

Annual Financial Report

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

For the Year Ended June 30, 2019

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Athlos Academy of St. Cloud
Charter School No. 4250
St. Cloud, Minnesota
Annual Financial Report
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For the Year Ended June 30, 2019

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INTRODUCTORY SECTION

ATHLOS ACADEMY OF ST. CLOUD
CHARTER SCHOOL NO. 4250
ST. CLOUD, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2019

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Athlos Academy of St. Cloud
Charter School No. 4250
St. Cloud, Minnesota
School Board and Administration
For the Year Ended June 30, 2019

BOARD OF EDUCATION

<u>Name</u>	<u>Position</u>
Noor Yussuf	Chair
Andrew Grimsley	Vice Chair
Brenda Schwitalla	Secretary
Rebecca Hull	Treasury
Adow Ali	Member at Large
Aaron Schwenzfeier	Member at Large

ADMINISTRATION

<u>Name</u>	<u>Position</u>
Randy Vetsch	Executive Director

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FINANCIAL SECTION

ATHLOS ACADEMY OF ST. CLOUD
CHARTER SCHOOL NO. 4250
ST. CLOUD, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2019

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
Athlos Academy of St. Cloud
Charter School No. 4250
St. Cloud, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Athlos Academy of St. Cloud, Charter School No. 4250 (the Academy), St. Cloud, Minnesota as of and for the year ended June 30, 2019, and the related notes to the 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 of 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 financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Academy as of June 30, 2019, and the respective changes in financial position thereof and the respective budgetary comparison for the General fund and the Food Service fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 15, the Schedules of Employer's Shares of the Net Pension Liability and the Schedules of Employer's Contributions on page 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

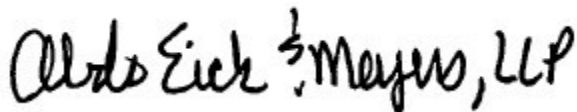
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Academy's basic financial statements. The introductory section and individual fund schedules and table are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2019 on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Academy'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 Academy's internal control over financial reporting and compliance.



ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
December 3, 2019

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Management's Discussion and Analysis

As management of the Athlos Academy (the Academy), St. Cloud, Minnesota, we offer readers of the Academy's financial statements this narrative overview and analysis of the financial activities of the Academy for the period ended June 30, 2019.

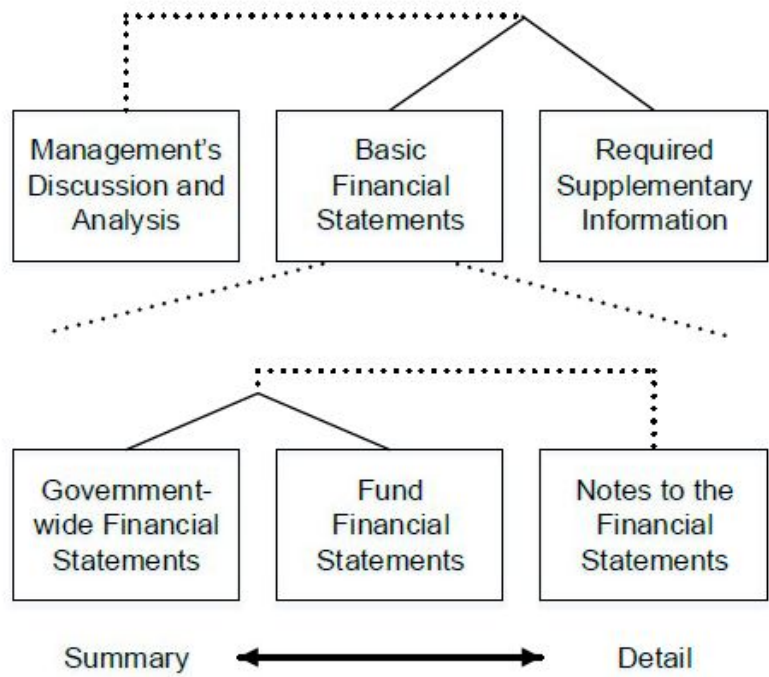
Financial Highlights

- The deficit net position of Academy was \$580,341 at the close of fiscal year 2019. Of this amount, \$705,586 represents deficit unrestricted net position. The deficit can be attributed to the Academy's net pension liability, which is recorded as a result of implementing GASB Statement No. 68 in 2015.
- The Academy's total net position increased by \$36,300 due to revenues exceeding expenditures. The largest explanation for the increase is due to negative pension expense in the current year.
- As of the close of the current fiscal year, the Academy's governmental funds reported an ending fund balance of \$621,776. Approximately 87.5 percent of this total amount, \$544,055 (*unassigned fund balance*), is available for spending at the Academy's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$544,055 or 7.3 percent of total General fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Academy's basic financial statements. The Academy's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of individual fund schedules that further explains and supports the information in the financial statements. The following chart shows how the various parts of this annual report are arranged and related to one another:



The following chart summarizes the major features of the Academy's financial statements, including the portion of the Academy's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements:

Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Financial Statements
		Governmental Funds
Scope	Entire Academy (except fiduciary funds)	The activities of the Academy that are not fiduciary, such as special education and building maintenance
Required financial statements	<ul style="list-style-type: none"> Statement of Net Position Statement of Activities 	<ul style="list-style-type: none"> Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included
Type of inflow/outflow information	All revenues and expenditures during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Academy's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Academy's assets, deferred outflows of resources and liabilities, deferred inflows of resources with the difference between the four reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Academy is improving or deteriorating.

The *statement of activities* presents information showing how the Academy's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The government-wide financial statements display functions of the Academy that are principally supported by intergovernmental revenues (*governmental activities*). The governmental activities of the Academy include administration, district support services, elementary and secondary regular instruction, special education instruction, instructional support services, pupil support services, sites and buildings, and fiscal and other fixed cost programs.

The government-wide financial statements can be found starting on page 24 of this report.

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, like other state and local governments, 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 fiscal year. Such information may be useful in evaluating a government'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. By doing so, readers may better understand the long-term impact of the Academy's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Academy maintains two individual governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund and the Food Service special revenue fund, which are both considered to be a major funds.

The Academy adopts an annual budget for its General fund and Food Service fund. Budgetary comparison statements have been provided for the General fund and the Food Service fund to demonstrate compliance with their budgets.

The basic governmental fund financial statements can be found starting on page 28 of this report.

Notes to the 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. The notes to the financial statements can be found starting on page 35 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide other postemployment benefits to its employees. Required supplementary information can be found on page 58 of this report.

The individual fund schedule and table can be found starting on page 64 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Academy, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$580,341 at the close of the 2019 fiscal year.

A portion of the Academy's net position, \$125,245, reflects its investment in capital assets (e.g., equipment). The Academy uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending.

Athlos Academy's Summary of Net Position

	Governmental Activities		
	2019	2018	Increase (Decrease)
Assets			
Current and other assets	\$ 1,319,156	\$ 1,296,583	\$ 22,573
Capital assets	125,245	103,263	21,982
Total Assets	<u>1,444,401</u>	<u>1,399,846</u>	<u>44,555</u>
Deferred Outflows of Resources			
Deferred pension resources	<u>7,880,293</u>	<u>6,018,930</u>	<u>1,861,363</u>
Liabilities			
Current and other liabilities	697,380	1,000,230	(302,850)
Noncurrent liabilities	<u>3,757,229</u>	<u>5,814,402</u>	<u>(2,057,173)</u>
Total Liabilities	<u>4,454,609</u>	<u>6,814,632</u>	<u>(2,360,023)</u>
Deferred Inflows of Resources			
Deferred pension resources	<u>5,450,426</u>	<u>1,193,937</u>	<u>4,256,489</u>
Net Position			
Investment in capital assets	125,245	103,263	21,982
Unrestricted	<u>(705,586)</u>	<u>(693,056)</u>	<u>(12,530)</u>
Total Net Position	<u>\$ (580,341)</u>	<u>\$ (589,793)</u>	<u>\$ 9,452</u>

At the end of the current fiscal year, the Academy is able to report a positive balance in investment in capital assets. Net position increased by \$36,300 as the Academy's activities operated with a surplus in 2019.

The Academy's net position increased by \$36,300. Key elements of this increase are shown in the table below.

