-
438 Gifted and Talented	-	-	-	433 Maximum effort loan aid	-	-	-
440 Teacher Development and Evaluation	-	-	-	451 QZAB payments	-	-	-
441 Basic Skills Programs	-	-	-	<i>Restricted:</i>			
445 Career Technical Programs	-	-	-	464 Restricted fund balance	-	-	-
448 Achievement and Integration	-	-	-	<i>Unassigned:</i>			
449 Safe School Crime	-	-	-	463 Unassigned fund balance	-	-	-
451 QZAB and Payments	-	-	-				
452 OPEB Liabilities not Held in Trust	-	-	-	<b>08 Trust Fund</b>			
453 Unfunded Severance and	-	-	-	Total revenue	\$ -	\$ -	\$ -
459 Basic Skills Extended Time	-	-	-	Total expenditures	-	-	-
Retirement Levy	-	-	-	<i>Unassigned:</i>			
467 Long-term Facilities Maintenance	-	-	-	422 Net position	-	-	-
472 Medical Assistance	-	-	-				
475 Title VII - Impact Aid	-	-	-	<b>20 Internal Service Fund</b>			
476 Payments in Lieu of Taxes	-	-	-	Total revenue	\$ -	\$ -	\$ -
<i>Restricted:</i>				Total expenditures	-	-	-
464 Restricted fund balance	-	-	-	<i>Unassigned:</i>			
<i>Committed:</i>				422 Net position	-	-	-
418 Committed for separation	-	-	-				
461 Committed	-	-	-	<b>25 OPEB Revocable Trust</b>			
<i>Assigned:</i>				Total revenue	\$ -	\$ -	\$ -
462 Assigned fund balance	-	-	-	Total expenditures	-	-	-
<i>Unassigned:</i>				<i>Unassigned:</i>			
422 Unassigned fund balance (net position)	296,353	296,355	(2)	422 Net position	-	-	-
<b>02 Food Services Fund</b>				<b>45 OPEB Irrevocable Trust</b>			
Total revenue	\$ 397,094	\$ 397,094	-	Total revenue	\$ -	\$ -	\$ -
Total expenditures	520,675	520,674	1	Total expenditures	-	-	-
<i>Nonspendable:</i>				<i>Unassigned:</i>			
460 Nonspendable fund balance	-	-	-	422 Net position	-	-	-
<i>Restricted/reserved:</i>							
452 OPEB liabilities not held in trust	-	-	-	<b>47 OPEB Debt Service</b>			
<i>Restricted:</i>				Total revenue	\$ -	\$ -	\$ -
464 Restricted fund balance	-	-	-	Total expenditures	-	-	-
<i>Unassigned:</i>				<i>Nonspendable:</i>			
463 Unassigned fund balance	-	-	-	460 Nonspendable fund balance	-	-	-
				<i>Restricted:</i>			
<b>04 Community Service Fund</b>				425 Bond refundings	-	-	-
Total revenue	\$ -	\$ -	\$ -	464 Restricted fund balance	-	-	-
Total expenditures	-	-	-	<i>Unassigned:</i>			
<i>Nonspendable:</i>				463 Unassigned fund balance	-	-	-
460 Nonspendable fund balance	-	-	-				
<i>Restricted/reserved:</i>							
426 \$25 Taconite	-	-	-				
431 Community Education	-	-	-				
432 ECFE	-	-	-				
440 Teacher Development and Evaluation	-	-	-				
444 School Readiness	-	-	-				
447 Adult Basic Education	-	-	-				
452 OPEB Liabilities not Held in Trust	-	-	-				
<i>Restricted:</i>							
464 Restricted fund balance	-	-	-				
<i>Unassigned:</i>							
463 Unassigned fund balance	-	-	-				

**Athlos Academy St. Cloud  
Charter School No. 4250  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2018**

Federal Agency/Pass Through Agency/Program Title	CFDA Number	Expenditures
<b>U.S. Department of Agriculture</b>		
Through Minnesota Department of Education		
Child Nutrition Cluster		
School Breakfast Program	10.553	\$ 86,225
Child Nutrition Type A Lunch	10.555	192,058
Total Child Nutrition Cluster		<u>278,283</u>
<b>U.S. Department of Education</b>		
Through Minnesota Department of Education		
Charter School Program Grant	84.282	260,997
Title I, Part A	84.010	165,376
Special Education Cluster		
Special Education	84.027	132,982
Title III, Part A - English Language Acquisition	84.365	489
Title II, Part A - Improving Teacher Quality	84.367	1,409
Total U.S. Department of Education		<u>561,253</u>
Total Federal Expenditures		<u>\$ 839,536</u>

**Athlos Academy St. Cloud**  
**Charter School No. 4250**  
**Notes to the Schedule of Expenditures of Federal Awards**

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Academy and is presented on the modified accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of the financial statements.