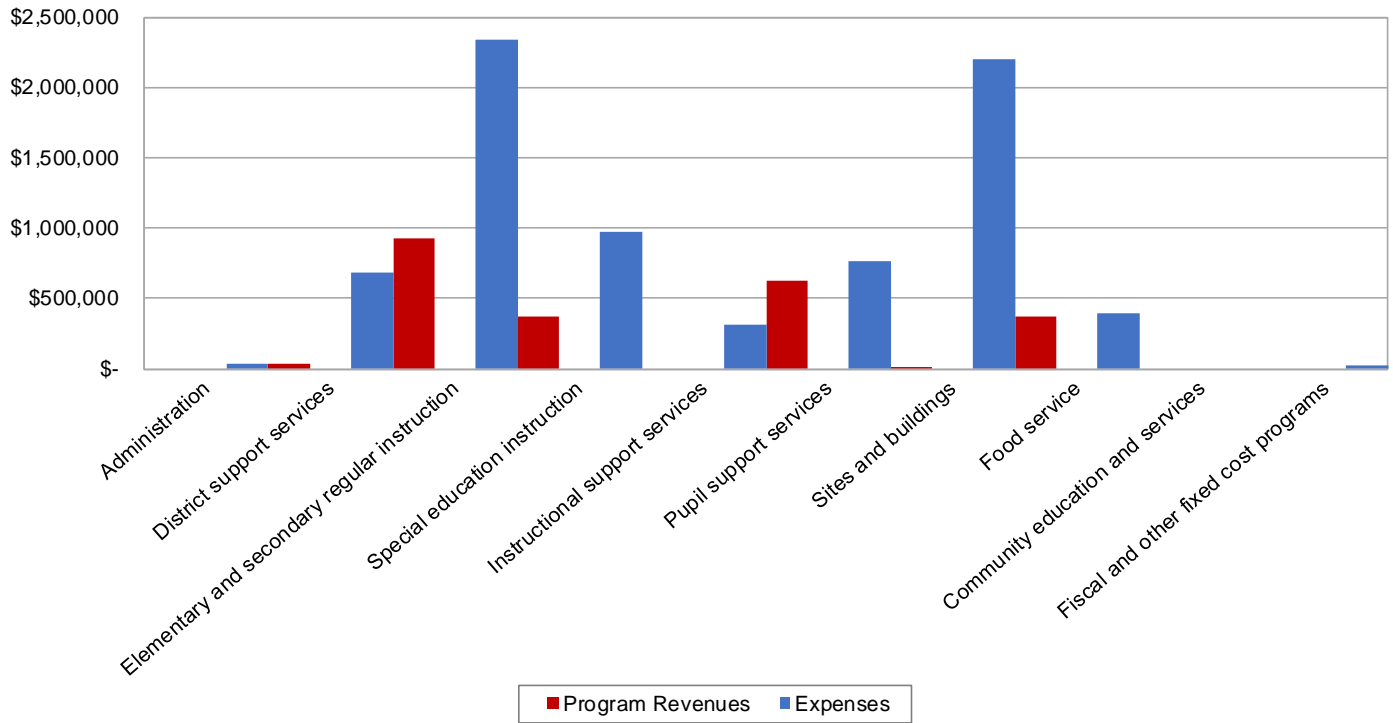
Athlos Academy's Changes in Net Position

	Governmental Activities		
	2019	2018	Increase (Decrease)
Revenues			
Program revenues			
Charges for services	\$ 56,949	\$ 66,975	\$ (10,026)
Operating grants and contributions	2,274,042	2,250,983	23,059
General revenues			
State aid-formula grants	5,406,966	5,490,814	(83,848)
Other general revenues	31,974	296,163	(264,189)
Unrestricted investment earnings	276	858	(582)
Total Revenues	7,770,207	8,105,793	(335,586)
Expenses			
Administration	31,466	8,614	22,852
District support services	681,129	604,432	76,697
Elementary and secondary regular instruction	2,344,923	3,796,417	(1,451,494)
Special education instruction	974,487	1,117,782	(143,295)
Instructional support services	309,568	433,577	(124,009)
Pupil support services	766,373	938,166	(171,793)
Sites and buildings	2,205,332	2,110,108	95,224
Fiscal and other fixed cost programs	22,801	22,057	744
Food service	397,828	533,725	(135,897)
Total Expenses	7,733,907	9,564,878	(1,830,971)
Change in Net Position	36,300	(1,459,085)	1,495,385
Net Position, July 1	(589,793)	869,292	(1,459,085)
Prior Period Adjustment (Note 6)	(26,848)	-	(26,848)
Net Position, June 30	\$ (580,341)	\$ (589,793)	\$ 9,452

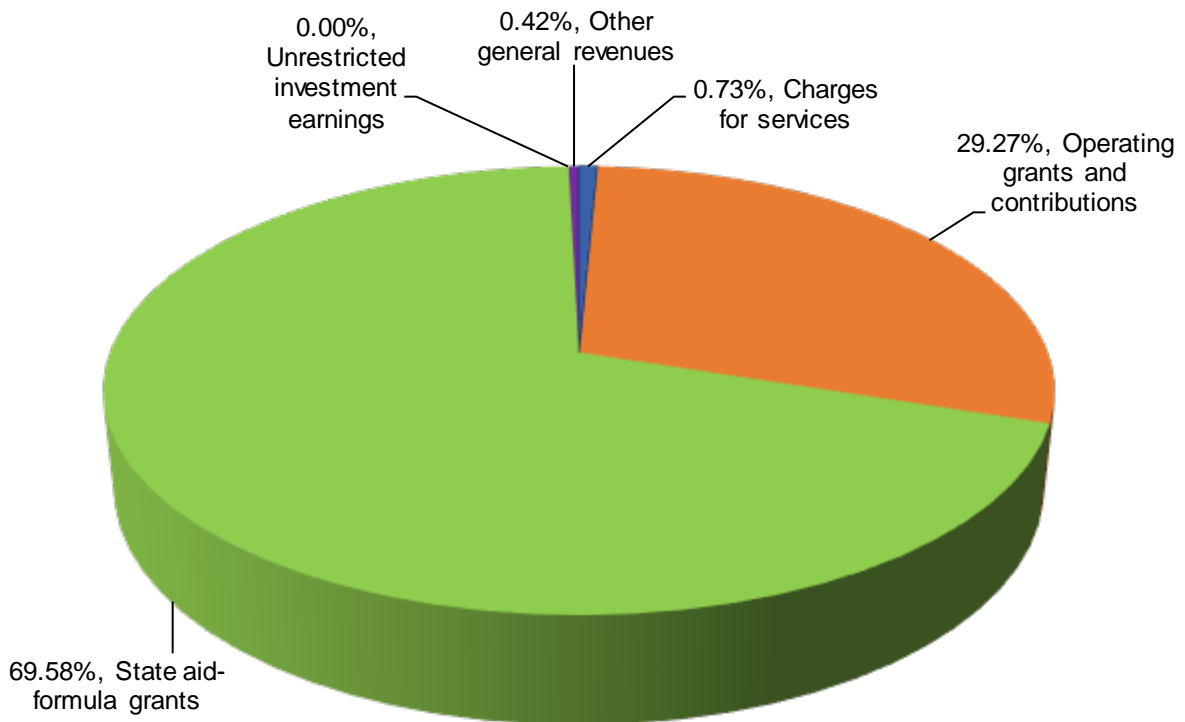
The majority of the net deficit ending net position is due the Academy's net pension liability, which is recorded as a result of implementing GASB Statement No. 68 beginning in 2015.

The following graph depicts various governmental activities and shows the revenues and expenses directly related to those activities.

Expenses and Program Revenues - Governmental Activities



Revenue by Source - Governmental Activities



Financial Analysis of the Academy's Funds

As noted earlier, the Academy uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Academy's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the Academy's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Academy's governmental funds reported combined ending fund balances of \$621,776 . Approximately 87.5 percent of this total amount, \$544,055, constitutes unassigned fund balance.

The General fund is the primary operating fund of the Academy. At the end of the current year, the fund balance of the General fund was \$621,776. As a measure of the General fund's liquidity, it may be useful to compare fund balance to total fund expenditures. Fund balance represents 7.3 percent of fund expenditures. The fund balance of the Academy's General fund increased \$325,423 during the current fiscal year.

General Fund Budgetary Highlights

The Academy amended their budget during the year. The original General fund budget called for an increase of \$6,104 in fund balance. The final budget called for an increase in fund balance of \$214,684.

Overall, total revenues were \$16,050 under budget. The largest revenue variance was revenue from other local and county revenue, which was \$15,348 less than anticipated.

On the expenditure side, expenditures were \$77,392 over budget. A few of the largest variances included elementary and secondary regular instruction coming in \$103,312 over budget, as well as sites and building expenditures being \$120,547 under budget.

Capital Assets and Debt Administration

Capital Assets. The Academy's investment in capital assets for its governmental activities as of June 30, 2019 amounts to \$125,245 (net of accumulated depreciation). This investment in capital assets includes equipment and leasehold improvements. The total depreciation for the year was \$12,938. The following is a schedule of capital assets as of June 30, 2019.

Additional information on the Academy's capital assets can be found in Note 3C on page 43 of this report.

Athlos Academy's Capital Assets (Net of Depreciation)

	Governmental Activities		
	2019	2018	Increase (Decrease)
Equipment and Furniture	\$ 66,662	\$ 79,134	\$ (12,472)
Leasehold Improvements	58,583	24,129	34,454
Total	<u>\$ 125,245</u>	<u>\$ 103,263</u>	<u>\$ 21,982</u>

Noncurrent Liabilities

The Academy's noncurrent liabilities consist of loan payables and compensated absences. Balances of the noncurrent liabilities as of June 30, 2019 and 2018 are shown below.

Athlos Academy's Noncurrent Liabilities

	Governmental Activities		
	2019	2018	Increase (Decrease)
Loan Payable	\$ 219,660	\$ -	\$ 219,660
Compensated Absences	38,513	16,950	21,563
Total	<u>\$ 258,173</u>	<u>\$ 16,950</u>	<u>\$ 241,223</u>

The Academy's noncurrent liabilities increased \$241,223 as a result of the issuance of the loan payable. The loan payable was issued to reimburse the Academy's landlord for property tax payments. Additional information on the Academy's noncurrent liabilities can be found in Note 3E on page 44 of this report.

Economic Factors and Next Year's Budgets

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.

The Academy's enrollment is higher than the prior year and is building its fund balance to purchase its building in the future. The Academy is reliant upon the State of Minnesota aids for a majority of its income. The State's health is directly tied to the Academy's level of funding.

These factors were considered in preparing the Academy's budget for the 2020 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the Academy's finances for all those with an interest in the Academy's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Office, Athlos Academy, 3701 33rd Street South, St. Cloud, MN 56301.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

ATHLOS ACADEMY OF ST. CLOUD
CHARTER SCHOOL NO. 4250
ST. CLOUD, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2019

Athlos Academy of St. Cloud
Charter School No. 4250
St. Cloud, Minnesota
Statement of Net Position
June 30, 2019

	<u>Governmental Activities</u>
Assets	
Cash and temporary investments	\$ 315,683
Accounts receivable	2,263
Due from Department of Education	818,769
Due from Federal government	104,129
Due from other governments	591
Prepaid items	77,721
Capital assets	
Depreciable assets, net of accumulated depreciation	125,245
Total Assets	<u>1,444,401</u>
Deferred Outflows of Resources	
Deferred pension resources	<u>7,880,293</u>
Liabilities	
Accounts payables	236,892
Accrued salaries payable	460,488
Noncurrent liabilities	
Due within one year	38,513
Due in more than one year	3,718,716
Total Liabilities	<u>4,454,609</u>
Deferred Inflows of Resources	
Deferred pension resources	<u>5,450,426</u>
Net Position	
Investment in capital assets	125,245
Unrestricted	<u>(705,586)</u>
Total Net Position	<u>\$ (580,341)</u>

The notes to the financial statements are an integral part of this statement.

Athlos Academy of St. Cloud
Charter School No. 4250
St. Cloud, Minnesota
Statement of Activities
For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues			Net Revenues (Expenses) and Changes in Net position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Administration	\$ 31,466	\$ -	\$ -	\$ -	\$ (31,466)
District support services	681,129	-	37,508	-	(643,621)
Elementary and secondary regular instruction	2,344,923	5,614	923,379	-	(1,415,930)
Special education instruction	974,487	-	367,589	-	(606,898)
Instructional support services	309,568	-	-	-	(309,568)
Pupil support services	766,373	-	620,768	-	(145,605)
Sites and buildings	2,205,332	5,155	-	-	(2,200,177)
Food service	397,828	46,180	324,798	-	(26,850)
Fiscal and other fixed cost programs	22,801	-	-	-	(22,801)
Total Governmental Activities	\$ 7,733,907	\$ 56,949	\$ 2,274,042	\$ -	(5,402,916)
General Revenues					
State aid-formula grants					5,406,966
Other general revenues					31,974
Unrestricted investment earnings					276
Total General Revenues					5,439,216
Change in Net Position					36,300
Net Position, July 1					(589,793)
Prior Period Adjustment (Note 6)					(26,848)
Net Position, June 30					\$ (580,341)

The notes to the financial statements are an integral part of this statement.

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FUND FINANCIAL STATEMENTS

ATHLOS ACADEMY OF ST. CLOUD
CHARTER SCHOOL NO. 4250
ST. CLOUD, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2019

Athlos Academy of St. Cloud
Charter School No. 4250
St. Cloud, Minnesota
Balance Sheet
Governmental Funds
June 30, 2019

	General	Food Service	Total Governmental Funds
Assets			
Cash and temporary investments	\$ 309,355	\$ 6,328	\$ 315,683
Accounts receivable	168	2,095	2,263
Due from Minnesota Department of Education	818,769	-	818,769
Due from Federal government	104,129	-	104,129
Due from other governments	591	-	591
Prepaid items	77,721	-	77,721
 Total Assets	 \$ 1,310,733	 \$ 8,423	 \$ 1,319,156
Liabilities			
Accounts payables	\$ 236,438	\$ 454	\$ 236,892
Accrued salaries payable	452,519	7,969	460,488
Total Liabilities	688,957	8,423	697,380
Fund Balances			
Nonspendable prepaid items	77,721	-	77,721
Unassigned	544,055	-	544,055
Total Fund Balances	621,776	-	621,776
 Total Liabilities and Fund Balances	 \$ 1,310,733	 \$ 8,423	 \$ 1,319,156

The notes to the financial statements are an integral part of this statement.

Athlos Academy of St. Cloud
Charter School No. 4250
St. Cloud, Minnesota
Reconciliation of the Balance Sheet
to the Statement of Net Position
Governmental Funds
June 30, 2019

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

Total Fund Balances - Governmental Funds	\$ 621,776
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	151,863
Less: accumulated depreciation	(26,618)
Noncurrent liabilities, including loan payables, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Noncurrent liabilities at year-end consist of	
Compensated absences payable	(38,513)
Loans payable	(219,660)
Net pension liability	(3,499,056)
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflow of pension resources	7,880,293
Deferred inflow of pension resources	<u>(5,450,426)</u>
Total Net Position - Governmental Activities	<u><u>\$ (580,341)</u></u>

The notes to the financial statements are an integral part of this statement.

Athlos Academy of St. Cloud
Charter School No. 4250
St. Cloud, Minnesota
Statement of Revenues, Expenditures And
Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

	General	Food Service	Total Governmental Funds
Revenues			
Revenue from federal sources	\$ 369,075	\$ 306,682	\$ 675,757
Revenue from state sources	7,170,243	17,786	7,188,029
Other local and county revenue	41,041	48,123	89,164
Interest earned on investments	276	-	276
Total Revenues	7,580,635	372,591	7,953,226
Expenditures			
Current			
Administration	31,466	-	31,466
District support services	624,582	-	624,582
Elementary and secondary regular instruction	2,502,795	-	2,502,795
Special education instruction	960,017	-	960,017
Instructional support services	328,602	-	328,602
Pupil support services	737,997	-	737,997
Food service	-	397,097	397,097
Sites and buildings	2,179,816	-	2,179,816
Fiscal and other fixed cost programs	22,801	-	22,801
Capital outlay			
District support services	45	-	45
Elementary and secondary regular instruction	477	-	477
Sites and buildings	34,920	-	34,920
Total Expenditures	7,423,518	397,097	7,820,615
Excess (Deficiency) of Revenues Over (Under) Expenditures	157,117	(24,506)	132,611
Other Financing Sources (Uses)			
Transfers in	-	51,354	51,354
Transfers out	(51,354)	-	(51,354)
Loan issued	219,660	-	219,660
Total Other Financing Sources (Uses)	168,306	51,354	219,660
Net Change in Fund Balances	325,423	26,848	352,271
Fund Balances, July 1	296,353	-	296,353
Prior Period Adjustment (Note 6)	-	(26,848)	(26,848)
Fund Balances, June 30	\$ 621,776	\$ -	\$ 621,776

The notes to the financial statements are an integral part of this statement.

Athlos Academy of St. Cloud
Charter School No. 4250
St. Cloud, Minnesota
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
Governmental Funds
For the Year Ended June 30, 2019

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

Net Change in Fund Balances - Total Governmental Funds	\$	352,271
<p>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.</p>		
Capital outlays		34,920
Depreciation expense		(12,938)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities. The amounts below are the effects of these differences in the treatment of long-term debt and related items.</p>		
Loan proceeds		(219,660)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Compensated absences		(21,563)
<p>Long-term pension activity is not reported in governmental funds.</p>		
Pension expense		86,289
Pension revenue		(183,019)
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Change in Net Position of Governmental Activities	\$	<u><u>36,300</u></u>

The notes to the financial statements are an integral part of this statement.

Athlos Academy of St. Cloud
Charter School No. 4250
St. Cloud, Minnesota
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended June 30, 2019

	General Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Revenue from federal sources	\$ 322,161	\$ 355,133	\$ 369,075	\$ 13,942
Revenue from state sources	6,896,165	7,184,893	7,170,243	(14,650)
Other local and county revenue	-	56,389	41,041	(15,348)
Interest earned on investments	-	270	276	6
Total Revenues	<u>7,218,326</u>	<u>7,596,685</u>	<u>7,580,635</u>	<u>(16,050)</u>
Expenditures				
Current				
Administration	3,500	29,412	31,466	(2,054)
District support services	1,000,524	657,691	624,582	33,109
Elementary and secondary regular instruction	2,324,879	2,399,483	2,502,795	(103,312)
Special education instruction	1,081,669	1,008,194	960,017	48,177
Instructional support services	164,256	300,275	328,602	(28,327)
Pupil support services	609,370	773,287	737,997	35,290
Sites and buildings	1,935,655	2,117,284	2,179,816	(62,532)
Fiscal and other fixed cost programs	25,000	25,000	22,801	2,199
Capital outlay				
District support services	-	-	45	(45)
Elementary and secondary regular instruction	1,027	500	477	23
Special education instruction	1,040	-	-	-
Sites and buildings	-	35,000	34,920	80
Total Expenditures	<u>7,146,920</u>	<u>7,346,126</u>	<u>7,423,518</u>	<u>(77,392)</u>
Excess of Revenues Over Expenditures	<u>71,406</u>	<u>250,559</u>	<u>157,117</u>	<u>(93,442)</u>
Other Financing Sources (Uses)				
Transfers out	(65,302)	(35,875)	(51,354)	(15,479)
Loan issued	-	-	219,660	219,660
Total Other Financing Sources (Uses)	<u>(65,302)</u>	<u>(35,875)</u>	<u>168,306</u>	<u>204,181</u>
Net Change in Fund Balances	6,104	214,684	325,423	110,739
Fund Balances, July 1	<u>296,353</u>	<u>296,353</u>	<u>296,353</u>	<u>-</u>
Fund Balances, June 30	<u>\$ 302,457</u>	<u>\$ 511,037</u>	<u>\$ 621,776</u>	<u>\$ 110,739</u>

The notes to the financial statements are an integral part of this statement.