**NOTE 2 – PASS-THROUGH GRANT NUMBERS**

All pass-through entities listed above use the same CFDA numbers as the federal grantors to identify these grants and have not assigned any additional identifying numbers.

**NOTE 3 – INVENTORY**

Inventories of commodities donated by the U.S. Department of Agriculture are recorded at market value in the Food Service Fund as inventory. Revenue and expenditures are recorded when commodities are used.

**NOTE 4 – INDIRECT COST RATE**

The Academy did not elect to use the 10 percent de minimis indirect cost rate.

**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***

**Independent Auditor's Report**

To the Board of Directors  
Athlos Academy St. Cloud  
St. Cloud, 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 Athlos Academy St. Cloud, St. Cloud, Minnesota, as of and for the year ending June 30, 2018, and the related notes to financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated December 21, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 Academy'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.



### **Internal Control over Financial Reporting (Continued)**

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be material weaknesses, 2018-001, 2018-002, and 2018-003.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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*.

### **Academy's Response to the Findings**

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

### **Purpose of this Report**

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

A handwritten signature in black ink that reads "BergankDV, Ltd." in a cursive style.

St. Cloud, Minnesota  
December 21, 2018



## **Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance**

### **Independent Auditor's Report**

To the Board of Directors  
Athlos Academy St. Cloud  
St. Cloud, Minnesota

#### **Report on Compliance for Each Major Federal Program**

We have audited Athlos Academy St. Cloud, St. Cloud, Minnesota compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The Academy's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance.

#### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Academy's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Academy's compliance.



### **Opinion on Each Major Federal Program**

In our opinion, Athlos Academy St. Cloud complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

### **Report on Internal Control over Compliance**

Management of the Academy is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Academy's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.



The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*BergankDV, Ltd.*

St. Cloud, Minnesota  
December 21, 2018

**Charter School No. 4250  
Schedule of Findings and Questioned Costs  
in Accordance with the Uniform Guidance**

**SECTION I – SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes, Audit Findings 2018-001, 2018-002, 2018-003
• Significant deficiency(ies) identified?	No
Noncompliance material to financial statements noted?	No

**Federal Awards**

Type of auditor's report issued on compliance for major programs:	Unmodified
Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	Yes, Audit Findings 2018-004, 2018-005, 2018-006
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516?	No

**Identification of Major Programs**

CFDA No:	10.555, 10.553
Name of Federal Program or Cluster:	Child Nutrition Cluster
CFDA No:	84.282
Name of Federal Program or Cluster:	Charter Schools Program (CSP)
Auditee qualified as low risk auditee?	No

**Athlos Academy St. Cloud  
Charter School No. 4250  
Schedule of Findings and Questioned Costs  
in Accordance with the Uniform Guidance**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**Audit Finding 2018-001 – Lack of Segregation of Accounting Duties**

*Criteria or Specific Requirement:*

Internal control that supports the Academy's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements requires adequate segregation of accounting duties.

*Condition:*

The Academy does not have adequate segregation of accounting duties.

*Context:*

This finding impacts the internal control for all significant accounting functions.

*Effect:*

The lack of adequate segregation of accounting duties could adversely affect the Academy's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

*Cause:*

There are a limited number of office employees.

*Recommendation:*

Continue to review the accounting system, including changes that may occur. Implement segregation whenever practical.

*Management's Response:*

**CORRECTIVE ACTION PLAN (CAP):**

1. Explanation of Disagreement with Audit Finding  
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding  
Administration will review current segregation of accounting duties to determine if further segregation is possible.
3. Official Responsible for Ensuring CAP  
Bobby LaBorde, Chief School Finance Officer, is the official responsible for ensuring corrective action of the deficiency.

**Athlos Academy St. Cloud  
Charter School No. 4250  
Schedule of Findings and Questioned Costs  
in Accordance with the Uniform Guidance**

**SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**Audit Finding 2018-001 (Continued)**

*Management's Response: (Continued)*

**CORRECTIVE ACTION PLAN (CAP): (Continued)**

4. Planned Completion Date for CAP  
The planned completion date for the CAP is June 30, 2019.
5. Plan to Monitor Completion of CAP  
The School Board will be monitoring this CAP.