Athlos Academy of St. Cloud
Charter School No. 4250
St. Cloud, Minnesota
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Food Service Special Revenue Fund
For the Year Ended June 30, 2019

	Food Service Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Revenue from federal sources	\$ 327,200	\$ 307,178	\$ 306,682	\$ (496)
Revenue from state sources	-	18,000	17,786	(214)
Other local and county revenue	-	30,025	48,123	18,098
Total Revenues	<u>327,200</u>	<u>355,203</u>	<u>372,591</u>	<u>17,388</u>
Expenditures				
Current				
Food service	<u>392,502</u>	<u>391,078</u>	<u>397,097</u>	<u>(6,019)</u>
Deficiency of Revenues Under Expenditures	(65,302)	(35,875)	(24,506)	11,369
Other Financing Sources				
Transfers in	<u>65,302</u>	<u>35,875</u>	<u>51,354</u>	<u>15,479</u>
Net Change in Fund Balances	-	-	26,848	26,848
Fund Balances, July 1	-	-	-	-
Prior Period Adjustment (Note 6)	<u>-</u>	<u>-</u>	<u>(26,848)</u>	<u>(26,848)</u>
Fund Balances, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

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Athlos Academy of St Cloud
Charter School No. 4250
St. Cloud, Minnesota
Notes to the Financial Statements
June 30, 2019

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

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-8 in the 2018 - 2019 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 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. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Amounts reported as *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State aid formula grants and other internally dedicated resources are reported as general revenues rather than as program revenues.

Separate financial statements are provided for governmental funds and the fiduciary fund, even though the latter is excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. Information for the remaining nonmajor fund is reported in a single column in the respective fund financial statements.

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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Athlos Academy of St Cloud
Charter School No. 4250
St. Cloud, Minnesota
Notes to the Financial Statements
June 30, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered *available* when they are collectible within the current period or soon enough thereafter 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 fiscal years. Federal revenue is recorded in the year in which the related expenditure was made. Other revenue is considered available if collected within one year.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the Academy receives value without directly giving equal value in return, include grants, entitlement and donations. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transaction must also be available before it can be recognized.

The preparation of the basic financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumption that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Description of Funds

The Academy funds have been established by the State of Minnesota Department of Education. Each fund is accounted for as an independent entity. Descriptions of the funds included in the report are as follows:

Major Governmental Funds

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

The *Food Service special revenue fund* is used to account for food service program. The revenue sources for this fund are federal and state reimbursements as well as meal sales.

Athlos Academy of St Cloud
Charter School No. 4250
St. Cloud, Minnesota
Notes to the Financial Statements
June 30, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance

Deposits and Investments

The Academy's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The Academy may also invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
9. Guaranteed Investment Contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

The Academy does not have a formal investment policy.

The Academy categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Academy's recurring fair value measurements are listed in detail on page 42 and are valued using index pricing models (Level 2 inputs).

Athlos Academy of St Cloud
Charter School No. 4250
St. Cloud, Minnesota
Notes to the Financial Statements
June 30, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

Accounts Receivable

Accounts receivable represents amounts due from individuals, firms, and corporations for goods and services furnished by the Academy. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary.

Due from the Minnesota Department of Education

Due from Minnesota Department of Education include amounts for expenditures that have been incurred before year end and will be reimbursed with State funding. No substantial losses are anticipated from present balances, therefore no allowance for uncollectible has been recorded.

Due from Federal Government

Due from Federal Government include amounts for expenditures that have been incurred before year end and will be reimbursed with Federal funding. No substantial losses are anticipated from present balances, therefore no allowance for uncollectible has been recorded.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Capital Assets

Capital assets include equipment. 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 recorded at historical cost or estimated historical cost if purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Donated capital assets are recorded at acquisition value at the date of donation.

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements. Equipment of the Academy is depreciated using the straight-line method over their estimated useful lives. Useful lives vary from 3 to 10 years for equipment and 10 to 30 years for leasehold improvements.

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.

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has only one item that qualifies for reporting in this category. Accordingly, the item, deferred pension resources, is reported only in the statement of net position. This item results from actuarial calculations and current year pension contributions made subsequent to the measurement date.

Athlos Academy of St Cloud
 Charter School No. 4250
 St. Cloud, Minnesota
 Notes to the Financial Statements
 June 30, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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 the employee's daily or hourly rate. Upon termination of employment, a member shall receive as severance pay, the amount obtained by multiplying unused PTO hours times their daily or hourly rate. Compensated absences are accrued when incurred in the government-wide financial statements. The General fund is typically used to liquidate the liability related to compensated absences.

Pensions

Teachers Retirement Association (TRA)

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Teachers Retirement Association (TRA) and additions to/deductions from TRA's fiduciary net position have been determined on the same basis as they are reported by TRA.

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. The General fund is typically used to liquidate the governmental net pension liability. Additional information can be found in Note 4.

Public Employees Retirement Association (PERA)

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 additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. 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. The General fund is typically used to liquidate the governmental net pension liability.

The total pension expense for the GERF and TRA is as follows:

	GERF	TRA	Total Pension Expense
Pension Expense	\$ 241,397	\$ (328,882)	\$ (87,485)

Deferred Inflows of Resources

In addition to liabilities, the statement of net position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Academy has one type of item, which arises only under a full accrual basis of accounting that qualifies as needing to be reported in this category. Accordingly, the item, deferred pension resources, is reported only in the statement of net position of the government-wide statements and results from actuarial calculations.

Athlos Academy of St Cloud
Charter School No. 4250
St. Cloud, Minnesota
Notes to the Financial Statements
June 30, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

Fund Balance

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the Academy is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

Nonspendable - Amounts that cannot be spent because they are not in spendable form, such as prepaid items and deposits receivable.

Restricted - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the Board of Education, which is the Academy's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Board of Education modifies or rescinds the commitment by resolution.

Assigned - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the Board of Education itself or by an official to which the governing body delegates the authority. The School Board chose not to pass a resolution authorizing anyone to assign fund balances and its intended uses.

Unassigned - The residual classification for the General fund and also negative residual amounts in other funds.

Although the School Board has not adopted a spending prioritization policy for restricted fund balance, the Academy applies restricted resources first when an expense is incurred for purpose for which both restricted and unrestricted fund balance is available. The default spending priority per GASB Statement No. 54 for unrestricted fund balance is when an expenditure is incurred for purposes for which committed, assigned and unassigned amounts are available, committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

The Academy has adopted a minimum fund balance policy. 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 2019 their minimum target fund balance is 4%.

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is displayed in three components:

- a. Investment in capital assets - Consists of capital assets, net of accumulated depreciation.
- b. Restricted net position - Consist of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net position - All other net position balances that do not meet the definition of "restricted" or "investment in capital assets."

When both restricted and unrestricted resources are available for use, it is the Academy's policy to use restricted resources first, then unrestricted resources as they are needed.

Athlos Academy of St Cloud
Charter School No. 4250
St. Cloud, Minnesota
Notes to the Financial Statements
June 30, 2019

Note 2: Stewardship, Compliance and Accountability

A. 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.

Total fund expenditures in excess of the budget require approval of the School Board. Spending control is established by the amount of expenditures budgeted for the fund, but management control is exercised at line item levels.

The General fund budget was amended during the current fiscal year, increasing revenues and expenditures by \$378,359 and \$199,206 , respectively.

The Food Service fund budget was amended during the current fiscal year, increasing revenues and expenditures by \$28,003 and \$1,424, respectively.

B. Excess of Expenditures over Appropriations

For the year ended June 30, 2019, expenditures exceeded appropriations in the following fund:

Fund	Final Budget	Actual	Excess of Expenditures Over Appropriations
General Fund	\$ 7,346,126	\$ 7,423,518	\$ 77,392
Food Service	391,078	397,097	6,019

The excess of expenditures over appropriations were funded by revenues received in excess of budget and available fund balance.

Athlos Academy of St Cloud
Charter School No. 4250
St. Cloud, Minnesota
Notes to the Financial Statements
June 30, 2019

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the Academy's deposits and investments may not be returned or the Academy will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the Board of Education, the Academy maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

Minnesota statutes require that all Academy deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance, bonds or irrevocable standby letters of credit from Federal Home Loan Banks.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any federal agency.

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the Academy.

At year end, the Academy's carrying amount of deposits was (\$116,986) and the bank balance was \$0. The Academy does not carry cash on hand.

Investments

As of June 30, 2019, the Academy had the following investments that are insured or registered, or securities held by the Academy's agent in the Academy's name.

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Fair Value and Carrying Amount
Non-pooled Investments			
Commercial Paper	A-1+	less than one year	<u>\$ 432,668</u>

(1) Ratings are provided by various credit ratings agencies where applicable to indicate association's credit risk.

(2) Interest rate risk is disclosed using the segmented time distribution method.

Athlos Academy of St Cloud
Charter School No. 4250
St. Cloud, Minnesota
Notes to the Financial Statements
June 30, 2019

Note 3: Detailed Notes on All Funds (Continued)

A reconciliation of cash and temporary investments as shown on the financial statements for the Academy follows:

Carrying Amount of Deposits	\$ (116,986)
Investments	<u>432,668</u>
 Total Cash and Temporary Investments	 <u><u>\$ 315,683</u></u>
 Cash and Temporary Investments Unrestricted	 <u><u>\$ 315,683</u></u>

B. Interfund Transfers

A transfer of \$51,354 was completed from the General fund to the Food Service special revenue fund to eliminate the cash deficit.

C. Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets being Depreciated				
Equipment and furniture	\$ 89,102	\$ -	\$ -	\$ 89,102
Leasehold improvements	<u>27,841</u>	<u>34,920</u>	<u>-</u>	<u>62,761</u>
Total Capital Assets being Depreciated	<u>116,943</u>	<u>34,920</u>	<u>-</u>	<u>151,863</u>
 Less Accumulated Depreciation For				
Equipment and furniture	(9,968)	(12,472)	-	(22,440)
Leasehold improvements	<u>(3,712)</u>	<u>(466)</u>	<u>-</u>	<u>(4,178)</u>
Total Accumulated Depreciation	<u>(13,680)</u>	<u>(12,938)</u>	<u>-</u>	<u>(26,618)</u>
 Governmental Activities Capital Assets, Net	 <u><u>\$ 103,263</u></u>	 <u><u>\$ 21,982</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ 125,245</u></u>

Depreciation expense was charged to functions/programs of the Academy as follows:

Governmental Activities	
Instructional support services	\$ 2,784
Sites and buildings	<u>10,154</u>
 Total Depreciation Expense - Governmental Activities	 <u><u>\$ 12,938</u></u>

Athlos Academy of St Cloud
Charter School No. 4250
St. Cloud, Minnesota
Notes to the Financial Statements
June 30, 2019

Note 3: Detailed Notes on All Funds (Continued)

D. Operating Lease

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 2019, 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 \$916,845. The Academy incurred lease related expenditures of \$1,635,629 during the fiscal year ended June 30, 2019.

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.

Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 1,676,514
2021	1,718,428
2022	1,761,389
2023	1,805,424
2024	1,850,559
2025 - 2029	9,970,326
2030 - 2034	11,280,508
2035 - 2039	12,762,859
2040 - 2042	<u>5,798,142</u>
Total Minimum Lease Payments	<u><u>\$ 48,624,149</u></u>

E. Long-term Liabilities

Loans Payable

The Academy's landlord issued a loan payable to provide funds for property tax payments. The loan was issued for the general government and is expected to be repaid with General fund revenues.

<u>Description</u>	<u>Amount Issued</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance at Year End</u>
Loan Payable	\$ 219,660	5.00 %	04/17/19	04/30/21	<u><u>\$ 219,660</u></u>

Athlos Academy of St Cloud
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Notes to the Financial Statements
June 30, 2019

Note 3: Detailed Notes on All Funds (Continued)

The annual debt service requirements to maturity for the loan payable are as follows:

Year Ending June 30,	Loans Payable		
	Principal	Interest	Total
2020	\$ -	\$ 10,983	\$ 10,983
2021	219,660	9,153	228,813
Total	<u>\$ 219,660</u>	<u>\$ 20,136</u>	<u>\$ 239,796</u>

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2019, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Loans Payable	\$ -	\$ 219,660	\$ -	\$ 219,660	\$ -
Compensated Absences	16,950	112,774	(91,211)	38,513	38,513
Pension Liability					
TRA	5,369,728	8,262	(2,511,359)	2,866,631	-
PERA	427,724	262,252	(57,551)	632,425	-
Governmental Activity Long-term Liabilities	<u>\$ 5,814,402</u>	<u>\$ 602,948</u>	<u>\$ (2,660,121)</u>	<u>\$ 3,757,229</u>	<u>\$ 38,513</u>

Note 4: Defined Benefit Pension Plans - Statewide

A. Teacher Retirement Association (TRA)

1. 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.

Educators employed in Minnesota's public elementary and secondary school, charter schools, and certain other TRA-covered educational institutions maintained by the state are required to be TRA members (except those employed by St. Paul schools or Minnesota State colleges and universities). Educators first hired by Minnesota State may elect either TRA coverage or coverage through Minnesota State's Individual Retirement Account Plan (IRAP) within one year of eligible employment.

2. 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.

Athlos Academy of St Cloud
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St. Cloud, Minnesota
Notes to the Financial Statements
June 30, 2019

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

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 as described: **Tier I:**

Tier I:	<u>Step Rate Formula</u>	<u>Percentage</u>
Basic	1st ten years of service	2.2 percent per year
	All years after	2.7 percent per year
Coordinated	1st ten years if service years are prior to July 1, 2006	1.2 percent per year
	1st ten years if service years are July 1, 2006 or after	1.4 percent per year
	All other years of service if service years are prior to July 1, 2006	1.7 percent per year
	All other years of service if service years are July 1, 2006 or after	1.9 percent per year

With these provisions:

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

or

Tier II: For years of service prior to July 1, 2006, a level formula of 1.7 percent per year for coordinated members and 2.7 percent per year for basic members. For years of service July 1, 2006 and after, a level formula of 1.9 percent per year for Coordinated members and 2.7 percent per year 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.

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 also 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 provisions in effect at the time they last terminated their public service.

Athlos Academy of St Cloud
Charter School No. 4250
St. Cloud, Minnesota
Notes to the Financial Statements
June 30, 2019

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

3. Contribution Rate

Minnesota statutes, chapter 354 sets the rates for the employee and employer contributions. Rates for each fiscal year were:

Plan	Ending June 30, 2017		Ending June 30, 2018		Ending June 30, 2019	
	Employee	Employer	Employee	Employer	Employee	Employer
Basic	11.00%	11.50%	11.00%	11.50%	11.00%	11.71%
Coordinated	7.50%	7.50%	7.50%	7.50%	7.50%	7.71%

The Academy's contributions to TRA for the years ending June 30, 2019, 2018 and 2017 were \$169,121, \$187,010 and \$108,583. The School's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

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.

Employer Contributions Reported in TRA's CAFR Statement of Changes in Fiduciary Net Position	\$ 378,728,000
Deduct Employer Contributions not Related to Future Contribution Efforts	522,000
Deduct TRA's Contributions not Included in Allocation	<u>(741,000)</u>
Total Employer Contributions	378,509,000
Total Non-employer Contributions	<u>35,588,000</u>
Total Contributions Reported in Schedule of Employer and Non-employer Pension Allocations	<u><u>\$ 414,097,000</u></u>

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.

Athlos Academy of St Cloud
Charter School No. 4250
St. Cloud, Minnesota
Notes to the Financial Statements
June 30, 2019

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

4. Actuarial Assumptions

The total pension liability in the June 30, 2018 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, 2018
Experience Study	June 5, 2015
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions	
Investment Rate of Return	7.50%
Wage growth rate	2.50%
Projected Salary Increase	2.85 to 8.85% for ten years and 3.25 to 9.25% thereafter
Cost of Living Adjustment	1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually

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

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 Allocation	Long-term Expected Real Rate of Return
Domestic Stocks	36.00 %	5.10 %
International Stocks	17.00	5.30
Bonds (Fixed Income)	20.00	0.75
Alternative Assets (Private Markets)	25.00	5.90
Unallocated Cash	2.00	-
Total	100.00 %	

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2016 is 6.00 years. The "Difference Between Expected and Actual Experience", "Changes of Assumptions" and "Changes in Proportion" use the amortization period of 6.00 years in the schedule presented. The amortization period for "Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments" is 5.00 years as required by GASB 68.

Athlos Academy of St Cloud
Charter School No. 4250
St. Cloud, Minnesota
Notes to the Financial Statements
June 30, 2019

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

Changes in actuarial assumptions since the 2017 valuation:

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

5. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. This is an increase from the discount rate at the prior measurement date of 5.12 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2018 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

6. Net Pension Liability

On June 30, 2018, the Academy reported a liability of \$2,866,631 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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 0.0456 percent at the end of the measurement period which was an increase of 0.0187 percent from its proportion measured as of June 30, 2017.

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	\$ 2,866,631
State's Proportionate Share of Net Pension Liability Associated with the Academy	269,177

Athlos Academy of St Cloud
Charter School No. 4250
St. Cloud, Minnesota
Notes to the Financial Statements
June 30, 2019

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

For the year ended June 30, 2019, the Academy recognized negative pension expense of \$141,014. It also recognized \$187,868 as a decrease to pension expense for the support provided by direct aid.

On June 30, 2019, the Academy had deferred resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 60,198	\$ 57,662
Changes in Actuarial Assumptions	3,819,300	4,887,063
Net Difference Between Projected and Actual Earnings on Plan Investments	-	320,411
Changes in Proportion	3,252,722	-
Contributions to TRA Subsequent to the Measurement Date	169,121	-
Total	\$ 7,301,341	\$ 5,265,136

Deferred outflows of resources totaling \$169,121 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, 2020. Other amounts reported as deferred outflows and inflows of resources will be recognized in pension expense as follows:

2020	\$ 982,214
2021	982,214
2022	912,820
2023	(235,447)
2024	(774,717)

7. Pension Liability Sensitivity

The following presents the net pension liability of TRA calculated using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent) or one percentage point higher (8.50 percent) than the current rate.

Academy Proportionate Share of NPL		
1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
\$ 4,545,326	\$ 2,866,631	\$ 1,477,112

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.

8. Pension Plan Fiduciary Net Position

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

Athlos Academy of St Cloud
Charter School No. 4250
St. Cloud, Minnesota
Notes to the Financial Statements
June 30, 2019

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

B. Public Employees Retirement Association (PERA)

1. Plan Description

The Academy participates in the following defined benefit pension plans administered by the Public Employees Retirement Association (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota statutes, chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401 (a) of the Internal Revenue Code.

General Employees Retirement Plan (GERF)

All full-time and certain part-time employees of the District are covered by the General Employees Retirement Fund (GERF). GERF members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

2. Benefits Provided

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

GERF Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989 receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for average salary for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989 normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. If the General Employees Plan is at least 90 percent funded for two consecutive years, benefit recipients are given a 2.5 percent increase. If the plan has not exceeded 90 percent funded, or have fallen below 80 percent, benefit recipients are given a one percent increase. 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.