**Audit Finding 2018-002 – Material Audit Adjustments**

*Criteria or Specific Requirement:*

Internal control that assures all material adjustments are identified and prepared by Academy personnel should be established.

*Condition:*

During the course of our audit, we proposed material audit adjustments that would not have been identified as a result of the Academy's existing internal controls and, therefore, could have resulted in a material misstatement of the Academy's financial statements. In order to ensure financial statements were free from material misstatement, audit adjustments were required to properly record revenue and receivables related to state and federal aids.

*Context:*

This finding impacts the internal control over financial reporting.

*Effect:*

Internal controls that fail to identify necessary adjustments could result in material misstatements to the financial statements.

*Cause:*

There are a limited number of office employees to record all necessary adjustments.

*Recommendation:*

Thoroughly review activity for the Academy throughout the year and ensure all necessary adjustments to the financial data are recorded and ensure all year end entries are recorded before audit fieldwork begins.

**Athlos Academy St. Cloud  
Charter School No. 4250  
Schedule of Findings and Questioned Costs  
in Accordance with the Uniform Guidance**

**SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**Audit Finding 2018-002 (Continued)**

*Management's Response:*

**CORRECTIVE ACTION PLAN (CAP):**

1. Explanation of Disagreement with Audit Finding  
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding  
Administration will ensure internal controls over identification and recording of financial statement adjustments are designed and implemented.
3. Official Responsible for Ensuring CAP  
Bobby LaBorde, Chief School Finance Officer, is the official responsible for ensuring corrective action of the deficiency.
4. Planned Completion Date for CAP  
The planned completion date for the CAP is June 30, 2019.
5. Plan to Monitor Completion of CAP  
The School Board will be monitoring this CAP.

**Athlos Academy St. Cloud  
Charter School No. 4250  
Schedule of Findings and Questioned Costs  
in Accordance with the Uniform Guidance**

**SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**Audit Finding 2018-003 – Budget Process**

*Criteria or Specific Requirement:*

Internal control that supports the Academy's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements requires adequate monitoring of activity compared to budgeted amounts.

*Condition:*

During our audit, we noted material weaknesses in the budget process. Revenue and expenditure budgets approved by the Board did not agree with the budgeted amounts in the financial accounting system. In order for the Board to accurately monitor activity, it is critical they receive accurate revenue and expenditure budget and actual activity. This information is necessary for the Board to make informed decisions and for accurate financial reporting.

*Context:*

This finding impacts the Academy's ability to monitor actual revenue and expenditure activity compared to budgeted amounts.

*Effect:*

Revenues and expenditures in the financial statements may vary significantly than what was anticipated.

*Cause:*

Budgets approved by the Board are not accurately entered and maintained in the finance system.

*Recommendation:*

Ensure original budgeted amounts and amendments are accurately reflected in the finance system.

*Management's Response:*

**CORRECTIVE ACTION PLAN (CAP):**

1. Explanation of Disagreement with Audit Finding  
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding  
Administration will ensure that revenue and expenditure budgets for all funds are updated in the accounting system in a timely manner.
3. Official Responsible for Ensuring CAP  
Bobby LaBorde, Chief School Finance Officer, is the official responsible for ensuring corrective action of the deficiency.

**Athlos Academy St. Cloud  
Charter School No. 4250  
Schedule of Findings and Questioned Costs  
in Accordance with the Uniform Guidance**

**SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**Audit Finding 2018-003 (Continued)**

*Management's Response: (Continued)*

**CORRECTIVE ACTION PLAN (CAP): (Continued)**

4. Planned Completion Date for CAP  
The planned completion date for the CAP is June 30, 2019.
5. Plan to Monitor Completion of CAP  
The School Board will be monitoring this CAP.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**Audit Finding 2018-004 – Child Nutrition Cluster (CFDA 10.555 and 10.553); Grant Period – Year Ended June 30, 2018; Department of Agriculture, passed through Minnesota Department of Education**

*Criteria or Specific Requirement:*

Internal control that assures compliance with procurement requirements.

*Condition:*

During our audit, we noted Academy did not have internal controls in place to ensure compliance with procurement compliance requirements.

*Questioned Costs:*

None

*Context:*

The Academy could be purchasing items that are not in line with prevailing rates.