3. Contributions

Minnesota statutes chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

GERF Contributions

Plan members were required to contribute 6.50 percent of their annual covered salary and the Academy was required to contribute 7.50 percent of pay for Coordinated Plan members in fiscal year 2019. The Academy's contributions to the GERF for the year ended June 30, 2019, 2018 and 2017 were \$58,070, \$62,908 and \$32,356, respectively. The Academy's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

Athlos Academy of St Cloud
Charter School No. 4250
St. Cloud, Minnesota
Notes to the Financial Statements
June 30, 2019

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

4. Pension Costs

At June 30, 2019, the Academy reported a liability of \$632,425 for its proportionate share of the GERF'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 \$20,791. The net pension liability was measured as of June 30, 2018, 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, 2017 through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the Academy's proportion was 0.0114 percent which was an increase of 0.0114 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Academy recognized pension expense of \$236,549 for its proportionate share of GERF's pension expense. In addition, the Academy recognized an additional \$4,848 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the GERF.

At June 30, 2019, the Academy reported its proportionate share of GERF's 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	\$ 17,275	\$ 27,599
Changes in Actuarial Assumptions	72,318	71,059
Net Difference Between Projected And Actual Earnings on Plan Investments	-	86,632
Changes in Proportion	431,289	-
Contributions to GERF Subsequent To the Measurement Date	58,070	-
Total	\$ 578,952	\$ 185,290

Deferred outflows of resources totaling \$58,070 related to pensions resulting from Academy contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

2020	\$ 169,929
2021	145,014
2022	33,853
2023	(13,204)

Athlos Academy of St Cloud
Charter School No. 4250
St. Cloud, Minnesota
Notes to the Financial Statements
June 30, 2019

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

5. Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilityants were based on RP-2014 tables for all plans for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for GERS.

Actuarial assumptions used in the June 30, 2018 valuation were based on the results of actuarial experience studies. The most recent six-year experience study in the plan was completed in 2015. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions occurred in 2018:

GERS

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

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis 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 arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Stocks	36.00 %	5.10 %
International Stocks	17.00	5.30
Bonds (Fixed Income)	20.00	0.75
Alternative Assets (Private Markets)	25.00	5.90
Cash	2.00	-
Total	100.00 %	

Athlos Academy of St Cloud
Charter School No. 4250
St. Cloud, Minnesota
Notes to the Financial Statements
June 30, 2019

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

6. Discount Rate

The discount rate used to measure the total pension liability in 2017 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota statutes. Based on these assumptions, the fiduciary net position of the GERS 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.

7. Pension Liability Sensitivity

The following 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:

Academy Proportionate Share of NPL		
1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
\$ 4,545,326	\$ 2,866,631	\$ 1,477,112

8. Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

Note 5: Other Information

A. 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; injuries to employees; and natural disasters for which the Academy carries commercial insurance. Settled claims have not exceeded this commercial coverage in fiscal year 2019.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The Academy's management is not aware of any incurred but not reported claims.

B. Contingencies

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

Athlos Academy of St Cloud
Charter School No. 4250
St. Cloud, Minnesota
Notes to the Financial Statements
June 30, 2019

Note 5: Other Information (Continued)

C. Income Taxes

The Academy is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Academy also qualifies as a tax-exempt organization under applicable statutes of the State of Minnesota.

Management believes that it is not reasonably possible for any tax position benefits to increase or decrease significantly over the next 12 months. As of June 30, 2019, there were no income tax related accrued interest or penalties recognized in either the statement of financial position or the statement of activities.

The Academy files informational returns in the U.S. federal jurisdiction, and in the Minnesota state jurisdiction. U.S. federal returns and Minnesota returns for the prior three fiscal years are closed. No returns are currently under examination in any tax jurisdiction.

Note 6: Prior Period Adjustment

A prior period adjustment of \$26,848 was made for the reduction of food service revenue recognized in fiscal year 2018 which should have been and is currently recorded as fiscal year 2019 revenue.

The result of the prior period adjustment decreased beginning fund balance and net position in the Food Service fund and the Governmental Activities by \$26,848.

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REQUIRED SUPPLEMENTARY INFORMATION

ATHLOS ACADEMY OF ST. CLOUD
CHARTER SCHOOL NO. 4250
ST. CLOUD, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2019

Athlos Academy of St. Cloud
Charter School No. 4250
St. Cloud, Minnesota
Required Supplementary Information
For the Year Ended June 30, 2019

Schedule of Employer's Share of TRA Net Pension Liability

Fiscal Year	Academy's Proportion of the Net Pension Liability	Academy's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the Academy (b)	Total (a+b)	Academy's Covered Payroll (c)	Academy's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2018	0.0456 %	\$ 2,866,631	\$ 269,177	\$ 3,135,808	\$ 2,493,467	125.8 %	78.1 %
2017	0.0269	5,369,728	519,068	5,888,796	1,447,773	406.7	51.6

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Schedule of Employer's TRA Contributions

Year	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Academy's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
2019	\$ 169,121	\$ 169,121	\$ -	\$ 2,193,528	7.71 %
2018	187,010	187,010	-	2,493,467	7.50
2017	108,583	108,583	-	1,447,773	7.50

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Athlos Academy of St. Cloud
Charter School No. 4250
St. Cloud, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2019

Notes to the Required Supplementary Information - TRA

Changes in Actuarial Assumptions

2018 - The investment return assumption was changed from 8.50% to 7.50%. The price inflation assumption was lowered from 3.00% to 2.50%. The payroll growth assumption was lowered from 3.50% to 3.00%. The wage inflation assumption (above price inflation) was reduced from 0.75% to 0.35% for the next 10 years, and 0.75% thereafter. The total salary increase assumption was adjusted by the wage inflation change. The amortization date for the funding of the Unfunded Actuarial Accrued Liability (UAAL) was reset to June 30, 2048 (30 years). A mechanism in the law that provided the TRA Board with some authority to set contribution rates was eliminated.

2017 - The Cost of Living Adjustment was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045. 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%.

2016 - The assumed investment return was changed from 8.0 percent to 4.66 percent using the Single Equivalent Interest Rate calculation. The single discount rate was changed from 8.0 percent to 4.66 percent. The assumed future salary increases, payroll growth and inflation were changed by a 0.25 percent decrease for price inflation, a 0.50 percent increase for wage inflation and a 2.50 percent decrease in maximum salary increases based on years of service. Mortality assumptions were updated using the RP-2014 tables.

2015 - The assumed post-retirement benefit increase rate was changed from 2.0 percent per year through 2034 and 2.5 percent per year thereafter to 2.0 percent per year for all future years. The assumed investment return was changed from 8.25 percent to 8.0 percent. The single discount rate was changed from 8.25 percent to 8.0 percent.

Changes in Plan Provisions

2018 - The 2018 Omnibus Pension Bill contained a number of changes:

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

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

Athlos Academy of St. Cloud
Charter School No. 4250
St. Cloud, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2019

Schedule of Employer's Share of PERA Net Pension Liability

Fiscal Year	Academy's Proportion of the Net Pension Liability	Academy's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the Academy (b)	Total (a+b)	Academy's Covered Payroll (c)	Academy's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2018	0.0114 %	\$ 632,425	\$ 20,791	\$ 653,216	\$ 838,773	77.9 %	79.5 %
2017	0.0067	427,724	5,376	433,100	431,413	100.4	75.9

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available

Schedule of Employer's PERA Contributions

Year	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Academy's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
2019	\$ 58,070	\$ 58,070	\$ -	\$ 774,267	7.50 %
2018	62,908	62,908	-	838,773	7.50
2017	32,356	32,356	-	431,413	7.50

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available

Athlos Academy of St. Cloud
Charter School No. 4250
St. Cloud, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2019

Notes to the Required Supplementary Information - PERA

Changes in Actuarial Assumptions

2018 - The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

Changes in Plan Provisions

2017 - The State's special funding contribution increased from \$6 million to \$16 million.

2015 - On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

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INDIVIDUAL FUND SCHEDULE AND TABLE

ATHLOS ACADEMY OF ST. CLOUD
CHARTER SCHOOL NO. 4250
ST. CLOUD, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2019

Athlos Academy of St. Cloud
Charter School No. 4250
St. Cloud, Minnesota
General Fund

Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Continued on the Following Page)
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Revenue from federal sources	\$ 322,161	\$ 355,133	\$ 369,075	\$ 13,942
Revenue from state sources	6,896,165	7,184,893	7,170,243	(14,650)
Other local and county revenue	-	56,389	41,041	(15,348)
Interest earned on investments	-	270	276	6
Total Revenues	<u>7,218,326</u>	<u>7,596,685</u>	<u>7,580,635</u>	<u>(16,050)</u>
Expenditures				
Current				
Administration				
Purchased services	3,500	815	814	1
Supplies and materials	-	2,950	2,637	313
Other	-	25,647	28,015	(2,368)
Total administration	<u>3,500</u>	<u>29,412</u>	<u>31,466</u>	<u>(2,054)</u>
District support services				
Salaries	420,736	176,092	98,834	77,258
Fringe benefits	150,994	30,465	35,106	(4,641)
Purchased services	386,629	384,529	424,072	(39,543)
Supplies and materials	42,165	60,105	59,438	667
Other	-	6,500	7,132	(632)
Total district support services	<u>1,000,524</u>	<u>657,691</u>	<u>624,582</u>	<u>33,109</u>
Elementary and secondary regular instruction				
Salaries	1,682,411	1,794,510	1,925,837	(131,327)
Fringe benefits	442,444	389,300	439,458	(50,158)
Purchased services	5,437	37,655	26,942	10,713
Supplies and materials	194,587	178,018	110,558	67,460
Total elementary and secondary regular instruction	<u>2,324,879</u>	<u>2,399,483</u>	<u>2,502,795</u>	<u>(103,312)</u>
Special education instruction				
Salaries	726,908	675,484	660,744	14,740
Fringe benefits	176,577	176,475	170,285	6,190
Purchased services	134,850	147,410	120,662	26,748
Supplies and materials	42,705	8,825	8,326	499
Other	629	-	-	-
Total special education instruction	<u>1,081,669</u>	<u>1,008,194</u>	<u>960,017</u>	<u>48,177</u>

Athlos Academy of St. Cloud
Charter School No. 4250
St. Cloud, Minnesota
General Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Continued)
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures (Continued)				
Current (continued)				
Instructional support services				
Salaries	\$ 65,625	\$ 196,785	\$ 184,472	\$ 12,313
Fringe benefits	4,922	34,125	39,193	(5,068)
Purchased services	89,380	55,710	75,054	(19,344)
Supplies and materials	4,329	13,655	29,883	(16,228)
Total instructional support services	<u>164,256</u>	<u>300,275</u>	<u>328,602</u>	<u>(28,327)</u>
Pupil support services				
Salaries	67,222	14,932	41,261	(26,329)
Fringe benefits	4,848	10,000	11,550	(1,550)
Purchased services	537,300	747,380	684,530	62,850
Supplies and materials	-	975	656	319
Total pupil support services	<u>609,370</u>	<u>773,287</u>	<u>737,997</u>	<u>35,290</u>
Sites and buildings				
Salaries	53,235	61,152	73,340	(12,188)
Fringe benefits	3,460	16,660	19,142	(2,482)
Purchased services	1,813,960	1,881,560	1,888,537	(6,977)
Supplies and materials	65,000	65,000	42,267	22,733
Rental and lease	-	92,912	156,530	(63,618)
Total sites and buildings	<u>1,935,655</u>	<u>2,117,284</u>	<u>2,179,816</u>	<u>(62,532)</u>
Fiscal and other fixed cost programs				
Purchased services	<u>25,000</u>	<u>25,000</u>	<u>22,801</u>	<u>2,199</u>
Total current expenditures	<u>7,144,853</u>	<u>7,310,626</u>	<u>7,388,076</u>	<u>(77,450)</u>
Capital outlay				
District support services	-	-	45	(45)
Elementary and secondary regular instruction	1,027	500	477	23
Special education instruction	1,040	-	-	-
Sites and buildings	-	35,000	34,920	80
Total capital outlay	<u>2,067</u>	<u>35,500</u>	<u>35,442</u>	<u>58</u>
Total Expenditures	<u>7,146,920</u>	<u>7,346,126</u>	<u>7,423,518</u>	<u>(77,392)</u>
Excess of Revenues Over Expenditures	<u>71,406</u>	<u>250,559</u>	<u>157,117</u>	<u>(93,442)</u>
Other Financing Sources (Uses)				
Transfers out	(65,302)	(35,875)	(51,354)	(15,479)
Loan issued	-	-	219,660	219,660
Total Other Financing Sources (Uses)	<u>(65,302)</u>	<u>(35,875)</u>	<u>168,306</u>	<u>204,181</u>
Net Change in Fund Balances	6,104	214,684	325,423	110,739
Fund Balances, July 1	<u>296,353</u>	<u>296,353</u>	<u>296,353</u>	<u>-</u>
Fund Balances, June 30	<u>\$ 302,457</u>	<u>\$ 511,037</u>	<u>\$ 621,776</u>	<u>\$ 110,739</u>

Fiscal Compliance Report - 6/30/2019
District: ATHLOS ACADEMY OF ST.CLD (4250-7)

	Audit	UFARS	Audit - UFARS		Audit	UFARS	Audit - UFARS
01 GENERAL FUND				06 BUILDING CONSTRUCTION			
Total Revenue	\$7,580,635	<u>\$7,580,626</u>	<u>\$9</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$7,423,518	<u>\$7,423,510</u>	<u>\$8</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Non Spendable:</i>				<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$77,721	<u>\$77,721</u>	<u>\$0</u>	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>				<i>Restricted / Reserved:</i>			
4.03 Staff Development	\$0	<u>\$0</u>	<u>\$0</u>	4.07 Capital Projects Levy	\$0	<u>\$0</u>	<u>\$0</u>
4.06 Health and Safety	\$0	<u>\$0</u>	<u>\$0</u>	4.13 Project Funded by COP	\$0	<u>\$0</u>	<u>\$0</u>
4.07 Capital Projects Levy	\$0	<u>\$0</u>	<u>\$0</u>	4.67 LTFM	\$0	<u>\$0</u>	<u>\$0</u>
4.08 Cooperative Revenue	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted:</i>			
4.13 Project Funded by COP	\$0	<u>\$0</u>	<u>\$0</u>	4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.14 Operating Debt	\$0	<u>\$0</u>	<u>\$0</u>	<i>Unassigned:</i>			
4.16 Levy Reduction	\$0	<u>\$0</u>	<u>\$0</u>	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.17 Taconite Building Maint	\$0	<u>\$0</u>	<u>\$0</u>				
4.24 Operating Capital	\$0	<u>\$0</u>	<u>\$0</u>	07 DEBT SERVICE			
4.26 \$25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
4.27 Disabled Accessibility	\$0	<u>\$0</u>	<u>\$0</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.28 Learning & Development	\$0	<u>\$0</u>	<u>\$0</u>	<i>Non Spendable:</i>			
4.34 Area Learning Center	\$0	<u>\$0</u>	<u>\$0</u>	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.35 Contracted Alt. Programs	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted / Reserved:</i>			
4.36 State Approved Alt. Program	\$0	<u>\$0</u>	<u>\$0</u>	4.25 Bond Refundings	\$0	<u>\$0</u>	<u>\$0</u>
4.38 Gifted & Talented	\$0	<u>\$0</u>	<u>\$0</u>	4.33 Maximum Effort Loan Aid	\$0	<u>\$0</u>	<u>\$0</u>
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	<u>\$0</u>	4.51 QZAB Payments	\$0	<u>\$0</u>	<u>\$0</u>
4.41 Basic Skills Programs	\$0	<u>\$0</u>	<u>\$0</u>	4.67 LTFM	\$0	<u>\$0</u>	<u>\$0</u>
4.48 Achievement and Integration	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted:</i>			
4.49 Safe School Crime - Crime Levy	\$0	<u>\$0</u>	<u>\$0</u>	4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.50 Pre-Kindergarten	\$0	<u>\$0</u>	<u>\$0</u>	<i>Unassigned:</i>			
4.51 QZAB Payments	\$0	<u>\$0</u>	<u>\$0</u>	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>				
4.53 Unfunded Sev & Retirement Levy	\$0	<u>\$0</u>	<u>\$0</u>	08 TRUST			
4.59 Basic Skills Extended Time	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
4.67 LTFM	\$0	<u>\$0</u>	<u>\$0</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.72 Medical Assistance	\$0	<u>\$0</u>	<u>\$0</u>	4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>							
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>	20 INTERNAL SERVICE			
4.75 Title VII Impact Aid	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
4.76 Payments in Lieu of Taxes	\$0	<u>\$0</u>	<u>\$0</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Committed:</i>				4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
4.18 Committed for Separation	\$0	<u>\$0</u>	<u>\$0</u>				
4.61 Committed Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>	25 OPEB REVOCABLE TRUST			
<i>Assigned:</i>				Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
4.62 Assigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Unassigned:</i>				4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
4.22 Unassigned Fund Balance	\$544,055	<u>\$544,055</u>	<u>\$0</u>				
				45 OPEB IRREVOCABLE TRUST			
02 FOOD SERVICES				Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Revenue	\$372,591	<u>\$372,591</u>	<u>\$0</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>

Minnesota Department of Education

Total Expenditures	\$397,097	<u>\$397,097</u>	<u>\$0</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance <i>Restricted / Reserved:</i>	\$0	<u>\$0</u>	<u>\$0</u>
4.52 OPEB Liab Not In Trust <i>Restricted:</i>	\$0	<u>\$0</u>	<u>\$0</u>
4.64 Restricted Fund Balance <i>Unassigned:</i>	\$0	<u>\$0</u>	<u>\$0</u>
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

04 COMMUNITY SERVICE

Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance <i>Restricted / Reserved:</i>	\$0	<u>\$0</u>	<u>\$0</u>
4.26 \$25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>
4.31 Community Education	\$0	<u>\$0</u>	<u>\$0</u>
4.32 E.C.F.E	\$0	<u>\$0</u>	<u>\$0</u>
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	<u>\$0</u>
4.44 School Readiness	\$0	<u>\$0</u>	<u>\$0</u>
4.47 Adult Basic Education	\$0	<u>\$0</u>	<u>\$0</u>
4.52 OPEB Liab Not In Trust <i>Restricted:</i>	\$0	<u>\$0</u>	<u>\$0</u>
4.64 Restricted Fund Balance <i>Unassigned:</i>	\$0	<u>\$0</u>	<u>\$0</u>
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
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47 OPEB DEBT SERVICE

Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance <i>Restricted:</i>	\$0	<u>\$0</u>	<u>\$0</u>
4.25 Bond Refundings	\$0	<u>\$0</u>	<u>\$0</u>
4.64 Restricted Fund Balance <i>Unassigned:</i>	\$0	<u>\$0</u>	<u>\$0</u>
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

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OTHER REQUIRED REPORTS

ATHLOS ACADEMY OF ST. CLOUD
CHARTER SCHOOL NO. 4250
ST. CLOUD, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2019

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INDEPENDENT AUDITOR'S REPORT
ON MINNESOTA LEGAL COMPLIANCE

Members of the Board of Education
Athlos Academy of St. Cloud
Charter School No. 4250
St. Cloud, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of the financial statements of the governmental activities and each major fund of the Athlos Academy of St. Cloud (the Academy), St. Cloud, Minnesota as of June 30, 2019 and for the year ended June 30, 2019, and the related notes to the financial statements, and have issued our report thereon dated December 3, 2019.