*Effect:*

The Academy could be out of compliance with procurement compliance requirements.

*Cause:*

Academy personnel did not design or implement internal controls over procurement compliance requirements.

*Recommendation:*

Design and implement internal controls to ensure compliance with procurement compliance requirements.

**Athlos Academy St. Cloud  
Charter School No. 4250  
Schedule of Findings and Questioned Costs  
in Accordance with the Uniform Guidance**

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**Audit Finding 2018-004 – Child Nutrition Cluster (CFDA 10.555 and 10.553); Grant Period – Year Ended June 30, 2018; Department of Agriculture, passed through Minnesota Department of Education**

*Management's Response:*

**CORRECTIVE ACTION PLAN (CAP):**

1. Explanation of Disagreement with Audit Finding  
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding  
Administration will ensure internal controls over compliance with procurement compliance requirement are designed and implemented.
3. Official Responsible for Ensuring CAP  
Bobby LaBorde, Chief School Finance Officer, is the official responsible for ensuring corrective action of the deficiency.
4. Planned Completion Date for CAP  
The planned completion date for the CAP is June 30, 2019.
5. Plan to Monitor Completion of CAP  
The School Board will be monitoring this CAP.

**Audit Finding 2018-005 – Child Nutrition Cluster (CFDA 10.555 and 10.553); Grant Period – Year Ended June 30, 2018; Department of Agriculture, passed through Minnesota Department of Education**

*Criteria or Specific Requirement:*

Internal control that assures compliance with reporting requirements.

*Condition:*

During our audit, we noted Academy did not have internal controls in place to ensure compliance with reporting compliance requirements.

*Questioned Costs:*

None

*Context:*

The Academy could be reporting incorrect amounts of free/reduced lunch counts.

**Athlos Academy St. Cloud  
Charter School No. 4250  
Schedule of Findings and Questioned Costs  
in Accordance with the Uniform Guidance**

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**Audit Finding 2018-005 – Child Nutrition Cluster (CFDA 10.555 and 10.553); Grant Period – Year Ended June 30, 2018; Department of Agriculture, passed through Minnesota Department of Education (Continued)**

*Effect:*

The Academy could be out of compliance with reporting compliance requirements.

*Cause:*

Academy personnel did not design or implement internal controls over reporting compliance requirements.

*Recommendation:*

Design and implement internal controls to ensure compliance with reporting compliance requirements.

*Management's Response:*

**CORRECTIVE ACTION PLAN (CAP):**

1. Explanation of Disagreement with Audit Finding  
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding  
Administration will ensure internal controls over compliance with reporting compliance requirement are designed and implemented.
3. Official Responsible for Ensuring CAP  
Bobby LaBorde, Chief School Finance Officer, is the official responsible for ensuring corrective action of the deficiency.
4. Planned Completion Date for CAP  
The planned completion date for the CAP is June 30, 2019.
5. Plan to Monitor Completion of CAP  
The School Board will be monitoring this CAP.

**Athlos Academy St. Cloud  
Charter School No. 4250  
Schedule of Findings and Questioned Costs  
in Accordance with the Uniform Guidance**

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**Audit Finding 2018-006 – Charter Schools Program (CFDA 84.282); Grant Period – Year Ended June 30, 2018; Department of Education, passed through Minnesota Department of Education**

*Criteria or Specific Requirement:*

Internal control that assures compliance with procurement and suspension and debarment requirements.

*Condition:*

During our audit, we noted Academy did not have internal controls in place to ensure compliance with procurement and suspension and debarment compliance requirements.

*Questioned Costs:*

None

*Context:*

The Academy could be purchasing items that are not in line with prevailing rates or purchasing from suspended or debarred vendors.

*Effect:*

The Academy could be out of compliance with procurement and suspension and debarment compliance requirements.

*Cause:*

Academy personnel did not design or implement internal controls over procurement and suspension and debarment compliance requirements.

*Recommendation:*

Design and implement internal controls to ensure compliance with procurement and suspension and debarment compliance requirements.

*Management's Response:*

**CORRECTIVE ACTION PLAN (CAP):**

1. Explanation of Disagreement with Audit Finding

There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding

Administration will ensure internal controls over compliance with procurement compliance requirement are designed and implemented.

3. Official Responsible for Ensuring CAP

Bobby LaBorde, Chief School Finance Officer, is the official responsible for ensuring corrective action of the deficiency.

**Athlos Academy St. Cloud  
Charter School No. 4250  
Schedule of Findings and Questioned Costs  
in Accordance with the Uniform Guidance**

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**Audit Finding 2018-006 – Charter Schools Program (CFDA 84.282); Grant Period – Year Ended June 30, 2018; Department of Education, passed through Minnesota Department of Education (Continued)**

4. Planned Completion Date for CAP  
The planned completion date for the CAP is June 30, 2019.
5. Plan to Monitor Completion of CAP  
The School Board will be monitoring this CAP.

**SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS**

None

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**Report on Legal Compliance  
Independent Auditor's Report**

To the Board of Directors  
Athlos Academy St. Cloud  
St. Cloud, 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 Athlos Academy St. Cloud, St. Cloud, Minnesota, as of and for the year ended June 30, 2018, and the related notes to financial statements, and have issued our report thereon dated December 21, 2018.

The *Minnesota Legal Compliance Audit Guide for Charter Schools*, promulgated by the State Auditor pursuant to *Minnesota Statutes* § 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 the Academy failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Charter Schools*, except as described in the accompanying Schedule of Findings and Corrective Action Plan on Legal Compliance. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the 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 result of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads 'BerganKDV, Ltd.' in a cursive, slightly stylized font.

St. Cloud, Minnesota  
December 21, 2018

**Athlos Academy St. Cloud  
Charter School No. 4250  
Schedule of Finding and Corrective  
Action Plan on Legal Compliance**

**CURRENT YEAR LEGAL COMPLIANCE FINDINGS:**

**Prompt Payment of Bills**

*Minnesota Statutes 471.425, subd. 2* requires that bills are to be paid within the time period set by the terms of the contract or within the standard payment period. The standard payment period is 35 days from receipt of goods or services or invoice, whichever is later, for governing boards that meet at least once a month.

During our audit, we noted that a payment made after the due date causing a late fee to be assessed.

**CORRECTIVE ACTION PLAN (CAP):**

1. Explanation of Disagreement with Audit Finding  
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding  
Administration will ensure the Academy pays all bills on time.
3. Official Responsible for Ensuring CAP  
Bobby LaBorde, Chief School Finance Officer, is the official responsible for ensuring corrective action of the deficiency.
4. Planned Completion Date for CAP  
The planned completion date for the CAP is June 30, 2019.
5. Plan to Monitor Completion of CAP  
The School Board will be monitoring this CAP.

**UFARS Compliance**

Minnesota Statute 124D.10 requires that all Charter Schools be in compliance with coding of Uniform Financial Accounting and Reporting Standards (UFARS).

During our audit, we noted multiple items that needed to be recoded to comply with UFARS.

**CORRECTIVE ACTION PLAN (CAP):**

1. Explanation of Disagreement with Audit Finding  
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding  
Administration will ensure the Academy is properly recording activity in compliance with UFARS.

**Athlos Academy St. Cloud  
Charter School No. 4250  
Schedule of Finding and Corrective  
Action Plan on Legal Compliance**

**CURRENT YEAR LEGAL COMPLIANCE FINDINGS (CONTINUED):**

3. Official Responsible for Ensuring CAP  
Bobby LaBorde, Chief School Finance Officer, is the official responsible for ensuring corrective action of the deficiency.
4. Planned Completion Date for CAP  
The planned completion date for the CAP is June 30, 2019.
5. Plan to Monitor Completion of CAP  
The School Board will be monitoring this CAP.

**CURRENT AND PRIOR YEAR LEGAL COMPLIANCE FINDING:**

**Obtain Sufficient Collateral**

The depositories of public funds and public investment laws of Minnesota Statutes 118A.01 and 118A.08 requires that all deposits with financial institutions must be collateralized in an amount equal to 110% of deposits in excess of Federal Depository Insurance Corporation (FDIC) insurance.

At June 30, 2017 and 2018, the Academy's deposits were under collateralized.

**CORRECTIVE ACTION PLAN (CAP):**

6. Explanation of Disagreement with Audit Finding  
There is no disagreement with the audit finding.
7. Actions Planned in Response to Finding  
Administration will ensure the Academy has sufficient collateral throughout the year.
8. Official Responsible for Ensuring CAP  
Bobby LaBorde, Chief School Finance Officer, is the official responsible for ensuring corrective action of the deficiency.
9. Planned Completion Date for CAP  
The planned completion date for the CAP is June 30, 2019.
10. Plan to Monitor Completion of CAP  
The School Board will be monitoring this CAP.