The *Minnesota Legal Compliance Audit Guide for Charter Schools*, promulgated by the State Auditor pursuant to Minnesota Statute § 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 noted in the Schedule of Findings and Responses as findings 2019-004 and 2019-005. 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 Academy's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The Academy's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
December 3, 2019



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

Members of the Board of Education
Athlos Academy of St. Cloud
Charter School No. 4250
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 governmental activities and each major fund of Athlos Academy of St. Cloud, (the Academy), ST. CLOUD, MINNESOTA, as of June 30, 2019 and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated December 3, 2019.

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.

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. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2019-001 to be a material weakness.

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. We consider the deficiencies described in the accompany schedule of findings and responses as items 2019-002 and 2019-003 to be significant deficiencies.

Compliance and Other Matters

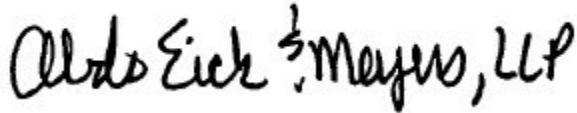
As part of obtaining reasonable assurance about whether the Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as findings 2019-004 and 2019-005.

The Academy's Response to the Findings

The Academy's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. The Academy's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.



ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
December 3, 2019

Athlos Academy of St. Cloud
Charter School No. 4250
St. Cloud, Minnesota
Schedule of Findings and Responses
June 30, 2019

<u>Finding</u>	<u>Description</u>
2019-001	Prior Period Adjustment
<i>Condition:</i>	A prior period adjustment of \$26,848 was made for the reduction of food service revenue recognized in fiscal year 2018 which should have been and is currently recorded as fiscal year 2019 revenue.
<i>Criteria:</i>	Revenue should be recorded when it is measurable and available.
<i>Cause:</i>	In fiscal year 2018, September 2019 food service receipts were incorrectly identified as receipts received for fiscal year 2018 food service funding and were recorded in fiscal year 2018 as revenue and accounts receivable.
<i>Effect:</i>	In the Food Service fund and the Governmental Activities, beginning fund balance and net position, respectively, was overstated.
<i>Recommendation:</i>	We recommend the Academy review the process for recording year end receivables.
<i>Management Response:</i>	
	For the 2019 audit, the Academy has properly reviewed ending receivable balances and has recorded the prior period adjustment.

2019-002	Authorized Signers
<i>Condition:</i>	During our audit, we noted the former Director of Finance for Athlos Leadership Academy and former Athlos Academy Treasurer were still signers on the US Bank accounts.
<i>Criteria:</i>	Bank signers should only be current employees or board members.
<i>Cause:</i>	Before the audit started, the Academy started the process for transitioning the signors from the former Director of Finance and Treasurer to the current Director and Treasurer. However, the process was not completed and the signors did not get changed.
<i>Effect:</i>	The Academy is exposed to additional risk that a former employee will access their bank accounts which could lead to misappropriation of the Academy's assets.
<i>Recommendation:</i>	We recommend that when signors need to be changed, the Academy implement a follow up process with the bank to ensure the transitions have been made.
<i>Management Response:</i>	
	Management understands the risk and has followed up with the bank to ensure signors were properly changed.

Athlos Academy of St. Cloud
Charter School No. 4250
St. Cloud, Minnesota
Schedule of Findings and Responses (Continued)
June 30, 2019

<u>Finding</u>	<u>Description</u>
2019-003	Proper Supporting Documentation
<i>Condition:</i>	During our audit, it came to our attention the Academy did not have proper support on file to support payments.
<i>Criteria:</i>	Internal controls should be in place to ensure all payments are supported with documentation.
<i>Cause:</i>	During our audit, we found one invoice from August 2018 that could not be supported by an original invoice.
<i>Effect:</i>	The Academy's internal controls did not provide proper supporting documentation.
<i>Recommendation:</i>	We recommended that the Academy develop a procedure to keep track of original invoices and to automatically put the invoice in the corresponding folder after approval for payment.

Management Response:

Management believes that current procedures are sufficient to prevent future issues.

2019-004	Time Period for Payment
<i>Condition:</i>	Auditing for legal compliance requires a review of the Academy's payment of claims. Our study indicated multiple instances of non-compliance that we believe is required to be remedied.
<i>Criteria:</i>	Minnesota statute section 471.425 requires that the Academy pay bills within 35 days from receipt. If the invoice is not paid within the 35 days, interest at 1.5 percent per month is to be added to amount due.
<i>Cause:</i>	We noted five invoices from September, November and December 2018 that were paid after the 35 day period. This is the second year with payments noted after the 35 day period. The invoices
<i>Effect:</i>	The Academy is in violation of this statute.
<i>Recommendation:</i>	We recommend that the Academy develop policies and procedures related to the accounts payable cycle. These policies and procedures should include payment terms that are outlined within State statutes. Implementing this recommendation will not result in any additional cost to the Academy.

Management Response:

Management believes that current procedures are sufficient to prevent future noncompliance.

Athlos Academy of St. Cloud
Charter School No. 4250
St. Cloud, Minnesota
Schedule of Findings and Responses (Continued)
June 30, 2019

<u>Finding</u>	<u>Description</u>
2019-005	Annual Delegation of Depository
<i>Condition:</i>	During our audit we noted the Academy did not complete the annual delegation of depositories.
<i>Criteria:</i>	Minnesota statute §118A.02 sets certain requirements for the Academy's deposits. The Academy must annually designate each of its depositories. This is generally done at the beginning of the fiscal year.
<i>Cause:</i>	The Academy was unaware of the requirement and did not make the annual delegation.
<i>Effect:</i>	The Academy is out of compliance with Minnesota statute.
<i>Recommendation:</i>	We recommend that the Academy review the statute and annually complete the delegation.
<i>Management Response:</i>	
	The Academy will implement the recommendations in 2020.



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Following is our response to findings in the audit as of June 30, 2019:

FINDING 2019-001

A prior period adjustment of \$26,848 was made for the reduction of food service revenue recognized in fiscal year 2018, which should have been and is currently recorded as fiscal year 2019 revenue.

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

2. Action Planned in Response to Finding:

Management is aware of the issue and will implement the suggested procedures.

3. Official Responsible for Ensuring CAP:

Randy Vetsch, Executive Director, would be responsible for procedures.

4. Planned Completion Date for CAP:

Procedures will be implemented in the current fiscal year.

5. Plan to Monitor Completion of CAP:

Randy Vetsch, Executive Director, will review the process for recording receivables and ensure compliance.

Sincerely,

A handwritten signature in black ink that reads 'Randy Vetsch'.

Randy Vetsch
Executive Director
Athlos Academy of St. Cloud
St. Cloud, Minnesota



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Following is our response to findings in the audit as of June 30, 2019:

FINDING 2019-002

During our audit, we noted that the former Director of Finance for Athlos Leadership Academy and former Athlos Academy Treasurer are still the signers for the US Bank accounts.

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

2. Action Planned in Response to Finding:

Management is aware of the issue and will implement the suggested procedures.

3. Official Responsible for Ensuring CAP:

Randy Vetsch, Executive Director, would be responsible for procedures.

4. Planned Completion Date for CAP:

Procedures will be implemented in the current fiscal year.

5. Plan to Monitor Completion of CAP:

Randy Vetsch, Executive Director, will review authorized signers and ensure compliance.

Sincerely,

A handwritten signature in black ink that reads 'Randy Vetsch'.

Randy Vetsch
Executive Director
Athlos Academy of St. Cloud
St. Cloud, Minnesota



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Following is our response to findings in the audit as of June 30, 2019:

FINDING 2019-003

During our audit, it came to our attention the Academy did not have proper support on file to support payments.

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

2. Action Planned in Response to Finding:

Management is aware of the issue and will implement the suggested procedures.

3. Official Responsible for Ensuring CAP:

Randy Vetsch, Executive Director, would be responsible for procedures.

4. Planned Completion Date for CAP:

Procedures will be implemented in the current fiscal year.

5. Plan to Monitor Completion of CAP:

Randy Vetsch, Executive Director, will review payments for proper support and ensure compliance.

Sincerely,

A handwritten signature in black ink that reads 'Randy Vetsch'.

Randy Vetsch
Executive Director
Athlos Academy of St. Cloud
St. Cloud, Minnesota

Following is our response to findings in the audit as of June 30, 2019:

FINDING 2019-004

Auditing for legal compliance requires a review of the Academy's payment of claims. Our study indicated multiple instances of non-compliance that we believe is required to be remedied.

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

2. Action Planned in Response to Finding:

Management is aware of the issue and will implement the suggested procedures.

3. Official Responsible for Ensuring CAP:

Randy Vetsch, Executive Director, would be responsible for procedures.

4. Planned Completion Date for CAP:

Procedures will be implemented in the current fiscal year.

5. Plan to Monitor Completion of CAP:

Randy Vetsch, Executive Director, will review payment of claims and ensure compliance.

Sincerely,



Randy Vetsch
Executive Director
Athlos Academy of St. Cloud
St. Cloud, Minnesota

Following is our response to findings in the audit as of June 30, 2019:

FINDING 2019-005

During our audit we noted the Academy did not complete the annual delegation of depositories.

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

2. Action Planned in Response to Finding:

Management is aware of the issue and will implement the suggested procedures.

3. Official Responsible for Ensuring CAP:

Randy Vetsch, Executive Director, would be responsible for procedures.

4. Planned Completion Date for CAP:

Procedures will be implemented in the current fiscal year.

5. Plan to Monitor Completion of CAP:

Randy Vetsch, Executive Director, will review annual delegation of depositories and ensure compliance.

Sincerely,



Randy Vetsch
Executive Director
Athlos Academy of St. Cloud
St. Cloud, Minnesota